

CITY OF LENOIR CITY, TENNESSEE

**BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER
SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2011

and

INDEPENDENT AUDITOR'S REPORT

CITY OF LENOIR CITY, TENNESSEE
BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2011

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CITY OF LENOIR CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2011

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INTRODUCTORY SECTION

CITY OF LENOIR CITY



CITY COUNCIL

Mike Henline
Douglas "Buddy" Hines
Bobby Johnson, Sr.
Jim Shields
Eddie Simpson
Harry Wampler

RECORDER PRO-TEMPORE
Jim Wilburn

CITY JUDGE
Terry vann

CITY ATTORNEY
James K. Scott

CITY ADMINISTRATOR
W. Dale Hurst.

Board of Mayor and Aldermen
City of Lenoir City
Lenoir City, Tennessee 37771

Dear Honorable Mayor and Board of Aldermen:

We are submitting the financial report for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. We believe the data, as presented, is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds, and all disclosures necessary to enable the reader to gain maximum understanding of the City's financial activities have been included.

Brown Jake & McDaniel, PC, a firm of licensed certified public accountants, has audited the City's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principals used and significant estimates made by management and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the year ended June 30, 2011 are fairly presented in conformity with the Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The financial report is presented in three sections: 1) the introductory section, which contains the transmittal letter and a listing of principal officials; 2) the financial section, which consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, the fund financial statements and other supplementary information; and 3) the internal control and compliance section, which contains reports issued by the auditor.

This report includes all funds required of the City. The City provides a full range of service including Police and Fire Protection, Highways and Streets, Utilities, Schools, Sanitation and Solid Waste, Recreational Activities and General Administrative Services.

Management of the City is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the government are protected from loss, theft or misuse and to insure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) The cost of the control should not exceed the benefits likely to be derived; and 2) The valuation of costs and benefits require estimates and judgments by management.

The City is responsible for insuring that an adequate internal control structure is in place to insure compliance with applicable laws and regulations related to the operations of the City. This internal control structure is subject to periodic evaluation by management. In addition, the City maintains budgetary controls. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Mayor and Aldermen. Activities of the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

The State requires an annual audit of our basic financial statements by an independent certified public accountant. Accordingly, this year's audit was completed by Brown Jake & McDaniel, PC. In addition to meeting the State requirements, the audit was also designed to meet Federal audit requirements.

Respectively submitted,

CITY OF LENOIR CITY, TENNESSEE

Jimmy Wilburn, City Treasurer/Recorder

W. Dale Hurst, City Administrator

CITY OF LENOIR CITY, TENNESSEE

List of Principal Officials

June 30, 2011

Board of Mayor and Aldermen

Tony Aikens, Mayor
Eddie Simpson, Vice Mayor
Mike Henline, Alderman
Douglas Hines, Alderman
Bobby Johnson, Sr., Alderman
James Shields, Alderman
Harry Wampler, Alderman

City Officials

W. Dale Hurst, City Administrator
James Wilburn III, City Recorder Pro-Tempore
Terry Vann, City Judge
James Scott, City Attorney

Board of Education

Wayne Miller, Director of Schools
Tony Aikens, Ex-Officio
Charles Cagle, Attorney

School Board Members

Rosemary Quillen, Chairperson
Rick Chadwick, Vice Chairman
Bobby Johnson, Sr.
Mitch Ledbetter
Glenn McNish, Sr.

Lenoir City Utilities Board

Shannon Littleton, General Manager
Suzan Williams, Assistant General Manager and
Manager of Accounting and Finance

Commissioners

Tony Aikens, Mayor and Chairman
Eddie Simpson, Vice Chairman and Board Member
Pat Beasley, Board Member
Joel Garber, Board Member
Mike Henline, Board Member
Douglas Hines, Board Member
Bobby Johnson, Sr., Board Member
James Shields, Board Member
Harry Wampler, Board Member

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
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 KNOXVILLE, TENNESSEE 37919-3336
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 FRANK D. McDANIEL, CPA, CGFM
 TERRY L. MOATS, CPA
 JAMES E. BOOHER, CPA

MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Mayor and Alderman
 City of Lenoir City, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lenoir City, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lenoir City, Tennessee at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and General Purpose School Fund of the City of Lenoir City, Tennessee for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2012 on our consideration of the City of Lenoir City, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. In accordance with OMB Circular A-133, we have also issued our report dated April 23, 2012 on our consideration of the City of Lenoir City, Tennessee's internal control over major programs and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the City of Lenoir City, Tennessee's basic financial statements taken as a whole. The introductory section and the other supplementary information are presented for purposes of additional analysis and is not a required part of the financial statements of City of Lenoir City. The other supplementary information and the schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The other supplementary information and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Brown Lake & McDaniel, PC

April 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Lenoir City, Tennessee's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

Governmental-Type Activities

The net assets of the City increased by \$2,092,502 or 9.0 percent.

General revenues accounted for \$16,417,536 or 53 percent of total revenue. Program specific revenues in the form of charges for services, operating grants, capital grants and contributions accounted for \$14,723,529 or 47 percent of total revenues of \$31,141,065.

Among major funds, the General Fund had \$8,452,779 in revenues, debt issues and transfers and \$7,995,313 in expenses and transfers. The fund balance for the General Fund increased \$457,466.

The General Purpose School Fund had \$18,996,337 in revenues and transfers and \$20,171,141 in expenses and transfers. The fund balance for the General Purpose School Fund decreased \$1,174,804. This was mainly due to construction and renovation projects at the Lenoir City Middle School and Lenoir City High School football stadium.

Business-Type Activities

The Lenoir City Utilities Board's (the Utilities Board) net capital assets increased by \$6.1 million or 3.60 percent.

The Utilities Board's total net assets increased by \$12.0 million or 9.1 percent.

During the year, the Utilities Board's total revenues increased by \$18.0 million or 11.8 percent.

During the year, the Utilities Board's total expense increased by \$18.6 million or 13.4 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as

what remains for future spending. The fund financial statements also look at the City's most significant funds with all other Nonmajor funds presented in one column. In the case of the City, the General Fund and the General Purpose School Fund are by far the most significant funds. The City's business-type activities consist of utility services for electricity, natural gas, water and wastewater treatment provided by the Lenoir City Utilities Board.

The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the City's business-type activities, cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities; and provides answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

REPORTING THE CITY AS A WHOLE

The *Statement of Net Assets* and the *Statement of Activities*

While this document contains the funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "how did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the City's tax base, facility condition, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the City reports governmental activities and business-type activities. Governmental activities are the activities where most of the City's programs and services are reported, including, but not limited to, general services, public safety, highways and streets, recreation, and education. The City of Lenoir City has one business-type activity, the Lenoir City Utilities Board (LCUB). LCUB provides electric, natural gas, water, and wastewater services to the City and adjacent areas of Loudon and Knox Counties.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund and the General Purpose School Fund.

Governmental Funds

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

THE CITY AS A WHOLE

The **Statement of Net Assets** provides the perspective of the City as a whole. Table 1 provides a summary of the City of Lenoir City's net assets for 2011 and 2010.

Table 1
Net Assets

<u>ASSETS</u>	Governmental-Type Activities		Business-Type Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 13,955,513	\$ 16,060,689	\$ 61,969,090	\$ 52,238,171
Capital assets	<u>39,326,652</u>	<u>35,330,991</u>	<u>172,664,993</u>	<u>166,595,507</u>
Total assets	<u>\$ 53,282,165</u>	<u>\$ 51,391,680</u>	<u>\$ 234,634,083</u>	<u>\$ 218,833,678</u>
<u>LIABILITIES</u>				
Long-term liabilities	\$ 23,473,172	\$ 22,754,804	\$ 51,655,339	\$ 47,874,830
Other liabilities	<u>4,517,707</u>	<u>5,438,092</u>	<u>39,010,482</u>	<u>38,971,942</u>
Total liabilities	<u>\$ 27,990,879</u>	<u>\$ 28,192,896</u>	<u>\$ 90,665,821</u>	<u>\$ 86,846,772</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 18,374,369	\$ 14,919,041	\$ 123,387,979	\$ 118,611,292
Restricted	6,570,754	7,218,020	1,342,150	981,323
Unrestricted	<u>346,163</u>	<u>1,061,723</u>	<u>19,238,133</u>	<u>12,394,291</u>
Total net assets	<u>\$ 25,291,286</u>	<u>\$ 23,198,784</u>	<u>\$ 143,968,262</u>	<u>\$ 131,986,906</u>

Table 2 provides a summary of the City of Lenoir City's changes in net assets for 2011 and 2010.

Table 2
Statement of Revenues, Expenses and Changes in Net Assets

	Governmental-Type Activities		Business-Type Activities	
	2011	2010	2011	2010
Revenue:				
Program revenue:				
Charges for services	\$ 1,476,980	\$ 1,543,782	\$ 170,546,510	\$ 152,506,906
Operating grants and contributions	11,822,139	11,241,539	-	-
Capital grants and contributions	1,424,410	67,063	1,671,205	1,077,774
General revenue:				
Taxes:				
Sales taxes	4,698,546	4,483,714	-	-
Property taxes	7,236,164	6,673,066	-	-
In lieu of tax	96,450	94,538	-	-
Business taxes	299,313	248,551	-	-
Beer taxes	478,925	445,426	-	-
Income tax	40,279	18,329	-	-
Gas taxes	14,636	14,642	-	-
Excise taxes	2,617	18,061	-	-
Hotel/Motel tax	282,913	276,081	-	-
Adequate facilities tax	98,794	76,326	-	-
Other taxes	111,984	109,431	-	-
Interest earned	27,343	32,064	103,396	128,084
In-lieu of tax - enterprise fund transfer	2,559,554	2,469,669	(2,559,554)	(2,469,669)
Gain on sale of fixed assets	-	-	718,687	-
Miscellaneous	470,018	567,178	-	-
Total revenue	<u>31,141,065</u>	<u>28,379,460</u>	<u>170,480,244</u>	<u>151,243,095</u>
Program expenses:				
General government	2,569,385	2,481,800	-	-
Public safety	2,654,940	3,237,287	-	-
Drug enforcement	20,621	21,425	-	-
Highways and streets	836,196	938,714	-	-
State street aid	189,227	204,489	-	-
Sanitation	308,985	282,359	-	-
Culture and recreation	877,339	857,189	-	-
Community development	2,100	-	-	-
Downtown VIP	14,000	15,000	-	-
DEA asset forfeiture	34,570	12,968	-	-
Capital projects - Creekwood	27,873	25,537	-	-
Capital projects - City	1,515,331	1,154,469	-	-
Education	19,802,444	18,985,715	-	-
Utilities	-	-	157,939,435	139,294,290
Interest and fiscal charges	195,552	186,035	-	-
Total program expenses	<u>29,048,563</u>	<u>28,402,987</u>	<u>157,939,435</u>	<u>139,294,290</u>
Change in net assets	<u>2,092,502</u>	<u>(23,527)</u>	<u>12,540,809</u>	<u>11,948,805</u>
Net assets, beginning, as previously stated	23,198,784	23,222,311	131,986,906	120,038,101
Prior period adjustment	-	-	(559,453)	-
Net assets, beginning, as restated	<u>23,198,784</u>	<u>23,222,311</u>	<u>131,427,453</u>	<u>120,038,101</u>
Net assets, ending	<u>\$ 25,291,286</u>	<u>\$ 23,198,784</u>	<u>\$ 143,968,262</u>	<u>\$ 131,986,906</u>

Governmental-Type Activities

	Governmental-Type Activities	
	2011	2010
Revenues:		
Property taxes	23%	24%
Sales taxes	15%	16%
Grants and contributions	43%	40%
In-lieu of taxes	8%	9%
Other	11%	11%
	100%	100%
Expenses:		
Education	68%	67%
Public safety	9%	11%
Other	23%	22%
	100%	100%

Business-Type Activities

	Business-Type Activities	
	2011	2010
Revenues:		
Charges for utility services	99%	99%
Other	1%	1%
	100%	100%

Expenses related to providing utility service to customers comprise 100 percent of the City's business-type activity expenses. Providing electric distribution services represents the largest portion of the business activities provided by the City.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General government	\$ 2,569,385	\$ 2,551,997	\$ 2,481,800	\$ 2,462,535
Public safety	2,654,940	2,132,038	3,237,287	2,641,998
Drug enforcement	20,621	(55,414)	21,425	(58,368)
Highways and streets	836,196	803,574	938,714	890,687
State street aid	189,227	2,503	204,489	23,373
Sanitation	308,985	(26,759)	282,359	(55,910)
Culture and recreation	877,339	673,927	857,189	692,221
Community development	2,100	-	-	-
Downtown VIP	14,000	(6,000)	15,000	15,000
DEA asset forfeiture	34,570	20,815	12,968	(9,372)
Capital projects - City #2	27,873	(5,013)	25,537	25,537
Capital projects - City	1,515,331	146,472	1,154,469	1,154,469
Education	19,802,444	7,891,342	18,985,715	7,582,398
Interest and fiscal charges	195,552	195,552	186,035	186,035
	<u>\$ 29,048,563</u>	<u>\$ 14,325,034</u>	<u>\$ 28,402,987</u>	<u>\$ 15,550,603</u>

General government includes activities of the judicial, legislative and executive branches of the City, as well as financial administration, legal, industrial development, municipal building operations and maintenance, and any other activity not specifically included in a separate program.

Public safety includes activities of the police, fire and codes enforcement.

Drug enforcement includes specific police activity related to the eradication of illegal drug use, production and distribution.

Highways and streets include activities related to the operation and maintenance of roads, streets, sidewalks, alleys, and all related activities.

State street aid includes the administration of gas taxes restricted for the maintenance of City roads, sidewalks, etc.

Sanitation includes all the activities of solid waste collection and removal for the City.

Culture and recreation includes all the activities of the parks, community centers and libraries.

Community development includes all the activities of the HOMES grant.

Downtown VIP is reserved for cost sharing grants from the City to downtown business owners for storefront revitalization.

DEA asset forfeiture includes all the revenue generated from DEA forfeitures and seizures and the restricted expenditures of those funds for the police department.

Capital projects - City and City #2 includes all activities related to capital outlay and to the construction of Town Creek Road extension, respectively.

Education includes all activity of the Lenoir City Board of Education.

Interest and fiscal charges is the activity associated with the payment of the School System's debt.

The dependence upon tax revenue is apparent. Education activities supported through taxes and other general revenues amounted to 45 and 44 percent for the fiscal year ended 2011 and 2010. All other activities supported through taxes and other general revenues amounted to 80 and 85 percent for the fiscal year ended 2011 and 2010. The community as a whole is the primary support for the City.

CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES

Changes in the Lenoir City Utilities Board's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Assets for the year 2011 and 2010.

Table 4
Statement of Revenues, Expenses, and Changes in Net Assets

Business-Type Activities		
	2011	2010
Revenues:		
Operating revenues	\$ 170,546,510	\$ 152,506,906
Non-operating revenues	103,396	128,084
Total revenues	<u>170,649,906</u>	<u>152,634,990</u>
Expenses:		
Purchased energy	130,983,493	113,788,971
Distribution and treatment	7,461,112	7,062,172
Customer account services expense	3,937,529	3,586,234
Administration and general expense	3,307,085	3,808,397
Maintenance expense	4,948,546	4,601,670
Depreciation expense	6,165,291	5,157,648
Interest and debt expense	1,136,379	1,289,198
Total expenses	<u>157,939,435</u>	<u>139,294,290</u>
Income before contributions and transfers	12,710,471	13,340,700
Contributions from governments	1,671,205	1,077,774
Gain on sale of plant	718,687	-
Transfers to local government	(2,559,554)	(2,469,669)
Change in net assets	<u>12,540,809</u>	<u>11,948,805</u>
Net assets, beginning, as previously stated	131,986,906	120,038,101
Prior period adjustment	(559,453)	-
Net assets, beginning, as restated	<u>131,427,453</u>	<u>120,038,101</u>
Net assets, ending	<u>\$ 143,968,262</u>	<u>\$ 131,986,906</u>

Operating revenue increased 11.8% compared to the prior year. The Electric Department showed a 12.9% increase in revenue primarily due to TVA's fuel cost adjustments being higher in fiscal year 2011 versus fiscal year 2010. KWh sales were up 3% over the same period which also contributed to the higher revenue. Gas revenue decreased 8.4%, due to lower volumes of gas being sold, and due to lower prices being charged on gas sold because of lower wholesale natural gas prices in fiscal year 2011 compared to fiscal year 2010. The Water and Sewer Department - Water Division revenue decreased 1.1%, while usage increased 0.7%. Overall, operating revenue decreased due to fewer new construction projects and also due to a decrease in unbilled revenue. However, revenue solely from the sale of water increased 4.0%. The Water and Sewer Department - Sewer Division revenue increased 12.6%, due to 4.8% higher usage, rate increases, and an agreement from an insurance company to pay for infrastructure on the Town Creek/Tetra project. The number of electric customers increased 0.4% (246), gas customers increased 8.5% (436),

water customers increased 3.5% (286) and sewer customers increased 0.7% (33) during fiscal year 2011.

Total expenses increased by 13.4% primarily due to Purchased Energy costs, which increased due to higher TVA fuel cost adjustments in fiscal year 2011, and more energy purchases. Excluding Purchased Energy costs, other expenses increased \$1,450,622 or 5.7%. Distribution and Treatment Expense increased 5.6% mostly due to spreading more overhead to accounts in this category in 2011. Customer Account Services Expense increased 9.8% in large part due to more contract labor and billing preparation charged to this category in fiscal year 2011. Maintenance Expense increased 7.5%, largely due to more payroll was charged to these accounts and thus more overheads followed in fiscal year 2011. Depreciation increased 19.5% due to additional plant being added and some catch up depreciation. However, Administrative and General Expense decreased 13.2%, mostly due to a large payout to former General Manager in fiscal year 2010. Also, Interest and Amortization of Debt Expense decreased 11.9% due to historically low interest rates on variable debt and the Electric Department continues to pay off its long-term debt.

Even though there were no acquisitions by KUB during the current year, future annexation by the City of Knoxville or unified government by Knox County could result in additional loss of electric plant in the future years.

THE CITY'S FUNDS

Information about the City's major funds is detailed in the Financial Section of the financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, debt issues and transfers of \$33,993,430 and \$43,834,639 and expenditures and transfers of \$35,208,678 and \$40,765,722 for the fiscal years 2011 and 2010. The amounts of expenditures and transfers in excess of revenues, debt issues and transfers in 2011 were due mainly to the construction and renovation of the intermediate school and Lenoir City High School football stadium paid for from a prior year bond issue. The amounts of expenditures and transfers in excess of revenues, debt issues and transfers in 2010 were due mainly to the new bond issue for construction and renovation of the intermediate school and Lenoir City High School football stadium.

As the City completed the current year, all governmental funds had a balance of \$8,089,720, a decrease of \$1,215,248 over 2010. This decrease was mainly due to the continuing construction at the schools that began at the beginning of 2010 and was to be completed in 2011. In the prior year, all governmental funds had a fund balance of \$9,304,968, an increase of \$3,068,917 over 2009. This increase was mainly due to a new debt issuance for construction at the schools that began at the beginning of 2010 and was completed in 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared according to Tennessee law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds, however, are the General Purpose School Fund and the General Fund.

The City amended the General Fund budget at the end of the 2011 fiscal year. The most significant amendments were related to taxes, special police and street services, donations, transfers, employee benefits, special events and interest expense.

GENERAL PURPOSE SCHOOL FUND BUDGETARY HIGHLIGHTS

The School System's budget is prepared according to Tennessee law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Purpose School Fund.

The school system amended its budget at the end of the 2011 fiscal year. The most significant items amended were capital outlay costs due to construction, transportation equipment due to purchase of school buses and teachers' salaries due to federal Education Jobs Funding. Overall budgeted expenditures increased by \$4,849,385, a 29 percent increase.

The final budgeted estimate for revenue was \$16,955,428. The original budgeted estimate was \$16,243,037. Increases in county property taxes, local sales taxes and state Basic Education Program Funding provided growth in revenues. Budgeted revenues increased by 4 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Governmental-Type Activities

At the end of fiscal year 2011 and 2010, the City had \$39,326,652 and \$35,330,990 invested in land, buildings and improvements, machinery and equipment, and vehicles. Table 5 shows fiscal 2011 and 2010 balances.

Table 5
Capital Assets (Net of Depreciation) at June 30

Governmental-Type Activities		
	2011	2010
Land	\$ 3,313,986	\$ 3,313,986
Buildings and improvements	22,684,230	19,530,310
Machinery and equipment	822,563	664,005
Vehicles	1,593,100	1,297,953
Street network	10,912,773	10,524,736
	<u>\$ 39,326,652</u>	<u>\$ 35,330,990</u>

Overall capital assets increased by \$3,995,662 and \$1,165,201 in fiscal year 2011 and 2010; and, depreciation expenses for these years amounted to \$1,280,280 and \$1,284,267, respectively. Major additions for 2011 were the construction and renovation of the High School football stadium and the Lenoir City Middle School, city and school vehicles, a city fire truck and fire equipment, as well as a new street.

Major additions for 2010 were the construction and renovation of the High School football stadium and the Lenoir City Middle School, school cafeteria equipment, and city vehicles.

Capital Assets - Business-Type Activities

At the end of fiscal year 2011, the Utilities Board had a net amount of \$172.7 million invested in a broad range of utility capital assets, including its electric distribution, water treatment plant, water distribution mains, water storage facilities, pump stations, sewer treatment plant, office buildings, and warehouses. This amount represents a net increase of \$6.1 million or 3.6% over the prior year.

At the end of fiscal year 2010, the Utilities Board had a net amount of \$166.6 million invested in a broad range of utility capital assets, including its electric distribution, water treatment plant, water distribution mains, water storage facilities, pump stations, wastewater treatment plant, office buildings, and warehouses. This amount represents an increase of \$14.3 million or 9.4 percent over the prior year.

Table 6
Capital Assets (Net of Depreciation) at June 30
(Dollars in Thousands)

Business-Type Activities		
	2011	2010
Net Utility Plant:		
Electric	\$ 116,254	\$ 114,414
Water	17,470	16,216
Gas	6,786	7,113
Sewer	32,155	28,853
	<u>\$ 172,665</u>	<u>\$ 166,596</u>
<hr/>		
Major additions include:		
	2011	2010
Electric:		
Distribution plant	\$ 7,774,113	\$ 8,280,194
General plant	347,529	422,295
Construction work in progress	-	1,984,336
Gas:		
Distribution plant	\$ 92,949	\$ 321,219
General plant	932	1,936
Construction work in progress	138,566	-
Water:		
Treatment and distribution plant	\$ 1,857,116	\$ 2,094,887
General plant	45,871	28,566
Sewer:		
Treatment and distribution plant	\$ 27,762	\$ 4,118,665
General plant	13,405	35,191
Construction work in progress	4,001,551	2,427,855

Some of the projects in the Water and Sewer Department rehabilitated deteriorating lines in the older sections of town and the impact on operating and maintenance expenses is expected to be favorable. However, new sewer revenue, resulting from growth, in the older section of town is minimal. Expansion projects planned for future years, such as on Highway 321, should provide for more than average growth.

The Utilities Board's fiscal year 2012 capital budget plans for investing another \$12.0 million in capital projects including the following:

Electric system upgrades and improvements	\$ 4,485,000
Electric distribution plant	4,065,000
Electric substations	1,225,000
Transportation equipment	410,000
Information technology	200,000
Office renovation	200,000
Other equipment	31,000
Water line extensions and rehabilitations	775,000
Water meter replacements	23,000
Water equipment	28,321
Sewer booster stations	50,000
Sewer extensions	5,000
Sewer smoke testing, cleaning, videoing	80,000
Sewer treatment plant improvements/expansions	300,000
SCADA - Sewer	10,000
Gas meter/regulators	72,476
Gas extensions	15,625
Farm taps/leak detectors	1,500
Gas equipment	7,400
	<u>\$11,984,322</u>

The Utilities Board plans to continue using cash flow to fund the capital budget for the Electric Department's upcoming year, assuming expenses are within budget and no disasters or emergencies occur. The Utilities Board may possibly need to issue electric revenue bonds in the next fiscal year if cash generated from operations is not sufficient to cover needed expansion. The Gas Department is looking into borrowing funds for new projects. The State of Tennessee Revolving Loan Fund and the State of Tennessee Municipal Loan Bond Fund are being used to finance Water and Sewer Department projects.

Debt Administration - Governmental-Type Activities

The City has a credit rating of Baa, with no change to the credit rating in the past fiscal year. In addition, the City routinely purchases bond insurance on all bond issues. This brings the bond rating for the individual bonds to AAA. The City charter does not limit the amount of debt that can be issued.

At June 30, 2011, the City had a long-term debt totaling \$20,952,283 with \$1,828,869 due within one year. Interest on debt ranges from 0.27% to 4.24%.

Debt Administration - Business-Type Activities

At June 30, 2011, the Utilities Board's Electric Department had outstanding insured revenue bonds in the amount of \$15.6 million. Debt service schedules go to 2021. Interest rates range from 4.45% to 5.38% on these bonds. All outstanding bonds are insured and rated AAA. Principal payments are due June 1 of each year. The next principal payment of \$2,785,000 is due June 1, 2012.

The amount of outstanding long-term debt in the Gas and Water and Sewer Departments at June 30, 2011, was \$33.8 million; however, another \$1.0 million is scheduled to be drawn down on existing debt issues during 2012. Debt service schedules go to 2037. Total principal payments of \$1,237,635 (including an estimated amount for state revolving fund debt for which an amortization schedule has not been established) are due in 2012. This debt consists of capital outlay notes, Rural Development Loans, State Revolving Fund Loans and TML Bond Fund Loans. The interest rates are variable and fixed, ranging from 0.27% to 5.25% on the long-term debt at June 30, 2011.

CURRENT FINANCIAL ISSUES AND CONCERNS

Governmental-Type Activities

Notwithstanding the confining national and local economic downturn (recession), local economic factors show some signs of positive performance. Sales tax revenues are beginning to "rebound"; revenues are certainly not back to pre-recessionary levels but this "uptick" in local and state revenue may indicate and point to a local recovery in this revenue arena. The City remains optimistic with the anticipated return to development of the Highway 321 business corridor. As the economy rebounds, the City will be in a good economic position with such areas as Creekwood (250 acres) and Town Creek (320 acres) developments. The necessary infrastructure is or will soon be in place in order for these important commercial developments to be poised for economic activity. The City continues to see modest growth in its property tax base. The City continues to focus on prudent and conservative fiscal management of the City's resources (budget); this will enable the City to emerge from the recession a leaner and stronger economic engine for this community.

Schools

Certain local economic factors present a favorable outlook for the Lenoir City School System, in spite of the down turn in the economy. The Hwy 321 business district continues to develop and is projected to contribute to economic recovery. Increases in student enrollment have contributed to increased Basic Education Program revenue from the state and a larger per pupil share of county taxes.

A concern that remains in the forefront of the minds of the administration and Board of Education is the uncertain state financial situation. Although the state budget currently provides level funding for education, loss of federal State Fiscal Stabilization Funds may necessitate budget cuts for some state programs.

A reduction in the capital outlay unit cost used in the funding formula for the Basic Education Program for fiscal year 2012 generates additional concerns. The reduction of this factor caused many school systems, including Lenoir City, to enter the stability phase of state funding. Under this provision, systems are held harmless for funding reduction for one year. Without the restoration of the capital outlay unit cost to previous levels in fiscal year 2013, the school system may experience a reduction in state funding.

These scenarios require the school system to plan carefully and prudently to provide resources to meet student needs over the next several years.

In conclusion, the Lenoir City School System has committed itself to financial excellence for many years. The school system has not required the passage of new taxes to fund programs in over twenty-five years. In addition, the school system's system of budgeting and internal financial controls is well regarded. The school system plans to continue its sound financial management to meet the challenges of the future.

Business-Type Activities

Electric revenue increased 12.9% in fiscal year 2011, although kWh sales only increased by 3.0%, so most of the revenue increase was due to TVA's fuel cost adjustments. We are projecting a slow growth pattern of 0% to 1% for fiscal year 2012. This should, however, provide adequate cash flow to complete the capital program necessary to maintain service levels where they are today.

The Gas Department rates are adjusted monthly to reflect the price of wholesale natural gas. The Board approved in 1994 for the Utilities Board to add a monthly adjustment onto the rates to recover the cost fluctuations in wholesale natural gas. The rate structure was revamped in fiscal year 2011 to ensure the Gas Department remains profitable. The Gas Department has also begun expanding its service territory, which will add more customers.

In the Water System, LCUB has experienced average growth. Current rates should provide adequate cash flow to fund the capital budget of the Water and Sewer Department - Water Division for fiscal year 2012, thus no rate increase is planned. The Water Division expects very little overall growth in coming years due to economic factors.

The Water and Sewer Department - Sewer Division implemented a 5% increase effective January 1, 2011, which should provide adequate cash flow for fiscal year 2012. The Sewer Division developed a new rate structure in 2008 to help fund a new Wastewater Treatment Plant, which has met state requirements. The Sewer Division expects very little overall growth in coming years due to economic factors.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City of Lenoir City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Jimmy Wilburn, City Recorder/Treasurer, at City of Lenoir City, P.O. Box 445, Lenoir City, Tennessee 37771.

CITY OF LENOIR CITY, TENNESSEE

Statement of Net Assets

June 30, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 8,326,364	\$ 32,064,223	\$ 40,390,587
Receivables:			
Property taxes (net of allowance for doubtful accounts of \$82,768)	219,881	-	219,881
Customers (net of allowance for doubtful accounts of \$493,885)	-	13,799,838	13,799,838
Unbilled property taxes	2,346,000	-	2,346,000
Unbilled revenue	-	6,654,585	6,654,585
Due from governmental units	1,898,821	-	1,898,821
Other	119,414	1,353,016	1,472,430
Internal balances	27,905	-	27,905
Inventories	30,370	1,526,077	1,556,447
Prepaid expenses	165,741	1,578,314	1,744,055
Total current assets	<u>13,134,496</u>	<u>56,976,053</u>	<u>70,110,549</u>
Capital assets:			
Land	3,313,986	2,742,963	6,056,949
Depreciable capital assets	54,047,744	207,698,071	261,745,815
	57,361,730	210,441,034	267,802,764
Less: Accumulated depreciation	18,035,078	67,923,140	85,958,218
	39,326,652	142,517,894	181,844,546
Construction work in progress	-	30,147,099	30,147,099
Total capital assets	<u>39,326,652</u>	<u>172,664,993</u>	<u>211,991,645</u>
Other assets:			
Deferred debits, net of amortization	-	308,850	308,850
Deposits	1,800	-	1,800
Investment in joint venture	819,217	-	819,217
Receivable - Town Creek Project	-	640,000	640,000
Receivable - Tennessee Valley Authority Residential Energy Services Program	-	4,044,187	4,044,187
Total other assets	<u>821,017</u>	<u>4,993,037</u>	<u>5,814,054</u>
Total assets	<u>\$ 53,282,165</u>	<u>\$ 234,634,083</u>	<u>\$ 287,916,248</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Statement of Net Assets
(Continued)

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Warrants payable	\$ 930,139	\$ -	\$ 930,139
Accounts payable	304,014	24,247,426	24,551,440
Accrued liabilities	666,927	3,804,836	4,471,763
Deferred revenue	269,931	-	269,931
Deferred revenue - unbilled property taxes	2,346,000	-	2,346,000
Internal balances	-	27,905	27,905
Customer deposits	-	5,312,802	5,312,802
Customer advances for construction	-	1,547,934	1,547,934
Other liabilities	-	98,548	98,548
Long-term liabilities:			
Due within one year	1,828,869	3,690,851	5,519,720
Total current liabilities	<u>6,345,880</u>	<u>38,730,302</u>	<u>45,076,182</u>
Long-term liabilities:			
Due in more than one year	21,340,453	45,586,163	66,926,616
Other postemployment benefits	303,850	1,437,838	1,741,688
Net pension obligation	-	784,370	784,370
Other liabilities:			
Funds held in trust	696	-	696
Advances from Tennessee Valley Authority Residential Energy Services Program	-	4,127,148	4,127,148
Total liabilities	<u>27,990,879</u>	<u>90,665,821</u>	<u>118,656,700</u>
Net assets:			
Invested in capital assets, net of related debt	18,374,369	123,387,980	141,762,349
Restricted:			
Capital projects	131,587	-	131,587
DEA asset forfeiture	9,487	-	9,487
Debt service	626,623	1,342,150	1,968,773
Downtown VIP	6,000	-	6,000
Drug enforcement	61,709	-	61,709
Federal projects	101,973	-	101,973
Food service	370,213	-	370,213
Schools	5,239,980	-	5,239,980
State street aid	23,182	-	23,182
Unrestricted	346,163	19,238,132	19,584,295
Total net assets	<u>25,291,286</u>	<u>143,968,262</u>	<u>169,259,548</u>
Total liabilities and net assets	<u>\$ 53,282,165</u>	<u>\$ 234,634,083</u>	<u>\$ 287,916,248</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

Statement of Activities

For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 2,569,385	\$ 17,388	\$ -	\$ -	\$ (2,551,997)	\$ -	(2,551,997)
Public safety	2,654,940	478,311	44,591	-	(2,132,038)	-	(2,132,038)
Drug enforcement	20,621	76,035	-	-	55,414	-	55,414
Highways and streets	836,196	32,057	-	565	(803,574)	-	(803,574)
State street aid	189,227	-	186,724	-	(2,503)	-	(2,503)
Sanitation	308,985	335,744	-	-	26,759	-	26,759
Culture and recreation	877,339	144,975	58,437	-	(673,927)	-	(673,927)
Community development	2,100	-	2,100	-	-	-	-
Downtown VIP	14,000	-	-	20,000	6,000	-	6,000
DEA asset forfeiture	34,570	13,755	-	-	(20,815)	-	(20,815)
Education	19,802,444	378,715	11,532,387	-	(7,891,342)	-	(7,891,342)
Capital projects - Creekwood	27,873	-	32,886	-	5,013	-	5,013
Capital projects - City	1,515,331	-	1,368,859	-	(146,472)	-	(146,472)
Interest and fiscal charges	195,552	-	-	-	(195,552)	-	(195,552)
Total governmental activities	29,048,563	1,476,980	11,822,139	1,424,410	(14,325,034)	-	(14,325,034)
Business-type activities:							
Lenoir City Utilities Board	157,939,435	170,546,510	-	1,671,205	-	14,278,280	14,278,280
Total business-type activities	157,939,435	170,546,510	-	1,671,205	-	14,278,280	14,278,280
Total primary government	\$ 186,987,998	\$ 172,023,490	\$ 11,822,139	\$ 3,095,615	(14,325,034)	14,278,280	(46,754)
General revenues:							
Taxes:							
Sales taxes					4,698,546	-	4,698,546
Property taxes					7,236,164	-	7,236,164
In-lieu of tax					96,450	-	96,450
Business taxes					299,313	-	299,313
Beer tax					478,925	-	478,925
Income tax					40,279	-	40,279
Gas taxes					14,636	-	14,636
Excise taxes					2,617	-	2,617
Hotel/Motel tax					282,913	-	282,913
Adequate facilities tax					98,794	-	98,794
Other taxes					111,984	-	111,984
Interest earned					27,343	103,396	130,739
Miscellaneous					470,018	-	470,018
In-lieu of tax - enterprise fund transfers					2,559,554	(2,559,554)	-
Gain on sale of fixed assets					-	718,687	718,687
Total general revenues and transfers					16,417,536	(1,737,471)	14,680,065
Change in net assets					2,092,502	12,540,809	14,633,311
Net assets - beginning, as previously stated					23,198,784	131,986,906	155,185,690
Prior period adjustment					-	(559,453)	(559,453)
Net assets - beginning, as restated					23,198,784	131,427,453	154,626,237
Net assets - ending					\$ 25,291,286	\$ 143,968,262	\$ 169,259,548

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

Balance Sheet - Governmental Funds

June 30, 2011

(With Comparative Totals for June 30, 2010)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2011	2010
ASSETS					
Cash and cash equivalents	\$ 1,448,996	\$ 5,171,102	\$ 1,706,266	\$ 8,326,364	\$ 11,146,621
Receivables:					
Property taxes (net of allowance for doubtful accounts of \$82,768)	219,881	-	-	219,881	164,030
Unbilled property taxes	2,346,000	-	-	2,346,000	2,300,000
Due from governmental units	426,267	1,117,920	354,634	1,898,821	1,315,572
Due from other funds	15,200	468,126	31,266	514,592	585,662
Inventories	-	-	30,370	30,370	26,811
Prepaid expenses	25,500	140,241	-	165,741	153,716
Other	119,414	-	-	119,414	104,369
Deposits	1,800	-	-	1,800	1,800
	<u>\$ 4,603,058</u>	<u>\$ 6,897,389</u>	<u>\$ 2,122,536</u>	<u>\$ 13,622,983</u>	<u>\$ 15,798,581</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Payable from current assets:					
Warrants payable	\$ -	\$ 930,139	\$ -	\$ 930,139	\$ 918,289
Accounts payable	101,816	133,521	68,677	304,014	727,930
Accrued liabilities	59,286	466,960	140,681	666,927	1,250,934
Due to other funds	1,559	-	485,128	486,687	557,109
Compensated absences	332,606	188,192	8,071	528,869	498,412
Deferred revenue	266,773	-	3,158	269,931	213,363
Deferred revenue - unbilled property taxes	2,346,000	-	-	2,346,000	2,300,000
Funds held in trust	-	-	696	696	27,576
Total liabilities	<u>3,108,040</u>	<u>1,718,812</u>	<u>706,411</u>	<u>5,533,263</u>	<u>6,493,613</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Balance Sheet - Governmental Funds
(Continued)

June 30, 2011
(With Comparative Totals for June 30, 2010)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2011	2010
LIABILITIES AND FUND BALANCES (Continued)					
Fund balances:					
Nonspendable:					
Inventories					
Prepaid expenses / deposits	\$ -	\$ -	\$ 30,370	\$ 30,370	\$ 26,811
Restricted:	\$ 27,300	140,241	-	167,541	155,516
Rockin the docks	21,378	-	-	21,378	10,950
Civil War signs	398	-	-	398	398
Sexual offender registry	3,171	-	-	3,171	3,607
General purpose school fund	-	5,038,336	-	5,038,336	6,203,990
Downtown VIP fund	-	-	6,000	6,000	-
Community development fund	-	-	1	1	1
Drug enforcement fund	-	-	61,709	61,709	37,653
State street aid fund	-	-	23,182	23,182	29,759
DEA asset forfeiture fund	-	-	9,487	9,487	30,268
Federal projects fund	-	-	101,973	101,973	275
Cafeteria fund	-	-	339,843	339,843	333,714
Debt service fund	-	-	626,623	626,623	664,008
Capital projects - schools fund	-	-	61,403	61,403	60,512
Capital projects - city fund #2	-	-	5,037	5,037	-
Committed:					
Sanitation fund	-	-	17,995	17,995	6,844
Downtown VIP fund	-	-	5,952	5,952	5,934
Capital projects - city fund	-	-	126,550	126,550	537,374
Capital projects - city fund #2	-	-	-	-	80,882
Federal projects fund	-	-	-	-	100,000
Unassigned	1,442,771	-	-	1,442,771	1,016,472
Total fund balances	1,495,018	5,178,577	1,416,125	8,089,720	9,304,968
	\$ 4,603,058	\$ 6,897,389	\$ 2,122,536	\$ 13,622,983	\$ 15,798,581

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

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

June 30, 2011

Total fund balances--governmental funds		\$ 8,089,720
Net investment in equity interest in joint venture with Loudon County for the operation and management of the Career Center.		819,217
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$57,361,730, and the accumulated depreciation is (\$18,035,078).		39,326,652
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	\$ (20,952,283)	
Compensated absences	(1,688,170)	
Other post-employment benefits	(303,850)	<u>(22,944,303)</u>
Total net assets--governmental activities		<u>\$ 25,291,286</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
 (With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2011	2010
Revenues:					
Local taxes	\$ 4,019,935	\$ 1,592,271	\$ -	\$ 5,612,206	\$ 5,456,314
Licenses and permits	91,369	-	-	91,369	86,058
City court	272,053	-	-	272,053	299,794
Revenue from use of facilities and services	309,309	-	-	309,309	254,872
Intergovernmental revenue	681,692	15,582,659	4,717,495	20,981,846	18,403,250
Drug fines	-	-	89,790	89,790	102,683
Charges for services	-	-	667,886	667,886	699,386
Miscellaneous revenue	488,156	93,095	60,071	641,322	693,501
Total revenues	5,862,514	17,268,025	5,535,242	28,665,781	25,995,858
Expenditures:					
Current:					
General government	2,475,642	-	-	2,475,642	2,416,266
Public safety	2,871,380	-	-	2,871,380	2,868,445
Drug enforcement	-	-	65,026	65,026	43,925
Highways and streets	721,926	-	-	721,926	762,805
State street aid	-	-	193,452	193,452	204,489
Sanitation	-	-	290,588	290,588	272,683
Culture and recreation	742,579	-	-	742,579	725,931
Downtown VIP	-	-	14,000	14,000	15,000
Community development	-	-	2,100	2,100	-
DEA asset forfeiture	-	-	34,570	34,570	32,968
Capital projects - City	-	-	2,021,086	2,021,086	1,572,919
Capital projects - City #2	-	-	27,873	27,873	67,690
Capital projects - School Fund	-	20,018,080	-	-	33,894
Education	-	-	2,770,852	2,770,852	19,960,219
Debt service:					
Principal retirement	843,740	75,000	1,100,000	2,018,740	1,107,120
Interest and fiscal charges	176,046	25,276	407,696	609,018	529,476
Total expenditures	7,831,313	20,118,356	6,927,243	34,876,912	30,613,830
Revenues over (under) expenditures	(1,968,799)	(2,850,331)	(1,392,001)	(6,211,131)	(4,617,972)

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2011	2010
Other financing sources (uses):					
Interfund transfers - in	\$ 114,981	\$ 164,000	\$ -	\$ 278,981	\$ 2,462,651
Interfund transfers - out	(164,000)	-	(114,981)	(278,981)	(2,462,651)
In lieu of tax - Lenoir City Utilities	2,475,284	-	-	2,475,284	2,385,399
Bond proceeds	-	1,550,000	-	1,550,000	11,867,490
Bond premium	-	14,312	-	14,312	373,241
Bond refunding	-	-	-	-	(7,425,000)
Bond refinancing costs	-	(52,785)	-	(52,785)	(264,241)
Issuance of notes	-	-	1,009,072	1,009,072	750,000
Total other financing sources (uses)	2,426,265	1,675,527	894,091	4,995,883	7,686,889
Net changes in fund balances	457,466	(1,174,804)	(497,910)	(1,215,248)	3,068,917
Fund balance, beginning	1,037,552	6,353,381	1,914,035	9,304,968	6,236,051
Fund balance, ending	\$ 1,495,018	\$ 5,178,577	\$ 1,416,125	\$ 8,089,720	\$ 9,304,968

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011

Total net change in fund balances--governmental funds	\$ (1,215,248)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$5,291,993) exceed depreciation expense (\$1,280,280) in the period.	4,011,713
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,018,740
In the statement of activities, certain operating expenses -- compensated absences (sick pay and vacation) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave earned exceeded the amounts used by \$138,575 less \$30,458 increase in amounts due within one year.	(108,117)
Loss on the sale or disposal of assets is reported as an expense on the statement of activities, but not reported on the governmental funds financial statement, nor are the proceeds of \$2,200 related to the sale recorded as revenues.	(16,052)
In the statement of activities, certain operating expenses -- other postemployment benefits -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, other postemployment benefits were accrued based on an actuarial study.	(39,461)
Bond and note proceeds are reported in governmental funds as revenues. However, they are not reported in the statement of activities but rather as a liability in the statement of net assets.	<u>(2,559,073)</u>
Changes in net assets of governmental activities	<u>\$ 2,092,502</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

Statement of Net Assets - Proprietary Fund

June 30, 2011

Assets

Current assets:	
Cash and cash equivalents	\$ 30,722,073
Receivables:	
Customers, less allowance for doubtful accounts of \$493,885	13,799,838
Unbilled revenue	6,654,585
Other	1,353,016
Materials and supplies inventory	1,526,077
Prepaid expenses	1,578,314
	<u>55,633,903</u>
 Restricted assets:	
Bond sinking fund - cash	<u>1,342,150</u>
	<u>1,342,150</u>
 Capital assets	240,588,133
Less accumulated depreciation	<u>67,923,140</u>
	<u>172,664,993</u>
 Deferred debits, net of amortization	<u>308,850</u>
 Receivable - Town Creek Project	<u>640,000</u>
 Receivable - Tennessee Valley Authority Residential Energy Services Program	<u>4,044,187</u>
	<u>\$ 234,634,083</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Statement of Net Assets - Proprietary Fund
(Continued)

June 30, 2011

Liabilities and Net Assets

Current liabilities (payable from current assets):	
Current maturities of long-term debt	\$ 186,092
Accounts payable:	
Trade	24,245,893
Due to city	27,905
Other	98,548
Accrued expenses	3,741,751
Customer deposits	5,312,802
Customer advances for construction	<u>1,547,934</u>
Total current liabilities (payable from current assets)	<u>35,160,925</u>
Current liabilities (payable from restricted assets):	
Current maturities of long-term debt	3,504,759
Matured interest payable	1,533
Accrued interest	<u>63,085</u>
Total current liabilities (payable from restricted assets)	<u>3,569,377</u>
Total current liabilities	<u>38,730,302</u>
Long-term debt, excluding current maturities	<u>45,586,163</u>
Net pension obligation	<u>784,370</u>
Other postemployment benefits	<u>1,437,838</u>
Advances from Tennessee Valley Authority Residential Energy Services Program	<u>4,127,148</u>
Total liabilities	<u>90,665,821</u>
Net assets:	
Invested in capital assets, net of related debt	123,387,979
Restricted for debt service	1,342,150
Unrestricted	<u>19,238,133</u>
Total net assets	<u>143,968,262</u>
Total liabilities and net assets	<u>\$ 234,634,083</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund

For the Fiscal Year Ended June 30, 2011

Operating revenues:	
Residential sales	\$ 89,036,665
Commercial and industrial sales - small	20,595,915
Commercial and industrial sales - large	55,646,313
Street and outdoor lighting	1,367,563
Interruptible sales	265,130
Other operating revenues	<u>3,634,924</u>
	<u>170,546,510</u>
Operating expenses:	
Purchased energy	130,983,493
Distribution and treatment	7,461,112
Customer account services	3,937,529
Administration and general	3,307,085
Maintenance	4,948,546
Depreciation	<u>6,165,291</u>
	<u>156,803,056</u>
Operating income	<u>13,743,454</u>
Non-operating revenues (expenses):	
Interest income	103,396
Interest expense	(1,067,520)
Amortization of debt expense	<u>(68,859)</u>
	<u>(1,032,983)</u>
Income before contributions, gains and transfers	12,710,471
Capital contributions from governments	1,671,205
Gain on sale of plant	718,687
Transfers to local government - in lieu of tax	<u>(2,559,554)</u>
Change in net assets	<u>12,540,809</u>
Net assets, beginning, as previously stated	131,986,906
Prior period adjustment (Note 22)	<u>(559,453)</u>
Net assets, beginning, as restated	<u>131,427,453</u>
Net assets, ending	<u>\$143,968,262</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

Statement of Cash Flows - Proprietary Fund

For the Fiscal Year Ended June 30, 2011

Cash flows from operating activities:	
Cash received from customers	\$ 168,249,026
Cash payments to suppliers for goods and services	(137,503,602)
Cash payments to employees for services	<u>(11,872,323)</u>
Net cash provided by operating activities	<u>18,873,101</u>
Cash flows from noncapital and related financing activities:	
Cash payment for in lieu of taxes	(2,559,554)
Cash received from (paid to) Tennessee Valley Authority Residential Energy Services Program, net	<u>8,885</u>
Net cash used by noncapital and related financing activities	<u>(2,550,669)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(12,631,486)
Interest paid	(1,077,217)
Customer advances for construction	(421,424)
Principal paid on long-term debt maturities	(3,567,450)
Proceeds from issuance of debt	4,936,401
Government contributions	<u>1,671,205</u>
Net cash used by capital and related financing activities	<u>(11,089,971)</u>
Cash flows from investing activities:	
Interest received on investments	103,396
Advances from (repayments to) departments and city, net	<u>(648)</u>
Net cash provided by investing activities	<u>102,748</u>
Net increase in cash and cash equivalents	5,335,209
Cash and cash equivalents, beginning of year	<u>26,729,014</u>
Cash and cash equivalents, end of year	<u>\$ 32,064,223</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Statement of Cash Flows - Proprietary Fund
(Continued)

For the Fiscal Year Ended June 30, 2011

Reconciliation of operating income to net cash provided by
operating activities:

Operating income	\$ 13,743,454
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,561,999
Gain on sale of plant	718,687
Increase in accounts receivable	(3,123,655)
Increase in unbilled revenue	(131,923)
Increase in materials and supplies inventory	(63,532)
Increase in prepaid expenses	(238,999)
Increase in accounts payable	3,090,153
Decrease in accrued expenses	(1,922,490)
Increase in customer deposits	<u>239,407</u>
Net cash provided by operating activities	<u>\$ 18,873,101</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Revenues:				
Local taxes:				
Property taxes	\$ 2,209,901	\$ 2,154,300	\$ 2,154,300	\$ 2,157,952
Penalty and interest	17,300	29,642	29,642	27,202
Local sales tax	685,000	699,168	699,168	677,172
Wholesale beer tax	440,000	475,368	475,368	442,047
Business tax	235,000	299,313	299,313	248,551
Cable television franchise tax	77,000	79,231	79,231	77,950
Hotel/motel tax	275,000	282,913	282,913	276,081
	<u>3,939,201</u>	<u>4,019,935</u>	<u>4,019,935</u>	<u>3,906,955</u>
Licenses and permits:				
Alcoholic beverage licenses	4,500	4,500	4,500	4,450
Liquor license	5,500	8,050	8,050	6,750
Peddlers permits	500	620	620	250
Building permits	70,000	77,874	77,874	73,583
Other permits	-	325	325	1,025
	<u>80,500</u>	<u>91,369</u>	<u>91,369</u>	<u>86,058</u>
City Court:				
Court fines and costs	315,000	267,408	267,408	286,114
Parking fines	50	95	95	125
Sex offender registration	-	1,200	1,200	1,500
Judgments/forfeits	-	3,350	3,350	12,055
	<u>315,050</u>	<u>272,053</u>	<u>272,053</u>	<u>299,794</u>
Revenue from use of facilities and services:				
Clerk fee	2,000	160	160	1,613
Attorney fees - Chancery Court	-	-	3,733	5,177
Regional Industrial Dev. Assoc.	25,000	-	-	-
Recreation fees	27,000	35,381	35,381	38,666
Special services - police department	50,000	126,757	126,757	102,783
Special services - fire department	25	1,577	1,577	600
Special services - codes department	-	50	50	-
Special services - street department	5,000	32,057	32,057	8,027
Community Center fees	200	403	403	125
Swimming pool fees	33,000	70,927	70,927	61,113
Rental income - parks and recreation	17,200	18,855	18,855	16,510
Rental income - Career Center	18,000	19,409	19,409	20,258
	<u>177,425</u>	<u>305,576</u>	<u>309,309</u>	<u>254,872</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Revenues (continued):				
Intergovernmental revenues:				
FEMA Grant	\$ -	\$ -	\$ -	\$ 21,134
Lenoir City Housing Authority - in lieu of tax	15,000	18,186	18,186	18,001
Highway Safety Grant	24,000	-	-	3,596
State law enforcement education	12,000	12,600	12,600	12,600
State Fire Safety Grant	11,400	11,400	11,400	10,800
COPS Grant	-	20,591	20,591	43,333
Forget Me Not 5k Race	-	-	-	8,530
State of Tennessee sales tax	435,000	452,778	452,778	436,252
State of Tennessee income tax	50,000	40,279	40,279	18,329
State beer tax	4,000	3,557	3,557	3,379
State alcoholic beverage tax	25,000	27,458	27,458	28,476
Gasoline inspection fee	17,000	14,636	14,636	14,642
Telecommunications tax	600	529	529	592
Tennessee Valley Authority tax replacement	60,000	78,264	78,264	76,537
State of Tennessee corporate excise tax	26,000	849	849	6,230
ARRA - TDOT Grant	-	565	565	40,000
ARRA - Justice Assistance Grant	-	-	-	27,063
	<u>680,000</u>	<u>681,692</u>	<u>681,692</u>	<u>769,494</u>
Total intergovernmental revenues				
Miscellaneous revenues:				
Interest earned	5,320	5,104	5,104	6,098
Sale of equipment	-	1,908	1,908	-
Insurance recoveries	13,500	43,337	43,337	28,070
Donations/contributions from developers	476,156	370,783	371,283	460,427
Other - Rockin' the Docks	-	58,437	58,437	28,296
Other	33,550	12,320	8,087	27,313
	<u>528,526</u>	<u>491,889</u>	<u>488,156</u>	<u>550,204</u>
Total miscellaneous revenues				
	<u>5,720,702</u>	<u>5,862,514</u>	<u>5,862,514</u>	<u>5,867,377</u>
Total revenues				

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures:				
General government:				
Legislative:				
Salaries	\$ 34,800	\$ 34,800	\$ 34,800	\$ 34,800
OASI	2,662	2,570	2,570	2,578
Employee education and training	500	200	200	-
Board and committee members	4,000	2,850	2,850	2,950
Publications, subscriptions and dues	1,906	1,906	1,906	1,906
Public relations	15,000	14,609	14,609	12,247
Other professional services	1,668	1,668	1,668	1,668
Travel	500	270	270	-
Office supplies and materials	200	200	200	125
	<u>61,236</u>	<u>59,073</u>	<u>59,073</u>	<u>56,274</u>
Total legislative				
City court:				
City judge	54,859	54,859	54,859	-
Salaries	69,888	72,370	72,370	120,953
Christmas bonus	811	812	812	163
OASI	9,747	9,689	9,689	9,113
Employee education and training	750	440	440	115
Magistrate	5,200	5,200	5,200	5,200
Postage	500	653	653	592
Dues and subscriptions	-	25	25	-
Telephone	3,500	4,452	4,452	3,561
Special judge	-	200	200	-
Travel	1,000	2,307	2,307	800
Computer software and support	3,000	8,210	8,209	-
Office supplies	1,500	1,140	1,140	4,428
Operating supplies	1,000	113	113	975
Clothing and uniforms	-	-	-	474
	<u>151,755</u>	<u>160,470</u>	<u>160,469</u>	<u>146,374</u>
Total city court				
Executive:				
City executive	74,551	74,551	74,551	71,683
Salaries	34,000	34,578	34,578	36,261
Wages	35,856	32,933	32,932	40,544
Christmas bonus	866	866	866	217
OASI	12,000	10,890	10,890	11,405
Employee education	200	180	180	50
Postage	600	491	491	410
Telephone	6,000	6,708	6,708	6,600
Medical, dental, veterinary	-	-	-	244
Travel	500	1,154	1,154	311
Office supplies	1,000	3,501	3,501	2,267
Other operating supplies	-	-	-	93
Gas, oil and diesel fuel	1,500	1,461	1,461	1,436
Motor vehicle parts	500	2,117	2,117	56
	<u>167,573</u>	<u>169,430</u>	<u>169,429</u>	<u>171,577</u>
Total executive				

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
General government (continued):				
Financial administration:				
Salaries	\$ 58,513	\$ 56,263	\$ 56,263	\$ -
Salaries	123,131	127,010	131,189	185,772
Wages	22,005	23,145	18,966	18,026
Christmas bonus	1,135	1,137	1,137	271
OASI	15,523	15,722	15,722	15,565
Employee education and training	2,000	2,055	2,055	1,920
Postage	800	669	669	740
Publications, subscriptions and dues	300	55	55	127
Telephone	5,000	5,720	5,720	5,277
Medical, dental, etc.	150	-	-	-
Tax roll notices postage	3,500	1,356	-	-
Travel	1,500	3,484	3,484	1,834
Other contractual services	15,000	11,222	12,578	15,658
Office supplies	6,000	6,910	6,910	7,083
Operating supplies	-	-	-	140
Clothing and uniforms	-	-	-	774
Bank service charges	-	240	240	67
	<u>254,557</u>	<u>254,988</u>	<u>254,988</u>	<u>253,254</u>
Total financial administration				
City attorney:				
City attorney - shared expense	-	4,039	4,039	15,346
OASI	-	309	309	1,174
Publications, subscriptions and dues	500	-	-	2,180
Telephone	500	237	237	352
Legal services	42,000	31,734	31,734	375
Other professional services	1,000	3,764	3,764	2,371
Office supplies and materials	-	-	-	285
	<u>44,000</u>	<u>40,083</u>	<u>40,083</u>	<u>22,083</u>
Total city attorney				
City hall building:				
Utilities	14,000	12,933	12,933	11,926
Repair and maintenance services	14,600	16,805	22,946	24,715
Lease payments on copier	7,200	6,141	1,056	1,056
Other contractual services	1,000	450	450	934
Operating supplies	15,000	17,434	17,434	18,479

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
General government (continued):				
City hall building (continued):				
Postage machine	\$ 2,200	\$ 1,056	\$ -	\$ -
Total city hall building	<u>54,000</u>	<u>54,819</u>	<u>54,819</u>	<u>57,110</u>
Industrial development:				
Donations - industrial recruitment	<u>29,945</u>	<u>31,345</u>	<u>31,345</u>	<u>31,312</u>
Total industrial development	<u>29,945</u>	<u>31,345</u>	<u>31,345</u>	<u>31,312</u>
Other general government:				
Salaries	2,400	2,400	2,400	2,400
OASI	184	184	184	184
Hospital and health	1,033,206	981,965	981,965	955,587
Employee retirement 401K	343,000	232,816	232,816	222,499
Workmen's compensation	2,000	-	-	-
Unemployment insurance	1,000	6,990	6,990	5,700
Publications, subscriptions and dues	12,000	6,859	6,859	11,511
Fire hydrant maintenance	5,000	-	-	-
Street lighting and traffic control	17,000	15,688	15,688	24,882
Health and medical	4,000	2,187	2,187	4,328
Auditing and accounting services	29,000	47,189	47,189	39,400
Architectural/engineering	5,000	-	-	-
Consultants services	10,000	7,797	7,797	12,551
Planning services	25,000	25,387	25,387	28,751
Other professional services	10,200	3,720	3,720	2,734
Other contractual services	40,000	31,783	31,783	30,673
Insurance	327,165	286,771	286,771	255,935
Donation - Senior Citizen Center	2,500	2,500	2,500	2,500
Donation - Child Advocacy	3,000	3,000	3,000	2,500
Donation - Loudon Co. Visitors Bureau	30,000	30,000	30,000	49,000
Loudon - Chamber of Commerce	6,775	-	-	20,875
Donation - Iva's Place	5,000	5,000	5,000	5,000
Donation - Senior Home Assistance Services	200	200	200	-
Donation - Animal Shelter	5,000	5,000	5,000	-
Donation - Good Samaritan Center	7,000	7,000	7,000	-
Donation - Lenoir City Museum	1,000	1,000	1,000	1,000
Compensation for damages	-	-	-	272
Total other general government	<u>1,926,630</u>	<u>1,705,436</u>	<u>1,705,436</u>	<u>1,678,282</u>
Total general government	<u>2,689,696</u>	<u>2,475,644</u>	<u>2,475,642</u>	<u>2,416,266</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Public safety:				
Police department:				
Salaries - chief	\$ 61,318	\$ 61,918	\$ 61,918	\$ -
Salaries	937,684	945,455	945,455	998,734
Salaries - overtime	50,000	35,085	35,085	51,138
Part-time wages	43,000	57,153	59,033	55,138
Overtime	51,500	65,989	64,109	49,754
Wages - temporary employees	15,000	15,547	15,547	17,507
Holiday pay	29,000	29,203	29,203	27,982
GHSO Grant	24,000	-	-	1,810
Vacation pay	20,000	21,913	21,913	22,913
Christmas bonus	7,184	7,022	7,022	1,716
OASI	94,975	93,876	93,876	94,113
Employee education and training	3,000	1,142	1,142	2,678
Postage	700	786	786	672
Utility services	10,000	14,229	14,229	13,850
Telephone	14,000	17,593	17,593	16,346
Medical, dental, etc.	1,500	1,329	1,329	1,496
Repair and maintenance - building	-	3,395	3,395	-
Repair and maintenance - equipment	5,000	800	800	4,764
Travel	3,000	2,018	2,018	4,594
Office supplies	4,000	4,788	4,788	3,959
Operating supplies	1,000	2,982	2,982	14,974
Uniforms and clothing	7,000	7,282	7,282	6,981
Other operating supplies	10,000	11,868	11,868	-
Gas, oil and diesel fuel	57,500	78,221	78,221	62,203
Vehicle maintenance and repair	25,000	36,162	36,162	41,231
Rent	25,008	25,008	25,008	25,008
Sexual offender register	-	1,636	1,636	331
Total police department	<u>1,500,369</u>	<u>1,542,400</u>	<u>1,542,400</u>	<u>1,519,892</u>
Fire department:				
Salaries - chief	61,318	61,918	61,918	-
Salaries	751,540	785,647	785,647	878,208
Salaries - overtime	43,000	38,374	38,374	31,241
Wages	50,000	85,151	85,151	73,745
Overtime - wages	-	-	953	266
Wages - temporary	-	953	10,916	10,479
Holiday over-time	10,000	10,916	-	-
Vacation pay	25,000	24,063	24,063	24,714
Christmas bonus	6,320	6,173	6,173	1,895
OASI	72,052	76,945	76,945	77,609
Employee education and training	9,000	5,011	5,011	4,555
Postage	500	576	576	604
Utilities	10,000	11,028	11,028	13,352

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Public safety (continued):				
Fire department (continued):				
Telephone	\$ 15,000	\$ 17,302	\$ 17,302	\$ 15,111
Medical, dental, etc.	7,200	4,505	4,505	4,130
Repair and maintenance - services	2,800	239	239	430
Travel	3,000	3,239	3,239	3,650
Other contractual services	1,200	1,804	1,804	1,450
Office supplies	1,500	1,041	1,041	1,882
Household/janitorial supplies	1,800	1,269	1,269	2,386
Clothing and uniforms	7,000	7,368	7,368	8,697
Operating supplies	15,000	15,224	15,224	26,428
Gas, oil and diesel fuel	12,000	13,810	13,810	10,389
Vehicle parts/repairs	17,000	17,815	17,815	26,002
Consumable tools	500	-	-	-
Rent	6,802	6,802	6,802	-
	<u>1,129,532</u>	<u>1,197,173</u>	<u>1,197,173</u>	<u>1,217,223</u>
Total fire department				
Codes enforcement:				
Salary codes officer	58,513	58,514	58,514	-
Salary - building inspector	35,000	35,327	35,327	93,389
Vacation sell back	-	1,798	1,798	-
Christmas bonus	541	541	541	108
OASI	7,162	7,349	7,349	7,178
Employee education and training	2,000	1,402	1,402	1,055
Postage	600	602	602	592
Telephone	4,000	4,586	4,586	5,147
Other professional services	5,200	5,602	5,602	4,162
Travel	1,500	323	323	441
Computer equipment and software	2,000	579	579	1,083
Board of codes enforcement appeals	250	83	83	-
Office supplies	1,500	1,193	1,193	1,310
Operating supplies	1,000	285	285	920
Clothing and uniforms	500	334	334	229
Property maintenance	10,000	9,175	9,175	10,727
Gas, oil and diesel fuel	3,500	3,270	3,270	3,429
Motor vehicle parts	1,500	844	844	1,560
	<u>134,766</u>	<u>131,807</u>	<u>131,807</u>	<u>131,330</u>
Total codes enforcement				
Total public safety	<u>2,764,667</u>	<u>2,871,380</u>	<u>2,871,380</u>	<u>2,868,445</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Highways and streets:				
Street superintendent	\$ 58,513	\$ 58,514	\$ 58,514	\$ 57,805
Salaries	444,506	443,420	443,420	498,362
Overtime - permanent employees	10,000	12,632	12,632	-
Wages - temporary employees	18,000	16,709	16,709	19,923
Utility - overtime	20,000	5,019	5,019	23,926
Holiday pay	-	758	758	-
Vacation pay	12,000	9,563	9,563	12,251
Christmas bonus	3,924	3,844	3,844	921
OASI	43,712	41,718	41,718	46,636
Employee education and training	250	201	201	120
Postage	500	576	576	782
Utility service	8,000	5,991	5,991	7,585
Telephone	3,000	3,284	3,284	3,362
Medical, dental, etc.	500	1,352	1,352	934
Engineering services	2,000	-	-	-
Repair and maintenance - radios	300	-	-	-
Repair and maintenance - garage	1,000	157	157	-
Repair and maintenance - roads	25,000	25,763	25,763	7,055
Travel	400	57	57	5
Other contracted services	5,000	9,446	9,446	10,584
Office supplies	200	168	168	246
Operating supplies	15,000	16,938	16,938	25,541
Clothing and uniforms	4,000	7,778	7,778	2,655
Other operating supplies	-	413	413	-
Gas, oil and diesel fuel	25,000	30,748	30,748	19,991
Vehicle maintenance and repair	<u>23,000</u>	<u>26,877</u>	<u>26,877</u>	<u>24,121</u>
Total highways and streets	<u>723,805</u>	<u>721,926</u>	<u>721,926</u>	<u>762,805</u>
Culture and recreation:				
Parks:				
Parks and recreation director	58,513	58,514	58,514	-
Salaries	173,084	188,488	188,488	98,449
Overtime - permanent employees	3,700	4,447	4,447	-
Wages - part time employees	33,503	36,592	36,592	170,857
Overtime - part time employees	17,393	14,308	14,308	17,708
Vacation pay	7,000	4,911	4,911	7,444
Christmas bonus	1,676	1,678	1,678	379
OASI	23,067	23,134	23,134	22,165
Employee education and training	1,000	1,205	1,205	850

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Culture and recreation (continued):				
Parks (continued):				
Postage	\$ 800	\$ 597	\$ 597	\$ 884
Utilities	24,000	19,896	19,896	18,717
Telephone	6,500	7,367	7,367	8,901
Medical, dental, etc.	500	806	806	313
Repair and maintenance - services	1,000	1,968	1,968	2,155
Lenoir City Beautification Board	15,000	9,908	9,908	17,357
Repair and maintenance services	1,500	1,298	1,298	576
Travel	1,000	758	758	527
Office supplies	3,000	3,216	3,216	912
Operating supplies	20,000	21,923	21,923	24,232
Clothing and uniforms	1,000	977	977	1,243
Other operating supplies	-	-	-	144
Gas, oil and diesel fuel	9,000	12,807	12,807	8,959
Vehicle repair and maintenance	4,500	7,458	7,458	5,096
Special events	12,000	12,844	12,844	12,194
Materials	1,000	685	685	2,580
Rent - recreation office	6,000	9,000	9,000	3,000
Chamber of Commerce parade	1,000	1,080	1,080	1,086
Total parks	<u>426,736</u>	<u>445,865</u>	<u>445,865</u>	<u>426,728</u>
Recreation complex:				
OASI	1,530	1,842	1,842	1,548
Fees of officials (referees)	20,000	27,580	27,580	24,155
Utilities	15,000	16,870	16,870	16,767
Operating supplies	25,000	34,502	34,502	27,359
Total recreation complex	<u>61,530</u>	<u>80,794</u>	<u>80,794</u>	<u>69,829</u>
Memorial building:				
Utilities	18,000	17,912	17,912	18,947
Operating supplies	4,000	8,736	8,736	3,477
Total memorial building	<u>22,000</u>	<u>26,648</u>	<u>26,648</u>	<u>22,424</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Culture and recreation (continued):				
Pool:				
Wages	\$ 30,000	\$ 40,292	\$ 40,292	\$ 37,379
OASI	2,678	3,072	3,072	2,811
Employees education/training	1,000	512	512	380
Utilities	35,000	33,442	33,442	55,980
Telephone	1,200	704	704	829
Repair and maintenance - services	1,500	1,479	1,479	1,805
Operating supplies	24,000	25,597	25,596	35,110
Total pool	<u>95,378</u>	<u>105,098</u>	<u>105,097</u>	<u>134,294</u>
Special events:				
Operating supplies - Rockin' the Docks	-	54,670	54,670	31,841
Operating supplies - Civil War Signs	-	-	-	552
Operating supplies - Fort 5k Race	-	-	-	8,205
Operating supplies - Hometown Hero	-	-	-	4,019
Operating supplies - Beautification	-	-	-	60
Total special events	<u>-</u>	<u>54,670</u>	<u>54,670</u>	<u>44,677</u>
Library:				
Salaries	6,000	5,568	5,568	6,365
OASI	459	416	416	497
Utilities	7,000	8,921	8,921	6,517
Operating supplies	3,500	3,600	3,600	3,600
Awards for special services	11,000	11,000	11,000	11,000
Total library	<u>27,959</u>	<u>29,505</u>	<u>29,505</u>	<u>27,979</u>
Total culture and recreation	<u>633,603</u>	<u>742,580</u>	<u>742,579</u>	<u>725,931</u>
Debt service:				
Principal retirement	906,000	843,740	843,740	787,120
Interest and fiscal charges	302,122	176,046	176,046	186,035
Total debt service	<u>1,208,122</u>	<u>1,019,786</u>	<u>1,019,786</u>	<u>973,155</u>
Total expenditures	<u>8,019,893</u>	<u>7,831,316</u>	<u>7,831,313</u>	<u>7,746,602</u>
Revenues over (under) expenditures	<u>(2,299,191)</u>	<u>(1,968,802)</u>	<u>(1,968,799)</u>	<u>(1,879,225)</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Other financing sources (uses):				
Interfund transfers - in	\$ 5,000	\$ 114,981	\$ 114,981	\$ 68,266
Interfund transfers - out	(164,150)	(164,000)	(164,000)	(2,294,385)
Lenoir City Utilities - in lieu of tax	2,460,005	2,475,284	2,475,284	2,385,399
Issuance of notes	-	-	-	750,000
Bond proceeds	-	-	-	1,492,490
Total other financing sources (uses)	<u>2,300,855</u>	<u>2,426,265</u>	<u>2,426,265</u>	<u>2,401,770</u>
Net change in fund balances	1,664	457,463	457,466	522,545
Fund balance, beginning	<u>1,037,552</u>	<u>1,037,552</u>	<u>1,037,552</u>	<u>515,007</u>
Fund balance, ending	<u>\$ 1,039,216</u>	<u>\$ 1,495,015</u>	<u>\$ 1,495,018</u>	<u>\$ 1,037,552</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Revenues:				
Local taxes:				
Property taxes	\$ 110,185	\$ 110,185	\$ 110,185	\$ 110,045
Interest and penalty	710	710	710	700
In lieu of tax	84,270	84,270	84,270	84,270
Local sales tax	<u>1,312,000</u>	<u>1,345,000</u>	<u>1,397,106</u>	<u>1,354,344</u>
Total local taxes	<u>1,507,165</u>	<u>1,540,165</u>	<u>1,592,271</u>	<u>1,549,359</u>
Intergovernmental revenue:				
Loudon County:				
Property taxes	4,283,660	4,800,800	4,917,671	4,358,511
Interest and penalty	16,000	21,800	23,656	18,656
Local sales tax	1,283,000	1,346,900	1,450,941	1,338,774
Adequate facilities tax	69,500	86,200	98,794	76,326
Bank excise tax	11,831	1,735	1,768	11,831
Interstate telecommunications tax	<u>1,640</u>	<u>1,400</u>	<u>1,716</u>	<u>1,725</u>
Total Loudon County	<u>5,665,631</u>	<u>6,258,835</u>	<u>6,494,546</u>	<u>5,805,823</u>
State of Tennessee:				
Basic education program	7,937,000	8,022,000	7,662,460	7,878,000
ARRA - basic education program	392,000	392,000	814,540	392,000
Driver education	4,770	3,115	6,203	8,094
Other state education funds	169,139	176,472	178,620	171,524
On-behalf state health insurance payments	95,000	95,000	95,000	95,000
ARRA - internet connectivity	6,329	6,648	6,649	6,330
ARRA - family resource centers	33,300	33,300	33,000	33,300
Career ladder program	84,446	85,933	85,973	88,422
ARRA - career ladder program	52,500	52,500	1,141	52,500
Mixed drink tax	550	2,000	3,050	688
ARRA - safe schools	5,500	10,500	3,835	5,186
Other state revenues	<u>25,900</u>	<u>27,200</u>	<u>27,851</u>	<u>28,374</u>
Total State of Tennessee	<u>8,806,434</u>	<u>8,906,668</u>	<u>8,918,322</u>	<u>8,759,418</u>
U.S. Government:				
ARRA - USDA equipment	-	-	-	15,548
Adult basic education	159,467	141,112	138,557	135,865
Education of the handicapped	15,000	16,095	16,096	32,366
Special education preschool grant	<u>-</u>	<u>-</u>	<u>15,138</u>	<u>20,466</u>
Total U.S. Government	<u>174,467</u>	<u>157,207</u>	<u>169,791</u>	<u>204,245</u>
Total intergovernmental revenue	<u>14,646,532</u>	<u>15,322,710</u>	<u>15,582,659</u>	<u>14,769,486</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Revenues (continued):				
Miscellaneous revenue:				
Tuition	\$ 4,550	\$ 3,975	\$ 4,125	\$ 4,725
Receipt from individual schools	44,567	22,423	34,496	59,429
Day care revenue	8,250	8,250	7,605	8,250
Interest earned	19,598	12,400	14,379	22,846
Leases/rentals	-	150	300	300
Miscellaneous refunds	-	19,932	13,450	17,885
Contribution and gifts	11,600	23,358	16,054	23,242
Sale of equipment	-	940	-	-
Other revenues	775	1,125	2,686	2,661
	<u>89,340</u>	<u>92,553</u>	<u>93,095</u>	<u>139,338</u>
Total miscellaneous revenue				
	<u>16,243,037</u>	<u>16,955,428</u>	<u>17,268,025</u>	<u>16,458,183</u>
Total revenues				
Expenditures:				
Instruction:				
Elementary and secondary:				
Teachers	5,212,431	4,867,107	4,869,130	5,161,790
Career ladder program	54,000	51,000	49,818	53,500
Extended contracts	40,200	39,000	28,800	39,000
Educational assistants	359,940	356,700	353,038	352,080
Other salaries and wages	1,000	1,000	-	-
Certified substitute teachers	73,500	95,100	93,060	71,655
Non-certified substitute teachers	36,300	28,925	30,125	32,895
Social security	358,198	336,464	314,221	330,756
State retirement	508,759	476,870	463,200	352,711
Life insurance	9,635	9,500	7,378	7,752
Medical insurance	786,050	771,600	755,950	714,301
Dental insurance	20,520	19,000	18,518	17,862
Unemployment compensation	4,250	6,050	5,561	6,427
Medicare	83,772	78,864	74,074	77,848
Maintenance and repair - equipment	18,300	17,150	14,290	17,829
Other contracted services	81,627	71,400	70,365	72,344
Instructional supplies/ materials	207,208	239,150	226,978	269,394
Textbooks	149,000	149,000	130,154	144,051
Other charges	16,300	16,300	14,967	3,745
Instruction equipment	140,749	183,773	92,118	67,621
	<u>8,161,739</u>	<u>7,813,953</u>	<u>7,611,745</u>	<u>7,793,561</u>
Total elementary and secondary				

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	<u>2011 Original Budget</u>	<u>2011 Final Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Expenditures (continued):				
Instruction (continued):				
Special education program:				
Teachers	\$ 589,473	\$ 574,369	\$ 567,916	\$ 539,432
Career ladder program	7,000	6,000	6,000	7,000
Extended contracts	5,400	4,800	4,800	5,400
Homebound teachers	2,800	3,525	4,489	1,681
Clerical personnel	21,042	21,442	20,000	21,332
Educational assistants	54,838	62,140	56,736	3,934
Speech pathologist	51,125	51,825	51,124	51,124
Certified substitute teachers	8,925	8,500	8,753	9,368
Non-certified substitute teachers	3,800	4,640	3,988	3,223
Social security	45,574	45,635	42,404	37,797
State retirement	64,175	64,587	63,934	40,971
Life insurance	918	918	918	714
Medical insurance	87,875	81,782	78,836	71,226
Dental insurance	1,942	2,225	2,077	1,993
Unemployment compensation	798	798	798	564
Medicare	10,794	10,690	9,971	8,855
Contracts/public agencies	16,000	-	-	11,446
Contracts/private agencies	65,300	67,800	61,836	115,324
Other contracted services	8,840	9,010	8,915	32,492
Instructional supplies/ materials	5,000	1,020	817	1,055
Other charges	1,000	1,150	1,040	742
	<u>1,052,619</u>	<u>1,022,856</u>	<u>995,352</u>	<u>965,673</u>
Vocational education program:				
Teachers	468,423	472,490	473,688	468,734
Career ladder program	5,000	4,000	4,000	4,500
Extended contracts	-	4,800	4,800	4,800
Certified substitute teachers	7,100	8,850	8,063	8,213
Non-certified substitute teachers	5,600	5,200	4,815	4,255
Social security	30,140	30,712	28,783	28,752
State retirement	42,845	43,557	43,665	30,690
Life insurance	561	561	561	561
Medical insurance	56,569	55,370	55,326	51,783
Dental insurance	1,600	1,235	1,233	1,402
Unemployment compensation	462	462	462	462
Medicare	7,049	7,183	6,763	6,741
Maintenance and repair - equipment	3,500	3,500	2,674	2,132
Instructional supplies/ materials	13,570	13,570	13,644	13,313
Other charges	1,000	1,000	998	617
	<u>643,419</u>	<u>652,490</u>	<u>649,475</u>	<u>626,955</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Instruction (continued):				
Student body education program:				
Other charges	\$ 6,100	\$ 28,900	\$ 29,268	\$ 21,774
Administration equipment	-	1,171	1,771	90
	6,100	30,071	31,039	21,864
Total student body education program				
Adult education program:				
Teachers	36,780	41,239	35,629	36,736
Social security	2,281	2,558	2,209	2,278
Unemployment compensation	228	228	-	-
Medicare	533	598	517	533
Travel	-	-	130	1,683
Other contracted services	-	-	3,267	1,756
Instructional supplies/ materials	11,000	10,000	20,066	31,511
	50,822	54,623	61,818	74,497
Total adult education program				
Total instruction				
	9,914,699	9,573,993	9,349,429	9,482,550
Support services:				
Attendance:				
Supervisor	-	-	-	58,306
Career ladder program	-	-	-	1,000
Other salaries and wages	45,131	43,936	43,935	-
Social security	2,799	2,725	2,724	3,603
State retirement	3,575	3,480	3,480	3,807
Life insurance	76	76	76	51
Medical insurance	-	-	-	4,839
Dental insurance	-	-	29	169
Unemployment compensation	83	63	63	42
Medicare	655	638	637	843
Travel	1,060	1,975	3,711	1,039
Other contracted services	4,900	76,210	70,005	4,800
Other supplies/materials	250	250	-	-
Other charges	10,000	10,000	10,000	10,000
	68,529	139,353	134,660	88,499
Total attendance				

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	<u>2011 Original Budget</u>	<u>2011 Final Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Expenditures (continued):				
Support services (continued):				
Health services:				
Medical personnel	\$ 72,205	\$ 72,205	\$ 71,975	\$ 71,967
Other salaries and wages	73,211	73,211	72,929	83,629
Social security	9,016	9,016	8,427	9,172
State retirement	12,219	12,219	12,174	10,855
Life insurance	255	255	255	255
Medical insurance	14,500	17,829	17,827	13,161
Dental insurance	475	425	421	421
Unemployment compensation	210	210	210	210
Medicare	2,109	2,109	1,971	2,145
Postal charges	838	838	497	1,783
Travel	3,610	3,610	3,872	2,459
Other contracted services	200	200	-	-
Drugs/medical supplies	1,000	500	327	739
Other supplies and materials	7,985	7,985	8,018	4,922
Other charges	3,100	3,100	3,256	6,465
Total health services	<u>200,933</u>	<u>203,712</u>	<u>202,159</u>	<u>208,183</u>
Other student support:				
Guidance personnel	246,073	247,334	246,373	239,910
Extended contracts	2,400	1,200	-	1,200
Assessment personnel	10,170	10,170	10,169	9,943
Registrar	23,146	23,674	23,672	23,935
Social security	17,471	17,508	16,137	15,895
State retirement	25,244	25,288	25,092	17,874
Life insurance	357	357	357	357
Medical insurance	43,325	40,800	40,858	36,980
Dental insurance	1,000	1,060	1,051	939
Unemployment compensation	294	294	294	294
Medicare	4,086	4,118	3,774	3,717
Contracts with government agencies	32,000	32,000	30,000	30,000
Evaluation and testing	14,525	15,100	15,730	13,970
Maintenance and repair - equipment	2,000	2,000	-	-
Other contracted services	5,900	5,500	4,855	1,657
Other supplies/materials	1,000	1,000	-	100
Other charges	8,000	8,000	8,000	10,890
Equipment	5,987	14,137	5,187	5,187
Total other student support	<u>442,978</u>	<u>449,540</u>	<u>431,549</u>	<u>412,848</u>
Regular instruction program:				
Supervisor/director	91,679	91,680	91,679	91,066
Career ladder program	10,000	10,000	10,000	10,000
Extended contracts	13,200	13,200	13,200	13,200
Librarians	157,605	157,606	157,605	156,219
Technology coach	-	-	-	37,075
Instructional computer personnel	80,944	80,944	82,967	80,943

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original <u>Budget</u>	2011 Final <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Expenditures (continued):				
Support services (continued):				
Regular instruction program (continued):				
Secretary	\$ 32,739	\$ 29,516	\$ 29,515	\$ 32,240
Other salaries and wages	162,022	162,024	162,023	161,916
Social security	33,988	33,789	31,817	34,120
State retirement	47,412	47,156	47,338	39,193
Life insurance	459	459	459	510
Medical insurance	57,052	50,255	53,010	46,409
Dental insurance	1,365	1,452	1,514	1,273
Unemployment compensation	378	378	378	420
Medicare	7,949	7,903	7,441	7,980
Travel	4,690	6,675	6,522	2,513
Other contracted services	2,600	2,600	-	-
Other supplies/materials	1,000	1,000	-	270
In-service/staff development	57,767	57,500	45,241	48,368
Equipment	700	980	980	-
	<u>763,549</u>	<u>755,117</u>	<u>741,689</u>	<u>763,715</u>
Special education program:				
Supervisor/director	33,202	33,419	33,203	32,770
Psychological personnel	86,128	86,750	85,864	84,844
Other salaries and wages	51,127	51,050	50,605	49,407
Social security	10,569	10,616	9,834	9,603
State retirement	15,427	15,496	15,355	10,723
Life insurance	102	102	102	102
Medical insurance	27,730	22,250	22,233	24,239
Dental insurance	735	720	718	680
Unemployment compensation	84	84	84	84
Medicare	2,472	2,483	2,270	2,246
Travel	2,345	2,345	2,456	1,858
In-service/staff development	-	-	195	-
	<u>229,921</u>	<u>225,315</u>	<u>222,919</u>	<u>216,556</u>
Adult education program:				
Supervisor/director	60,608	61,238	61,238	60,777
Other salaries and wages	24,484	24,425	24,424	24,424
Social security	5,276	5,311	5,197	5,166
State retirement	5,688	7,477	7,476	5,684
Life insurance	102	102	-	-
Medical insurance	4,175	4,884	4,682	4,174
Dental insurance	339	352	338	338
Unemployment compensation	84	84	-	-

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Support services (continued):				
Adult education program (continued):				
Medicare	\$ 1,234	\$ 1,243	\$ 1,215	\$ 1,208
Travel	1,000	8,328	6,144	3,759
In-service/staff development	3,571	-	-	-
Total adult education program	<u>106,561</u>	<u>113,444</u>	<u>110,714</u>	<u>105,530</u>
Board of education services:				
Board member fees	26,225	26,225	26,220	26,220
Social security	1,626	1,626	1,626	1,626
Medicare	381	381	380	380
Audit services	28,100	29,650	29,630	27,230
Dues and memberships	12,825	12,620	12,620	12,308
Legal services	17,525	6,750	1,737	9,183
Travel	34,000	27,300	14,642	17,742
Other contracted services	7,000	6,600	5,600	5,540
Other supplies and materials	1,200	1,200	165	816
Insurance	39,830	37,909	37,909	36,206
Trustee's commission	102,000	112,000	112,340	100,175
Worker's compensation insurance	62,395	69,200	65,163	56,955
Criminal investigation of applicants	5,600	5,600	3,984	4,272
Other charges	15,800	18,000	18,240	12,437
Total board of education services	<u>354,507</u>	<u>355,061</u>	<u>330,256</u>	<u>311,090</u>
Office of the superintendent:				
Administrative officer	126,774	127,475	127,474	126,774
Career ladder program	1,000	1,000	1,000	1,000
Secretary	38,230	38,231	38,230	38,946
Other salaries and wages	1,500	-	-	-
Social security	10,386	10,336	8,650	8,702
State retirement	14,711	14,655	14,655	11,062
Life insurance	102	102	102	102
Medical insurance	19,250	17,079	17,079	17,465
Dental insurance	640	600	597	590
Unemployment compensation	100	84	84	84
Medicare	2,429	2,418	2,252	2,248
Communication	8,060	5,000	4,789	6,651
Dues and memberships	4,850	4,100	2,560	3,049
Repair and maintenance - equipment	4,880	4,425	2,945	3,563
Postal charges	4,475	4,475	3,952	4,164
Travel	15,525	16,300	12,660	14,291

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Support services (continued):				
Office of the superintendent (continued):				
Other contracted services	\$ 7,700	\$ 9,410	\$ 9,300	\$ 6,551
Office supplies	10,900	10,900	8,584	9,439
Other charges	11,550	11,550	10,192	9,722
Administration equipment	682	2,725	2,720	1,438
	<u>283,744</u>	<u>280,865</u>	<u>267,825</u>	<u>265,841</u>
Total office of the superintendent				
Office of the principal:				
Principals	246,102	246,102	245,224	244,663
Career ladder program	4,000	4,000	4,000	4,000
Assistant principals	364,077	364,078	364,077	361,590
Secretaries	227,988	232,421	224,461	220,346
Social security	52,215	52,490	48,275	48,104
State retirement	73,641	73,992	73,281	55,352
Life insurance	918	918	918	918
Medical insurance	119,260	113,798	112,990	108,411
Dental insurance	3,660	3,405	3,373	3,379
Unemployment compensation	760	760	760	760
Medicare	12,212	12,276	11,291	11,250
Communication	15,810	5,800	4,974	10,160
Dues and memberships	2,685	3,050	1,244	2,338
Travel	12,830	12,830	13,692	11,914
Other contracted services	7,975	7,590	7,479	6,799
Office supplies	20,475	20,475	20,494	20,339
Administration equipment	3,900	4,801	4,800	1,696
	<u>1,168,508</u>	<u>1,158,786</u>	<u>1,141,333</u>	<u>1,112,019</u>
Total office of the principal				
Fiscal services:				
Supervisor/director	61,328	61,328	61,328	61,328
Purchasing personnel	31,803	31,804	31,803	31,325
Secretary	65,874	65,874	65,874	55,072
Social security	9,859	9,859	9,009	8,449
State retirement	12,594	12,594	12,593	10,843
Life insurance	204	204	204	204
Medical insurance	14,039	13,650	13,637	9,814
Dental insurance	829	770	766	647
Unemployment compensation	168	168	168	168
Medicare	2,306	2,306	2,107	1,976
Data processing services	13,650	21,130	21,130	7,879
Dues and memberships	225	225	-	10

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Support services (continued):				
Fiscal services (continued):				
Repair and maintenance - equipment	\$ -	\$ -	\$ -	\$ 1,146
Travel	7,800	7,800	4,115	7,193
Other contracted services	45,872	38,875	42,305	43,741
Data processing supplies	3,285	1,300	89	3,368
Other charges	5,550	9,021	7,749	4,146
Equipment	5,000	5,000	3,145	-
Total fiscal services	<u>280,386</u>	<u>281,908</u>	<u>276,022</u>	<u>247,309</u>
Operation of plant:				
Supervisor/director	82,242	82,245	81,101	81,414
Custodial personnel	255,248	251,500	245,897	250,843
Other salaries and wages	13,200	10,500	7,779	13,365
Social security	21,743	21,344	19,042	19,060
State retirement	26,730	26,433	25,970	24,228
Life insurance	714	714	714	714
Medical insurance	80,915	72,900	72,690	74,926
Dental insurance	1,620	1,500	1,480	1,479
Unemployment compensation	650	650	650	650
Medicare	5,086	4,992	4,453	4,458
Other contracted services	54,455	50,000	43,817	49,813
Custodial supplies	43,300	41,900	43,228	35,968
Electricity	561,000	605,000	575,698	499,624
Natural gas	61,030	49,900	47,096	47,074
Water and sewer	78,620	90,300	86,099	66,321
Other supplies and materials	-	-	-	390
Building and content insurance	65,500	58,062	58,062	59,880
Plant operation equipment	7,800	10,985	10,823	-
Other charges	-	-	-	3,294
Total operation of plant	<u>1,359,853</u>	<u>1,378,925</u>	<u>1,324,599</u>	<u>1,233,501</u>
Maintenance of plant:				
Maintenance personnel	113,029	102,000	99,132	109,704
Social security	7,008	6,324	6,008	6,672
State retirement	8,952	8,079	7,851	7,193
Life insurance	153	153	153	153
Medical insurance	9,125	8,900	8,875	8,294
Unemployment compensation	126	126	126	126
Medicare	1,639	1,479	1,405	1,561
Maintenance/repair service - buildings	5,000	1,400	382	1,000

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	<u>2011 Original Budget</u>	<u>2011 Final Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Expenditures (continued):				
Support services (continued):				
Maintenance of plant (continued):				
Maintenance/repair service -				
equipment	\$ 191,600	\$ 181,800	\$ 186,952	\$ 184,472
Other contracted services	23,000	34,600	32,009	40,447
General construction materials	-	-	30,644	29,029
Equipment/machinery parts	-	-	52,581	43,657
Athletic facility maintenance	33,275	33,275	-	-
Other supplies/materials	51,700	51,700	-	-
Other charges	19,123	18,690	9,142	2,875
	<u>463,730</u>	<u>448,526</u>	<u>435,260</u>	<u>435,183</u>
Total maintenance of plant				
Transportation:				
Supervisor/director	83,287	83,287	83,287	82,674
Bus drivers	150,532	167,807	157,224	130,959
Social security	14,497	15,568	14,307	13,090
State retirement	10,465	12,548	12,855	7,691
Life insurance	459	459	459	459
Medical insurance	14,826	14,852	14,852	4,467
Dental insurance	555	475	500	346
Unemployment compensation	420	420	420	459
Medicare	3,391	3,641	3,346	3,061
Maintenance/repair service -				
vehicles	8,325	12,100	10,749	6,120
Travel	2,345	2,345	2,976	3,506
Other contracted services	11,300	11,400	12,235	9,409
Gasoline	50,400	45,300	44,838	35,357
Tires and tubes	10,000	15,120	15,449	2,014
Vehicle parts	21,775	21,000	21,130	17,377
Other charges	100	100	35	94
Transportation equipment	-	88,800	88,800	-
	<u>382,677</u>	<u>495,222</u>	<u>483,462</u>	<u>317,083</u>
Total transportation				
	<u>6,105,876</u>	<u>6,285,774</u>	<u>6,102,447</u>	<u>5,717,357</u>
Total support services				
Operation of non-instructional services:				
Food service:				
Supervisor/director	57,645	57,645	57,645	56,264
Social security	3,574	3,574	3,501	3,419
State retirement	5,217	5,217	5,217	3,612
Life insurance	51	51	51	51

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	<u>2011 Original Budget</u>	<u>2011 Final Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Expenditures (continued):				
Operation of non-instructional services (continued):				
Food service (continued):				
Medical insurance	\$ 4,890	\$ 4,800	\$ 4,783	\$ 4,435
Dental insurance	200	175	169	169
Unemployment compensation	42	42	42	42
Medicare	836	836	819	800
Travel	-	-	55	55
Other charges	5,000	5,000	3,018	2,994
Equipment	-	-	-	39,540
Total food service	<u>77,455</u>	<u>77,340</u>	<u>75,300</u>	<u>111,381</u>
Community services:				
Supervisor/director	41,752	41,752	41,751	41,751
Clerical personnel	27,034	27,034	27,034	26,770
Other salaries and wages	1,300	2,675	2,547	988
Social security	4,346	4,431	3,791	3,642
State retirement	5,551	5,660	5,649	5,102
Life insurance	102	102	102	102
Medical insurance	18,568	15,425	15,415	16,873
Dental insurance	560	525	514	512
Unemployment compensation	84	84	84	84
Medicare	1,017	1,037	887	852
Repair and maintenance	1,000	1,000	578	742
Travel	850	850	605	1,232
Dues and memberships	1,210	1,210	-	-
Food supplies	-	-	778	703
Instructional supplies	1,764	1,764	1,765	684
Other supplies/materials	2,600	2,600	3,953	3,586
Other charges	-	12,150	12,292	11,638
Total community services	<u>107,738</u>	<u>118,299</u>	<u>117,745</u>	<u>115,261</u>
Early childhood education:				
Teachers	94,478	95,564	95,481	93,157
Educational assistants	28,249	29,490	29,221	28,208
Substitute teachers	975	975	-	-
Social security	7,670	7,814	7,212	7,073
State retirement	10,789	10,985	10,955	8,051
Life insurance	204	204	204	204
Medical insurance	20,125	22,990	22,982	18,287
Dental insurance	685	685	683	683
Unemployment compensation	168	168	168	168

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Expenditures (continued):				
Operation of non-instructional services (continued):				
Early childhood education (continued):				
Medicare	\$ 1,794	\$ 1,828	\$ 1,687	\$ 1,654
Travel	500	750	704	521
Instructional supplies/materials	2,000	4,038	3,979	4,021
Staff development	1,502	3,598	3,613	3,879
Total early childhood education	<u>169,139</u>	<u>179,089</u>	<u>176,889</u>	<u>165,906</u>
Total operation of non-instructional services	<u>354,332</u>	<u>374,728</u>	<u>369,934</u>	<u>392,548</u>
Capital outlay and contributions:				
Architects	-	90,725	81,949	381,992
Engineering services	-	4,077	-	-
Building construction	-	4,615,045	1,631,910	-
Building improvements	34,550	29,163	471,649	47,219
Other capital outlay	11,873	297,210	2,010,762	1,606,782
Total capital outlay and contributions	<u>46,423</u>	<u>5,036,220</u>	<u>4,196,270</u>	<u>2,035,993</u>
Debt service:				
Principal on bonds	50,000	75,000	75,000	-
Interest on bonds	25,000	25,996	25,276	-
Total debt service	<u>75,000</u>	<u>100,996</u>	<u>100,276</u>	<u>-</u>
Total expenditures	<u>16,496,330</u>	<u>21,371,711</u>	<u>20,118,356</u>	<u>17,628,448</u>
Revenues over (under) expenditures	<u>(253,293)</u>	<u>(4,416,283)</u>	<u>(2,850,331)</u>	<u>(1,170,265)</u>
Other financing sources (uses):				
Transfers from City of Lenoir				
City - General Fund	164,000	164,000	164,000	164,000
Transfer to other funds	-	-	-	(100,000)
Bond proceeds	-	1,550,000	1,550,000	10,375,000
Bond premium	-	14,312	14,312	373,241
Bond refunding	-	-	-	(7,425,000)
Bond refinancing costs	-	(52,784)	(52,785)	(264,241)
Total other financing sources (uses)	<u>164,000</u>	<u>1,675,528</u>	<u>1,675,527</u>	<u>3,123,000</u>
Net change in fund balances	(89,293)	(2,740,755)	(1,174,804)	1,952,735
Fund balance, beginning	<u>6,353,381</u>	<u>6,353,381</u>	<u>6,353,381</u>	<u>4,400,646</u>
Fund balance, ending	<u>\$ 6,264,088</u>	<u>\$ 3,612,626</u>	<u>\$ 5,178,577</u>	<u>\$ 6,353,381</u>

See accompanying notes to basic financial statements.

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

(a) General Statement

The accounting and reporting policies of the City of Lenoir City, Tennessee (the City) relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America that are applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its proprietary activities private sector standards of accounting and reporting issued after November 30, 1989. The more significant accounting policies of the City are described below.

(b) Reporting Entity

The financial statements consist of all the funds of the City of Lenoir City, Tennessee.

(c) Basis of Presentation

The City follows Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(c) Basis of Presentation (Continued)

assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. The classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(c) Basis of Presentation (Continued)1. **Government-Wide Financial Statements** (Continued):

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

2. **Fund Financial Statements:**

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

(d) Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's governmental fund types:

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(d) Fund Accounting (Continued)**Governmental Funds (Continued):**

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest and related costs of the school.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the construction, renovation and/or purchase of major capital outlay projects of the School System and the City.

The City's major governmental funds are the General Fund and the General Purpose School Fund.

Proprietary Fund:

Enterprise Fund - Enterprise funds are used to account for the activities that are similar to those found in the private sector. Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

The Lenoir City Utilities Board (the Utility) is operated as an enterprise fund.

(e) Measurement Focus**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(e) Measurement Focus (Continued)2. **Fund Financial Statements** (Continued):

therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

(f) Fund Balances

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" states that the objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the City's financial statements have changed as a result of implementing this Statement.

Beginning with fiscal year 2011, the City implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, donors, grantors, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board (the City's highest level of decision making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(f) Fund Balances (Continued)

If the City has an expenditure that is incurred for purposes of multiple account classification, the City's policy is to apply the expenditures in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

(g) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred with unrestricted resources, the City uses the Governmental Accounting Standards Board's policy. Committed amounts are used first, followed by assigned amounts, and then unassigned amounts.

(h) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(h) Basis of Accounting (Continued)1. **Revenues - Exchange and Nonexchange Transactions (Continued):**

year. For the City, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, franchise taxes, special assessments, licenses, charges for services, interest income and intergovernmental revenue.

2. **Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. **Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(i) Budgetary Procedures and Budgetary Accounting

Prior to the beginning of the fiscal year, the Mayor and Board of Aldermen hold hearings, prepare and approve an operating budget for all governmental funds. All supplemental appropriations must also be approved by the Mayor and Board of Aldermen. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. During the year ended June 30, 2011, the City did not overexpend legally adopted fund budgets. Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

The City prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a classification of fund balance (GAAP). At June 30, 2011, there were no encumbrances.

Budgeted amounts are as originally adopted and as amended by the Mayor and Board of Aldermen.

(j) Property Taxes Receivable

The City's property taxes, levied on or about October 1, become delinquent on March 1. Property taxes attach as an enforceable lien on property on January 1. The county tax assessor provides the property assessment but the City bills and collects its own taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables within 60 days of the end of the year. Property taxes recognized as a receivable before the period of revenue recognition are reported as deferred revenue.

At June 30, 2011, the City's 2011 property taxes of \$2,346,000 were not scheduled to be billed until October 2011. Consequently, separate accounts for unbilled property taxes and deferred revenue - unbilled property taxes totaling \$2,346,000 are recorded.

(k) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported within the appropriate fund balance categories for the specific purposes of the encumbrance or assigned if not previously restricted or committed for a specific purpose. Encumbrances do not constitute expenditures or liabilities.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(l) Inventories

Inventories are valued at the lower of cost (weighted average method) or market.

(m) Commodities Inventory

The Lenoir City Schools receive commodities for school cafeterias from the U.S. Department of Agriculture. The value of the commodities received is reported as revenue, and the value of such commodities used is reported as cost of food in the accompanying financial statements.

(n) Capitalization of Interest

The City capitalizes net interest costs and interest earned as part of the cost of constructing various fixed assets when material. Capitalized interest for the year ended June 30, 2011 was \$239,276 in the Water and Sewer Department of the Utility Fund. There was no other capitalized interest for the year ended June 30, 2011.

(o) Cash Equivalents

For purposes of these financial statements, the City considers all highly liquid investments (including restricted assets) having original maturity dates of three months or less when purchased to be cash equivalents.

(p) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Short-term amounts owed between funds are classified as "Due to/from other funds." Interfund loans are classified as "Interfund notes receivable/payable."

(q) Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. All capital assets are capitalized at cost or estimated historical cost and updated for

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(q) Capital Assets (Continued)

additions and retirements during the year. Donated fixed assets are recorded at their estimated fair market values as of the date received. Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operations.

City

The City maintains a capitalization threshold of one thousand dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	15 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 30 years
Street Network	15 - 70 years

Schools

The Schools maintain a capitalization threshold of five thousand dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10 - 40 years
Machinery and equipment	5 - 12 years
Vehicles	10 - 15 years

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(q) Capital Assets (Continued)Utility

The Utility maintains a capitalization threshold of one thousand dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Structures and improvements	40 - 50 years
Equipment	5 - 20 years
Transmission, distribution and collection lines	15 - 40 years

(r) Compensated Absences

Compensated absences are reported in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

City - The cost of vacation pay is recognized when earned. Employees may accumulate and carry over a maximum of eight weeks of unused vacation benefits, but may use a maximum of four weeks per year. Employees resigning and giving reasonable notice of intention to resign, will receive payment for accrued vacation as of the date of resignation.

The cost of sick pay benefits is recognized when earned. Employees are granted sick leave benefits at the rate of ten hours per month and may accrue a maximum of 120 sick leave days. Payment will be made for accrued sick leave upon separation, up to 120 days.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(r) Compensated Absences (Continued)

Board of Education - The cost of vacation pay is recognized when earned. Certain employees may accumulate and carry over a maximum of thirty days of unused vacation benefits. Employees resigning and giving reasonable notice of intention to resign will receive payment for accrued vacation as of date of resignation. Certified personnel do not earn vacation benefits.

Sick pay is forfeited upon termination of employment prior to retirement. Upon retirement, the accumulated sick leave is credited to time of employment for benefit purposes of certified personnel. The Schools do not bear the retirement costs upon the retirement of an employee. Therefore, no liability for certified personnel sick leave has been recorded.

Lenoir City Utilities Board - The cost of vacation pay is recognized as it is earned. Employees are allowed to accumulate and carry over one to six weeks of unused vacation benefits. The maximum number of weeks permitted to be carried over is determined based on specified years of service requirements.

The cost of sick pay benefits is recognized when earned. Employees are allowed to accumulate an unlimited number of sick leave days. Accumulated sick leave benefits become fully vested upon the earlier of an employee's death, attaining 15 years of continuing service, or reaching retirement. The maximum number of unused sick leave days for which employees shall be compensated is 142 days unless the employee uses sick leave for early retirement, in which case the maximum is 260 days.

(s) Pension Plans

Employees of the City, Board of Education and Utility are covered under various retirement plans as follows:

City - The City has established a single-employer contributory defined benefit plan covering substantially all employees. All participating employees must contribute 4% of their base salary. The City contributes at an actuarially determined rate based upon accrued pension expense. Pension expense includes amortization of past service cost over 30 years.

Board of Education - The Board of Education participates in the Tennessee Consolidated Retirement System, an employee benefit plan established as an individual entity, and accrues all proportionate costs associated with the operation and administration of the plan. However, control over the operation and administration of the plan, including investment decisions, is vested in the State of Tennessee along with custody of plan assets.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(s) Pension Plans (Continued)

Lenoir City Utilities Board - The Lenoir City Utilities Board has established a single-employer contributory defined benefit plan covering substantially all employees. Each utility department makes annual contributions to the plan equal to the amounts accrued for pension expense. Pension expense includes amortization of past service cost over 40 years.

(t) Customer Advances for Construction

Customer advances for construction represent refundable receipts from developers.

(u) Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

(v) Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

(w) Postemployment Benefits

The Utility Board and Board of Education follows the provisions of Governmental Accounting Standards Board Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pensions" and Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions."

(x) Debt Premiums, Discounts and Issuance Costs

Lenoir City Utilities Board - Bonds payable are reported net of any applicable bond premium or discount. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(y) Use of Estimates

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(z) Federal Energy Regulatory Commission Policies

The Lenoir City Utilities Board follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission.

(aa) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City, Schools and Utility apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

(ab) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

(ac) Totals

The total column on the combined fund financial statements is only presented to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(ad) Operating and Non-operating Revenues

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(2) Cash, Cash Equivalents and Investments

Cash - At June 30, 2011, all of the City's deposits with financial institutions were insured by federal depository insurance or by the bank's participation in the State of Tennessee Bank Collateral Pool.

Interest rates ranged from 0.00% to 0.31% at June 30, 2011.

Investments - State statutes authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, obligations of any municipality rated as to investment quality of "A" or its equivalent rating, commercial paper in the highest rating which matures within 270 days from purchase date, U.S. dollar denominated deposit accounts and federal funds and bankers' acceptances with domestic commercial banks which have a rating of "A" or its equivalent rating on their short-term certificates of deposit on the date of purchase and maturing within 360 days of the purchase date.

The City had no investments as of June 30, 2011.

Utilities

	Power and Light Department	Gas Department	Water and Sewer Department		Total
			Water Division	Sewer Division	
Cash on hand and in banks:					
Unrestricted	\$ 20,682,658	\$ 1,504,169	\$ 3,988,610	\$ 4,546,636	\$ 30,722,073
Restricted	1,165,745	-	119,405	57,000	1,342,150
	<u>\$ 21,848,403</u>	<u>\$ 1,504,169</u>	<u>\$ 4,108,015</u>	<u>\$ 4,603,636</u>	<u>\$ 32,064,223</u>

Interest rates ranged from 0.05% to 1.00% at June 30, 2011.

At June 30, 2011, all cash and cash equivalents were insured by federal depository insurance and/or insured through the State of Tennessee Bank Collateral Pool. Investment policies of the Utilities Board follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. government.

(3) Capital Assets

Governmental capital asset activity for the fiscal year ended June 30, 2011 was as follows:

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(3) Capital Assets (Continued)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 3,313,986	\$ -	\$ -	\$ 3,313,986
Capital assets, being depreciated:				
Buildings and improvements	29,134,405	3,917,392	1,000	33,050,797
Machinery and equipment	2,581,035	328,035	55,870	2,853,200
Vehicles	3,749,484	512,939	152,032	4,110,391
Street network	13,499,729	533,627	-	14,033,356
Total capital assets, being depreciated	<u>48,964,653</u>	<u>5,291,993</u>	<u>208,902</u>	<u>54,047,744</u>
Less accumulated depreciation for:				
Buildings and improvements	9,604,095	762,641	169	10,366,567
Machinery and equipment	1,917,030	163,092	49,485	2,030,637
Vehicles	2,451,530	208,957	143,196	2,517,291
Street network	2,974,993	145,590	-	3,120,583
Total accumulated depreciation	<u>16,947,648</u>	<u>1,280,280 *</u>	<u>192,850</u>	<u>18,035,078</u>
Capital assets, being depreciated, net	<u>32,017,005</u>	<u>4,011,713</u>	<u>16,052</u>	<u>36,012,666</u>
Governmental activities capital assets, net	<u>\$ 35,330,991</u>	<u>\$ 4,011,713</u>	<u>\$ 16,052</u>	<u>\$ 39,326,652</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$ 66,504
Public safety	190,356
Streets	182,682
Sanitation	9,010
Culture and recreation	133,171
Education	698,557
Total depreciation expense	<u>\$ 1,280,280</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(3) Capital Assets (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2011 was as follows:

<u>Business-Type Activities</u>	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land and land rights	\$ 2,742,863	\$ 100	\$ -	\$ 2,742,963
Construction work in progress	<u>29,275,900</u>	<u>4,140,117</u>	<u>3,268,918</u>	<u>30,147,099</u>
Total capital assets, not being depreciated	<u>32,018,763</u>	<u>4,140,217</u>	<u>3,268,918</u>	<u>32,890,062</u>
Capital assets, being depreciated:				
Distribution plant	187,379,349	11,418,608	1,395,682	197,402,275
General plant	<u>9,910,471</u>	<u>407,737</u>	<u>22,412</u>	<u>10,295,796</u>
Total capital assets, being depreciated	<u>197,289,820</u>	<u>11,826,345</u>	<u>1,418,094</u>	<u>207,698,071</u>
Less accumulated depreciation for:				
Distribution plant	55,675,958	6,001,726	1,351,888	60,325,796
General plant	<u>7,037,121</u>	<u>560,273</u>	<u>50</u>	<u>7,597,344</u>
Total accumulated depreciation	<u>62,713,079</u>	<u>6,561,999</u>	<u>1,351,938</u>	<u>67,923,140</u>
Capital assets, being depreciated, net	<u>134,576,741</u>	<u>5,264,346</u>	<u>66,156</u>	<u>139,774,931</u>
Business-type activities capital assets, net	<u>\$ 166,595,504</u>	<u>\$ 9,404,563</u>	<u>\$ 3,335,074</u>	<u>\$ 172,664,993</u>

Depreciation expense was \$6,561,999 in 2011, including \$396,708 charged to a clearing account.

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(4) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

Governmental Activities	July 1, 2010	Additions	Retirements/ Refunded	June 30, 2011	Amounts Due Within One Year
General Obligation School Bonds, Series 2009	\$ 10,055,000	\$ -	\$ 350,000	\$ 9,705,000	\$ 360,000
General Obligation School Bonds Series 2010	-	1,550,000	75,000	1,475,000	65,000
Tennessee Municipal Loan Bond Pool (#1), Series 1997	296,719	-	91,740	204,979	97,000
Tennessee Municipal Loan Bond Pool (#2), Series 1997	296,000	-	95,000	201,000	98,000
Tennessee Municipal Loan Bond Fund, Capital Outlay Note, 2.63%	750,000	-	750,000	-	-
Tennessee Municipal Loan Bond Pool (#3), Series 1999	513,000	-	76,000	437,000	79,000
Tennessee Municipal Loan Bond Pool (#4), Series 2004	1,815,000	-	155,000	1,660,000	160,000
Tennessee Municipal Loan Bond Pool (#5), Series 2008	3,450,231	1,009,073	75,000	4,384,304	75,000
General Obligation Capital Outlay Note, Series 2007	1,622,000	-	174,000	1,448,000	182,000
General Obligation Capital Outlay Note, Series 2008	1,614,000	-	177,000	1,437,000	184,000
Accrued compensated absences*	2,078,464	1,032,374	893,799	2,217,039	528,869
Total governmental activities	<u>\$ 22,490,414</u>	<u>\$ 3,591,447</u>	<u>\$ 2,912,539</u>	<u>\$ 23,169,322</u>	<u>\$ 1,828,869</u>

* Accrued compensated absences consist of governmental funds only, as all compensated absences in business-type funds are not considered to be long-term liabilities.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)

Bonds and notes payable at June 30, 2011 consist of the following:

Bonds and Notes

Variable rate General Obligation Bond, Series 2009, due in annual installments ranging from \$360,000 to \$710,000 in 2011 and ending in 2030. The interest rate range is 3% to 4%.	\$ 9,705,000
Variable rate General Obligation Bond, Series 2010, due in annual installments ranging from \$65,000 to \$100,000 beginning 2011 and ending in 2030. The interest rate range is 2% to 3.5%.	1,475,000
Tennessee Municipal Loan Bond Pool (#1), Series 1997, due in annual installments ranging from \$97,000 to \$107,979 through 2013. The interest rate varies weekly based on the issue rate of similar bonds. The interest rate at June 30, 2011 was 0.37%.	204,979
Tennessee Municipal Loan Bond Pool (#2), Series 1997, due in annual installments ranging from \$98,000 to \$103,000 through 2013. The interest rate varies weekly based on the issue rate of similar bonds. The interest rate at June 30, 2011 was 0.37%.	201,000
Tennessee Municipal Loan Bond Pool (#3), Series 1999, due in annual installments ranging from \$79,000 to \$96,000 through 2016. The interest rate varies weekly based on the issue rate of similar bonds. The interest rate at June 30, 2011 was 0.37%.	437,000
Tennessee Municipal Loan Bond Pool (#4), Series 2004, due in annual installments ranging from \$160,000 to \$211,000 through 2020. The interest rate varies weekly based on the issue rate of similar bonds. The interest rate at June 30, 2011 was 0.27%.	1,660,000
Tennessee Municipal Loan Bond Pool (#5), Series 2008, due in annual installments ranging from \$75,000 to \$324,000 through 2037. The interest rate varies weekly based on the issue rate of similar bonds. The interest rate at June 30, 2011 was 0.27%.	4,384,304
General Obligation Capital Outlay Note, Series 2007, due in annual installments ranging from \$182,000 to \$233,000 through 2017. Interest at 4.24%.	1,448,000
General Obligation Capital Outlay Note, Series 2008, due in annual installments ranging from \$184,000 to \$228,000 through 2018. Interest at 3.66%.	<u>1,437,000</u>
Total bonds and notes	<u>\$ 20,952,283</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)

(4) Long-Term Liabilities (Continued)

Business-Type Activities	July 1, 2010	Additions	Retirements	June 30, 2011	Due Within One Year
<u>Bonds Payable</u>					
Electric System Revenue					
Bonds:					
Series 2001	\$ 18,260,000	\$ -	\$ 2,675,000	\$ 15,585,000	\$ 2,785,000
Water Revenue and Tax					
Bonds:					
Series 1995	910,146	-	19,609	890,537	20,613
Series 1995 (Dixie Lee Utility merger)	694,177	-	16,297	677,880	17,146
Sewer Revenue and Tax					
Bonds:					
Series 1979	66,000	-	6,000	60,000	6,000
Tennessee Municipal Loan					
Bond Pool:					
Series 1997 -					
Gas	296,719	-	91,740	204,979	97,500
Water	87,800	-	27,800	60,000	29,250
Sewer	196,762	-	66,720	130,042	68,250
Series 2003 -					
Water	4,173,980	-	153,000	4,020,980	158,000
Sewer	1,179,000	-	70,000	1,109,000	53,000
Series 2005 -					
Sewer	1,466,000	-	52,000	1,414,000	54,000
Series 2008 -					
Water	3,028,705	1,888,724	99,000	4,818,429	103,000
Sewer	3,335,844	1,968,834	109,000	5,195,678	113,000
Total bonds	33,695,133	3,857,558	3,386,166	34,166,525	3,504,759
<u>Notes Payable</u>					
Water Department State					
Drinking Water Fund					
Loan (SDWF-2000-035)	317,967	-	22,128	295,839	24,204
Sewer Department State					
Revolving Loan (SRF96-095)	599,348	-	49,584	549,764	50,762
Sewer Department State					
Revolving Loan (SRF99-126)	296,718	-	21,816	274,902	22,308
Sewer Department State					
Revolving Loan (SRF2001-155)	640,659	-	38,256	602,403	38,514
Sewer Department State					
Revolving Loan (SRF2006-191)	1,079,286	-	49,500	1,029,786	50,304
Sewer Department State					
Revolving Loan (SRF2008-218)	11,190,731	305,376	-	11,496,107	-
CGA state revolving loan					
(2009-238)	164,370	773,467	-	937,837	-
Total notes payable	14,289,079	1,078,843	181,284	15,186,638	186,092
	\$ 47,984,212	\$ 4,936,401	\$ 3,567,450	\$ 49,353,163	\$ 3,690,851

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)

Bonds and notes payable at June 30, 2011 consist of the following:

Bonds Payable

4.35% to 5.00% Electric System Revenue Bonds, Series 2001, due in annual principal installments from \$1,030,000 to \$2,915,000 through 2021.	\$ 15,585,000
5.00% Water Revenue and Tax Bonds, Series 1995, due in monthly principal and interest installments of \$5,401 through December 2035.	890,537
5.125% Water Revenue Bond, Series 1995, due in annual principal installments ranging from \$17,146 to \$48,195 through 2033.	677,880
5.00% Sewer Revenue and Tax Bonds, Series 1979, due in annual principal installments ranging from \$6,000 to \$9,000 through 2019.	60,000
The Lenoir City Utilities Board borrowed \$2,000,000 through the Tennessee Municipal Loan Bond Fund, Series 1997. The Gas Department originally borrowed \$1,000,000, the Water and Sewer Department - Water Division \$300,000 and the Water and Sewer Department - Sewer Division \$700,000. Combined annual principal installments range from \$195,000 to \$200,021 through 2013. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.37%.	395,021
The Lenoir City Utilities Board Water and Sewer Department - Water Division has drawn down \$4,999,980 through the Tennessee Municipal Loan Bond Fund, Series 2003. The Water Improvement Loan is for a total of \$5,000,000. Annual principal installments range from \$158,000 in 2012 to \$275,980 in 2030. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.27%.	4,020,980
The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$1,500,000 through the Tennessee Municipal Loan Bond Fund, Series 2003. Annual principal installments range from \$53,000 in 2012 to \$80,000 in 2028. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.27%.	1,109,000
The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$1,700,000 through the Tennessee Municipal Loan Bond Fund, Series 2005. Annual principal installments range from \$54,000 in 2012 to \$100,000 in 2030. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.27%.	1,414,000

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Bonds Payable (Continued)

The Lenoir City Utilities Board Water and Sewer Department - Water Division borrowed \$5,000,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. At June 30, 2011, the Water and Sewer Department - Water Division had drawn \$4,917,429. Annual principal installments range from \$103,000 to \$296,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.27%. \$ 4,818,429

The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$5,500,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. At June 30, 2011, the Water and Sewer Department - Sewer Division had drawn \$5,304,678. Annual principal installments range from \$113,000 to \$341,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.27%. 5,195,678

Total bonds payable 34,166,525

Less current installments 3,504,759

30,661,766

Notes Payable

2.04% Water Division State Drinking Water Fund Loan, payable in monthly installments of \$2,539 through 2023. 295,839

2.35% Sewer Division State Revolving Loan, payable in annual installments of \$63,134 through 2021. 549,764

2.23% Sewer Division State Revolving Loan, payable in monthly installments of \$2,350 through 2022. 274,902

2.08% Sewer Division State Revolving Loan, payable in monthly installments \$4,369 through 2024. 602,403

1.60% Sewer Division State Revolving Loan draws 1,029,786

1.47% Sewer Division State Revolving Loan draws 11,496,107

CGA State Revolving Loan 937,837

Total notes payable 15,186,638

Less current maturities 186,092

15,000,546

Total long-term debt, excluding current maturities 45,662,312

Less unamortized reacquisition costs 18,903

Less unamortized original issue discount 57,247

\$ 45,586,162

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Principal and Interest Requirements

The annual requirements to amortize long-term liabilities as of June 30, 2011 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest*	Principal	Interest*	Principal	Interest*
2012	\$ 1,300,000	\$ 889,437	\$ 3,690,851	\$ 1,818,614	\$ 4,990,851	\$ 2,708,051
2013	1,376,979	835,746	3,850,757	1,652,390	5,227,736	2,488,136
2014	1,209,000	778,705	1,790,820	1,475,702	2,999,820	2,254,407
2015	1,251,000	731,240	1,870,088	1,386,375	3,121,088	2,117,615
2016	1,303,000	678,017	1,959,568	1,292,937	3,262,568	1,970,954
2017-2021	5,052,000	2,643,190	11,097,926	4,982,066	16,149,926	7,625,256
2022-2026	4,068,000	1,772,802	4,641,420	2,900,617	8,709,420	4,673,419
2027-2031	4,155,000	891,950	4,494,278	1,696,068	8,649,278	2,588,018
2032-2036	1,404,000	298,450	3,150,404	687,233	4,554,404	985,683
2037-2041	324,000	16,200	373,107	35,805	697,107	52,005
	<u>\$ 21,442,979</u>	<u>\$ 9,535,737</u>	36,919,219	<u>\$ 17,927,807</u>	58,362,198	<u>\$ 27,463,544</u>
	(1)	(1)	12,433,944 (2)	(1)	12,433,944 (2)	
			<u>\$ 49,353,163</u>		<u>\$ 70,796,142</u>	
			(1)			

* The City uses a 5.00% or 5.50% rate for calculating future interest on all variable rate bonds, even though the rates at June 30, 2011 ranged from 0.27% to 0.37%.

- (1) Principal and interest requirements assume all bonds are fully drawn down at June 30, 2011.
- (2) The Lenoir City Utilities Board Water and Sewer Department - Sewer Division began drawing on a \$13,500,000 and a \$1,627,000 State Revolving Loan from the State of Tennessee. Total draws are \$11,496,107 and \$937,837, respectively. However, repayment schedules have not been established.

Debt Covenants

Electric Revenue Bonds constitute special obligations of the City of Lenoir City, Tennessee (or the City or Municipality), and are payable from the net revenues of the electric system of the Municipality after provision has been made for the payment of the expenses of operating, repairing and maintaining the system.

During April 2001, the City of Lenoir City issued \$20,030,000 in Electric System Revenue Refunding and Improvement Bonds, Series 2001, with an average interest rate of 4.28% to advance refund \$1,520,000 of outstanding 1992 Series bonds with an average interest rate of 5.45% and a portion totaling \$9,570,000 of the 1998 Series bonds with an average interest rate of 4.80%. The bonds mature annually on June 1 through the

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Debt Covenants (Continued)

year 2021. Interest is payable semiannually at rates from 3.45% to 5.38% per annum. The bonds are the obligation of the Power and Light Department and are secured by the revenues of the Power and Light Department on parity with other outstanding bond issues. The net proceeds of \$19,686,914 (after payment of \$438,950 in underwriting fees, insurance, and other issuance costs/discounts) plus an additional \$1,387,983 of 1992 and 1998 Series sinking fund monies were used to establish an escrow account totaling \$11,302,726 for the payment and advance refunding of the bonds discussed above. The trustee of the escrow account repaid the bonds, which were matured or callable and then purchased direct non-callable United States Treasury Obligations - State and Local Government Series. The remainder of the funds provided, totaling \$9,676,307 was used to establish a 2001 Construction Fund for budgeted capital improvements by the Power and Light Department. As a result, the 1992 and a portion of the 1998 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Power and Light Department's long-term debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$141,739. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2013 using the straight-line method. The Power and Light Department completed the advance refunding to reduce its total debt service payments over the next 13 years by \$261,198 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$174,858. At June 30, 2011, there was a total of \$5,735,000 of outstanding bonds considered defeased by this transaction.

The Lenoir City Utilities Board Revenue and Tax Bond, Series 1995, was issued through the Rural Economic and Community Development Administration (formerly Farmers Home Administration) on January 28, 1997 in the amount of \$1,100,000. The bond bears interest at a rate of 5.00% per annum with payments of principal and interest due monthly in the amount of \$5,401 through December 28, 2034. The bond is a direct general obligation of the Municipality and is secured by a pledge of the revenues of the Water and Sewer Department - Water Division and the Municipality's authority to levy a special tax on all taxable property of the Municipality over and above all other taxes authorized.

The Water and Sewer Department - Water Division has a \$5,000,000 Water Improvement Bond Fund, TMBF Series 2003. Interest rate on these bonds is variable. Principal payments of \$158,000 to \$275,980 annually plus applicable interest are payable through 2030. Also, the Water and Sewer Department - Sewer Division has a \$1,500,000 Wastewater Collection Improvement Bond Fund, TMBF Series 2003. Interest rate on these bonds is variable. Principal payments of \$53,000 to \$80,000 annually plus applicable interest are payable through 2029.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Debt Covenants (Continued)

A Water Revenue Bond, Series 1995, with the Farmers Home Administration (FHA) was issued to finance certain system improvements. The FHA loan was for \$860,000 at 5.125% interest, payable monthly at \$4,292 for 38 years and collateralized by the waterworks system's assets and a pledge of its net revenues. The loan is collateralized by a pledge of the net revenues derived from the operations of the waterworks system and a statutory mortgage lien on the waterworks system. The resolution authorizing the bond issue contains various requirements, including monthly deposits to a debt service fund over a ten-year period until one year's debt service has been accumulated. As of June 30, 2011, one year's debt service had accumulated and was recorded as a restricted asset on the statement of net assets. In addition, the Water and Sewer Department - Water Division is required to maintain insurance coverage on the system's utility plant and officer fidelity bonds, both of which were complied with during the year ended June 30, 2011.

The City of Lenoir City Water and Sewer Revenue and Tax Bonds, Series 1979, were issued through the Rural Economic and Community Development Administration (formerly Farmers Home Administration) in the form of fully registered installment bonds on July 17, 1980 in the amount of \$155,000. The bonds bear interest at a rate of 5.00% per annum with interest payable semi-annually on January 1 and July 1. The bonds are the obligation of the City and are payable primarily from and secured by a pledge of the income and the revenues to be derived from the operation of the sewer system of the Municipality, subject only to the payment of the reasonable and necessary costs of operating and maintaining said system and to the prior pledges of such revenues. In the event such revenues are insufficient therefore, the bonds are payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. The 1979 bonds, or any installment thereof, may be redeemed in whole or in part in inverse order of maturity, at any time, without penalty.

In accordance with above bond resolutions, the Water and Sewer Department - Sewer Division is required to maintain a bond and interest sinking fund to be used solely for payment of principal and interest on the Series 1979 bonds. Monthly transfers to the account must equal one-sixth of the next semi-annual interest payment plus one-twelfth of the next annual principal payment. The covenants of the Series 1979 bonds also require the Water and Sewer Department - Sewer Division to maintain a renewal and extension fund with a maximum balance of \$39,600. The Series 1979 bond resolution further requires the Water and Sewer Department - Sewer Division to maintain a debt service reserve fund with a maximum balance of \$9,600. At June 30, 2011, the Water and Sewer Department - Sewer Division had \$9,600 in the debt service reserve fund and \$39,600 in the renewal and extension fund. According to the bond covenants, when monies are used from the renewal and extension fund, monthly payments shall be resumed until the required balance of \$39,600 has been restored.

The 1979 bond resolution requires the Water and Sewer Department - Sewer Division to transfer all surplus operating funds, after providing for the payment of current operating expenses and all prior pledges of such revenues, to a bond redemption fund for the purpose of prepaying the bond

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Debt Covenants (Continued)

or a portion thereof, or of retiring parity bonds. The Water and Sewer Department - Sewer Division has not established a bond redemption fund as of June 30, 2011.

The Water and Sewer Department - Sewer Division State Revolving Loan from the State of Tennessee (SRF96-095) bears interest at 2.35% and is payable in monthly installments of \$5,261 through March 2021 and is secured by the Water and Sewer Department - Sewer Division's revenue.

The Water and Sewer Department - Sewer Division State Revolving Loan from the State of Tennessee (SRF99-126) bears interest at 2.23% and is payable in monthly installments of \$2,350 through 2022 and is secured by the Water and Sewer Department - Sewer Division's revenue.

The City of Lenoir City borrowed \$3,000,000 through the Tennessee Municipal Loan Bond Pool. The Gas Department's portion was \$1,000,000. The Water and Sewer Department - Water Division's portion was \$300,000 and the Water and Sewer Department - Sewer Division's portion was \$700,000. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.37%. The bonds are secured by a pledge of the revenues of the Utilities Board and the Municipality's authority to levy a special tax on all other taxes authorized. Annual principal and interest payments range from \$195,000 to \$200,021 through 2013.

The Lenoir City Utilities Board Water and Sewer Department - Water Division borrowed \$5,000,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. At June 30, 2011, the Water and Sewer Department - Water Division had drawn \$4,917,429. Annual principal installments range from \$103,000 to \$296,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.27%.

The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$5,500,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. At June 30, 2011, the Water and Sewer Department - Sewer Division had drawn \$5,304,678. Annual principal installments range from \$113,000 to \$341,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2011 was 0.27%.

The Lenoir City Utilities Water and Sewer Department - Water Division \$500,000 State Drinking Water Fund Loan from the State of Tennessee (SDWF-2000-035) was issued in 2002. This loan bears interest at the rate of 2.04%. Principal and interest payments of \$30,468 annually are payable through 2023.

During 2004, the Water and Sewer Department - Sewer Division borrowed \$825,000 on a State Revolving Loan, Project SRF2001-155. This loan bears interest at the rate of 2.08%. Principal and interest payments are projected at \$52,428 annually through 2024.

During 2008, the Water and Sewer Department - Sewer Division began borrowing on a \$1,150,800 State Revolving Loan, Project SRF2006-191. This loan bears interest at the rate of 1.60%. Annual principal installments range from \$50,304 to 64,968 through 2030.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Debt Covenants (Continued)

During 2008, the Water and Sewer Department - Sewer Division began borrowing on a \$13,500,000 State Revolving Loan, Project SRF2008-218. At June 30, 2011, the Water and Sewer Department - Sewer Division had drawn \$11,496,107. This loan bears interest at the rate of 1.47%. A payment schedule has not been established.

The City of Lenoir City borrowed \$1,000,000 through the Tennessee Municipal Loan Bond Pool, Series 1997. The bonds are secured by the City's authority to levy a special tax on all taxable property of the City over and above all other taxes authorized.

The City of Lenoir City borrowed \$1,000,000 through the Tennessee Municipal Loan Bond Pool, Series 1999. The bonds are secured by the City's authority to levy a special tax on all taxable property of the City over and above all other taxes authorized.

The City of Lenoir City borrowed \$2,500,000 through the Tennessee Municipal Loan Bond Pool, Series 2004. The bonds are secured by the City's authority to levy a special tax on all taxable property of the City over and above all other taxes authorized.

The City of Lenoir City began borrowing on a \$5,500,000 bond through the Tennessee Municipal Loan Bond Pool, Series 2008. At June 30, 2011, the City had drawn \$4,459,304. The bonds are secured by the City's authority to levy a special tax on all taxable property of the City over and above all other taxes authorized.

(5) Accrued Expenses

Accrued expenses for proprietary fund consisted of the following:

Compensated absences - sick leave	\$2,699,817
Compensated absences - vacation	589,206
Other	<u>452,728</u>
	<u>\$3,741,751</u>

All compensated absences are considered current.

(6) Retirement Plans**City of Lenoir City, Tennessee**

The City of Lenoir City, the Lenoir City Board of Education and the Lenoir City Utilities Board have defined benefit retirement plans. Information concerning these public employee retirement systems (PERS) is as follows:

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(6) Retirement Plans (Continued)

City of Lenoir City, Tennessee (Continued)

A. Overview

The City participates in the Retirement Income Plan for Employees of the City of Lenoir City, a single-employer public employee retirement system (PERS) established and administrated by the City to provide pension benefits for its employees. A copy of the January 1, 2011 financial statements and required supplementary information prepared by the actuary is available to the public upon request at the City of Lenoir City offices. At January 1, 2011, (latest information available), PERS membership consisted of:

Number of participants:

a. Active	77
b. Terminated Vested	19
c. Retired	10
d. Total	106

B. Plan Description

The City provides retirement benefits for most employees through a single employer, defined benefit plan. Under the Plan, all full-time employees are eligible. Summaries of plan provisions are as follows:

Eligibility

Employees become participants on the first day of the month coinciding with or next following his/her completion of 12 full months of Credited Service and attainment of age 18.

Normal Retirement Date

The Normal Retirement Date is the first day of the month coinciding with or next following attainment of age 65, or the date the employee is credited with 10 years of service.

Retirement Benefit Formula

Monthly annuity is equal to 1.80% of the participants' average monthly earnings multiplied by years of credited service up to a maximum of 40 years.

A participant who has at least 15 years of credited service at his normal retirement date shall be entitled to a minimum pension in an amount equal to 30% of his average monthly earnings.

Average Monthly Compensation

Monthly average of total compensation for the three consecutive years of highest compensation.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)City of Lenoir City, Tennessee (Continued)**B. Plan Description (Continued)**Normal Form of Benefit

Single Life Annuity with 10 years certain.

Maximum Annual Benefit

\$195,000 as adjusted per IRC Sec, 415 for retirement age other than social security retirement age and annuity form.

Employee Contributions

4% of earnings during each Plan year.

Credited Interest

5% per annum compounded annually.

Pre-retirement Death Benefit

Upon the death of an employee, an equivalent actuarial value of accrued benefit in the form of a sixty-month annuity.

Disability

The participant will continue to accrue a benefit while permanently disabled until Normal Retirement Date. The benefit is payable at age 65 and is based on credit service and average monthly earnings as of the date of disability.

Early Retirement

Age 52 and 10 years with benefits based on service and earnings at termination, reduced actuarially.

Vested Termination Benefit

A participant who terminates with less than one year of credited service shall receive a return of member contributions with interest to the date of payment.

A participant who is terminated with one or more years of credited service shall be eligible for a vested pension that begins on normal retirement date and equals his accrued benefit multiplied by a percentage based on the participant's years of vesting service at termination. The percentage is determined from the table below.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee (Continued)****B. Plan Description (Continued)**

<u>Years of Vesting Service Completed</u>	<u>Percentage</u>
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

Actuarial Cost Method

Projected Unit Credit cost method. Under this method, annual contributions consist of normal cost plus amortization of the unfunded actuarial accrued liability (UL) over a fixed period of years, selected within the minimum (10 years) and maximum (30 years) periods. Each year the maximum contribution is determined by 10-year amortization of the UL. The minimum contribution is determined by amortization over the remaining period at date of valuation. This period is 30 years as of January 1, 2011.

The present value of the participant's projected retirement, death and withdrawal benefits, including those expected to be earned in the future, based on projected future service and compensation, is calculated. The normal cost for an active participant is equal to that present value, divided by his total prior and expected future service. The actuarial accrued liability for an individual is that present value, multiplied by the ratio of his prior service to his expected total service.

The unfunded accrued liability is the excess, if any, of the accrued liability over the plan assets.

Actuarial AssumptionsPost-Retirement

Mortality - 1994 Group Annuity Mortality Table

Investment Return - 7.5% per annum

Pre-Retirement

Mortality - 1994 Group Annuity Mortality Table

Investment Return - 7.5% per annum

Salary projection - 2.0% per annum

Retirement age - age 65 or current age if later

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee (Continued)****B. Plan Description (Continued)**Pre-Retirement (Continued)

Expense loading - none

Withdrawal rates - See rates illustrated in table below.

Disability rates - See rates illustrated in table below.

Pre-retirement Decrement Rates

Age	Withdrawal		Disability	
	Male	Female	Male	Female
25	17.300%	17.300%	0.060%	0.060%
30	16.304%	16.304%	0.060%	0.060%
35	14.996%	14.996%	0.089%	0.089%
40	13.304%	13.304%	0.183%	0.183%
45	11.196%	11.196%	0.306%	0.306%
50	8.563%	8.563%	0.492%	0.492%
55	5.448%	5.448%	0.804%	0.804%
60	2.757%	2.757%	1.202%	1.202%

Asset Valuation

Market value of plan assets is adjusted to phase in asset gains and losses since January 1, 2008 over a five-year period at a rate of 20% per year. Valuation assets are further limited to a 20% corridor around market value.

Unfunded Past Service Cost

The unfunded past service liability at January 1, 2011 is \$2,722,155.

C. Plan Asset Matters

The Asset Valuation Method that is used to determine the annual required contribution is the market value of plan assets plus accrued contributions adjusted to phase in asset gains and losses since January 1, 2003.

D. Funding Status and Progress

Actuarial valuations for funding are performed annually as of January 1. These Valuations are based on census data and assets as of that date. The employer's reporting period is July 1 though June 30. Significant actuarial assumptions used include (a) rate of return on the investment of present and future assets of 7.5% per year compounded annually and (b) salaries increase at a rate of 2.0% annually. All participants are assumed to elect a lump sum payment at retirement. Lump sums are calculated using a 7.5% discount rate.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)

City of Lenoir City, Tennessee (Continued)

E. Contribution Required and Made

Recommended contributions to the plan are determined each year as part of the actuarial valuation process. The Projected Unit Credit Cost Method is used under this Plan. Under this method, the annual contributions consist of normal cost plus amortization of the unfunded accrued liability over a fixed period of years, selected within the maximum (30 years) and minimum (10 years) periods.

The January 1, 2011 actuarial valuation reflected a minimum recommended contribution of \$275,181 of which \$185,509 was employer normal cost. There was \$2,722,155 of unfunded actuarial liability.

F. Historical Trend Information

Historical trend information designed to provide a measurement of the plan's progress in accumulating sufficient assets to pay plan benefits, is developed below on a year-by-year basis.

1. Analysis of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded AAL as % of Payroll
1/1/2003	\$ 111,192	\$ -	9.1%	\$ -	\$ 2,470,937	0.0%
1/1/2004	341,281	1,943,835	23.7%	1,602,554	2,486,325	64.5%
1/1/2005	483,305	2,330,094	20.7%	1,846,789	2,570,905	71.8%
1/1/2006	754,725	2,749,786	27.4%	1,995,061	2,731,812	73.0%
1/1/2007	1,068,260	3,122,889	34.2%	2,054,629	2,817,436	72.9%
1/1/2008	1,322,062	3,459,638	38.2%	2,137,576	2,893,483	73.9%
1/1/2009	1,348,542	3,889,117	34.7%	2,540,575	3,123,732	81.3%
1/1/2010	1,750,792	4,202,206	41.7%	2,451,414	3,173,669	77.2%
1/1/2011	1,972,504	4,275,018	44.8%	2,722,155	3,188,019	85.4%

2. Revenues by Source

	(1)	(2)	(3)	(4)
Reporting Period	Employee Contributions	Employer Contributions	Investment Income*	Total
1/03 - 12/03	\$ 95,858	\$ 133,427	\$ 804	\$ 230,089
1/04 - 12/04	104,257	27,152	12,934	144,343
1/05 - 12/05	107,414	144,642	33,312	285,368
1/06 - 12/06	104,030	153,413	91,492	348,935
1/07 - 12/07	106,614	161,625	79,298	347,537
1/08 - 12/08	113,295	173,292	(381,078)	(94,491)
1/09 - 12/09	127,409	194,476	272,574	594,459
1/10 - 12/10	118,423	185,509	177,203	481,135

*Includes realized and unrealized gains and losses.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)

(6) Retirement Plans (Continued)

City of Lenoir City, Tennessee (Continued)

F. Historical Trend Information (Continued)

3. Expenses by Type

Reporting Period	(1) Benefit Payments	(2) Administrative Expenses	(3) Refunds	(4) Total
1/03 - 12/03	\$ -	\$ -	\$ -	\$ -
1/04 - 12/04	749	1,570	-	2,319
1/05 - 12/05	10,906	3,042	-	13,948
1/06 - 12/06	31,001	4,399	-	35,400
1/07 - 12/07	88,101	5,634	-	93,735
1/08 - 12/08	97,532	6,254	-	103,786
1/09 - 12/09	117,905	5,902	-	123,807
1/10 - 12/10	152,601	7,490	-	160,091

G. Development of Market Value of Assets

I. Market Value as of January 1, 2010		\$ 1,594,437
II. Contributions:		
Employer		\$ 185,509
Employee		118,423
Total Contributions		303,932
III. Income:		
Interest		1
Dividends		34,172
Other		-
Total Income		34,173
IV. Accrued Income		-
V. Realized Gain (Loss)		-
VI. Unrealized Gain (Loss)		143,030
VII. Disbursements:		
Benefit Payments		152,601
Refunds		-
Expenses		7,490
Total Disbursements		160,091
Investment return deferred recognition for future years		-
Market Value as of December 31, 2010		<u>\$ 1,915,481</u>

Year Ended June 30,	Annual Recommended Employer Contribution	Actual Employer Contribution	Percentage Contributed
2003	\$ 133,427	\$ 189,267	141.85%
2004	126,836	138,447	109.15%
2005	134,180	145,319	108.30%
2006	156,365	145,550	93.08%
2007	178,321	174,084	97.62%
2008	189,546	166,548	87.87%
2009	240,235	189,494	78.88%
2010	254,473	203,933	80.14%

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(6) Retirement Plans (Continued)

Lenoir City Board of Education

PSPP Plan Description

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

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

Funding Policy

Lenoir City Board of Education requires employees to contribute 5.0 percent of earnable compensation.

Lenoir City Board of Education is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 7.92% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lenoir City Board of Education is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, Lenoir City Board of Education's annual pension cost of \$199,751 to the TCRS was equal to Lenoir City Board of Education's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)**PSPP Plan (Continued)Annual Pension Cost (Continued)

frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Lenoir City Board of Education's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 9 years. An actuarial valuation was performed on July 1, 2009, which established contribution rates effective July 1, 2010.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 199,751	100.00%	\$0
6/30/2010	172,317	100.00%	0
6/30/2009	171,431	100.00%	0
6/30/2008	174,072	100.00%	0
6/30/2007	156,714	100.00%	0
6/30/2006	126,669	100.00%	0
6/30/2005	115,687	100.00%	0
6/30/2004	112,949	100.00%	0
6/30/2003	110,365	100.00%	0
6/30/2002	98,673	100.00%	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the Plan was 86.23 percent funded. The actuarial accrued liability for benefits was \$5.0 million, and the actuarial value of assets was \$4.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.7 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$2.3 million, and the ratio of the UAAL to the covered payroll was 29.47 percent.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)**PSPP Plan (Continued)Funded Status and Funding Progress (Continued)

The schedules of funding progress present multi-year trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the Plan.

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$4,303	\$4,990	\$687	86.23%	\$2,331	29.47%
July 1, 2007	3,854	4,271	417	90.24%	2,006	20.79%

The Governmental Accounting Standards Board (GASB) requires the Plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

SETHEEPP Plan Description

Lenoir City Board of Education contributes to the State Employees, Teachers and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)**SETHEEPP Plan Description (Continued)

members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0 percent of salary to the plan. The employer contribution rate for the Lenoir City Board of Education is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011 was 9.05 percent of annual covered payroll. The employer contribution requirement of Lenoir City Board of Education is established and may be amended by the TCRS Board of Trustees. Lenoir City Board of Education's contributions to the TCRS for the years ended June 30, 2011, 2010, and 2009 were \$762,377, \$540,781, and \$526,883 respectively, equal to the required contributions for each year.

Lenoir City Utilities Board

(Latest information available)

A. Overview

The Lenoir City Utilities Board (the Utility) participates in the Lenoir City Utilities Board Employees' Pension Plan, a single-employer public employee retirement system (PERS) established and administered by the Utility to provide pension benefits for its employees. A copy of the July 1, 2011 financial statements and required supplementary information prepared by the actuary is available to the public upon request at the Lenoir City Utilities board offices. At July 1, 2011, PERS membership consisted of:

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board** (Continued)**A. Overview** (Continued)

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	3
Disabled employees entitled to benefits but not yet receiving them	0
Current employees	<u>129</u>
	<u>133</u>

B. Plan Description

The Utility provides all retirement benefits for employees through a single employer, defined benefit plan. Under the Plan, all full-time employees are eligible. A summary of plan provisions is as follows:

Eligibility

Employees become participants on the first day of the month coinciding with or next following his/her completion of 12 full months of credited service and attainment of age 18.

Normal Retirement Date

The normal retirement date is the first day of the month coinciding with or next following attainment of age 64, or the date the employee is credited with 34 years of service.

Retirement Benefit

Retirement benefits are calculated on 50% of participant's Final Compensation, multiplied by the number of years of service at termination, divided by the greater of projected service at normal retirement date or 15. For retirees who choose not to take the lump sum option, a cost-of-living adjustment is provided not to exceed 3.0% per annum.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)****B. Plan Description (Continued)**Average Monthly Compensation

Monthly average of total compensation for the one year of highest compensation of the last 50 years. Maximum annual compensation: \$170,000.

Maximum Annual Benefit

\$140,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

Accrued Benefit

Normal retirement benefit prorated on years of service.

Employee Contributions

3% earnings during each plan year.

Normal Form of Benefit

Single Life Annuity with 10 years certain.

Death Benefit

Upon the death of a participant, the REA Qualified Pre-Retirement Spouse's Benefit is paid. For single participants, a similar benefit is provided based on and computed using a spouse's age equal to that of the participant.

Disability

Participants who become totally and permanently disabled, and whose condition continues until their normal retirement date, receive a disability benefit computed based on compensation at the time of disability, with service computed through normal retirement.

Early Retirement

Age 50 and 10 years with a reduced benefit.

Vested Termination Benefit

Upon termination after 3 years of service an employee is 20% vested, 4 years = 40%, 5 years = 60%, 6 years = 80% and 7 years = 100%, of the accrued benefit, deferred to Normal Retirement Date.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)****C. Plan Asset Matters**

Assets are held in trust with a bank. Assets are invested in various stocks, bonds, and mutual funds. The Asset Valuation Method that is used to determine the annual required contribution is the market value of plan assets plus accrued contributions adjusted to phase in asset gains and losses since July 1, 1999 over a five-year period at a rate of 20% per year. Valuation assets are further limited to 20% corridor around market value.

D. Funding Status and Progress

Actuarial valuations for funding are performed annually as of July 1. These valuations are based on census data and assets as of that date. The employer's reporting period is July 1 through June 30. Significant actuarial assumptions used include (a) rate of return on the investment of present and future assets of 8% per year compounded annually and (b) salaries increase at a rate of 4.5% annually. All participants are assumed to elect a lump sum payment at retirement. Lump sums are calculated using a 4% discount rate.

E. Contribution Required

Recommended contributions to the plan are determined each year as part of the actuarial valuation process. The Frozen Initial Liability Cost Method is used under this Plan. Under this method, the annual cost is equal to the normal cost, plus amortization of unfunded accrued liabilities over a fixed period of years, selected within the maximum (40 years) and minimum (10 to 30 years) periods.

The July 1, 2011 actuarial valuation reflected a recommended contribution of \$1,445,876 of which \$1,113,555 was employer normal cost. There was \$2,738,308 of unfunded actuarial liability.

The July 1, 2010 actuarial valuation reflected a recommended contribution of \$1,315,152 of which \$1,060,755 was employer normal cost. There was \$2,394,792 of unfunded actuarial liability.

The July 1, 2009 actuarial valuation reflected a recommended contribution of \$1,119,228 of which \$869,945 was employer normal cost. There was \$2,436,709 of unfunded actuarial liability.

The July 1, 2008 actuarial valuation reflected a recommended contribution of \$989,706 of which \$730,827 was employer normal cost. There was \$2,426,743 of unfunded actuarial liability.

The July 1, 2007 actuarial valuation reflected a recommended contribution of \$1,008,936 of which \$899,226 was employer normal cost. There was \$2,670,048 of unfunded actuarial liability.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)****E. Contribution Required (Continued)**

The July 1, 2006 actuarial valuation reflected a recommended contribution of \$1,295,194 of which \$1,098,157 was employer normal cost. There was \$2,965,548 of unfunded actuarial liability.

The July 1, 2005 actuarial valuation reflected a recommended contribution of \$1,404,122 of which \$897,992 was employer normal cost. There was \$3,085,443 of unfunded actuarial liability.

The July 1, 2004 actuarial valuation reflected a recommended contribution of \$986,632 of which \$727,883 was employer normal cost. There was \$2,855,714 of unfunded actuarial liability.

The July 1, 2003 actuarial valuation reflected a recommended contribution of \$864,694 of which \$585,871 was employer normal cost. There was \$2,765,953 of unfunded actuarial liability.

The July 1, 2002 actuarial valuation reflected a recommended contribution of \$725,643 of which \$456,157 was employer normal cost. There was \$2,715,446 of unfunded actuarial liability.

F. Historical Trend Information

Historical trend information designed to provide a measurement of the plan's progress in accumulating sufficient assets to pay plan benefits, is developed below on a year-by-year basis.

1. Analysis of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-FAN	Percentage Funded	Frozen UAL	Annual Covered Payroll	Unfunded AAL as % of Payroll
7/1/2002	\$ 11,821,513	\$ 15,242,454	77.6%	\$ 2,715,446	\$ 6,108,300	44.5%
7/1/2003	9,850,639	14,652,471	67.2%	2,765,953	6,185,471	44.7%
7/1/2004	9,861,792	15,912,248	62.0%	2,885,714	6,251,840	45.7%
7/1/2005	10,285,347	18,494,710	55.6%	3,085,443	6,481,424	47.6%
7/1/2006	10,845,233	18,808,515	57.7%	2,965,548	6,702,136	44.2%
7/1/2007	12,680,827	20,339,569	62.3%	2,670,048	6,808,648	39.2%
7/1/2008	14,348,958	20,440,819	70.2%	2,426,743	6,561,344	37.0%
7/1/2009	14,494,635	21,745,581	66.7%	2,436,709	6,564,401	37.1%
7/1/2010	12,045,094	20,824,328	57.8%	2,394,792	7,119,589	33.6%
7/1/2011	11,366,203	20,179,608	56.1%	2,738,308	7,056,754	38.2%

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(6) Retirement Plans (Continued)

Lenoir City Utilities Board (Continued)

F. Historical Trend Information (Continued)

2. Revenues by Source

Reporting Period	(1) Employee Contributions	(2) Employer Contributions	(3) Investment Income*	(4) Total
7/01-6/02	\$ 183,264	\$ 495,208	\$ (471,442)	\$ 207,030
7/02-6/03	166,314	639,343	541,729	1,347,386
7/03-6/04	193,086	739,704	723,643	1,656,433
7/04-6/05	201,299	760,281	293,351	1,254,931
7/05-6/06	205,500	1,297,908	748,551	2,251,959
7/06-6/07	208,711	1,453,548	1,675,638	3,337,897
7/07-6/08	205,160	1,381,728	(481,604)	1,105,284
7/08-6/09	205,111	937,123	(1,642,743)	(500,509)
7/09-6/10	214,445	1,146,679	1,476,322	2,837,446
7/10-6/11	220,454	1,181,864	2,033,472	3,435,790

*Includes realized and unrealized gains and losses.

3. Expenses by Type

Reporting Period	(1) Benefit Payments	(2) Administrative Expenses	(3) Refunds**	(4) Total
7/01-6/02	\$ 2,185,803	\$ 71,550	\$ -	\$ 2,257,353
7/02-6/03	2,921,281	68,500	-	2,989,781
7/03-6/04	966,975	56,597	(20,075)	1,003,497
7/04-6/05	501,463	72,736	-	574,199
7/05-6/06	1,269,670	35,497	-	1,305,167
7/06-6/07	695,835	42,757	-	738,592
7/07-6/08	713,212	62,934	-	776,146
7/08-6/09	765,038	47,293	-	812,331
7/09-6/10	4,504,818	81,722	-	4,586,540
7/10-6/11	2,420,824	77,953	-	2,498,777

**Refund payments, if any, are not available and are included in the "Benefit Payments".

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(6) Retirement Plans (Continued)

Lenoir City Utilities Board (Continued)

G. Development of Market Value of Assets

I. Market Value as of June 30, 2010		\$ 10,329,768
II. Contributions:		
Employer	\$ 1,181,864	
Employee	220,454	
Total Contributions		1,402,318
III. Investment Income		223,875
IV. Accrued Income		-
V. Realized Gain (Loss)		884,206
VI. Unrealized Gain (Loss)		925,391
VII. Disbursements:		
Benefit Payments	2,420,824	
Refunds	-	
Expenses	77,953	
Total Disbursements		2,498,777
Investment return deferred recognition for future years		-
Market Value as of June 30, 2011		<u>\$ 11,266,781</u>

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)****H. Composition of Net Assets as of 6/30/11**

	Market Value
I. Investments:	
Cash and Cash Equivalents	\$ 221,776
Mutual Funds Equities	3,617,232
Mutual Funds Fixed Income	4,031,033
Exchange Traded Funds	3,300,197
Accrued Income	15
Total Investments	11,170,253
II. Liabilities:	
Operating Payables	-
III. Receivables:	
Employer Contributions Receivable	78,637
Employee Contributions Receivable	17,891
Total Receivables	96,528
IV. Market Value of Assets	\$ 11,266,781

I. Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	\$ 1,315,152	\$ 1,181,864	89.87%
2010	1,119,228	1,146,679	102.45%
2009	972,900	937,123	96.32%
2008	1,008,936	1,381,728	136.95%
2007	1,295,194	1,453,548	112.23%
2006	1,404,122	1,297,908	92.44%
2005	1,025,594	760,281	74.13%
2004	864,694	739,704	85.55%
2003	725,643	639,343	88.11%
2002	634,267	495,208	78.08%

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)

(6) Retirement Plans (Continued)

Lenoir City Utilities Board (Continued)

J. Development of Net Pension Obligation/(Asset)

	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11
1. NPO: Net Pension Obligation/ (Asset) at beginning of period	\$ 36,648	\$ 175,793	\$ 262,507	\$ 408,498	\$ 706,491	\$ 869,224	\$ 780,408	\$ 470,049	\$ 543,430	\$ 559,453
2. Annual Pension Cost:										
a. Annual Required										
Contribution (ARC)	634,267	725,643	864,694	1,025,594	1,404,122	1,295,194	1,008,936	972,900	1,119,228	1,315,152
b. Interest on NPO	2,932	14,064	21,001	32,680	56,519	69,538	62,433	37,604	43,474	44,756
c. Adjustments to ARC	(2,846)	(13,650)	-	-	-	-	-	-	-	46,873
d. Total = (a) + (b) + (c)	634,353	726,057	885,695	1,058,274	1,460,641	1,364,732	1,071,369	1,010,504	1,162,702	1,406,781
3. Contributions made	495,208	639,343	739,704	760,281	1,297,908	1,453,548	1,381,728	937,123	1,146,679	1,181,864
4. Increase in NPO = (2)(d)-(3)	139,145	86,714	145,991	297,993	162,733	(88,816)	(310,359)	73,381	16,023	224,917
5. NPO at end of period = (1) + (4)	175,793	262,508	408,498	706,491	869,224	780,408	470,049	543,430	559,453	784,370
Amortization Period - Years	40	40	40	40	39	38	37	36	35	34
Interest Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

K. Actuarial Assumptions:

Plan: Lenoir City Utilities Board Pension Plan

Mortality: Unisex Pension 1984 Mortality Table,
males/females ages set back 3 years

Interest: 8% per annum pre-retirement / 4% per annum
post-retirement

Normal Retirement Age: Normal Retirement Age

Expenses: N/A

Disability: Rates based on the following table:

Age	Male	Female	Age	Male	Female
20	0.080%	0.100%	50	0.053%	0.055%
35	0.080%	0.100%	60	0.143%	0.950%

Salary Scale: 3.5% per annum

Termination: Rates based on the following table:

Age	Male	Female	Age	Male	Female
25	9.830%	17.770%	40	4.170%	8.730%
30	7.670%	14.530%	45	2.830%	6.170%

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)****K. Actuarial Assumptions (Continued):**

The Asset Valuation Method that is used to determine the annual required contribution is the market value of plan assets plus accrued contributions adjusted to phase in asset gains and losses since July 1, 1999 over a five-year period at a rate of 20% per year. Valuation assets are further limited to 20% corridor around market value.

(7) Other Postemployment Benefits (OPEB)**Lenoir City Board of Education**

Postemployment health care benefits are available to permanent full-time employees of the Schools. Hospitalization insurance is provided to retired employees until age 65 or until eligible for Medicare.

Plan Description

The Schools participate in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA), Section 8-27-302 for teachers. In previous years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010 the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees' or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants, however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retirees ranges from 10 to 55 percent based on the years of service. During the year ended June 30, 2011, the Schools contributed \$146,168 for postemployment benefits.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Board of Education (Continued)**Annual OPEB Cost and Net OPEB Obligation

	<u>Teacher Group Insurance Plan</u>
ARC	\$ 185,000
Interest on the NPO	11,898
Adjustment to the ARC	<u>(11,269)</u>
Annual OPEB cost	185,629
Amount of contribution	<u>(146,168)</u>
Increase/decrease in NPO	39,461
Net OPEB obligation, 7/1/10	<u>264,389</u>
Net OPEB obligation, 6/30/11	<u><u>\$ 303,850</u></u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2011	Teacher Group Insurance Plan	\$185,629	79%	\$303,850
6/30/2010	Teacher Group Insurance Plan	\$179,537	79%	\$264,389
6/30/2009	Teacher Group Insurance Plan	\$212,951	41%	\$226,152
6/30/2008	Teacher Group Insurance Plan	\$202,000	50%	\$100,794

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2011 was as follows:

	<u>Teacher Group Insurance Plan</u>
Actuarial valuation date	7/1/2010
Actuarial accrued liability (AAL)	\$1,753,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$1,753,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$8,903,035
UAAL as a % of covered payroll	19.69%

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Board of Education** (Continued)Funded Status and Funding Progress (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2010 actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent for fiscal year 2011. The trend will decrease to 9.5% in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The rate includes a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/10	\$0	\$1,753,000	\$1,753,000	0.00%	\$8,903,035	19.69%
7/1/09	0	1,714,000	1,714,000	0.00%	8,915,791	19.22%
7/1/08	0	1,876,000	1,876,000	0.00%	9,000,152	20.84%

(One additional year will be reported as data becomes available.)

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board**

Postemployment health care and life insurance benefits are available to permanent full-time employees of the Utilities Board. Hospitalization insurance is provided to retired employees until age 65 or until eligible for Medicare. Life insurance benefits are reduced to \$1,000 after retirement.

Plan Description

The Lenoir City Utilities Board Retiree Medical and Life Insurance Plan (LCUBRMLIP) is a single-employer defined benefit healthcare plan administered by the Lenoir City Utilities Board. LCUBRMLIP provides medical and life insurance benefits to eligible retirees and their spouses. The Utilities Board has the authority to establish and amend benefit provisions.

(Latest Information Available)

SUMMARY OF PARTICIPANT DATA

Participant Counts as of July 1, 2011*	<u>Life</u>	<u>Medical</u>
	Actives	133
Beneficiaries	0	9
Retirees	<u>59</u>	<u>15</u>
Total	<u><u>192</u></u>	<u><u>157</u></u>

*The numbers shown above do not reflect eligible dependents.

	<u>Medical/Life</u>
Average Participant Age - Active	46.09
Average Participant Service - Active	15.17

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)****SUMMARY OF PLAN PROVISIONS**Covered Employees

Employees of Lenoir City Utilities Board who are participants in the Lenoir City Utilities Board Employees' Retirement Plan.

Retirement Age

Employees who have completed 34 years of service, or who have attained age 64 are eligible for Normal Retirement. Employees who have attained age 50 and have 10 years of credited service are eligible for Early Retirement.

Retiree Medical Benefit Eligibility

Covered employees who qualify for a normal or early retirement benefit from the Lenoir City Utilities Board Employees' Retirement Plan.

Retiree Medical Benefit Coverage

Benefit: Lenoir City Utilities Board pays 100% of the retiree's medical insurance cost under the Utilities health insurance plan.

Duration of Benefit: From retirement date through Medicare eligible or age 65.

Retiree Spouse Medical Coverage

Benefit: The retiree may elect coverage for their spouse who is covered under the Plan at the time of the retired employee's retirement. The Utilities Board pays 100% of the spouse's medical insurance cost.

Duration of Benefit: Spouse coverage may be continued from the employee's retirement date until the spouse reaches age 65, is employed where insurance coverage is available, or becomes disabled. The spouse of a retiree may continue under the Plan following the death of the retiree or following expiration of retiree coverage, until age 65.

Retiree Dependent Health Benefit

Benefit: The retiree may elect coverage for their dependents who are covered under the Plan at the time of the retired employee's retirement. The retiree pays the full cost of this coverage.

Duration of Benefit: Dependent coverage may be continued until the retiree reaches age 65.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)Lenoir City Utilities Board (Continued)SUMMARY OF PLAN PROVISIONS (Continued)Life Insurance Coverage

All employees retiring on or after August 1, 2007 are provided life insurance in the amount of \$2,000 until age 70. Upon attaining age 70, the retiree life insurance amount decreases to \$1,000. The Utilities Board pays the entire cost of this coverage.

Insurance Premium Cost: The monthly cost of life insurance premiums paid by the Utilities Board is \$0.26 per \$1,000 of coverage. For example, for a retiree who has \$2,000 of coverage, the monthly cost is \$0.52 and the yearly cost is \$6.24.

Medical Coverage

The health care plan provides coverage through Network Providers ("PPO") and through Out-of-Network Providers ("Non-PPO"). Primary and preventive care visits to PPO providers require a \$20 copayment and are reimbursed at 100%. Primary and preventive care visits to Non-PPO providers require a deductible and are reimbursed at 50%.

Other covered services obtained through a PPO and Non-PPO provider require a deductible and are reimbursed as follows:

<u>Medical Benefit Reimbursement:</u>	<u>PPO</u>	<u>Non-PPO</u>
Inpatient Hospitalization	90%	50%
Inpatient Maternity Stays	90%	50%
Skilled Nursing or Rehabilitation	90%	50%
Emergency Room Charges (\$250 Copay)	100%	100%
Outpatient Hospital Charges	90%	50%
Outpatient Surgery	90%	50%
CAT, MRI, PET and Other Non-Routine	90%	50%
Diagnostic X-Rays and Lab	100%	50%
Outpatient Therapy	90%	50%
Home Health Care Services	90%	50%
Organ Transplant	90%	50%
Hospice	100%	50%

Deductible

The health care plan applies the following deductibles for service received by In-Network Providers ("PPO") and Out-of-Network Providers:

<u>Deductible</u>	<u>PPO</u>	<u>Non-PPO</u>
Individual	\$ 500	\$1,000
Family	\$1,000	\$2,000

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)****SUMMARY OF PLAN PROVISIONS (Continued)**Out-of-Pocket Maximum

The health care plan applies the following out-of-pocket maximums for service received by In-Network Providers ("PPO") and Out-of-Network Providers:

<u>Out-of-Pocket Maximum</u>	<u>PPO</u>	<u>Non-PPO</u>
Individual	\$1,000	\$3,000
Family	\$2,000	\$6,000

Maximum Lifetime Benefit

Unlimited for PPO and Non-PPO providers.

Prescription Drug Benefits

The Plan reimburses 100% after co-pays. For a 30-day supply of prescription drugs through a retail network, co-payments are as follows:

Generic Drug	\$10
Preferred Brand Drug	\$35
Non-Preferred Brand Drug	\$50

For a two or three month supply obtained through a home delivery network, co-payments are \$20 for Generic, \$70 for Preferred Brand and \$100 for Non-Preferred Brand Drugs.

Vision Benefits

One vision exam per calendar year with a \$10 co-pay.

Dental Benefits

The Utilities Board does not offer dental benefits to retirees.

Disability Benefits

The Utilities Board does not offer postretirement benefits to disabled employees.

SUMMARY OF ACTUARIAL BASISACTUARIAL ASSUMPTIONSDiscount Rate

4.00% per annum.

CITY OF LENOIR CITY, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(7) Other Postemployment Benefits (OPEB) (Continued)

Lenoir City Utilities Board (Continued)

SUMMARY OF ACTUARIAL BASIS (Continued)

ACTUARIAL ASSUMPTIONS (Continued)

Withdrawal

Sample rates of termination of employment per 1,000 lives are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
25	120.0	210.0
35	55.0	113.0
50	15.0	36.0
60	1.5	23.0

Disability

Sample rates of disablement per 1,000 lives are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
25	0.8	1.0
35	0.8	1.0
50	5.3	5.5
60	14.3	9.5

Retirement

Sample rates of retirement per 1,000 lives are as follows:

<u>Age</u>	<u>Rate</u>
50	10.0
51-59	1.0
60	5.0
61-62	10.0
63	20.0
64	100.0

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)****SUMMARY OF ACTUARIAL BASIS (Continued)**ACTUARIAL ASSUMPTIONS (Continued)Marriage

It is assumed that 85% of employees are married and that husbands are 3 years older than their wives.

Expenses

Assumed to be paid outside of the trust.

ASSET VALUATION METHOD

Not applicable.

ACTUARIAL COST METHODEntry Age Normal Cost Method

This method allocates the actuarial present value of OPEB liability for each individual on a level basis over the salaries of the individual between each individual's entry age and assumed retirement age. The portion of this actuarial present value attributable to the current year is called the normal cost.

The actuarial accumulation of normal costs attributable to prior years composes the actuarial accrued liability. The excess of the actuarial accrued liability over the actuarial value of assets is the unfunded actuarial accrued liability.

Gains (losses) serve to decrease (increase) the unfunded actuarial accrued liability.

All active employees who will meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees or their survivors who are entitled to a benefit under the provisions of the plan are also included.

GASB REPORTINGANNUAL OPEB COST AND NET OPEB OBLIGATION

Lenoir City Utilities Board's annual OPEB cost is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover each year's normal cost and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of Lenoir City Utilities Board's annual OPEB cost for the previous plan year, the amount actually contributed to the plan, and changes in Lenoir City Utilities Board's net OPEB obligation.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)****GASB REPORTING (Continued)**ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)Fiscal Year Ended June 30, 2011

	<u>6/30/2011</u>
Annual Required Contribution	\$ 545,875
Interest on Net OPEB Obligation	49,575
Adjustments to Annual Required Contribution	<u>(40,698)</u>
Annual OPEB Cost (Expense)	554,752
Contributions Made	<u>(356,284)</u>
Increase in Net OPEB Obligation	198,468
Net OPEB Obligation - Beginning of Year	<u>1,239,370</u>
Net OPEB Obligation - End of Year	<u>\$ 1,437,838</u>

SCHEDULE OF FUNDING PROGRESS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. (As an unfunded plan, there are no plan assets to report.)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$0	\$6,515,040	\$6,515,040	0.0%	\$7,431,898	87.7%
July 1, 2009	\$0	\$6,148,041	\$6,148,041	0.0%	\$7,208,790	85.3%
July 1, 2008	\$0	\$5,519,400	\$5,519,400	0.0%	\$6,968,890	79.2%
July 1, 2007	\$0	\$5,225,248	\$5,225,248	0.0%	\$7,384,688	70.8%

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)**SCHEDULE OF EMPLOYER CONTRIBUTIONS

Lenoir City Utilities Board's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan are summarized as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$490,372	\$81,280	16.6%	\$409,092
2009	\$490,372	\$101,004	20.6%	\$792,076
2010	\$572,808	\$125,514	21.9%	\$1,239,370
2011	\$554,752	\$356,284	64.2%	\$1,437,838

OPEB LIABILITIESACTUARIAL ACCRUED LIABILITY

Benefits under a postretirement medical plan commence upon retirement. GASB Statements 43 and 45 attempt to measure this commitment and allocate its value to years during which the benefit is earned, rather than years during which the benefit is paid. Under the actuarial cost method used, the Entry Age Normal Actuarial Cost Method, the actuarial present value of the current year's benefit accrual is referred to as the normal cost. The actuarial present value of benefits earned to date is referred to as the actuarial accrued liability.

ANNUAL REQUIRED CONTRIBUTIONOPEB ANNUAL REQUIRED CONTRIBUTION

Under the plan's funding method, the Entry Age Normal Actuarial Cost Method, the actuarial present value of each individual's OPEB is allocated to periods during which the benefit is accrued.

By accruing the normal cost for each plan year, and an amount sufficient to amortize the unfunded actuarial accrued liability, the total cost of OPEB would ultimately be reflected on the financial statements of the sponsoring entity.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)****ANNUAL REQUIRED CONTRIBUTION (Continued)**OPEB ANNUAL REQUIRED CONTRIBUTION (Continued)

The table below illustrates the development of the annual required contribution for the fiscal year beginning July 1, 2010:

	<u>Fiscal Year Beginning July 1, 2010</u>
Normal Cost	\$312,867
Amortization of Unfunded Actuarial Accrued Liability	222,407
Interest	10,601
Interest on Net OPEB Obligation	49,575
Adjustment to Annual Required Contribution	<u>(40,698)</u>
Total	<u>\$554,752</u>

(8) Lease Commitments**City of Lenoir City, Tennessee**

The City rents office and storage space for the Fire Department, Parks and Recreation Department, Police Department and Street Department. Total rental expense for all locations was \$46,481 for the year ended June 30, 2011.

Lenoir City Utilities Board

The Lenoir City Utilities Board Power and Light Department rents various transmission lines and other equipment from TVA on a month-to-month basis at a cost of \$1,333 per month. Total rental expenses applicable to such lines and equipment amounted to \$16,000 in 2011.

Certain short-term arrangements provide for the Power and Light Department's joint utilization of other local utilities' distribution facilities in its system. Other similar agreements provide for the joint use of the Power and Light Department's distribution facilities by other utilities and certain customers. Rental revenues from the above-mentioned arrangements amounted to \$1,128,452 in 2011. Rental expense applicable to such agreements amounted to \$84,244 in 2011.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(9) Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2011 are as follows:

Due From:	Due To:					Total
	Sanitation Fund	General Purpose School Fund	General Fund	Drug Fund	Capital Projects - City Fund	
General Fund	\$ -	\$ -	\$ -	\$ 1,559	\$ -	\$ 1,559
Capital Projects - City #2	-	-	-	-	1,802	1,802
Capital Projects - Schools	-	268,126	-	-	-	268,126
Capital Projects - City	-	-	15,200	-	-	15,200
Utilities	27,905	-	-	-	-	27,905
Federal Projects	-	200,000	-	-	-	200,000
	<u>\$ 27,905</u>	<u>\$ 468,126</u>	<u>\$ 15,200</u>	<u>\$ 1,559</u>	<u>\$ 1,802</u>	<u>\$ 514,592</u>

The Utilities Board bills, collects and remits the sanitation charges for the Sanitation Fund.

The General Purpose School Fund paid several construction bills that should have been paid by the Capital Projects Fund in prior years.

The General Purpose School Fund had to advance cash to the Federal Projects Fund due to the number of reimbursable grants in the Federal Projects Fund.

The General Fund purchased a vehicle that should have been purchased by the Capital Projects Fund in the current year.

The General Fund owes the Drug Fund for some fines it collected.

The Capital Projects - City Fund #2 paid several bills that should have been paid by the Capital Projects Fund in the current year.

(10) Due From Other Governments

Amounts due from other governments at June 30, 2011 consist of the following:

Loudon County	Local Sales Tax	\$ 778,933
State of Tennessee	Wholesale Beer Tax	48,639
State of Tennessee	City Streets and Transportation	2,439
State of Tennessee	Sales Tax	78,811
State of Tennessee	Income Tax	40,279
State of Tennessee	Gasoline and Motor Fuel Tax	33,601
State of Tennessee	Mixed Drink Tax	5,435
State of Tennessee	Telecommunications Tax	100
State of Tennessee	Education Pass-Through to Schools	532,716
State of Tennessee	Business Tax	52,688
US Department of Transportation	Various grants	79,380
US Department of Justice	COPS Grant	10,002
Lenoir City Utilities Board	Special Police and Street Services	39,530
Loudon County	Rent on Career Center	19,409
Loudon County	Various	168,757
Various	Various	8,102
		<u>\$ 1,898,821</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(11) Prepaid Expenses

Prepaid expenses consisted of the following at June 30, 2011:

	<u>Utility</u>	<u>General Fund</u>	<u>General Purpose School Fund</u>
Prepaid natural gas in storage	\$ 292,430	\$ -	\$ -
Prepaid Expenses	<u>1,285,884</u>	<u>25,500</u>	<u>140,241</u>
	<u>\$1,578,314</u>	<u>\$25,500</u>	<u>\$140,241</u>

(12) Tennessee Valley Authority's Energy Right Program

The Lenoir City Utilities Board is participating in Tennessee Valley Authority's (TVA) Energy Right Program, which provides interest-bearing loans to the Utility's residential customers for heat pumps.

(13) Power Contract

The Lenoir City Utilities Board - Electric Department has a contract to purchase all of its electric power from the Tennessee Valley Authority, subject to certain restrictions and conditions as provided in the contract.

(14) Segment Information

The following departmental information is shown as of and for the year ended June 30, 2011:

	Power and Light Department	Gas Department	Water and Sewer Department	
			Water Division	Sewer Division
Assets:				
Current assets	\$ 42,535,839	\$ 2,883,705	\$ 4,644,701	\$ 5,569,658
Restricted assets	1,165,745	-	119,405	57,000
Due from other departments	902,248	3,664	396	-
Capital assets	116,254,082	6,785,517	17,470,262	32,155,132
Other assets	4,237,048	2,250	62,397	691,342
Total assets	<u>\$ 165,094,962</u>	<u>\$ 9,675,136</u>	<u>\$ 22,297,161</u>	<u>\$ 38,473,132</u>
Liabilities:				
Current liabilities payable from current assets	\$ 33,713,312	\$ 386,722	\$ 489,835	\$ 543,151
Due to other departments payable from current assets	-	208,316	361,945	336,047
Current liabilities payable from restricted assets	2,848,085	97,500	328,009	295,783
Due to city payable from current assets	27,905	-	-	-
Long-term debt	12,723,851	107,479	10,411,452	22,343,381
Other liabilities	5,816,027	154,666	245,331	133,332
Total liabilities	<u>\$ 55,129,180</u>	<u>\$ 954,683</u>	<u>\$ 11,836,572</u>	<u>\$ 23,651,694</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(14) Segment Information (Continued)

	Power and Light Department	Gas Department	Water and Sewer Department	
			Water Division	Sewer Division
Net assets:				
Invested in capital assets, net of related debt	\$ 100,745,231	\$ 6,580,538	\$ 6,706,597	\$ 9,355,614
Restricted for debt service	1,165,745	-	119,405	57,000
Unrestricted	8,054,806	2,139,915	3,634,587	5,408,824
	<u>\$ 109,965,782</u>	<u>\$ 8,720,453</u>	<u>\$ 10,460,589</u>	<u>\$ 14,821,438</u>
Operating revenues	<u>\$ 158,316,668</u>	<u>\$ 4,683,252</u>	<u>\$ 3,468,723</u>	<u>\$ 4,077,867</u>
Operating expenses:				
Purchasing energy	128,387,371	2,596,122	-	-
Pumping and distribution	4,765,618	588,510	1,576,011	530,973
Customer account services	3,192,181	223,897	297,703	223,748
Administration and general	2,565,282	218,666	307,539	215,598
Maintenance	3,381,207	348,517	590,909	627,913
Depreciation	4,442,803	333,761	648,279	740,448
	<u>146,734,462</u>	<u>4,309,473</u>	<u>3,420,441</u>	<u>2,338,680</u>
Operating income	<u>11,582,206</u>	<u>373,779</u>	<u>48,282</u>	<u>1,739,187</u>
Non-operating revenues (expenses):				
Interest income	82,128	1,864	13,601	5,803
Interest expense	(865,289)	(2,501)	(122,098)	(77,632)
Amortization of debt expense	(65,987)	(250)	(1,729)	(893)
	<u>(849,148)</u>	<u>(887)</u>	<u>(110,226)</u>	<u>(72,722)</u>
Income (loss) before contributions, gains and transfers	<u>10,733,058</u>	<u>372,892</u>	<u>(61,944)</u>	<u>1,666,465</u>
Government contributions	-	-	359,934	1,311,271
Gain on sale of property	-	718,687	-	-
Transfers to local government - in lieu of tax	<u>(2,544,275)</u>	<u>(15,279)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>8,188,783</u>	<u>1,076,300</u>	<u>297,990</u>	<u>2,977,736</u>
Net assets, beginning, as previously stated	<u>102,202,183</u>	<u>7,683,091</u>	<u>10,224,363</u>	<u>11,877,269</u>
Prior period adjustment	<u>(425,184)</u>	<u>(38,938)</u>	<u>(61,764)</u>	<u>(33,567)</u>
Net assets, beginning, as restated	<u>101,776,999</u>	<u>7,644,153</u>	<u>10,162,599</u>	<u>11,843,702</u>
Net assets, ending	<u>\$ 109,965,782</u>	<u>\$ 8,720,453</u>	<u>\$ 10,460,589</u>	<u>\$ 14,821,438</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(14) Segment Information (Continued)

	Power and Light Department	Gas Department	Water and Sewer Department	
			Water Division	Sewer Division
Net cash provided by operating activities	\$ 16,045,709	\$ 339,991	\$ 1,051,793	\$ 1,435,608
Net cash used by noncapital and related financing activities	(2,535,390)	(15,279)	-	-
Net cash used by capital and related financing activities	(10,651,384)	(100,049)	(114,260)	(224,278)
Net cash provided (used) by investing activities	(71,178)	86,505	(55,316)	142,737
Net increase in cash and cash equivalents	2,787,757	311,168	882,217	1,354,067
Cash and cash equivalents, beginning of year	19,060,646	1,193,001	3,225,798	3,249,569
Cash and cash equivalents, end of year	\$ 21,848,403	\$ 1,504,169	\$ 4,108,015	\$ 4,603,636

(15) Contingency

The Utilities has a substantial amount of its electrical distributions system in Knox County, Tennessee. In prior years, Knoxville Utilities Board acquired a portion of the System, which was annexed by the City of Knoxville. Current state law requires that the Utilities be compensated at appraised fair market value by Knoxville Utilities Board for any electrical distribution equipment and services annexed by the City of Knoxville. As of June 30, 2011, the Utilities have \$3,400,000 of net utility plant inside the present city limits of Knoxville and approximately \$78,000,000 in Knox County outside the present city limits of Knoxville which could possibly be transferred to Knoxville Utilities Board in future years at appraised fair market value.

(16) Joint Venture

The City has entered into a joint venture with Loudon County for the leasing, operation and management of a multi-use Career Center located in Lenoir City. The joint venture collects lease payments from various lessees for the use of the facility. The joint venture is responsible for the maintenance of the facility. The City has a 40% interest in this joint venture and is reporting it under the equity method.

The joint venture is required to pay all surpluses after maintenance reserve is funded to the City and Loudon County based upon their interest in the joint venture. As of June 30, 2011, the City had recorded a \$19,409 receivable from the joint venture for its portion of the surpluses for the year then ended.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(16) Joint Venture (Continued)

Complete financial statements of the Career Center can be obtained from:

Traci Blair
County of Loudon - Central Accounting
100 River Road
Loudon, TN 37774

(17) Litigation

There are several lawsuits filed against the City of Lenoir City, Tennessee; however, management intends to vigorously defend these complaints. The outcome of these complaints cannot be determined at this time.

(18) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all of these risks of loss. Settled claims have not yet exceeded this commercial coverage in any of the past three fiscal years.

(19) Self-Insured Dental and Vision Plan

Effective January 1, 1998, the City began self-insuring a portion of the first \$4,000 of annual dental claims for each regular full-time employee and their dependents, with a maximum annual benefit of \$2,000 per covered individual. The City also began self-insuring a portion of the first \$300 of annual vision claims for each regular full-time employee, with a maximum annual benefit of \$300 per covered employee. Liabilities for unpaid claims are estimated by the City based on actual claims paid out during the year.

The City has set up a restricted cash account to pay these claims. The balance in the account at June 30, 2011 was \$5,319.

Activity in the self-insured dental and vision plan during the year ended June 30, 2011 is as follows:

Balance, June 30, 2010	\$ 3,071
Contributions by the City	75,000
Claims, fees and insurance premiums paid	<u>(72,752)</u>
Balance, June 30, 2011	<u>\$ 5,319</u>

Unpaid claims at June 30, 2011 totaled approximately \$4,626.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(20) Concentration of Risk

Approximately 74% of the Power and Light Department's plant is located in Knox County, Tennessee.

(21) Operating Transfers

Operating transfers for the year ended June 30, 2011 are as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	<u>General Fund</u>	<u>General Purpose School Fund</u>	
General Fund	\$ -	\$ 164,000	\$ 164,000
Capital Projects - City Fund #2	80,976	-	80,976
Sanitation Fund	34,005	-	34,005
	<u>\$ 114,981</u>	<u>\$ 164,000</u>	<u>\$ 278,981</u>

The purpose of the transfer from the General Fund to the General Purpose School Fund was to continue funding of the School System at the previously established level. The purpose of the transfer from the Sanitation Fund to the General Fund was to transfer excess revenue. The purpose of the transfer to the General Fund from the Capital Projects Fund - City Fund #2 was to close out one road project so the fund could be used for a new road project.

(22) Prior Period Adjustment

The net pension obligation was understated by \$559,453 at June 30, 2010. This underaccrual of the net pension obligation is being charged to beginning net assets in the current year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LENOIR CITY, TENNESSEE
 Schedule of Expenditures of Federal and State Awards
 For the Fiscal Year Ended June 30, 2011

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Balance July 1, 2010		Receipts	Expenditures (Grantor Portion)	Refunds or Transfers to (from) New Program Year	Balance June 30, 2011	
				Receivable	Unexpended				Receivable	Unexpended
FEDERAL ASSISTANCE:										
USDA Section 4 and 11 Lunches	U.S. Department of Agriculture	N/A	10.555	\$ -	\$ -	\$ 481,990	\$ 481,990	\$ -	\$ -	\$ -
USDA Breakfast Program	U.S. Department of Agriculture	N/A	10.553	-	-	144,326	144,326	-	-	-
Carl Perkins	Tennessee Department of Education	ED0000RA10BAX10 ED0000RD11AAX11	84.048	-	90	25,974	26,305	-	-	241
IDEA Part B	Tennessee Department of Education	ED00000LL10BX10	84.027	7,108	332	77,271	70,495	-	-	-
IDEA Part B	Tennessee Department of Education	ED00000LL11ABX11	84.027	-	-	321,376	334,306	-	-	12,930
IDEA Part B - Discretionary	Tennessee Department of Education	ED00000LL10ACX10	84.027	7,954	-	7,954	-	-	-	-
IDEA Part B - Discretionary	Tennessee Department of Education	ED00000LL11ACX11	84.027	-	-	27,825	38,000	-	-	10,175
ARRA - IDEA Part B	Tennessee Department of Education	EDARRA0LX9ABX09	84.391	-	3,147	209,164	228,876	-	-	16,565
ARRA - IDEA Part B - Preschool	Tennessee Department of Education	EDARRA0LR9ABX09	84.392	-	60	-	529	-	-	469
IDEA Part B - Preschool	Tennessee Department of Education	ED00000LM10ABX10	84.392	-	-	4,237	4,237	-	-	-
IDEA Part B - Preschool	Tennessee Department of Education	ED00000LM11ABX11	84.173	-	-	13,240	13,240	-	-	-
Title I	Tennessee Department of Education	N/A	84.010	-	5,458	346,775	353,638	-	-	1,405
ARRA - Title I	Tennessee Department of Education	EDARRACE9ABX09	84.010	-	-	26,488	26,665	-	-	177
Title II - Part A Training	Tennessee Department of Education	ED00000CD10BAX10 ED00000CD11ABX11	84.367	885	-	92,145	92,124	-	-	864

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Schedule of Expenditures of Federal and State Awards
(Continued)

For the Fiscal Year Ended June 30, 2011

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Balance July 1, 2010		Receipts	Expenditures (Grantor Portion)	Refunds or Transfers to (from) New Program Year	Balance June 30, 2011	
				Receivable	Unexpended				Receivable	Unexpended
FEDERAL ASSISTANCE (Continued):										
ARRA - Title II - Part A Training	Tennessee Department of Education	EDARRACL10ABX10	84.367	\$ -	\$ -	\$ 465	\$ 7,054	\$ -	\$ 6,589	\$ -
Title II - Part D Technology	Tennessee Department of Education	ED0000CY10ABX10 ED0000CY11ABX11	84.281	1,032	-	1,967	-	-	-	935
Title III - Emergency Immigrant Program	Tennessee Department of Education	ED0000CJ10ABX10 ED0000CJ11ABX11	84.184	-	176	43,401	41,354	-	-	2,223
ARRA - Title X	Tennessee Department of Education	EDARRACH9ACX09	84.387	438	-	438	8	-	8	-
Adult Basic Education	Tennessee Department of Labor	Z-10-218527-00	84.002	10,091	-	18,326	8,235	-	-	-
Adult Basic Education	Tennessee Department of Labor	FO 6653	84.002	-	-	75,500	93,590	-	18,090	-
ARRA - SFSF Family Resource Center	Tennessee Department of Education	EDARRASFGRC511	84.397	-	-	33,300	33,300	-	-	-
ARRA - SFSF Basic Education Program	Tennessee Department of Education	EDARRASFE0BEP11	84.394	-	-	814,540	814,540	-	-	-
ARRA - SFSF Internet Connectivity	Tennessee Department of Education	EDARRASFGINTC11	84.397	-	-	6,649	6,649	-	-	-
ARRA - SFSF Coordinated School Health	Tennessee Department of Education	EDARRASFCSHG10 EDARRASFCSHG11	84.397	34,705	-	87,995	95,000	-	41,710	-
ARRA - SFSF Safe Schools Grant	Tennessee Department of Education	EDARRASFCASC10 EDARRASFCASC11	84.397	5,187	-	5,187	3,835	-	3,835	-
ARRA - SFSF Extended Contract	Tennessee Department of Education	EDARRASFGEXTC10	84.397	52,500	-	52,500	-	-	-	-
ARRA - Rapid Response Dislocated	Tennessee Department of Labor	Z-09-219704-00	17.260	151	-	5,375	10,645	-	5,421	-
ARRA - SNAP Grant	Tennessee Department of Education	EDSCHOOLSUPPLY11	89.003	-	-	15,138	15,138	-	-	-
First to the Top	Tennessee Department of Education	EDRTITLEAFUND11	84.395	-	-	19,621	75,435	-	55,814	-

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Schedule of Expenditures of Federal and State Awards
(Continued)

For the Fiscal Year Ended June 30, 2011

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Balance July 1, 2010		Receipts	Expenditures (Grantor Portion)	Refunds or Transfers to (from) New Program Year	Balance June 30, 2011	
				Receivable	Unexpended				Receivable	Unexpended
FEDERAL ASSISTANCE (Continued):										
Education Jobs Program	Tennessee Department of Education	ED00JOBSMONEY11	84.410	\$ -	\$ -	\$ 446,650	\$ 446,650	\$ -	\$ -	\$ -
AREA CEO Supplement	Tennessee Department of Education	EDARRASGPROF10	84.397	-	-	1,141	1,141	-	-	-
CDEG HOMES Program	Tennessee Housing Development Agency	HM-10-29	14.239	-	-	2,100	2,100	-	-	-
Tennessee Department of Transportation	Tennessee Department of Transportation	STP-M-911(4)	20.205	-	-	135,638	139,518	-	3,880	-
ARRA - Tennessee Department of Transportation	Tennessee Department of Transportation	STP-M-911(3)	20.205	-	-	359,084	414,184	-	55,100	-
ARRA - Tennessee Department of Transportation	Tennessee Department of Transportation	53LPLM-F3-017	20.205	-	-	505,755	526,155	-	20,400	-
COFS Grant	U.S. Department of Justice	2010UMX0295	16.710	-	-	10,589	20,591	-	10,002	-
Operations and Safety	Federal Emergency Management Agency	EMW-2009-FV-02750 EMW-2009-FO-02283	97.044	-	-	289,002	289,002	-	-	-
ARRA - Capitalization Grant for Clean Water SRF	U.S. Department of Environment and Conservation	CGA 2009-238	66.458	-	-	515,644	737,958	-	222,314	-
Investments for Public Works and Economic Development Facilities	U.S. Department of Commerce	04-01-05762	11.300	-	-	73,814	73,814	-	-	-
Community Development Block Grant	Tennessee Department of Economic and Community Development	CG-10-31408-00	14.218	-	-	499,499	499,499	-	-	-
TOTAL FEDERAL ASSISTANCE				<u>120,051</u>	<u>9,263</u>	<u>5,798,083</u>	<u>6,170,126</u>	<u>-</u>	<u>485,989</u>	<u>3,158</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Schedule of Expenditures of Federal and State Awards
(Continued)

For the Fiscal Year Ended June 30, 2011

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Balance July 1, 2010		Receipts	Expenditures (Grantor Portion)	Refunds or Transfers to (from) New Program Year	Balance June 30, 2011	
				Receivable	Unexpended				Receivable	Unexpended
STATE ASSISTANCE:										
EL/Civics Grant	Tennessee Department of Education	PO 7027	N/A	\$ -	\$ -	\$ 12,360	\$ 21,662	\$ -	\$ 9,302	\$ -
EL/Civics Grant	Tennessee Department of Education	Z-10-218452-00	N/A	5,281	-	9,707	4,426	-	-	-
National School Lunch Program - State Match	Tennessee Department of Education	N/A	N/A	-	-	9,753	9,753	-	-	-
IDEA-B High Excess Cost Student	Tennessee Department of Education	ED000001LL9ABX09 ED000001LL9ACX09	N/A	-	-	16,096	16,096	-	-	-
Early Childhood Education Pilot	Tennessee Department of Education	N/A	N/A	69,188	-	170,060	176,472	-	75,600	-
Driver's Education	Tennessee Department of Education	N/A	N/A	-	-	6,203	6,203	-	-	-
Department of Transportation	Tennessee Department of Transportation	N/A	N/A	-	-	8,923	13,936	-	5,014	-
TOTAL STATE ASSISTANCE				<u>74,469</u>	<u>-</u>	<u>233,102</u>	<u>248,548</u>	<u>-</u>	<u>89,916</u>	<u>-</u>
TOTAL FINANCIAL ASSISTANCE				<u>\$ 194,520</u>	<u>\$ 9,263</u>	<u>\$ 6,031,185</u>	<u>\$ 6,418,674</u>	<u>\$ -</u>	<u>\$ 575,905</u>	<u>\$ 3,158</u>
NON-CASH ASSISTANCE:										
USDA Commodity Supplemental Feeding	U.S. Department of Agriculture	N/A	10.550	-	-	\$ 52,316	\$ 52,316	\$ -	\$ -	\$ -

(Continued)

CITY OF LENOIR CITY, TENNESSEE
 Schedule of Expenditures of Federal and State Awards
 (Continued)

For the Fiscal Year Ended June 30, 2011

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Balance JULY 1, 2010		Receipts	Expenditures (Grantor Portion)	Refunds or Transfers to (from) New Program Year	Balance JUNE 30, 2011	
				Receivable	Unexpended				Receivable	Unexpended
FEDERAL LOANS:										
ARRA - Capitalization Grant for Clean Water SRF	U.S. Department of Environment and Conservation	CGA 2009-238	66.458	\$ -	\$ 27,395 (1)	\$ 128,911	\$ -	\$ -	\$ -	\$ 156,306 (1)
Water and Waste Disposal System for Rural Communities	U.S. Department of Agriculture	48-053-0626000337	10.418	-	910,146 (1)	-	(19,610)	-	-	890,536 (1)
Water and Waste Disposal System for Rural Communities	U.S. Department of Agriculture	48-053-0626015436	10.760	-	694,177 (1)	-	(16,297)	-	-	677,880 (1)
Rural Economic and Community Development	U.S. Department of Agriculture	CH#79-1070	10.418	-	66,000 (1)	-	(6,000)	-	-	60,000 (1)
TOTAL FEDERAL LOANS				\$ -	\$ 1,697,718	\$ 128,911	\$ (41,907)	\$ -	\$ -	\$ 1,784,722
(1) Loans due grantor										
STATE LOANS:										
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	CGA 2009-238	N/A	\$ -	\$ 136,975 (1)	\$ 644,556	\$ -	\$ -	\$ -	\$ 781,531 (1)
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 96-095	N/A	-	599,348 (1)	-	(49,584)	-	-	549,764 (1)
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 99-126	N/A	-	296,718 (1)	-	(21,816)	-	-	274,902 (1)
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2001-155	N/A	-	640,659 (1)	-	(38,255)	-	-	602,403 (1)
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2006-191	N/A	-	1,079,286 (1)	-	(49,500)	-	-	1,029,786 (1)
TOTAL STATE LOANS				\$ -	\$ 13,943,717	\$ 949,932	\$ (159,156)	\$ -	\$ -	\$ 14,734,493
(1) Loans due grantor										

NOTE: Federal assistance received from the Tennessee Department of Education are pass-through funds from the U.S. Department of Education.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Normajor Governmental Funds
Combining Balance Sheet

June 30, 2011

	Special Revenue Funds											Total Special Revenue Funds	Capital Projects - Schools Fund	Capital Projects - City Fund #2	Capital Projects - City Fund	Total Normajor Governmental Funds			
	Community Development Fund	Drug Enforcement Fund	Sanitation Fund	Downtown VIP Fund	State Street Aid Fund	DEA Asset Forfeiture Fund	Federal Projects School Fund	Catereria Fund	Debt Service Fund	Capital Projects - Schools Fund	Capital Projects - City Fund #2						Capital Projects - City Fund		
ASSETS																			
Assets:																			
Cash and cash equivalents	\$ 1	\$ 61,248	\$ -	\$ 19,452	\$ 697	\$ 8,104	\$ 301,256	\$ 377,330	\$ 768,088	\$ 498,302	\$ 329,529	\$ 1,825	\$ 108,522	\$ 1,706,266					
Receivables:																			
Due from other funds	-	1,559	27,905	-	33,601	1,810	105,230	-	29,464	-	-	-	1,802	31,266					
Due from governmental units	-	-	-	-	-	-	-	30,370	140,641	128,321	-	6,292	79,380	354,634					
Inventories	-	-	-	-	-	-	-	-	30,370	-	-	-	-	30,370					
Total assets	\$ 1	\$ 62,807	\$ 27,905	\$ 19,452	\$ 34,298	\$ 9,914	\$ 406,486	\$ 407,700	\$ 968,563	\$ 626,623	\$ 329,529	\$ 8,117	\$ 189,704	\$ 2,122,536					
LIABILITIES AND FUND BALANCES																			
Liabilities:																			
Accounts payable	-	402	1,839	-	7,500	11,116	427	-	19,445	-	-	-	1,278	68,677					
Accrued liabilities	-	-	-	-	-	-	-	37,487	140,681	-	-	-	-	140,681					
Deferred revenue	-	-	-	-	-	-	101,355	-	3,158	-	-	-	-	3,158					
Due to other funds	-	-	-	-	-	-	200,000	-	200,000	-	-	-	1,802	485,128					
Funds held in trust	-	696	-	-	-	-	-	-	696	-	-	-	-	696					
Compensated absences	-	-	8,071	-	-	-	-	-	8,071	-	-	-	-	8,071					
Total liabilities	-	1,098	9,910	7,500	11,116	427	304,513	37,487	372,051	-	268,126	3,080	63,154	706,411					
Fund balances:																			
Nonspendable:																			
Inventories	-	-	-	-	-	-	-	30,370	30,370	-	-	-	-	30,370					
Restricted	1	61,709	17,995	6,000	23,182	9,487	101,973	339,843	542,195	626,623	61,403	5,037	126,550	1,235,258					
Committed	-	-	-	-	-	-	-	-	23,947	-	-	-	-	150,497					
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Total fund balances	1	61,709	17,995	11,952	23,182	9,487	101,973	370,213	586,512	626,623	61,403	5,037	126,550	1,416,125					
Total liabilities and fund balances	\$ 1	\$ 62,807	\$ 27,905	\$ 19,452	\$ 34,298	\$ 9,914	\$ 406,486	\$ 407,700	\$ 968,563	\$ 626,623	\$ 329,529	\$ 8,117	\$ 189,704	\$ 2,122,536					

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds

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

For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Special Revenue Funds											
	Community Development Fund				Drug Enforcement Fund				Sanitation Fund			
	2011 Original Budget	2011 Final Budget	2010 Actual	2011 Original Budget	2011 Final Budget	2010 Actual	2011 Original Budget	2011 Final Budget	2010 Actual	2011 Original Budget	2011 Final Budget	2010 Actual
Revenues:												
Intergovernmental revenues:												
Federal grants	\$ -	\$ 2,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-	-	-	-	-	-	-	-
Local sales tax	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	21,316	76,036	80,343	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	335,000	335,744	-	-	-	338,269
Contributions and gifts	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	100	13,047	136	-	-	-	-	-	-
Total revenues	2,100	2,100	-	21,416	89,083	80,479	335,000	335,744	-	-	-	338,269
Expenditures:												
Community development	2,100	2,100	-	-	-	-	-	-	-	-	-	-
Drug enforcement	-	-	-	21,416	65,026	43,925	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	318,271	290,589	-	-	-	272,683
Downtown VIP	-	-	-	-	-	-	-	-	-	-	-	-
State Street Aid	-	-	-	-	-	-	-	-	-	-	-	-
DEA asset forfeiture	-	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	2,100	2,100	-	21,416	65,026	43,925	318,271	290,589	-	-	-	272,683
Revenues over (under) expenditures	-	-	-	-	24,057	36,554	16,729	45,155	-	-	-	65,586
Other financing sources (uses):												
Interfund transfers - in	-	-	-	-	-	-	5,000	-	-	-	-	-
Interfund transfers - out	-	-	-	-	-	-	(5,000)	(34,005)	-	-	-	(68,266)
Sale of notes	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(34,005)	-	-	-	(68,266)
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-	24,057	36,554	16,729	11,150	-	-	-	(2,680)
Fund balance, beginning	1	1	1	37,653	37,653	1,099	6,844	6,844	6,844	6,844	6,844	9,584
Fund balance, ending	1	1	1	\$ 37,653	\$ 61,710	\$ 37,653	\$ 23,573	\$ 17,994	\$ 17,995	\$ 17,995	\$ 6,844	\$ 6,844

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 (Continued)

For the Fiscal Year Ended June 30, 2011
 (With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Special Revenue Funds										Total Special Revenue Funds	
	Federal Projects Fund					Cafeteria Fund						
	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Revenues:												
Intergovernmental revenues:												
Federal grants	\$ 1,302,967	\$ 1,817,518	\$ 1,758,938	\$ 1,344,310	\$ 657,700	\$ 668,152	\$ 678,632	\$ 652,383	\$ 1,960,667	\$ 2,487,770	\$ 2,439,670	\$ 1,996,693
State grants	-	-	-	-	9,200	9,753	9,753	9,289	187,200	196,477	196,477	190,405
Local sales tax	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	21,316	89,791	89,790	102,683
Charges for services	-	-	-	-	355,700	325,890	332,142	361,117	690,700	661,634	667,886	699,386
Contributions and gifts	-	-	-	-	-	-	-	-	20,000	20,000	-	-
Miscellaneous revenue	-	-	1,675	194	500	11,667	1,098	1,401	1,615	24,916	16,023	2,309
Total revenues	1,302,967	1,817,518	1,760,613	1,344,504	1,023,100	1,015,462	1,021,625	1,024,190	2,861,498	3,480,588	3,423,846	2,991,476
Expenditures:												
Community development	-	-	-	-	-	-	-	-	-	2,100	2,100	-
Drug enforcement	-	-	-	-	-	-	-	-	21,416	65,026	65,026	43,925
Sanitation	-	-	-	-	-	-	-	-	318,271	290,589	290,588	272,683
Downtown VIP	-	-	-	-	-	-	-	-	-	14,000	14,000	15,000
State Street Aid	-	-	-	-	-	-	-	-	178,000	193,452	193,452	204,489
D&A asset forfeiture	-	-	-	-	-	-	-	-	28,800	34,571	34,570	32,968
Education	1,302,967	1,815,551	1,758,915	1,344,314	1,023,100	1,045,088	1,011,937	987,457	2,326,067	2,860,639	2,770,852	2,331,771
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,302,967	1,815,551	1,758,915	1,344,314	1,023,100	1,045,088	1,011,937	987,457	2,872,554	3,460,377	3,370,588	2,900,836
Revenues over (under) expenditures	-	1,967	1,698	190	-	(29,626)	9,688	36,733	(11,056)	20,211	59,258	90,640
Other financing sources (uses):												
Interfund transfers - in	-	-	-	100,000	-	-	-	-	5,000	-	-	120,300
Interfund transfers - out	-	-	-	-	-	-	-	-	(5,000)	(34,005)	(34,005)	(68,266)
Sale of notes	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	100,000	-	-	-	-	(34,005)	(34,005)	(34,005)	52,034
Revenues and other financing sources over (under) expenditures and other financing uses	-	1,967	1,698	100,190	-	(29,626)	9,688	36,733	(11,056)	(13,794)	25,253	142,674
Fund balance, beginning	100,275	100,275	100,275	85	360,525	360,525	360,525	323,792	571,259	571,259	571,259	428,585
Fund balance, ending	\$ 100,275	\$ 102,242	\$ 101,973	\$ 100,275	\$ 360,525	\$ 330,899	\$ 370,213	\$ 360,525	\$ 560,203	\$ 557,465	\$ 596,512	\$ 571,259

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 (Continued)

For the Fiscal Year Ended June 30, 2011
 (With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Debt Service Fund			Capital Projects - Schools Fund			Capital Projects - City Fund #2		
	2011 Original Budget	2011 Actual	2010 Actual	2011 Original Budget	2011 Final Budget	2010 Actual	2011 Original Budget	2011 Final Budget	2010 Actual
Revenues:									
Intergovernmental revenues:									
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-	-	-	-	-
Local sales tax	709,500	698,553	677,172	-	-	-	-	13,936	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Contributions and Gifts	-	-	-	-	-	-	-	18,950	-
Miscellaneous revenue	-	2,252	519	-	-	633	-	118	250
Total revenues	709,500	700,805	677,691	-	-	633	-	33,004	250
Expenditures:									
Community development	-	-	-	-	-	-	-	-	-
Drug enforcement	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-
Downtown VIP	-	-	-	-	-	-	-	-	-
State Street Aid	-	-	-	-	-	-	-	-	-
DEA asset forfeiture	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	4,338,142	4,338,142	33,894	-	27,873	67,690
Debt service:									
Principal retirement	350,000	350,000	320,000	-	-	-	-	-	-
Interest and fiscal charges	392,135	388,190	343,441	-	-	-	-	-	-
Total expenditures	742,135	738,190	663,441	4,338,142	4,338,142	33,894	-	27,873	67,690
Revenues over (under) expenditures	(32,635)	(37,385)	14,250	(4,338,142)	(4,338,142)	(33,261)	-	5,131	(67,400)
Other financing sources (uses):									
Interfund transfers - in	-	-	-	1,000,000	1,000,000	-	-	-	-
Interfund transfers - out	-	-	-	-	-	-	-	(80,976)	-
Sale of notes	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,000,000	1,000,000	-	-	(80,976)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(32,635)	(37,385)	14,250	(3,338,142)	(3,338,142)	891	-	(75,845)	(67,400)
Fund balance, beginning	664,008	664,008	649,758	60,512	60,512	93,773	80,882	80,882	148,282
Fund balance, ending	\$ 631,373	\$ 626,623	\$ 664,008	\$ (3,277,630)	\$ (3,277,630)	\$ 61,403	\$ 80,882	\$ 5,037	\$ 80,882

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 (Continued)

For the Fiscal Year Ended June 30, 2011
 (With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Capital Projects - City Fund				Total Nonmajor Governmental Funds			
	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual	2011 Original Budget	2011 Final Budget	2011 Actual	2010 Actual
Revenues:								
Intergovernmental revenues:								
Federal grants	\$ 750,000	\$ 1,368,859	\$ 1,368,859	\$ -	\$ 2,710,667	\$ 3,856,629	\$ 3,808,529	\$ 1,996,693
State grants	-	-	-	-	187,200	210,413	210,413	190,405
Local sales tax	-	-	-	-	709,500	737,000	698,553	677,172
Fines and forfeitures	-	-	-	-	21,316	89,791	89,790	102,683
Charges for services	-	-	-	-	690,700	661,634	667,886	699,386
Contributions and gifts	-	-	-	-	-	38,950	38,950	-
Miscellaneous revenue	-	1,837	1,837	208	1,615	26,871	21,121	3,959
Total revenues	750,000	1,370,696	1,370,696	208	4,320,998	5,621,288	5,535,242	3,670,298
Expenditures:								
Community development	-	-	-	-	21,416	2,100	2,100	43,925
Drug enforcement	-	-	-	-	318,271	290,589	290,588	272,683
Sanitation	-	-	-	-	-	14,000	14,000	15,000
Downtown VIP	-	-	-	-	178,000	193,452	193,452	204,489
State Street Aid	-	-	-	-	28,800	34,571	34,570	32,968
DEA asset forfeiture	-	-	-	-	2,326,067	2,860,639	2,770,852	2,331,771
Education	-	-	-	-	5,088,142	6,387,102	2,048,959	1,674,503
Capital projects	750,000	2,021,087	2,021,086	1,572,919	8,702,831	11,359,145	6,927,243	5,238,780
Debt service:								
Principal retirement	-	750,000	750,000	-	350,000	1,100,000	1,100,000	320,000
Interest and fiscal charges	-	19,506	19,506	-	392,135	411,666	407,696	343,441
Total expenditures	750,000	2,790,593	2,790,592	1,572,919	8,702,831	11,359,145	6,927,243	5,238,780
Revenues over (under) expenditures	-	(1,419,897)	(1,419,896)	(1,572,711)	(4,381,833)	(5,737,857)	(1,392,001)	(1,568,482)
Other financing sources (uses):								
Interfund transfers - in	-	-	-	2,110,085	1,005,000	1,000,000	-	2,230,385
Interfund transfers - out	-	-	-	-	(5,000)	(114,981)	(114,981)	(68,266)
Sale of notes	740,000	1,009,072	1,009,072	-	740,000	1,009,072	1,009,072	-
Total other financing sources (uses)	740,000	1,009,072	1,009,072	2,110,085	1,740,000	1,894,091	894,091	2,162,119
Revenues and other financing sources over (under) expenditures and other financing uses	740,000	(410,825)	(410,824)	537,374	(2,641,833)	(3,843,766)	(497,910)	593,637
Fund balance, beginning	537,374	537,374	537,374	-	1,914,035	1,914,035	1,914,035	1,320,398
Fund balance, ending	\$ 1,277,374	\$ 126,549	\$ 126,550	\$ 537,374	\$ (727,798)	\$ (1,929,731)	\$ 1,416,125	\$ 1,914,035

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities

June 30, 2011

Year Ending June 30	TN General Obligation Bonds Series 2009		TN General Obligation Bonds Series 2010		Series 1997		Series 1999		Series 2004		
	Dated September 23, 2009	Dated October 27, 2010	Dated October 27, 2010	Tennessee Municipal Loan Bond Pool #1*	Tennessee Municipal Loan Bond Pool #2*	Tennessee Municipal Loan Bond Pool #3*	Tennessee Municipal Loan Bond Pool #4**	Principal	Interest	Principal	Interest
	3.00% - 4.00%	2.00% - 3.5%									
2012	\$ 360,000	\$ 377,050	\$ 65,000	\$ 21,116	\$ 97,000	\$ 11,000	\$ 98,000	\$ 79,000	\$ 24,035	\$ 160,000	\$ 91,300
2013	370,000	366,250	65,000	20,466	107,979	5,665	103,000	83,000	19,690	166,000	82,500
2014	385,000	355,150	65,000	19,816				87,000	15,125	171,000	73,370
2015	395,000	343,600	65,000	19,166				92,000	10,340	177,000	63,965
2016	410,000	327,800	70,000	18,516				96,000	5,280	184,000	54,230
2017	425,000	311,400	70,000	17,816						190,000	44,110
2018	445,000	294,400	70,000	16,941						197,000	33,660
2019	460,000	276,600	70,000	16,066						204,000	22,825
2020	480,000	258,200	75,000	15,016						211,000	11,605
2021	500,000	239,000	75,000	13,891							
2022	515,000	219,000	75,000	12,766							
2023	535,000	198,400	80,000	11,641							
2024	560,000	177,000	80,000	10,441							
2025	585,000	154,600	85,000	9,191							
2026	605,000	131,200	85,000	7,863							
2027	630,000	107,000	90,000	6,481							
2028	655,000	81,800	90,000	5,019							
2029	680,000	55,600	100,000	3,500							
2030	710,000	28,400	100,000	1,750							
2031											
2032											
2033											
2034											
2035											
2036											
2037											
	<u>\$ 9,705,000</u>	<u>\$ 4,302,450</u>	<u>\$ 1,475,000</u>	<u>\$ 247,462</u>	<u>\$ 204,979</u>	<u>\$ 16,665</u>	<u>\$ 201,000</u>	<u>\$ 437,000</u>	<u>\$ 74,470</u>	<u>\$ 1,660,000</u>	<u>\$ 477,565</u>

* Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2011 is 0.37%, 0.37%, and 0.37%, respectively.

** Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2011 is 0.27%.

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities

June 30, 2011

Year Ending June 30	Series 2001 Electric System Revenue Bonds 4.25% to 5.00%		Series 1979 Sewer Revenue and Tax Bonds Dated December 20, 1979 5.00%		Sewer Department Series 1997 Tennessee Municipal Loan and Bond Pool*		Gas Department Series 1997 Tennessee Municipal Loan Bond Pool*		Series 1995 Water Revenue and Tax Bonds Dated January 28, 1997 5.00%		Water Department Series 1997 Tennessee Municipal Loan Bond Pool*	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 2,785,000	\$ 757,029	\$ 6,000	\$ 3,000	\$ 68,250	\$ 7,700	\$ 97,500	\$ 11,000	\$ 20,613	\$ 44,199	\$ 17,146	\$ 34,358
2013	2,915,000	633,096	7,000	2,700	61,792	3,946	107,479	5,638	21,667	43,145	18,046	33,458
2014	1,030,000	500,464	7,000	2,350					22,776	42,036	18,993	32,511
2015	1,085,000	445,101	7,000	2,000					23,941	40,871	19,990	31,514
2016	1,145,000	386,781	8,000	1,650					25,166	39,646	21,039	30,465
2017	1,200,000	331,250	8,000	1,250					26,454	38,358	22,142	29,362
2018	1,260,000	271,250	8,000	850					27,807	37,005	23,304	28,200
2019	1,320,000	208,250	9,000	450					30,725	35,582	24,527	26,977
2020	1,390,000	142,250							32,297	34,087	25,814	25,690
2021	1,455,000	72,750							33,950	32,515	27,169	24,335
2022									35,686	30,862	28,594	22,910
2023									37,512	29,126	30,094	21,409
2024									39,431	27,300	31,674	19,830
2025									41,449	25,381	33,336	18,168
2026									43,569	23,363	35,082	16,419
2027									45,799	21,243	36,926	14,578
2028									48,142	19,013	38,863	12,641
2029									50,605	16,670	40,902	10,602
2030									53,194	14,207	43,049	8,455
2031									55,915	11,618	45,307	6,197
2032									58,776	8,894	47,685	3,819
2033									61,783	6,039	48,195	1,318
2034									24,050	3,029		
2035												
2036												
2037												
	<u>\$15,585,000</u>	<u>\$ 3,748,223</u>	<u>\$ 60,000</u>	<u>\$ 14,250</u>	<u>\$ 130,042</u>	<u>\$ 11,646</u>	<u>\$ 204,979</u>	<u>\$ 16,638</u>	<u>\$ 890,537</u>	<u>\$ 624,528</u>	<u>\$ 677,880</u>	<u>\$ 453,216</u>
											<u>\$ 60,000</u>	<u>\$ 4,991</u>

*Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2011 is at 0.37%, 0.37%, and 0.37%.

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities
(Continued)

June 30, 2011

Year Ending June 30	Sewer Department Series 2003 Tennessee Municipal Loan Bond Pool*		Water Department Series 2003 Tennessee Municipal Loan Bond Pool*		Sewer Department Series 2005 Tennessee Municipal Loan Bond Pool*		Water Department Series 2008 Tennessee Municipal Loan Bond Pool*		Sewer Department Series 2008 Tennessee Municipal Loan Bond Pool*		Total Business-Type Activities Bonded Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 53,000	\$ 66,770	\$ 158,000	\$ 221,155	\$ 54,000	\$ 49,490	\$ 103,000	\$ 269,555	\$ 113,000	\$ 295,505	\$ 3,504,759	\$ 1,764,061
2013	54,000	63,855	163,000	212,465	55,000	47,600	108,000	263,890	119,000	290,230	3,660,734	1,601,774
2014	56,000	60,885	168,000	203,500	57,000	45,675	113,000	257,950	124,000	283,745	1,596,769	1,429,116
2015	57,000	57,805	173,000	194,260	59,000	43,680	118,000	251,735	129,000	276,925	1,671,931	1,343,891
2016	59,000	54,670	179,000	184,745	62,000	41,615	123,000	245,245	135,000	269,830	1,757,205	1,254,649
2017	60,000	51,425	184,000	174,900	64,000	39,445	128,000	238,480	141,000	262,405	1,833,596	1,166,875
2018	62,000	48,125	190,000	164,780	66,000	37,205	134,000	231,440	148,000	254,650	1,919,111	1,073,505
2019	64,000	44,715	196,000	154,330	68,000	34,895	140,000	224,070	154,000	246,510	2,004,757	975,779
2020	66,000	41,195	202,000	143,550	71,000	32,515	146,000	216,370	161,000	238,040	2,092,539	873,697
2021	68,000	37,585	209,000	132,440	73,000	30,030	153,000	208,340	168,000	229,185	2,185,466	767,160
2022	69,000	33,825	215,000	120,945	76,000	27,475	160,000	199,925	176,000	219,945	2,280,544	655,887
2023	71,000	30,030	222,000	110,560	78,000	24,815	167,000	191,125	184,000	210,265	2,378,780	617,330
2024	74,000	26,125	229,000	96,910	81,000	22,085	175,000	181,940	192,000	200,145	2,474,335	574,335
2025	76,000	22,055	236,000	84,315	84,000	19,250	183,000	172,315	201,000	189,585	2,574,335	531,069
2026	78,000	17,875	244,000	71,335	87,000	16,310	191,000	162,250	210,000	178,530	2,674,335	486,082
2027	80,000	13,585	251,000	57,915	90,000	13,265	199,000	151,745	219,000	166,980	2,774,335	439,311
2028	62,000	9,185	259,000	44,110	93,000	10,115	208,000	140,800	229,000	154,935	2,874,335	390,799
2029			267,000	29,865	96,000	6,860	218,000	129,360	240,000	142,340	2,974,335	335,697
2030			275,980	15,180	100,000	3,500	227,000	117,370	250,000	129,140	3,074,335	287,852
2031							238,000	104,885	262,000	115,390	3,174,335	238,090
2032							248,000	91,795	273,000	100,980	3,274,335	205,488
2033							260,000	78,155	286,000	85,965	3,374,335	171,477
2034							271,000	63,855	298,000	70,235	3,474,335	137,119
2035							284,000	48,950	312,000	53,845	3,574,335	103,134
2036							296,000	33,330	326,000	36,685	3,674,335	70,015
2037							227,429	17,050	145,678	18,755	3,774,335	35,805
	\$ 1,109,000	\$ 679,690	\$ 4,020,980	\$ 2,417,260	\$ 1,414,000	\$ 545,825	\$ 4,818,429	\$ 4,291,925	\$ 5,195,678	\$ 4,721,805	\$ 34,166,525	\$ 17,529,997

(1)

(2)

*Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2011 is at 0.27%.

(1) Only drawn down \$4,917,429 of available \$5,000,000 at June 30, 2011.

(2) Only drawn down \$5,304,678 of available \$5,500,000 at June 30, 2011.

NOTE: The Lenoir City Utilities Board - Sewer Department began drawing on a \$13,500,000 and a \$1,627,000 state revolving loan from the State of Tennessee. Total draws are \$11,496,107 and \$937,837, respectively. However, repayment schedules have not been established.

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities
(Continued)

June 30, 2011

Year Ending June 30	Water Department State of Tennessee Drinking Water Fund		Sewer Department State of Tennessee Revolving Loan		Sewer Department State of Tennessee Revolving Loan		Sewer Department State of Tennessee Revolving Loan		Sewer Department State of Tennessee Revolving Loan		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
		2.04%		2.23%		2.35%		2.08%		1.60%		
2012	\$ 24,204	\$ 6,264	\$ 22,308	\$ 5,904	\$ 50,762	\$ 12,372	\$ 38,514	\$ 13,909	\$ 50,304	\$ 16,104	\$ 186,092	\$ 54,553
2013	24,696	5,760	22,812	5,400	51,968	11,172	39,439	12,984	51,108	15,300	190,023	50,616
2014	25,212	5,256	23,316	4,884	53,202	9,936	40,385	12,038	51,936	14,472	194,051	46,586
2015	25,728	4,740	23,844	4,368	54,467	8,664	41,354	11,068	52,764	13,644	198,157	42,484
2016	26,256	4,212	24,384	3,828	55,760	7,380	42,347	10,076	53,616	12,792	202,363	38,288
2017	26,796	3,672	24,936	3,276	56,853	6,048	43,363	9,060	54,480	11,928	206,428	33,984
2018	27,348	3,120	25,500	2,712	58,672	4,692	44,404	8,019	55,368	11,040	211,292	29,583
2019	27,912	2,556	26,064	2,136	59,828	3,300	45,470	6,953	56,256	10,152	215,530	25,097
2020	28,488	1,980	26,652	1,548	61,251	1,884	46,561	5,862	57,168	9,240	220,120	20,514
2021	29,076	1,392	27,252	948	47,001	459	47,678	4,745	58,080	8,328	209,087	15,872
2022	10,427	792	27,834	336			48,823	3,600	59,016	7,392	146,100	12,120
2023	19,696	252					49,994	2,429	59,976	6,432	129,666	9,113
2024							74,071	1,229	60,936	5,472	135,007	6,701
2025									61,920	4,488	61,920	4,488
2026									62,916	3,492	62,916	3,492
2027									63,936	2,472	63,936	2,472
2028									64,968	1,440	64,968	1,440
2029									55,038	407	55,038	407
2030												
2031												
2032												
2033												
2034												
2035												
2036												
2037												
	\$ 295,839	\$ 39,996	\$ 274,902	\$ 35,340	\$ 549,764	\$ 65,907	\$ 602,403	\$ 101,972	\$ 1,029,786	\$ 154,595	\$ 2,752,694	\$ 397,810

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
POWER AND LIGHT DEPARTMENT

Schedule of Utility Plant

June 30, 2011

	Assets				Accumulated Depreciation			Net Plant
	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Balance July 1, 2010	Expense	Retirement Plus Cost of Removal Minus Salvage	
Utility plant:								
Distribution plant:								
Land and land rights	\$ 1,914,263	\$ -	\$ -	\$ 1,914,263	\$ -	\$ -	\$ -	\$ -
Structures and improvements	1,644,391	-	-	1,644,391	253,605	49,331	-	302,936
Station equipment	26,050,323	2,969,110	-	29,019,433	12,096,931	1,045,249	-	13,142,180
Poles, towers and fixtures	23,880,606	831,299	162,859	24,549,046	6,509,170	725,770	415,724	6,819,216
Overhead conductors and devices	17,206,311	468,016	72,058	17,602,269	2,064,208	390,597	(65,630)	2,520,435
Underground conduit	5,128,753	173,771	19,857	5,282,667	1,258,566	155,561	22,632	1,391,495
Underground conduit and devices	19,909,770	603,912	120,226	20,393,456	4,362,373	603,038	178,470	4,786,941
Line transformers	35,334,245	860,271	294,150	35,900,366	9,413,284	892,454	298,851	10,006,887
Services	5,292,464	211,610	11,198	5,492,876	547,120	121,460	12,751	655,829
Meters	5,160,568	1,564,093	403,890	6,320,771	399,634	181,459	403,890	177,203
Installation on customers' premises	2,426,540	88,927	35,724	2,479,743	1,421,440	147,439	34,413	1,534,466
Street lighting and signal system	369,848	3,104	1,038	371,914	244,943	11,129	1,331	254,741
Total distribution plant	144,318,082	7,774,113	1,121,000	150,971,195	38,571,274	4,323,487	1,302,432	41,592,329
General plant:								
Land and land rights	508,993	-	-	508,993	-	-	-	-
Structures and improvements	2,315,857	44,798	-	2,360,655	875,751	46,533	-	922,284
Equipment and office furniture	402,288	2,369	-	404,657	321,590	32,238	-	353,828
Transportation equipment	3,772,312	219,338	21,000	3,970,650	3,007,516	396,709	50	3,404,175
Stores equipment	54,298	645	-	54,943	54,298	645	-	54,943
Tools, shop and garage equipment	303,450	20,630	-	324,080	237,519	15,536	-	253,055
Laboratory equipment	139,077	40,795	-	179,872	139,077	2,140	-	141,217
Power operated equipment	205,246	-	-	205,246	205,246	-	-	205,246
Communications equipment	392,806	16,039	-	408,845	383,282	18,498	-	401,780
Miscellaneous	45,446	2,915	-	48,361	15,021	3,725	-	18,746
Total general plant	8,139,773	347,529	21,000	8,466,302	5,239,300	516,024	50	5,755,274
Total electric plant in service	152,457,855	8,121,642	1,142,000	159,437,497	43,810,574	4,839,511	1,302,482	47,347,603
Construction work in progress	5,766,338	-	1,602,150	4,164,188	-	-	-	-
Total utility plant	\$ 158,224,193	\$ 8,121,642	\$ 2,744,150	\$ 163,601,685	\$ 43,810,574	\$ 4,839,511	\$ 1,302,482	\$ 47,347,603
								\$ 116,254,082

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
GAS DEPARTMENT

Schedule of Utility Plant

June 30, 2011

	Assets			Accumulated Depreciation			Net Plant
	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Balance July 1, 2010	Expense	
Utility plant:							
Distribution plant:							
Land and land rights	\$ 707	\$ 100	\$ -	\$ 807	\$ -	\$ -	\$ -
Structures and improvements	11,454,657	92,849	274,682	11,722,824	4,536,007	322,944	4,809,495
Measuring and regulating station equipment	57,140	-	-	57,140	24,950	1,124	26,074
Total distribution plant	11,512,504	92,949	274,682	11,330,771	4,560,957	324,068	4,835,569
General plant:							
Structures and improvements	54,495	182	-	54,677	31,057	1,090	32,157
Office equipment	66,377	-	-	66,377	40,837	3,319	44,156
Transportation equipment	545,892	-	-	545,892	545,892	-	545,892
Tools and other equipment	196,844	-	-	196,844	190,000	745	190,745
Communication equipment	75,877	-	1,412	74,465	34,079	4,539	38,618
Power operated equipment	134,543	750	-	135,293	132,937	-	132,937
Total general plant	1,074,028	932	1,412	1,073,548	974,812	9,693	984,505
Total gas plant in service	12,586,532	93,881	276,094	12,404,319	5,535,769	333,761	5,820,074
Construction work in progress	62,706	138,566	-	201,272	-	-	-
Total utility plant	\$ 12,649,238	\$ 232,447	\$ 276,094	\$ 12,605,591	\$ 5,535,769	\$ 333,761	\$ 49,456
							\$ 5,820,074
							\$ 6,785,517

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
WATER AND SEWER DEPARTMENT - WATER DIVISION

Schedule of Utility Plant

June 30, 2011

	Assets				Accumulated Depreciation			Net plant
	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Balance July 1, 2010	Expenses	Retirements	
Utility plant:								
Treatment and distribution plant:								
Water plant and service equipment	\$ 3,349,000	\$ -	\$ -	\$ 3,349,000	\$ 2,236,329	\$ 80,375	\$ -	\$ 2,316,704
Reservoirs and standpipes	957,572	-	-	957,572	500,410	23,939	-	524,349
Supply mains and pumping equipment	8,661,172	3,486,044	-	12,147,216	3,302,840	447,811	-	3,750,651
Water treatment equipment	111,420	-	-	111,420	71,318	5,571	-	76,889
Services	1,568,400	10,935	-	1,579,335	195,343	38,617	-	233,960
Meters and hydrants	593,385	26,905	-	620,290	160,679	23,989	-	184,668
Total treatment and distribution plant	15,240,949	3,523,884	-	18,764,833	6,466,919	620,302	-	7,087,221
General plant:								
Land and land rights	192,138	-	-	192,138	-	-	-	-
Structures and improvements	371,731	37,367	-	409,098	218,551	5,919	-	224,470
Transportation equipment	316,536	-	-	316,536	260,627	15,699	-	276,326
Tools, shop and garage equipment	302,430	8,504	-	310,934	237,742	6,359	-	244,101
Total general plant	1,182,835	45,871	-	1,228,706	716,920	27,977	-	744,897
Total water plant in service	16,423,784	3,569,755	-	19,993,539	7,183,839	648,279	-	7,832,118
Construction work in progress	6,975,609	(1,666,768)	-	5,308,841	-	-	-	-
Total utility plant	\$ 23,399,393	\$ 1,902,987	\$ -	\$ 25,302,380	\$ 7,183,839	\$ 648,279	\$ -	\$ 7,832,118

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
WATER AND SEWER DEPARTMENT - SEWER DIVISION

Schedule of Utility Plant

June 30, 2011

	Assets			Accumulated Depreciation			Net Plant	
	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Balance July 1, 2010	Expense		Retirements
Utility plant:								
Treatment and distribution plant:								
Sewage treatment plant and lift station	\$ 2,740,075	\$ 2,697	\$ -	\$ 2,742,772	\$ 2,025,150	\$ 372,811	\$ -	\$ 2,397,961
Interception sewers	14,773,573	9,859	-	14,783,432	4,010,597	347,131	-	4,357,228
Structures and improvements	120,347	2,592	-	122,939	22,612	2,430	-	25,042
Meters	12,459	-	-	12,459	4,115	249	-	4,364
Supply mains	19,794	-	-	19,794	6,952	495	-	7,447
Services	556,536	12,614	-	569,150	7,382	10,753	-	18,135
Total treatment and distribution plant	18,222,784	27,762	-	18,250,546	6,076,808	733,869	-	6,810,677
General plant:								
Land and land rights	126,762	-	-	126,762	-	-	-	-
Paving	5,600	-	-	5,600	5,600	-	-	5,600
Transportation equipment	60,565	-	-	60,565	60,565	-	-	60,565
Tools and equipment	131,138	13,156	-	144,294	35,241	5,694	-	40,935
Office furniture and equipment	17,563	249	-	17,912	4,683	885	-	5,568
Total general plant	341,728	13,405	-	355,133	106,089	6,579	-	112,668
Total sewer plant in service	18,564,512	41,167	-	18,605,679	6,182,897	740,448	-	6,923,345
Construction work in progress	16,471,247	4,001,551	-	20,472,798	-	-	-	-
Total utility plant	\$ 35,035,759	\$ 4,042,718	\$ -	\$ 39,078,477	\$ 6,182,897	\$ 740,448	\$ -	\$ 6,923,345

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Fiscal Year Ended June 30, 2011

<u>Tax Year</u>	<u>Balance June 30, 2010</u>	<u>Billed Assessment</u>	<u>Abatements and Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2011</u>
2010	\$ -	\$ 2,335,466	\$ 666	\$ (2,116,185)	\$ 219,947
2009	164,030	-	1,928	(101,866)	64,092
2008	43,398	-	(2,124)	(26,608)	14,666
2007	10,835	-	(723)	(8,528)	1,584
2006	5,951	-	(58)	(5,171)	722
2005	457	-	(51)	(195)	211
2004	445	-	(11)	-	434
2003	324	-	(9)	-	315
2002	753	-	(9)	-	744
2001	433	-	(433)	-	-
Total	<u>\$ 226,626</u>	<u>\$ 2,335,466</u>	<u>\$ (824)</u>	<u>\$ (2,258,553)</u>	302,715
					Unapplied property tax relief payment (66)
					January 1, 2011 property tax assessment not to be billed until October 1, 2011 <u>2,346,000</u>
					<u>\$ 2,648,649</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Insurance in Force and Bonds on Principal Officials

June 30, 2011

General liability:	
TML Risk Management Pool:	
Liability limit:	
Per occurrence	\$ 700,000
Per person	300,000
Aggregate	5,000,000
Auto liability:	
TML Risk Management Pool:	
Liability (per occurrence)	700,000
Uninsured motorist (per occurrence)	300,000
Worker's compensation and employer's liability:	
TML Risk Management Pool:	
Worker's compensation	Statutory
Property coverage:	
TML Risk Management Pool:	
Blanket limit (excluding electrical sub-stations)	178,494,550
Public officials, personnel errors and omissions liability:	
Coregis Insurance Company:	
Liability limit:	
Per occurrence	5,000,000
Aggregate	5,000,000
Employee Dishonesty	500,000
Public employee bonds:	
Moore Insurance Company:	
Honesty blanket bond:	
City Treasurer	250,000
Clerks	10,000 - 15,000
Police officers and reserves	1,500 - 15,000
City employees	5,000
Commercial crime robbery policy	100,000

NOTE: All policies are owned by the City of Lenoir City, Tennessee and represent joint coverage where applicable.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Analysis of Tax Rates and Assessments

June 30, 2011

Tax Year	Assessed Value	Tax Rate Per \$100	Total Tax Levy	Total Tax Collections	Collections as a Percent of Total Levy	Outstanding Delinquent Taxes	Delinquent Taxes Filed in Chancery Court
2010	\$ 220,023,798	\$ 1.06	\$2,335,466	\$ 2,115,519	90.58%	\$ 219,947	\$ -
2009	215,717,389	1.06	2,289,496	2,225,404	97.20%	64,092	64,092
2008	169,780,076	1.30	2,209,909	2,195,243	99.34%	14,666	14,666
2007	157,421,934	1.30	2,051,157	2,049,573	99.92%	1,584	1,584
2006	152,580,594	1.30	1,983,916	1,983,194	99.96%	722	722
2005	142,494,584	1.30	1,852,476	1,852,265	99.99%	211	211
2004	115,912,075	1.30	1,509,462	1,509,028	99.97%	434	434
2003	112,523,976	1.30	1,464,264	1,463,949	99.98%	315	315
2002	110,120,131	1.30	1,441,584	1,440,840	99.95%	744	744
2001	106,239,621	1.30	1,380,672	1,380,672	100.00%	-	-

Source: City Management

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
POWER AND LIGHT DEPARTMENT

Schedule of Utility Rates and Number of Customers

June 30, 2011

RESIDENTIAL RATE - SCHEDULE RS

Customer Charge.....\$15.15 per month less \$1.60 hydro allocation credit
Energy Charge.....First 800 kWh per month at 8.725¢ per kWh
Additional kWh at 8.725¢ per month

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer Charge.....\$15.26 per delivery point per month
Energy Charge.....10.109¢ per kWh per month

PART 2.

Customer Charge.....\$61.29 per delivery point per month
Demand Charge.....First 50 kW of billing demand per month, no charge
Excess over 50 kW of billing demand per month at \$12.04 per kW
Energy Charge.....First 15,000 kWh per month at 10.053¢ per kWh
Additional kWh per month at 6.272¢ per kWh

PART 3.

Customer Charge.....\$169.16 per delivery point per month
Demand Charge.....First 1,000 kW of billing demand per month at \$11.87 per kW
Excess over 1,000 kW of billing demand per month at \$12.80 per kW, plus an additional \$13.64 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand
Energy Charge.....6.272¢ per kWh per month

GENERAL POWER RATE - SCHEDULE TOU GSB

Customer Charge.....\$1,500.00 per delivery point per month
Demand Charge.....\$16.00 per kW of on peak billing demand per month, plus \$3.92 per kW of off peak billing demand, plus an additional \$16.00 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
Energy Charge.....6.199¢ per off peak kWh for up to 425 hours use of metered demand per month, plus 4.308¢ per off peak kWh for next 195 HUD, plus 2.771¢ per off peak kWh over 620 HUD
9.483¢ per kWh for all on peak kWh per month

(Continued)

CITY OF LENOIR CITY, TENNESSEE
POWER AND LIGHT DEPARTMENT

Schedule of Utility Rates and Number of Customers
(Continued)

June 30, 2011

GENERAL POWER RATE - SCHEDULE TOU GSC

Customer Charge.....\$1,500.00 per delivery point per month

Demand Charge.....\$15.49 per kW of on peak billing demand per month, plus \$3.41 per kW of off peak billing demand, plus an additional \$15.49 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand

Energy Charge.....5.865¢ per off peak kWh for up to 425 hours use of metered demand per month, plus 4.053¢ per off peak kWh for next 195 HUD, plus 2.516¢ per off peak kWh over 620 HUD
9.134¢ per kWh for all on peak kWh per month

GENERAL POWER RATE - SCHEDULE TOU GSD

Customer Charge.....\$1,500.00 per delivery point per month

Demand Charge.....\$15.38 per kW of on peak billing demand per month, plus \$3.30 per kW of off peak billing demand, plus an additional \$15.38 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand

Energy Charge.....5.615¢ per off peak kWh for up to 425 hours use of metered demand per month, plus 3.804¢ per off peak kWh for next 195 HUD, plus 2.266¢ per off peak kWh over 620 HUD
8.985¢ per kWh for all on peak kWh per month

OUTDOOR LIGHTING RATE - SCHEDULE LS

Customer Charge.....\$2.50

Energy Charge.....6.629¢ per kWh

Facility Charge.....LP (13)% $\frac{B}{A \text{ or } B}$

Customer Data

	<u>Number of Customers</u>
Residential	48,392
General power - 50 kW and under	9,261
General power - over 50 kW	999
Street and athletic lighting	<u>179</u>
	<u>58,831</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
GAS DEPARTMENT

Schedule of Utility Rates and Number of Customers

June 30, 2011

Gas Rates in Effect at June 30, 2011*

	<u>Per 100 Cubic Feet</u>
General service rate - residential:	
Customer Charge	\$5.00
Per 100 cubic feet (ccf)	.45
Commercial - industrial:	
Customer Charge	\$7.00
Per 100 cubic feet (ccf)	.434
Large volume - industrial:	
Customer Charge	\$10.00
Excess of 5,000,000 cubic feet	.405
Interruptible:	
Customer Charge	\$10.00
Per 100 cubic feet (ccf)	.205

*These rates do not include commodity adjustments based on wellhead cost which fluctuate monthly.

Customer Data

	<u>Number of Customers</u>
Residential	4,720
Small commercial	822
Large commercial	4
Interruptible	<u>5</u>
	<u>5,551</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
 WATER AND SEWER DEPARTMENT - WATER DIVISION

Schedule of Utility Rates and Number of Customers

June 30, 2011

Water Rates in Effect at June 30, 2011

	<u>Per Thousand Gallons</u>	
	<u>Inside</u>	<u>Outside</u>
	<u>City</u>	<u>City</u>
First 2,000 gallons - minimum bill	\$12.58	\$12.58
Excess of 2,000 gallons	5.04	5.04
Flat rate	24.39	24.39

Customer Data

	<u>Number of</u>
	<u>Customers</u>
Residential	7,073
Small commercial	1,113
Large and commercial	18
Industrial	<u>276</u>
	<u>8,480</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
WATER AND SEWER DEPARTMENT - SEWER DIVISION

Schedule of Utility Rates and Number of Customers

June 30, 2011

Sewer Rates in Effect at June 30, 2011

	<u>Per Thousand Gallons</u>	<u>Gallons</u>
	<u>Inside</u>	<u>Outside</u>
	<u>City</u>	<u>City</u>
<u>Residential</u>		
First 2,000 gallons - minimum bill*	\$21.24	\$30.79
Excess of 2,000 gallons	8.52	12.36
*Max on residential sewer - 20,000 gallons		
<u>Commercial</u>		
First 2,000 gallons - minimum bill	\$21.24	\$30.79
Excess of 2,000 gallons	8.52	12.36
<u>Industrial</u>		
First 2,000 gallons - minimum bill	\$24.03	\$34.84
Excess of 2,000 gallons	11.75	17.04

Customer Data

	<u>Number of</u>
	<u>Customers</u>
Residential	4,018
Commercial and Industrial	<u>782</u>
	<u>4,800</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
 WATER AND SEWER DEPARTMENT - WATER DIVISION

Schedule of Unaccounted for Water

Year Ended June 30, 2011

(All amounts in gallons)

A Water Treated and Purchased:		
B	Water Pumped (potable)	<u>697,493,172</u>
C	Water Purchased	<u>307,073,900</u>
D	Total Water Treated and Purchased (Sum Lines B and C)	<u>1,004,567,072</u>
E Accounted for Water:		
F	Water Sold	<u>594,755,000</u>
G	Metered for Consumption (in house usage)	<u>28,259,283</u>
H	Fire Department(s) Usage	<u>217,130</u>
I	Flushing	<u>5,237,259</u>
J	Tank Cleaning/Filling	<u>0</u>
K	Street Cleaning	<u>0</u>
L	Bulk Sales	<u>0</u>
M	Water Bill Adjustments	<u>(2,589,000)</u>
N	Total Accounted for Water (Sum Lines F thru M)	<u>625,879,672</u>
O	Unaccounted for Water (Line D minus Line N)	<u>378,687,400</u>
P	Percent Unaccounted for Water (Line O divided by Line D times 100)	<u>37.697%</u>
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.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Miscellaneous Statistical Data

June 30, 2011

Incorporated	April, 1907
Form of government	Mayor - Aldermen
Adopted Home Rule Charter	December 9, 1954
Area in square miles	7.0
Codes enforcement:	
Number of full-time employees	2
Police protection:	
Number of stations	1
Number of full-time employees	24
Number of part-time employees	6
Fire protection:	
Number of stations	2
Number of full-time employees	20
Number of part-time employees	13
Total number of public safety employees (full-time)	46
Recreation:	
Parks (acres)	102
Playgrounds	8
Number of certified teachers	162
Number of specialized instructional staff	30
Number of administrative staff	14
Enrollment	
Elementary schools - (1)	640
Junior high schools - (1)	365
High schools - (1)	1,229
Average daily attendance	2,234
Municipal water plant:	
Average daily consumption in gallons	1,714,700
Maximum storage capacity in gallons	6,000,000
Paved streets (per lane mile)	108
Water lines (miles)	167
Sanitary sewer (miles)	59
Gas lines (miles)	188

Source: City, Schools and Utility Board Management

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BROWN JAKE & McDANIEL, PC

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

Board of Mayor and Alderman
City of Lenoir City, Tennessee

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Lenoir City, Tennessee (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified certain deficiencies in internal control over

financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting as item #11-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item #11-2.

The City of Lenoir City, Tennessee's response to the findings identified in our audit is described in the Accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Brown Lake & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2012

BROWN JAKE & McDANIEL, PC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and Board of Aldermen
City of Lenoir City, Tennessee

Compliance

We have audited the City of Lenoir City, Tennessee's (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the Summary of Auditor's Results section of the Accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, identified in the accompanying schedule of findings and questioned costs, occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Lenoir City, Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a

major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Lenoir City, Tennessee's response to the findings identified in our audit is described in the Accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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


CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF AUDITOR'S RESULTS

- A. An unqualified opinion was issued on the financial statements of the City of Lenoir City, Tennessee (the City) for the year ended June 30, 2011.
- B. Internal control over financial reporting:
- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? X yes none reported
- C. Our audit disclosed one instance of noncompliance considered by us to be material to the financial statements.
- D. Internal control over major programs:
- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? yes X none reported
- E. An unqualified opinion was issued for compliance for the City's major programs.
- F. The audit disclosed no audit findings requiring reporting under Section .510(a).
- G. We identified the following major federal assistance programs:
- 1) US Department of Agriculture - National School Lunch and Breakfast Program
 - 2) US Department of Education - IDEA - Part B
 - 3) US Department of Education - ARRA - IDEA - Part B
 - 4) US Department of Education - ARRA - IDEA - Part B Preschool
 - 5) US Department of Education - IDEA Part B - Preschool
 - 6) US Department of Education - Title I
 - 7) US Department of Education - ARRA - Title I
 - 8) US Department of Education - ARRA - State Fiscal Stabilization Fund
 - 9) US Department of Education - ARRA - Education Jobs Program
 - 10) US Department of Environment and Conservation - ARRA - Capitalization Grant for Clean Water SRF
 - 11) US Department of Transportation - ARRA - TDOT
 - 12) US Department of Housing and Urban Development - CDBG Grant

I. SUMMARY OF AUDITOR'S RESULTS (Continued)

- H. The threshold for distinguishing between Type A and Type B programs was \$300,000.
- I. The auditee was not determined to be a low risk auditee.

II. SUMMARY OF FINDINGS REPORTED AT THE FINANCIAL STATEMENT LEVEL

Lenoir City Utilities BoardOperating DeficienciesTravel

Finding #11-1: During our audit, we noted that the Utilities Board does not have a formal written travel policy. We also noted one instance in which an employee was paid a per diem for meals but several meals were included with the conference. Also, when reviewing travel we noted that several credit cards incurred late fees and several credit card purchases lacked proper documentation for travel and meals. This finding was reported in the prior year.

Recommendation: We recommend the Utilities Board adopt a written travel policy. We also recommend proper documentation be provided for all travel and meal reimbursements.

Management Reply: We concur. We have a travel policy that provides for per diems but we will adopt a travel policy that covers all areas of utility travel and will monitor for proper documentation.

Compliance DeficienciesDebt Coverage Ratio

Finding #11-2: During our audit, we noted that the debt coverage ratio for the Water and Sewer Department - Water Division fell below the required ratio.

Recommendation: We recommend that action be taken by management and/or the Board to ensure that the required ratio is restored.

Management Reply: We concur. We are looking into ways to resolve this issue and plan to have the ratio back to an acceptable level for fiscal year 2013.

III. SUMMARY OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF LENOIR CITY, TENNESSEE

Summary Schedule of Prior Audit Findings

All significant deficiencies from the June 30, 2010 Accompanying Schedule of Findings and Questioned Costs, except for the items referenced in the current year Accompanying Schedule of Findings and Questioned Costs, were not noted during the performance of the current year audit.