

# CITY OF ALCOA

**CITY OF ALCOA, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2012**



*"Excellence in Service - Quality of Life"*

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**CITY OF ALCOA, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**CITY OF ALCOA, TENNESSEE**  
**SECTION ONE**  
**INTRODUCTORY SECTION**  
**For the Fiscal Year Ended June 30, 2012**

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# CITY OF ALCOA

## City Officials

CITY OF ALCOA, TENNESSEE

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

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### **BOARD OF COMMISSIONERS**

Donald R. Mull, Mayor  
Clint Abbott, Jr., Vice Mayor  
Vaughn Belcher, Commissioner  
Clayton Bledsoe, Commissioner  
Ken White, Commissioner

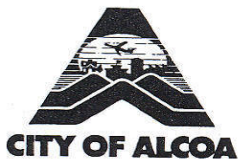
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Mark L. Johnson, City Manager  
G. William Hammon, Jr., Assistant City Manager  
John Troyer, Director of Finance & Administration

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*"Excellence in Service - Quality of Life"*

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January 30, 2013

Honorable Mayor  
City Council and City Manager  
City of Alcoa, Tennessee  
Alcoa, Tennessee

The financial statements of the City of Alcoa, Tennessee for the fiscal year ended June 30, 2012 are submitted for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report is presented in five sections: 1) the **Introductory Section** which includes this transmittal letter; 2) the **Financial Section** which includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information and the combined financial statements; 3) **Miscellaneous Schedules**, which includes selected financial information; 4) **Statistical Information**, and 5) the **Single Audit Section** which includes schedules and independent auditors' reports on federal and state grants.

These financial statements represent management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, and other agencies that have expressed an interest in the City of Alcoa, Tennessee's financial matters. Copies of this financial report will also be placed in the Alcoa Municipal Building for use by the general public.

This report includes all funds (financial activities) of the City. The City provides a full range of municipal services including police and fire protection, water and electric, sewer and refuse services, development services, municipal courts, education, recreational and cultural activities, streets, traffic control, and general administrative services.

## **PROFILE OF THE GOVERNMENT**

The City of Alcoa is a unique and culturally diverse community located in the eastern part of Tennessee with a resident population according to the 2010 U.S. Census of 8,449. Blount County, the county in which Alcoa resides, has a population of 123,010 as of 2010. The City is a company town built by ALCOA (Aluminum Company of America) starting around 1910. ALCOA was attracted to this area because of the abundance of water power resources. The Little Tennessee River and its tributaries were considered a good source of the hydroelectric energy essential to the aluminum production process. In 1917 the company began construction of the town site that would eventually become the City of Alcoa. The City of Alcoa was chartered by private act of the Tennessee General Assembly effective July 1, 1919.

The City is governed by a City Manager-Commission form of government. The governing body of the City is a five member City Commission who serve a four-year term of office. The elections for Commissioners are held on a staggered basis every two years. Following each regular biennial City election, the Commission elects two of its members to serve for a two-year period as Mayor and Vice Mayor, respectively. The Commission is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and appointing a City Manager. The City Manager is responsible for carrying out the policies and ordinances of the commission and for overseeing the day-to-day operations of the city, as well as appointing heads of the various departments.

The City provides a full range of services, which includes public safety (police and fire protection), street maintenance, parks, public improvements, planning and zoning and general administrative services. The City provides water, sewer and electric services to both city residents and customers who reside outside of our city limits. The City provides its citizens with solid waste collection and is responsible for the day-to-day operation of the countywide Alcoa/Blount County/Maryville Landfill. The Alcoa City Schools operate under the City Charter and are considered a part of the City's financial statement. The Alcoa Schools System provides educational services to students who reside within Alcoa, as well as a large number of tuition students from outside the City.

The annual budget serves as the foundation for the City of Alcoa's financial planning and control. The budget preparation process starts in late January, when City departments begin assessing their needs for the coming year. The City Manager and Finance Director along with each Department Head start meeting in late March and April to discuss proposed budgets. The City Manager in mid-May will present his proposed budget for the upcoming fiscal year to the City Commission in a budget work session. The first reading of the Appropriation and Tax Levy Ordinances is presented in June at the Commission's regular meeting and the second and final reading at a called meeting prior to July 1. A Public Hearing on the proposed budget will be held at one of the June meetings.

The City of Alcoa is a benchmark community. Its citizens are safe, well served, and proud of their neighborhoods. Comprehensive services are provided to citizens and customers using the latest available methods and technology. Employees are professional, effective and a superior quality of life is emphasized.

### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Alcoa operates.

#### **Local Economy**

The City of Alcoa is dealing with the economic slowdown, but there are some signs of improving based on our local sales tax revenue increase. This is a sign that the general population feels some encouragement about our economy. The City of Alcoa and Blount County has the fourth lowest unemployment rate in the State at 8.4%, compared to the State of Tennessee at 9.8%. The City staff continues to work with our local industrial development board and developers to draw commercial and industrial business to our area.

The City's official population has grown from 6,870 in 1980, to 6,400 in 1990, to 7,734 in 2000, and to 8,449 in the 2010 census. Prior to the slowdown in 2008, the City was averaging around 35 new home constructions a year. Since 2008 the housing market is on hold, although in the last several months we have new homes being constructed. We have about 95 residential lots that are in various stages of completion, which have been put on hold/slowdown due to the down turn of the economy. We feel these developments will be completed as the housing market improves.

The commercial and industrial sections in the City are at various stages of development. The City has a 500 acre research and development park with a mixture of high tech industry, commercial and residential use. The construction of the main entrance and boulevard are complete, and the Industrial Development Board has started the process of recruiting clients. Also, the City is working with the State and a developer to establish a 250 acre urbanism development that is located across from the airport. This property has the potential of being transformed into a new downtown area for the City.

## **Long-term Financial Planning**

The City of Alcoa has just completed a pedestrian bridge across a major four lane highway and completed an additional 2 miles of walking trails that will tie all of the city's communities into the City greenway walking trails. This project was completed with ARRA, State and local funding. The next major project the City will be considering will be the building of a new high school for approximately twenty-five million dollars. This project is scheduled to be completed for the start of the 2014 school year. Along with this project, the City is considering building a new fire station, replacing an older station, and due to the location, a new site will be considered to be more centrally located based on how the City has grown in different areas. The City is planning to borrow around two million dollars and combine it with the school bond issue.

## **Internal Control**

The management of the City of Alcoa is responsible for establishing and maintaining a system of internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles (GAAP). 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 the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

## **Budgetary Controls**

The City also maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Commission. Activities of the General Fund, Special Revenue Funds, General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by City Commission. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

## **Single Audit**

As a recipient of federal and state financial assistance, the City is also responsible for an adequate system of internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

As a part of the City's single audit, performed in accordance with the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for fiscal years ended June 30, 2012 and 2011 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws, regulations or other matters.

## **Cash Management**

The City utilizes a pooled cash and investment concept for all funds. Each fund type's portion of the pool is displayed in the basic financial statements as "Cash and certificates of deposit".

The City's investment policy is to invest pooled cash in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City and conforming to all applicable State and City statutes governing the investment of public funds. The City is permitted to invest in obligations of the U.S. Government or any of its agencies and instrumentalities, certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements and the State of Tennessee Local Government Investment Pool.

## **Risk Management**

Insurance coverage for City and schools assets related to general liability, auto liability, auto physical damage, errors and omissions and workers compensation for City and school system employees is through a public entity risk pool operated as a risk sharing program by the Tennessee Municipal League (TML). The City risk management includes various risk control techniques, including employee accident prevention training.

## **OTHER INFORMATION**

### **Independent Audit**

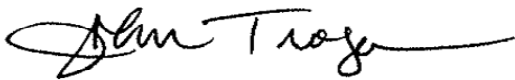
City Charter requires an annual audit by independent certified public accountants. The accounting firm of Ingram, Overholt & Bean, PC has been selected by the City Commission. The auditors' report on the financial statements is included in the financial section of the report.

In addition to this report, Ingram, Overholt & Bean, PC was also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements of the Federal Single Audit Act and the related Office of Management and Budget Circular A-133.

### **Acknowledgment**

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the valuable guidance and assistance of the staff of Ingram, Overholt & Bean, PC. To them and to the City commission and City Manager for their support and interest in improving Alcoa's fiscal policies and practices, I express my sincere appreciation.

Respectively submitted,



John Troyer  
Director of Finance & Administration:

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alcoa  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morville*

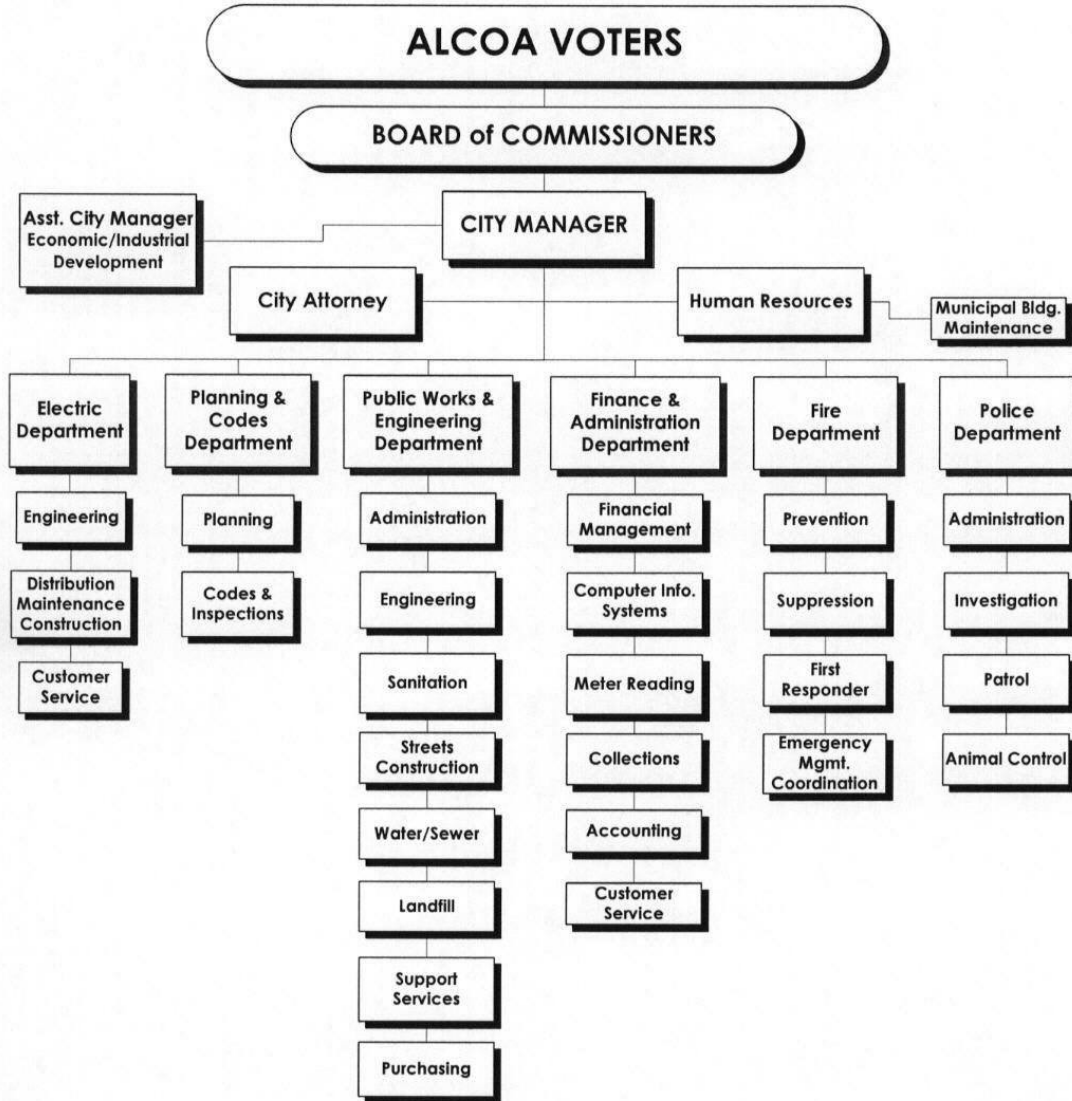
President

*Jeffrey R. Emer*

Executive Director



# City of Alcoa



*"Excellence in Service - Quality of Life"*

**CITY OF ALCOA, TENNESSEE**

**SECTION TWO**

**FINANCIAL SECTION**

**For the Fiscal Year Ended June 30, 2012**

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# Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**JOE S. INGRAM, CPA (1948 – 2011)**  
**LONAS D. OVERHOLT, CPA**  
**ROBERT L. BEAN, CPA**

**428 MARILYN LANE**  
**ALCOA, TENNESSEE 37701**

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**865-984-1040**  
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**865-982-1665**

January 30, 2013

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of  
the Board of Commissioners  
and City Manager  
City of Alcoa  
Alcoa, 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 Alcoa, Tennessee (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the City of Alcoa'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 referred to above are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcoa, Tennessee, as of June 30, 2012, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparison for the General Fund and the Education Special Revenue Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

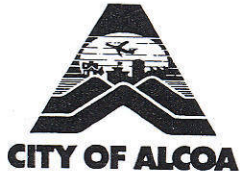
In accordance with *Government Auditing Standards*, we have also issued our report, dated January 30, 2012, on our consideration of the City of Alcoa, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, immediately following this report, and the required supplementary information, immediately following the notes to the financial statements, 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 the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary comparison schedules included in other supplementary information, capital assets used in the operation of governmental funds schedules, miscellaneous schedules, and the single audit section, including the Schedule of Expenditures of Federal and State Awards, (as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of City management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual nonmajor fund financial statements budgetary comparison schedules included in other supplementary information, capital assets used in the operation of governmental fund schedules, miscellaneous schedules, and the single audit section, including the Schedule of Expenditures of Federal and State Awards (as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"), 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 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 combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital assets, miscellaneous schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alcoa, Tennessee's financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

*Ingram, Overholt & Bean, PC*



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Alcoa's (the City) Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements.

### Government-wide Financial Statements

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

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, public works, community relations, mayor and council, city manager, recorder, municipal court, development services, economic development, financial services, human resources, and information technology. The business-type activities of the City include stormwater utility, water and sewer utility, electric utility, and landfill.

### Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following two categories: **governmental** funds and **proprietary** funds.

## Fund Financial Statements (Continued)

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, education (special revenue fund), general obligation debt service fund, and school construction capital projects fund, which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements.

The City adopts an annual appropriated budget for the general, special revenue, capital projects, and general obligation debt service. Budgetary comparison statements have been provided in the basic financial statements for the general, capital projects, and special revenue funds to demonstrate compliance with the budget. These statements for the non-major special revenue, capital projects, and general obligation debt service funds are included in Other Supplementary Information.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or departments of the City. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Stormwater Utility, Water and Sewer Utility, Electric Utility, and Landfill operations. All enterprise funds are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its health insurance, flexible spending, OPEB and service center operations. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in the financial statements.

## Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## FINANCIAL HIGHLIGHTS

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$67.3 million (net assets). The total net assets increased by \$1.6 million compared to the prior year.
- ◆ At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$7.9 million, a decrease of \$1 million in comparison to the prior year. Approximately 29% of this total amount (\$2.26 million) is unassigned fund balance available for spending at the government's discretion.
- ◆ At June 30, 2012, total fund balance for the general fund was \$2.5 million. The unassigned portion of the fund balance is \$2.33 million, which is 14.9% of total general fund expenditures of \$15.6 million.
- ◆ At June 30, 2012, the City's proprietary funds reported combined total net assets of \$57.4 million, and total unrestricted net assets of \$18.8 million.
- ◆ The City borrowed \$3,551,221 through the State Revolving Loan Fund during the current fiscal year to finance public works projects.

### Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds, and fiduciary funds are presented immediately following the notes to the financial statements.

## GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

### STATEMENTS OF NET ASSETS

<u>Assets</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 21,283,428	\$ 21,764,296	\$ 43,522,142	\$ 38,852,992	\$ 64,805,570	\$ 60,617,288
Capital assets, net	47,704,862	50,324,028	112,369,341	109,122,882	160,074,203	159,446,910
Capital lease property	<u>10,594,977</u>	<u>10,192,449</u>	<u>264,777</u>	<u>409,718</u>	<u>10,859,754</u>	<u>10,602,167</u>
Total Assets	<u>79,583,267</u>	<u>82,280,773</u>	<u>156,156,260</u>	<u>148,385,592</u>	<u>235,739,527</u>	<u>230,666,365</u>
 <b><u>Liabilities</u></b>						
Long-term liabilities	54,090,573	55,702,031	80,947,153	78,216,473	135,037,726	133,918,504
Other liabilities	<u>15,592,816</u>	<u>14,074,092</u>	<u>17,816,560</u>	<u>16,994,631</u>	<u>33,409,376</u>	<u>31,068,723</u>
Total Liabilities	<u>69,683,389</u>	<u>69,776,123</u>	<u>98,763,713</u>	<u>95,211,104</u>	<u>168,447,102</u>	<u>164,987,227</u>
 <b><u>Net Assets</u></b>						
Invested in capital assets, Net of related debt	17,131,555	19,139,028	37,278,343	37,476,104	54,409,898	56,615,132
Restricted for:						
General Fund	180,786	1,136,708	-	-	180,786	1,136,708
Special revenue	1,752,814	2,727,815	-	-	1,752,814	2,727,815
Capital projects	3,628,336	1,223,228	-	-	3,628,336	1,223,228
Debt service	94,697	95,232	-	-	94,697	95,232
Property acquisitions	-	-	1,269,617	1,200,538	1,269,617	1,200,538
Unrestricted (deficit)	<u>(12,888,310)</u>	<u>(11,817,361)</u>	<u>18,844,587</u>	<u>14,497,846</u>	<u>5,956,277</u>	<u>2,680,485</u>
Total Net Assets	<u>\$ 9,899,878</u>	<u>\$ 12,504,650</u>	<u>\$ 57,392,547</u>	<u>\$ 53,174,488</u>	<u>\$ 67,292,425</u>	<u>\$ 65,679,138</u>

### Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$67.3 million and \$65.7 million at June 30, 2012 and June 30, 2011, respectively.

## Analysis of Net Assets (Continued)

The largest portion of the City's net assets reflects its investment of \$58.3 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

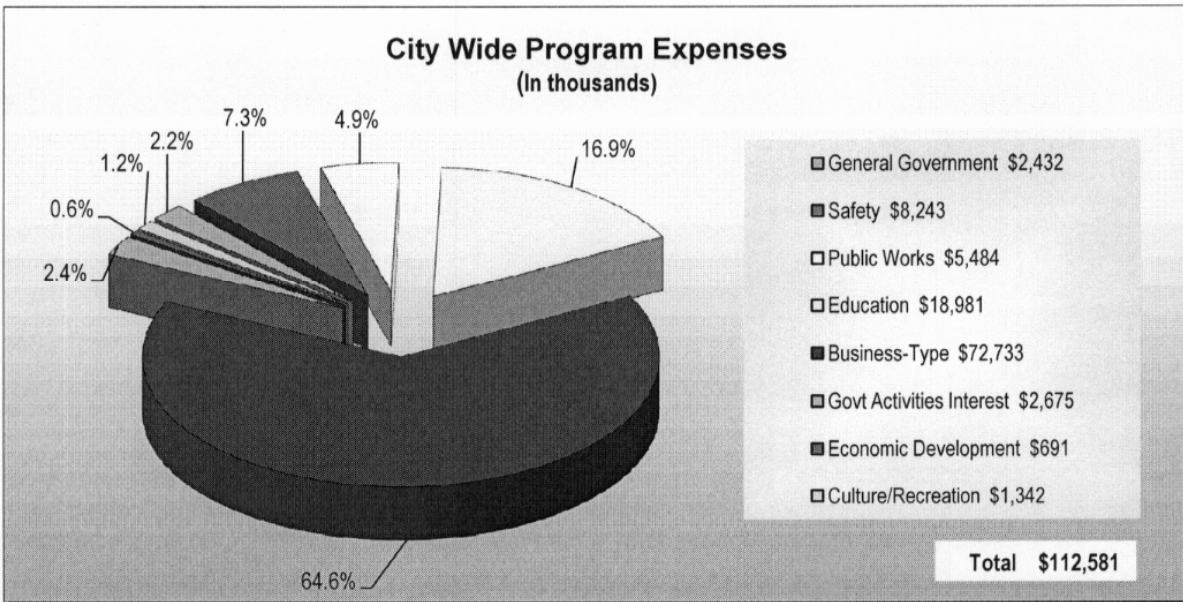
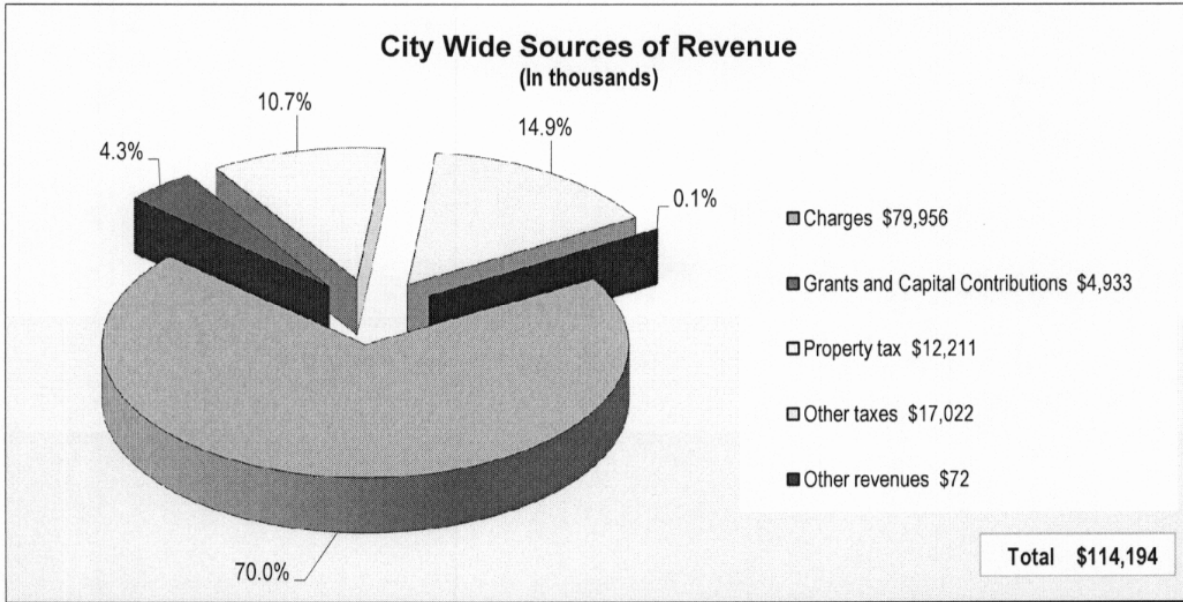
An additional portion of the City's net assets, \$5.6 million (5.7%) represents resources that are subject to external restrictions on how they may be used.

### Analysis of Change in Net Assets

The City's net assets increased by \$1,613,287 for the fiscal year 2012. These changes are explained in the government and business-type activities presented below.

Revenues	<u>Changes in Net Assets</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>		
Program Revenues:						
Charges for services	\$ 2,463,109	\$ 1,858,938	\$ 77,492,557	\$ 77,358,881	\$ 79,955,666	\$ 79,217,819
Operating grants and contributions	3,577,873	3,526,523	85,166	69,490	3,663,039	3,596,013
Capital grants and contributions	328,348	3,238,754	942,024	2,667,043	1,270,372	5,905,797
General Revenues:						
Sales taxes	15,002,875	15,808,462	-	-	15,002,875	15,808,462
State income taxes	145,229	69,431	-	-	145,229	69,431
Property taxes	12,211,321	13,797,967	-	-	12,211,321	13,797,967
Business taxes	1,361,561	817,279	-	-	1,361,561	817,279
Miscellaneous taxes	356,090	138,279	-	-	356,090	138,279
Investment earnings	17,931	19,370	53,219	37,511	71,150	56,881
In-lieu of taxes	156,728	127,037	-	-	156,728	127,037
<b>Total Revenues</b>	<b><u>35,621,065</u></b>	<b><u>39,402,040</u></b>	<b><u>78,572,966</u></b>	<b><u>80,132,925</u></b>	<b><u>114,194,031</u></b>	<b><u>119,534,965</u></b>
<b>Expenses</b>						
General government	2,431,591	1,897,624	-	-	2,431,591	1,897,624
Police and Fire	8,242,524	7,095,684	-	-	8,242,524	7,095,684
Public works and streets	5,484,274	4,453,578	-	-	5,484,274	4,453,578
Recreation and Culture	1,342,132	1,058,816	-	-	1,342,132	1,058,816
Economic development	690,939	746,932	-	-	690,939	746,932
Education	18,980,713	18,327,823	-	-	18,980,713	18,327,823
Interest on long-term debt	2,675,165	3,447,121	-	-	2,675,165	3,447,121
Water and Sewer	-	-	10,513,127	10,871,063	10,513,127	10,871,063
Electric Utility	-	-	57,423,290	59,534,420	57,423,290	59,534,420
Landfill	-	-	3,788,479	3,294,204	3,788,479	3,294,204
Stormwater Utility	-	-	1,008,510	856,813	1,008,510	856,813
<b>Total expenses</b>	<b><u>39,847,338</u></b>	<b><u>37,027,578</u></b>	<b><u>72,733,406</u></b>	<b><u>74,556,500</u></b>	<b><u>112,580,744</u></b>	<b><u>111,584,078</u></b>
Increase (decrease) in net assets before transfers and other	(4,226,273)	2,374,462	5,839,560	5,576,425	1,613,287	7,950,887
Transfers-in-lieu of tax	<u>1,621,501</u>	<u>1,576,436</u>	<u>(1,621,501)</u>	<u>(1,576,436)</u>	-	-
<b>Change in net assets</b>	<b>(2,604,772)</b>	<b>3,950,898</b>	<b>4,218,059</b>	<b>3,999,989</b>	<b>1,613,287</b>	<b>7,950,887</b>
Net assets at beginning of year	<u>12,504,650</u>	<u>8,553,752</u>	<u>53,174,488</u>	<u>49,174,499</u>	<u>65,679,138</u>	<u>57,728,251</u>
<b>Net assets at end of year</b>	<b><u>\$ 9,899,878</u></b>	<b><u>\$ 12,504,650</u></b>	<b><u>\$ 57,392,547</u></b>	<b><u>\$ 53,174,488</u></b>	<b><u>\$ 67,292,425</u></b>	<b><u>\$ 65,679,138</u></b>

## City of Alcoa, Tennessee for the Fiscal Year Ended June 30, 2012



### **Governmental activities:**

- Governmental activities decreased the City governmental net assets by \$2,604,772.
- Governmental activities revenue decreased by \$3.78 million primarily due to decreases in property tax collections, economy stimulus grant items, and sales tax refund claim.
- Investment earnings were less because of the market interest rate due to the issues of sub-prime lending.
- The General Fund departments demonstrated fiscal responsibility by under-spending the appropriated budget by \$512,679.

### **Business-type activities:**

- Business-type activities increased the City's net assets by \$4,218,059, whereas the prior year had produced an increase in net assets of \$3,999,989.
- The Electric Utility is the largest business-type activity of the City, with a total expense of \$57,423,290. The City of Alcoa is a distributor of electrical power that is purchased from the Tennessee Valley Authority (TVA) and then transmitted and sold by the City to its residential and commercial customers. In October 2006, TVA began adjusting the wholesale power costs to the City each quarter for a fuel cost adjustment (FCA), then in 2009 TVA changed the FCA from quarterly to monthly. These FCA cost adjustments are passed through in electric rate adjustments to the City's customers each month. The FCA can fluctuate the City's electric rates up or down each month. TVA, in October 2009, increased their base wholesale rate, as well as the FCA, by 20%.
- The Water and Sewer Utility ended the fiscal year with total expenses of \$10,513,127. Beginning July 1, 2009, the City had a rate increase for both water and sewer of 15%. During the 2009 fiscal year, the City initiated a special project to install three (3) sewer flow meters with the purpose to record and charge one of the City's largest commercial accounts. Based on studies, additional sewer revenues could be anticipated. The project, originally scheduled for completion by September 30, 2008, was put on hold due to issues with the flow meters. The project was completed and operational in January 2010. The City had several capital contribution projects that were completed during the fiscal year that resulted in the increase in net assets.
- The Landfill Utility ended the fiscal year with total expenses of \$3,788,479 and ended with a net income of \$462,257. This gain of \$125,125 over the prior year ended June 30, 2011, was mainly due to more revenue generated from private haulers.
- The Stormwater Utility ended the fiscal year with total expenses of \$1,008,510 and ended with a net gain of \$25,909.
- Fees provide the largest share of revenues for all of the business-type activities.

## **FUND STATEMENTS FINANCIAL ANALYSIS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

(Continued)

## **Governmental funds (Continued)**

As of the end of the fiscal year ended June 30, 2012, the City's governmental funds reported combined ending fund balances of \$7.9 million, a decrease of \$1 million from 2011. Approximately \$2.26 million or (29%) of this total amount constitute unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been restricted, committed, or assigned to (1) liquidate existing contracts and purchase orders, (2) to pay debt service, and (3) for other restricted purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2.3 million while total fund balance was \$2.5 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 14.79% of total general fund expenditures of \$15.6 million. The decrease in fund balance is due to lower than budgeted collections in the area of local sales tax, property tax, and penalties collected on property tax, etc.

The Education Fund is the operating fund for the Alcoa City Schools. As of June 30, 2012, the fund balance is \$1,138,977 with the assigned fund balance for Education being \$1,096,989. The assigned represents 6.8% of the schools total budget of \$16,056,000. The primary reason for the decline is the one-time planning and design costs for the new Alcoa High School of \$963,950.

The Debt Service Fund is used to pay principal and interest for debt issued for City and School-related projects. The revenue in the Debt Service Fund was from transfers made by the General Fund and Enterprise Funds. The assigned fund balance at June 30, 2012 is \$94,697 in the debt service fund.

Schedules for Other Non-Major Governmental Funds, Capital Projects, and Special Revenue Funds are also found in the financial statements and discussed in the notes to the financial statements.

## **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of June 30, 2012, the Stormwater Utility net assets totaled \$1,047,370. As stated earlier, this utility has just completed its fourth year. No major projects have been launched so a fund balance could be created to handle any future ventures. The Utility's expenses exceeded projections, but the utility was able to increase revenue and generate \$25,909 increase in net assets.

Net assets for Water and Sewer Utility as of June 30, 2012 were \$19,107,463, an increase of \$1,174,366 from 2011. The increase was primarily due to rate increases made in the Water and Sewer Utility.

Net assets of the Electric Utility as of June 30, 2012 were \$34,201,990, an increase of \$2,555,527. The electric utility rates, as discussed earlier, were increased during the 2011 fiscal year by Tennessee Valley Authority. The rate increases were passed on to our customers. In addition, the City of Alcoa Electric implemented a local retail rate increase of 2.5% effective July 1, 2010. Expenditures during the current year were approximately \$1,400,000 less than projected.

Net assets of the Landfill Utility as of June 30, 2012 were \$3,035,724, an increase of \$462,457, primarily due to more revenue generated from private haulers.

(Continued)

## Budget Highlights – General Fund

The difference between the original budget and the final amended budget increased by \$847,396. This increase was necessary because of the lease purchase agreement for the Public Safety radio equipment and the lease purchase of one (1) Sanitation garbage truck.

Significant difference (greater than \$100k) between the final amended budget and actual amounts can be summarized as follows:

1. Intergovernmental revenues were increased by \$430,956 primarily due to federal and state grants being approved subsequent to the original budget.
2. The City voted to invest \$2,000,000 in the redevelopment of the former ALCOA, Inc. West Plant site. The funds will be combined with state funds and a contribution from the developer for infrastructure improvements (road access and utility construction) for a mixed use (retail and residential) development.
3. The City increased its contribution to the health plan by \$219,000 during the year to cover higher than expected health insurance claims.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2012 and 2011 amount to \$170,933,957 and \$170,049,077 (net of accumulated depreciation), respectively. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress.

The table below reflects the capital assets at the end of both fiscal years:

	<b>Capital Assets, Net of Depreciation</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<b>Total</b>	<b>Total</b>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,765,732	\$ 1,765,732	\$ 2,171,567	\$ 2,171,567	\$ 3,937,299	\$ 3,937,299
Buildings	29,672,905	29,621,681	82,026,950	74,132,814	111,699,855	103,754,495
Infrastructure	29,107,217	28,041,041	-	-	29,107,217	28,041,041
Improvements	14,855,022	14,705,677	43,720,944	41,409,249	58,575,966	56,114,926
Machinery and equipment	7,878,811	7,808,375	31,416,513	30,965,996	39,295,324	38,774,371
Capital lease property	10,443,284	10,192,449	264,777	409,718	10,708,061	10,602,167
Construction in progress	<u>453,921</u>	<u>1,757,235</u>	<u>5,619,061</u>	<u>8,068,723</u>	<u>6,072,982</u>	<u>9,825,958</u>
Total Capital Assets	94,176,892	93,892,190	165,219,812	157,158,067	259,396,704	251,050,257
Less: Accumulated						
Depreciation	<u>(35,877,053)</u>	<u>(33,375,713)</u>	<u>(52,585,694)</u>	<u>(47,625,467)</u>	<u>(88,462,747)</u>	<u>(81,001,180)</u>
Capital Assets, net of						
Depreciation	<u>\$ 58,299,839</u>	<u>\$ 60,516,477</u>	<u>\$112,634,118</u>	<u>\$109,532,600</u>	<u>\$ 170,933,957</u>	<u>\$ 170,049,077</u>

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

- Various equipment and vehicles were acquired for use in both governmental and business-type activities.
- Continued water line and sewer lines projects (new and rehab)
- Completed work of Greenway Trails and bridges amounting to \$266,120.
- Continued work on an auxiliary water line intake
- Continued work on installation of a new electric meter reading system (TWAC)
- City-wide traffic signalization improvement project

(Continued)

## Capital Assets (Continued)

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements (See Note 5 – Capital Assets) for further information regarding capital assets.

## Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$139.8 million. Of this amount, \$119.9 million are revenue bonds, general obligation bonds, and capital outlay notes backed by the full faith and credit of the City and \$6.6 million is estimated liability for Landfill closure and post closure costs and capital outlay notes. The remainder includes capital leases of \$10.6 million and compensated absences of \$1.68 million (See Note 6 – Long-Term Liabilities).

	<u>Outstanding Long-Term Obligations</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation/ Revenue Bonds	\$ 44,865,000	\$ 46,625,000	\$ 75,091,008	\$ 73,277,263	\$119,956,008	\$119,902,263
Capital leases	10,443,284	10,192,449	264,777	409,718	10,708,061	10,602,167
Compensated absences	909,058	796,279	987,988	890,563	1,897,046	1,686,842
Estimated liability for closure/post-closure care costs	-	-	<u>7,203,672</u>	<u>6,663,341</u>	<u>7,203,672</u>	<u>6,663,341</u>
Total long-term obligations	<u>\$ 56,217,342</u>	<u>\$ 57,613,728</u>	<u>\$ 83,547,445</u>	<u>\$ 81,240,885</u>	<u>\$ 139,764,787</u>	<u>\$138,854,613</u>

The City of Alcoa's total long-term debt increased by a net of \$53,745 during the current fiscal year. The key factor to this increase was due to the City borrowed \$3,555,221 in State Revolving Loans during the year. The City retired debt in the amount of \$3,497,476.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements (see Note 6 – Long-Term Liabilities).

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The unemployment rate for the City of Alcoa is currently 8.4%. This is lower than the State's average unemployment rate of 9.8%.
- The commercial industry has improved in the past twelve months and the City believes it will continue to improve.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Alcoa's budget for the 2013 fiscal year. During the current fiscal year, the total unassigned fund balance in the general fund decreased by \$1.47 million primarily due to tax revenue decreases due to the overall economy slowdown. The City of Alcoa has not appropriated any of this amount for spending in the 2013 fiscal year budget. The remaining budgets had very little, if any, changes from the prior year.

(Continued)

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, city commissioners, customers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional information, contact:

City of Alcoa, Tennessee  
Finance and Administration Department  
Accounting Division  
223 Associates Boulevard  
Alcoa, TN 37701  
(865) 380-4700

**CITY OF ALCOA, TENNESSEE**  
**GOVERNMENT WIDE FINANCIAL STATEMENTS**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012 and 2011**

	<b>Primary Government</b>		<b>Total 2012</b>	<b>Total 2011</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>		
<b>ASSETS:</b>				
Cash and certificates of deposit.....	\$ 9,226,504	\$ 17,079,478	\$ 26,305,982	\$ 21,880,174
Property taxes receivable (net of allowance)....	10,307,669		10,307,669	9,922,450
Other receivables (net of allowance).....	256,895	9,601,983	9,858,878	9,093,135
Due from other governments.....	1,412,031		1,412,031	699,728
Inventories .....	-	1,109,751	1,109,751	1,108,435
Post-employment benefit prepaid (Note 7) .....	80,257		80,257	205,290
Other prepaid items.....	72	3,773,392	3,773,464	4,600,661
Other assets .....	-	1,387,795	1,387,795	1,473,720
Restricted Assets:.....				
Funds held by bond trustee.....	-	-	-	1,630,485
Cash and certificates of deposit .....	-	10,569,743	10,569,743	10,003,210
Capital Assets (Note 5):				
Non-depreciable assets .....	2,219,653	7,790,629	10,010,282	13,763,257
Depreciable assets, net of depreciation .....	45,485,209	104,578,712	150,063,921	145,683,653
Capital lease property .....	10,594,977	264,777	10,859,754	10,602,167
Total Capital Assets, net of Depreciation .	<u>58,299,839</u>	<u>112,634,118</u>	<u>170,933,957</u>	<u>170,049,077</u>
<b>Total Assets.....</b>	<b><u>\$ 79,583,267</u></b>	<b><u>\$ 156,156,260</u></b>	<b><u>\$ 235,739,527</u></b>	<b><u>\$ 230,666,365</u></b>
<b>LIABILITIES:</b>				
Accounts payable .....	\$ 1,830,249	\$ 10,629,989	\$ 12,460,238	\$ 9,696,774
Accrued liabilities .....	109,182	261,154	370,336	1,451,176
Customer deposits .....	-	1,469,509	1,469,509	1,365,954
Unearned revenue .....	10,280,116	-	10,280,116	10,017,177
Other liabilities.....	-	2,855,616	2,855,616	2,770,609
Long-term Liabilities:				
Due within one year (Note 6) .....	2,126,769	2,600,292	4,727,061	4,936,109
Due in more than one year (Note 6).....	54,090,573	73,743,481	127,834,054	127,781,663
Estimated liability – Landfill closure/ Postclosure (Note 6) .....	-	7,203,672	7,203,672	6,136,841
Unfunded pension obligation (Note 7) .....	1,108,113	-	1,108,113	774,950
Post-employment benefit obligation (Note 7).....	<u>138,387</u>	<u>-</u>	<u>138,387</u>	<u>55,974</u>
<b>Total Liabilities .....</b>	<b><u>69,683,389</u></b>	<b><u>98,763,713</u></b>	<b><u>168,447,102</u></b>	<b><u>164,987,227</u></b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt (Note 19).....	17,131,555	37,278,343	54,409,898	56,615,132
Restricted for:				
General Fund .....	180,786	-	180,786	1,136,708
Special Revenue Funds:				
Education.....	1,299,125	-	1,299,125	2,307,831
Streets .....	348,512	-	348,512	279,435
Drug Enforcement .....	96,299	-	96,299	131,680
Special Assessment.....	8,878	-	8,878	8,869
Capital Projects:				
Education.....	934,986	-	934,986	643,496
Public Works/Safety .....	2,693,350	-	2,693,350	579,732
Debt Service .....	94,697	-	94,697	95,232
Property Acquisitions .....	-	1,269,617	1,269,617	1,200,538
Unrestricted (deficit).....	<u>(12,888,310)</u>	<u>18,844,587</u>	<u>5,956,277</u>	<u>2,680,485</u>
<b>Total Net Assets.....</b>	<b><u>9,899,878</u></b>	<b><u>57,392,547</u></b>	<b><u>67,292,425</u></b>	<b><u>65,679,138</u></b>
<b>Total Liabilities and Net Assets.....</b>	<b><u>\$ 79,583,267</u></b>	<b><u>\$ 156,156,260</u></b>	<b><u>\$ 235,739,527</u></b>	<b><u>\$ 230,666,365</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2012  
With Comparative Totals for the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total 2011
					Governmental Activities	Business-type Activities	Total 2012	Total 2011
<b>PRIMARY GOVERNMENT</b>								
<b>Governmental Activities:</b>								
General Government .....	\$ 2,431,591	\$ 1,023,162	\$ -	\$ -	\$ (1,408,429)	\$ -	\$ (1,408,429)	\$ (456,833)
Public Safety .....	8,242,524	29,985	-	328,348	(7,884,191)	-	(7,884,191)	(7,092,383)
Public Works .....	5,484,274	627,425	1,687,818	-	(3,169,031)	-	(3,169,031)	(972,361)
Economic Development .....	690,939	-	-	-	(690,939)	-	(690,939)	(746,932)
Education .....	18,980,713	782,537	1,890,055	-	(16,308,121)	-	(16,308,121)	(15,098,921)
Culture and Recreation .....	1,342,132	-	-	-	(1,342,132)	-	(1,342,132)	(588,812)
Interest on long-term debt .....	2,675,165	-	-	-	(2,675,165)	-	(2,675,165)	(3,447,121)
<b>Total Governmental Activities .....</b>	<b>39,847,338</b>	<b>2,463,109</b>	<b>3,577,873</b>	<b>328,348</b>	<b>(33,478,008)</b>	<b>-</b>	<b>(33,478,008)</b>	<b>(28,403,363)</b>
<b>Business-Type Activities:</b>								
Landfill .....	3,788,479	4,158,261	85,166	-	-	454,948	454,948	329,621
Electric .....	57,423,290	61,180,133	-	-	-	3,756,843	3,756,843	3,144,846
Water/Sewer Utility .....	10,513,127	11,121,466	-	942,024	-	1,550,363	1,550,363	1,923,751
Stormwater Utility .....	1,008,510	1,032,697	-	-	-	24,187	24,187	140,696
<b>Total Business-type Activities .....</b>	<b>72,733,406</b>	<b>77,492,557</b>	<b>85,166</b>	<b>942,024</b>	<b>-</b>	<b>5,786,341</b>	<b>5,786,341</b>	<b>5,538,914</b>
<b>Total Primary Government .....</b>	<b>\$ 112,580,744</b>	<b>\$ 79,955,666</b>	<b>\$ 3,663,039</b>	<b>\$ 1,270,372</b>	<b>(33,478,008)</b>	<b>5,786,341</b>	<b>(27,691,667)</b>	<b>(22,864,449)</b>
<b>General Revenues:</b>								
Taxes, net of related credits:								
Property tax					12,211,321	-	12,211,321	13,797,967
Sales tax					15,002,875	-	15,002,875	15,808,462
State income and excise tax					145,229	-	145,229	69,431
Business taxes					1,361,561	-	1,361,561	817,279
Other taxes					512,818	-	512,818	265,316
Investment earnings					17,931	53,219	71,150	56,881
Transfers – In-lieu-of-tax payments					1,621,501	(1,621,501)	-	-
<b>Total General Revenues and Transfers</b>					<b>30,873,236</b>	<b>(1,568,282)</b>	<b>29,304,954</b>	<b>30,815,336</b>
Change in Net Assets					(2,604,772)	4,218,059	1,613,287	7,950,887
Net Assets – Beginning					12,504,650	53,174,488	65,679,138	57,728,251
<b>Net Assets – Ending</b>					<b>\$ 9,899,878</b>	<b>\$57,392,547</b>	<b>\$67,292,425</b>	<b>\$65,679,138</b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FUND FINANCIAL STATEMENTS**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE  
BALANCE SHEET  
Governmental Funds  
June 30, 2012 and 2011**

<u>Assets</u>	<u>General</u>	<u>Education</u>	<u>Debt Service</u>	<u>School Construction and Improvement Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
						<u>2012</u>	<u>2011</u>
Cash and cash equivalents .....	\$ 4,165,502	\$ 1,036,553	\$ 94,697	\$ 768,054	\$ 1,358,137	\$ 7,422,943	\$ 6,190,668
Investments and certificates of deposit .....	-	-	-	250,140	-	250,140	1,003,210
Tennessee Local Government Investment Pool...	-	-	-	-	309,125	309,125	536,293
Receivables:							
Sales Taxes .....	253,838	199,391	-	-	-	453,299	1,455,829
Property Taxes (net of allowance for uncollectible taxes) .....	10,285,306	-	-	-	22,363	10,307,669	9,922,450
Accounts .....	253,708	-	-	-	-	253,708	266,099
Note .....	1,982	-	-	-	-	1,982	1,982
Due from other governments .....	4,472	39,557	-	-	-	44,029	3,886
Due from grantors .....	66,686	250,357	-	-	597,730	914,773	828,820
Due from other funds .....	100,000	298,243	-	-	2,000,000	2,398,243	626,734
Due from credit union .....	1,205	-	-	-	-	1,205	135
Prepaid items .....	-	-	-	-	72	72	-
<b>Total Assets .....</b>	<b><u>\$15,132,699</u></b>	<b><u>\$ 1,824,101</u></b>	<b><u>\$ 94,697</u></b>	<b><u>\$ 1,018,194</u></b>	<b><u>\$ 4,287,427</u></b>	<b><u>\$ 22,357,118</u></b>	<b><u>\$ 20,836,106</u></b>
<b><u>Liabilities and Fund Balances</u></b>							
Liabilities:							
Accounts payable .....	\$ 289,266	\$ 685,124	\$ -	\$ 83,208	\$ 494,376	\$ 1,551,974	\$ 240,647
Due to other funds .....	2,000,000	-	-	-	398,243	2,398,243	626,734
Accrued payroll .....	109,182	-	-	-	-	109,182	200,305
Due to State of Tennessee .....	-	-	-	-	3,501	3,501	793,694
Deferred revenue .....	10,216,704	-	-	-	1,898	10,218,602	9,831,503
Unearned grant revenue .....	-	-	-	-	61,514	61,514	185,674
Due to Blount County .....	-	-	-	-	97,282	97,282	-
<b>Total Liabilities .....</b>	<b><u>12,615,152</u></b>	<b><u>685,124</u></b>	<b><u>-</u></b>	<b><u>83,208</u></b>	<b><u>1,056,814</u></b>	<b><u>14,440,298</u></b>	<b><u>11,878,557</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
BALANCE SHEET (Continued)  
Governmental Funds  
June 30, 2012 and 2011**

	<u>General Fund</u>	<u>Education Fund</u>	<u>Debt Service Fund</u>	<u>School Construction and Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
						<u>2012</u>	<u>2011</u>
<b>Fund Balances:</b>							
Nonspendable.....	-	-	-	-	72	72	-
Restricted .....	180,786	41,988	-	-	2,491,998	2,714,772	784,286
Committed.....	-	-	-	500,000	-	500,000	500,000
Assigned.....	-	1,096,989	94,697	434,986	815,117	2,441,789	3,679,543
Unassigned.....	<u>2,336,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,574)</u>	<u>2,260,187</u>	<u>3,993,720</u>
 Total Fund Balances .....	 <u>2,517,547</u>	 <u>1,138,977</u>	 <u>94,697</u>	 <u>934,986</u>	 <u>3,230,613</u>	 <u>7,916,820</u>	 <u>8,957,549</u>
 <b>Total Liabilities and Fund Balances....</b>	 <b><u>\$15,132,699</u></b>	 <b><u>\$ 1,824,101</u></b>	 <b><u>\$ 94,697</u></b>	 <b><u>\$ 1,018,194</u></b>	 <b><u>\$ 4,287,427</u></b>	 <b><u>\$ 22,357,118</u></b>	 <b><u>\$ 20,836,106</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Fund Balances – Total Governmental Funds</b>	\$ 7,916,820	\$ 8,957,549
Amounts reported for governmental activities in the statement of net assets are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital Assets	<u>2012</u> \$ 58,299,839	<u>2011</u> \$ 60,516,477
	58,299,839	60,516,477
(2) Internal service funds are used by management to charge the cost of certain activities, such as employee health, service center, post retirement and flexible spending to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		
	1,066,804	1,269,986
(3) Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. All liabilities, both current and long-term are reported in the statement of net assets as follows:		
Bonds Payable	<u>2012</u> \$ 44,865,000	<u>2011</u> 46,625,000
Compensated absences	909,058	796,279
Capital Leases	<u>10,443,284</u>	<u>10,192,449</u>
	<u>\$ 56,217,342</u>	<u>\$ 57,613,728</u>
	(56,217,342)	(57,613,728)
(4) The General pension plan has an unfunded liability at 6/30/12 and 6/30/11 not reported in the government funds.		
	(1,108,113)	(774,950)
(5) Net OPEB Asset – current year funding for the City’s postemployment benefits was required as follows:		
Amount funded	<u>2012</u> \$ 429,477	<u>2011</u> \$ 471,459
Required	(349,190)	(266,169)
Excess OPEB	<u>\$ 80,257</u>	<u>\$ 205,290</u>
	80,257	205,290
(6) OPEB Obligation – Education (not reported in the governmental fund)		
	(138,387)	(55,974)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 9,899,878</u></b>	<b><u>\$ 12,504,650</u></b>

See accompanying independent auditors’ report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Education Fund</u>	<u>Debt Service Fund</u>	<u>School Construction and Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
						<u>2012</u>	<u>2011</u>
<b>Revenues:</b>							
Taxes.....	\$ 11,654,503	\$ 7,193,397	\$ -	\$ -	\$ -	\$ 18,847,900	\$ 20,758,394
Licenses, permits and fees .....	85,630	301,796	-	-	-	387,426	362,880
Intergovernmental.....	2,732,447	8,469,789	6,431,982	-	2,026,329	19,660,547	19,471,744
American Recovery and Reinvestment Act (ARRA).....	-	-	-	-	-	-	2,796,361
Charges for services.....	537,789	-	-	-	566,727	1,104,516	901,811
Fines, forfeitures and costs .....	474,586	-	-	-	29,985	504,571	833,623
Property rental .....	136,533	-	-	-	-	136,533	154,944
Investment income.....	11,878	-	-	683	1,740	14,301	15,381
Miscellaneous revenue.....	174,281	90	-	-	-	174,371	235,338
Sale of property/equipment.....	28,617	-	-	-	25,532	54,149	-
LGIP Deferred .....	-	-	-	-	794,317	794,317	-
Total Revenues .....	<u>15,836,264</u>	<u>15,965,072</u>	<u>6,431,982</u>	<u>683</u>	<u>3,444,630</u>	<u>41,678,631</u>	<u>45,530,476</u>
<b>Expenditures:</b>							
Current:							
General government.....	1,725,782	-	-	-	-	1,725,782	1,703,547
Public Safety .....	7,765,636	-	-	-	65,556	7,831,192	7,381,046
Public Works .....	4,879,116	-	-	-	398,783	5,277,899	6,206,920
Education.....	-	15,895,535	-	-	2,062,978	17,958,513	17,303,597
Recreation and Culture .....	670,432	-	-	-	426,540	1,096,972	583,044
Community Development.....	592,824	-	-	-	98,115	690,939	790,263
Capital Outlay/Capital Assets/Capital Leases .....	-	-	-	423,143	751,076	1,174,219	3,383,297
Debt Service:							
Principal Retirement .....	-	-	3,497,476	-	-	3,497,476	3,022,318
Interest and Fiscal Charges .....	-	-	5,421,897	-	-	5,421,897	5,625,452
Total Expenditures.....	<u>15,633,790</u>	<u>15,895,535</u>	<u>8,919,373</u>	<u>423,143</u>	<u>3,803,048</u>	<u>44,674,889</u>	<u>45,999,484</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures .....	<u>202,474</u>	<u>69,537</u>	<u>(2,487,391)</u>	<u>(422,460)</u>	<u>(358,418)</u>	<u>(2,996,258)</u>	<u>(469,008)</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>General</u>	<u>Education</u>	<u>Debt Service</u>	<u>School Construction and Improvement Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
						<u>2012</u>	<u>2011</u>
<b>Other Financing Sources (Uses):</b>							
Transfers to other funds .....	(4,686,856)	(1,032,450)	-	(250,000)	-	(5,969,306)	(3,325,560)
Transfer from other funds .....	250,000	-	2,486,856	963,950	2,200,000	5,900,806	3,257,060
Capital leases .....	-	-	-	-	402,528	402,528	952,511
Payments in lieu of taxes .....	1,621,501	-	-	-	-	1,621,501	1,576,436
Bond proceeds .....	-	-	-	-	-	-	470,000
Payment to refunding bond escrow agent .....	-	-	-	-	-	-	(470,000)
 Total Other Financing Sources (Uses) .....	<u>(2,815,355)</u>	<u>(1,032,450)</u>	<u>2,486,856</u>	<u>713,950</u>	<u>2,602,528</u>	<u>1,955,529</u>	<u>2,460,447</u>
Net Change in Fund Balance.....	(2,612,881)	(962,913)	(535)	291,490	2,244,110	(1,040,729)	1,991,439
Fund Balance, July 1 <sup>st</sup> .....	<u>5,130,428</u>	<u>2,101,890</u>	<u>95,232</u>	<u>643,496</u>	<u>986,503</u>	<u>8,957,549</u>	<u>6,966,110</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 2,517,547</u></b>	<b><u>\$ 1,138,977</u></b>	<b><u>\$ 94,697</u></b>	<b><u>\$ 934,986</u></b>	<b><u>\$ 3,230,613</u></b>	<b><u>\$ 7,916,820</u></b>	<b><u>\$ 8,957,549</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>												
<b>Net Change in Fund Balances – Total Governmental Funds:</b>	\$ (1,040,729)	\$ 1,991,439												
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p>														
<p>1) Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:</p>														
4	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: right;"><u>2012</u></th> <th style="width: 15%; text-align: right;"><u>2011</u></th> </tr> </thead> <tbody> <tr> <td>Capital Outlay</td> <td style="text-align: right;">\$ 1,803,196</td> <td style="text-align: right;">\$ 4,313,978</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;"><u>(2,872,409)</u></td> <td style="text-align: right;"><u>(2,726,303)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ (1,069,213)</u></td> <td style="text-align: right;"><u>\$ 1,587,675</u></td> </tr> </tbody> </table>		<u>2012</u>	<u>2011</u>	Capital Outlay	\$ 1,803,196	\$ 4,313,978	Depreciation	<u>(2,872,409)</u>	<u>(2,726,303)</u>		<u>\$ (1,069,213)</u>	<u>\$ 1,587,675</u>	(1,069,213) 1,587,675
	<u>2012</u>	<u>2011</u>												
Capital Outlay	\$ 1,803,196	\$ 4,313,978												
Depreciation	<u>(2,872,409)</u>	<u>(2,726,303)</u>												
	<u>\$ (1,069,213)</u>	<u>\$ 1,587,675</u>												
<p>2) Lease payments are reported as expenditures in the governmental funds when paid. For the city as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets while the acquisition of new leases increase the liability. This is the amount by which principal payments (exceed) or are less than new capital leases:</p>														
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: right;"><u>2012</u></th> <th style="width: 15%; text-align: right;"><u>2011</u></th> </tr> </thead> <tbody> <tr> <td>New Leases</td> <td style="text-align: right;">\$ 402,528</td> <td style="text-align: right;">\$ 952,511</td> </tr> <tr> <td>Payments</td> <td style="text-align: right;"><u>(151,693)</u></td> <td style="text-align: right;"><u>(101,182)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ 250,835</u></td> <td style="text-align: right;"><u>\$ 851,329</u></td> </tr> </tbody> </table>		<u>2012</u>	<u>2011</u>	New Leases	\$ 402,528	\$ 952,511	Payments	<u>(151,693)</u>	<u>(101,182)</u>		<u>\$ 250,835</u>	<u>\$ 851,329</u>	(250,835) (851,329)
	<u>2012</u>	<u>2011</u>												
New Leases	\$ 402,528	\$ 952,511												
Payments	<u>(151,693)</u>	<u>(101,182)</u>												
	<u>\$ 250,835</u>	<u>\$ 851,329</u>												
<p>3) The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which the bond proceeds (exceed) or are less than retirement in the current period:</p>														
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: right;"><u>2012</u></th> <th style="width: 15%; text-align: right;"><u>2011</u></th> </tr> </thead> <tbody> <tr> <td>Bonds issued</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 470,000</td> </tr> <tr> <td>Retired</td> <td style="text-align: right;"><u>(1,760,000)</u></td> <td style="text-align: right;"><u>(2,130,000)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ (1,760,000)</u></td> <td style="text-align: right;"><u>\$ (1,660,000)</u></td> </tr> </tbody> </table>		<u>2012</u>	<u>2011</u>	Bonds issued	\$ -	\$ 470,000	Retired	<u>(1,760,000)</u>	<u>(2,130,000)</u>		<u>\$ (1,760,000)</u>	<u>\$ (1,660,000)</u>	1,760,000 1,660,000
	<u>2012</u>	<u>2011</u>												
Bonds issued	\$ -	\$ 470,000												
Retired	<u>(1,760,000)</u>	<u>(2,130,000)</u>												
	<u>\$ (1,760,000)</u>	<u>\$ (1,660,000)</u>												
<p>4) The net revenues (expenditures) of internal service funds activities are reported with governmental activities.</p>														
		(203,182) (380,913)												
<p>5) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental fund:</p>														
a.	OPEB Obligation – Education (this is the amount of the annual postemployment contribution required for the year)	(138,387) (55,974)												
b.	OPEB Obligation – City (This is the amount the annual postemployment contribution exceeded the requirement)	80,257 205,290												
c.	Unfunded Pension obligation	(1,108,113) (774,950)												
d.	Change in compensated absences	(397,571) (787,707)												
e.	Construction in-progress	<u>(236,999)</u> <u>1,357,367</u>												
<b>Changes in Net Assets of Governmental Activities</b>		<b><u>\$ (2,604,772)</u> <u>\$ 3,950,898</u></b>												

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2011 Actual</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>REVENUES:</b>					
Taxes .....	\$ 12,501,270	\$ 12,561,270	\$ 11,654,503	\$ (906,767)	\$ 13,763,409
Licenses and permits .....	59,200	59,200	85,630	26,430	61,824
Fines and forfeits .....	523,000	523,000	474,586	(48,414)	799,272
Intergovernmental.....	2,158,450	2,589,406	2,732,447	143,041	3,835,039
Interest earned .....	4,100	4,000	11,878	7,878	9,512
Public works, labor and material .....	467,850	542,950	416,425	(126,525)	378,405
Miscellaneous .....	10,000	10,000	53,217	43,217	20,688
CATV franchise fee.....	72,000	72,000	75,894	3,894	73,240
Property rental .....	154,650	154,650	136,533	(18,117)	154,944
Department services .....	100,000	100,000	121,364	21,364	108,193
Fees development .....	9,000	9,000	7,584	(1,416)	17,734
Insurance refunds.....	5,000	30,000	37,586	7,586	2,500
Sale of property .....	-	25,000	28,617	3,617	5,005
Contributions and donations – business ..	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>
 Total Revenues .....	 <u>16,082,520</u>	 <u>16,698,476</u>	 <u>15,836,264</u>	 <u>(862,212)</u>	 <u>19,229,765</u>
<b>EXPENDITURES:</b>					
General government .....	1,707,070	1,729,570	1,734,180	(4,610)	1,621,048
Public works .....	4,809,105	5,019,405	4,870,718	148,687	5,923,423
Public safety – Police .....	4,632,830	4,745,230	4,714,293	30,937	4,194,397
Public safety – Fire.....	3,017,720	3,385,469	3,051,343	334,126	2,818,788
Contributions and grants to other agencies .....	1,245,795	1,266,795	1,263,256	3,539	1,373,307
Capital outlay.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>952,511</u>
 Total Expenditures.....	 <u>15,412,520</u>	 <u>16,146,469</u>	 <u>15,633,790</u>	 <u>512,679</u>	 <u>16,883,474</u>
 <b>Excess (Deficit) of Revenues Over</b>					
<b>Expenditures .....</b>	<b><u>670,000</u></b>	<b><u>552,007</u></b>	<b><u>202,474</u></b>	<b><u>(349,533)</u></b>	<b><u>2,346,291</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2011 Actual</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in (out):					
Payments in lieu of taxes.....	1,610,000	1,610,000	1,621,501	11,501	1,576,436
Debt Service .....	(2,500,000)	(2,500,000)	(2,486,856)	13,144	(2,518,800)
School Construction .....	500,000	500,000	250,000	(250,000)	500,000
Greenway Project .....	-	-	-	-	(138,260)
Capital Leases .....	-	-	-	-	952,511
Equipment Replacement Fund .....	(200,000)	(200,000)	(200,000)	-	(100,000)
General Obligation Public Works Construction .....	(2,000,000)	(2,000,000)	(2,000,000)	-	-
Total Other Financing Sources (Uses).....	<u>(2,590,000)</u>	<u>(2,590,000)</u>	<u>(2,815,355)</u>	<u>(225,355)</u>	<u>271,887</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses .....	<u>(1,920,000)</u>	<u>(2,037,993)</u>	<u>(2,612,881)</u>	<u>(574,888)</u>	<u>2,618,178</u>
FUND BALANCE AT BEGINNING OF YEAR.....	5,130,428	5,130,428	5,130,428	-	2,409,019
Prior Year Adjustment for Sanitation Fund....	-	-	-	-	103,231
Fund Balance, July 1 <sup>st</sup> – as restated.....	<u>5,130,428</u>	<u>5,130,428</u>	<u>5,130,428</u>	-	<u>2,512,250</u>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b><u>\$ 3,210,428</u></b>	<b><u>\$ 3,092,435</u></b>	<b><u>\$ 2,517,547</u></b>	<b><u>\$ (574,888)</u></b>	<b><u>\$ 5,130,428</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**EDUCATION FUND – SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>June 30, 2012</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>	<b>June 30,</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b> <b>(Budgetary</b>	<b>Final Budget</b>	<b>2011</b>
			<b>Basis)</b>	<b>Positive</b>	<b>Actual</b>
				<b>(Negative)</b>	
<b>Revenues:</b>					
Taxes .....	\$ 6,896,000	\$ 7,099,000	\$ 7,193,397	\$ 94,397	\$ 6,994,985
Miscellaneous.....	1,805,300	2,120,300	1,949,864	(170,436)	1,770,228
Revenue from other agencies .....	<u>6,824,100</u>	<u>6,836,700</u>	<u>6,821,811</u>	<u>(14,889)</u>	<u>6,924,983</u>
Total Revenues.....	<u>15,525,400</u>	<u>16,056,000</u>	<u>15,965,072</u>	<u>(90,928)</u>	<u>15,690,196</u>
<b>Expenditures:</b>					
Board of Education .....	215,874	215,874	186,030	29,844	204,470
Office of Superintendent .....	242,194	242,194	226,296	15,898	236,141
Office of Principals .....	879,342	879,342	910,134	(30,792)	899,366
Fiscal services .....	276,545	276,545	277,658	(1,113)	307,929
Transportation .....	223,422	223,422	204,049	19,373	196,371
Instruction/Elementary/Secondary .....	9,184,004	9,319,004	9,332,807	(13,803)	9,168,325
Instruction – Regular .....	680,919	680,919	637,337	43,582	589,763
Other student support .....	324,330	324,330	308,592	15,738	357,792
Health services .....	162,733	174,733	190,172	(15,439)	122,177
Operation of plant .....	1,074,866	1,074,866	1,060,207	14,659	1,027,653
Maintenance of plant.....	610,293	750,293	769,761	(19,468)	667,819
Food services.....	650	650	1,033	(383)	3,161
Capital outlay .....	25,000	106,000	105,976	24	16,007
Special education .....	1,106,039	1,106,039	1,077,690	28,349	1,034,365
Vocational education.....	391,223	391,223	312,780	78,443	316,962
Lottery Pre-K .....	207,537	207,537	207,925	(388)	134,001
Family Resource Center .....	<u>83,029</u>	<u>83,029</u>	<u>87,088</u>	<u>(4,059)</u>	<u>81,238</u>
Total Expenditures .....	<u>15,688,000</u>	<u>16,056,000</u>	<u>15,895,535</u>	<u>160,465</u>	<u>15,363,540</u>
Excess (Deficiency) of Revenues Over Expenditures.....	(162,600)	-	69,537	69,537	326,656
<b>Other Financing Sources (Uses)</b>					
Transfer to School Construction and Improvement Fund.....	(963,950)	(963,950)	(963,950)	-	-
Transfer to School OPEB Insurance Fund ..	<u>(68,500)</u>	<u>(68,500)</u>	<u>(68,500)</u>	<u>-</u>	<u>(68,500)</u>
Net Change in Fund Balance.....	(1,195,050)	(1,032,450)	(962,913)	69,537	258,156
Fund Balance at Beginning of Year .....	<u>2,101,890</u>	<u>2,101,890</u>	<u>2,101,890</u>	<u>-</u>	<u>1,843,734</u>
<b>Fund Balance at End of Year .....</b>	<b><u>\$ 906,840</u></b>	<b><u>\$ 1,069,440</u></b>	<b><u>\$ 1,138,977</u></b>	<b><u>\$ 69,537</u></b>	<b><u>\$ 2,101,890</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 June 30, 2012  
 With Comparative Totals for June 30, 2011**

	<b>Business-Type Activities – Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>		
	<b>2012</b>					<b>2011 Total</b>	<b>2012</b>	<b>2011</b>
	<b>Stormwater Utility</b>	<b>Water/ Sewer Utility</b>	<b>Electric Utility</b>	<b>Landfill</b>	<b>Total</b>			
<b>ASSETS</b>								
<b>Current Assets:</b>								
Cash in bank.....	\$ 792,704	\$ 6,646,794	\$ 5,695,880	\$ 2,563,538	\$ 15,698,916	\$ 11,423,678	\$ 1,244,296	\$ 1,349,634
Certificate of deposit.....	-	-	1,380,562	-	1,380,562	3,007,176	-	-
Accounts receivable – Net.....	84,277	1,028,542	5,776,705	318,754	7,208,278	4,939,735	-	-
Accrued interest .....	-	-	10,507	-	10,507	4,759	-	-
Inventory .....	-	575,112	534,639	-	1,109,751	1,108,435	-	-
Prepaid expenses .....	-	-	744	-	744	668	-	-
Prepaid TVA Power Invoice Program.....	-	-	3,772,648	-	3,772,648	4,599,993	-	-
Unamortized debt expense .....	-	-	-	-	-	25,000	-	-
Certificates of deposit – bond redemption reserve .....	-	-	3,366,071	-	3,366,071	3,339,869	-	-
Total Current Assets.....	<u>876,981</u>	<u>8,250,448</u>	<u>20,537,756</u>	<u>2,882,292</u>	<u>32,547,477</u>	<u>28,449,313</u>	<u>1,244,296</u>	<u>1,349,634</u>
<b>Capital Assets:</b>								
Nondepreciable:								
Land and easements .....	-	1,194,236	336,481	640,851	2,171,568	2,171,567	-	-
Construction in progress.....	-	5,066,253	552,808	-	5,619,061	8,068,723	-	-
Plant and equipment – depreciable.....	545,664	72,622,539	70,788,688	13,472,292	157,429,183	146,917,777	-	-
Accumulated depreciation .....	(191,185)	(19,109,872)	(26,445,577)	(6,839,060)	(52,585,694)	(47,625,467)	-	-
Net Capital Assets .....	<u>354,479</u>	<u>59,773,156</u>	<u>45,232,400</u>	<u>7,274,083</u>	<u>112,634,118</u>	<u>109,532,600</u>	<u>-</u>	<u>-</u>
<b>NonCurrent Assets:</b>								
Receivables from customers for conservation loans/back utilities.....	-	-	2,283,198	-	2,283,198	2,191,618	-	-
Long-term note receivable.....	-	-	100,000	-	100,000	100,000	-	-
Unamortized debt expense .....	-	286,334	501,346	55,797	843,477	874,911	-	-
Unamortized discount on long-term debt ..	-	486,718	-	57,600	544,318	573,809	-	-
Cash in bank – Restricted.....	-	-	-	4,020,327	4,020,327	3,497,212	-	-
Investments – Certificates of deposits - restricted for construction.....	-	-	-	3,183,345	3,183,345	3,166,129	-	-
Total NonCurrent Assets .....	<u>-</u>	<u>773,052</u>	<u>2,884,544</u>	<u>7,317,069</u>	<u>10,974,665</u>	<u>10,403,679</u>	<u>-</u>	<u>-</u>
<b>Total Assets .....</b>	<b><u>\$ 1,231,460</u></b>	<b><u>\$ 68,796,656</u></b>	<b><u>\$ 68,654,700</u></b>	<b><u>\$ 17,473,444</u></b>	<b><u>\$ 156,156,260</u></b>	<b><u>\$ 148,385,592</u></b>	<b><u>\$ 1,244,296</u></b>	<b><u>\$ 1,349,634</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS (Continued)  
 June 30, 2012  
 With Comparative Totals for June 30, 2011**

	<b>Business-Type Activities – Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>		
	<b>2012</b>					<b>2011 Total</b>	<b>2012</b>	<b>2011</b>
	<b>Stormwater Utility</b>	<b>Water/ Sewer Utility</b>	<b>Electric Utility</b>	<b>Landfill</b>	<b>Total</b>			
<b>LIABILITIES AND NET ASSETS</b>								
<b>Current Liabilities:</b>								
Accounts payable .....	\$ 10,633	\$ 654,238	\$ 9,916,631	\$ 48,487	\$ 10,629,989	\$ 9,376,479	\$ 23,845	\$ -
Medical claims payable .....	-	-	-	-	-	-	153,647	67,086
Other accrued payables .....	5,629	40,560	200,206	14,759	261,154	457,177	-	-
Bonds payable – current .....	-	225,000	680,000	570,000	1,475,000	1,385,000	-	-
Customer deposits .....	-	-	1,469,509	-	1,469,509	1,365,954	-	-
Due to other funds .....	-	-	-	-	-	-	-	12,562
Compensated absences .....	32,719	232,567	337,929	84,907	688,122	615,495	-	-
Revolving loan payable – current .....	-	308,354	-	-	308,354	352,476	-	-
Capital lease payable – current .....	52,671	-	-	76,145	128,816	144,941	-	-
Retainage payable .....	-	217,373	-	-	217,373	-	-	-
<b>Total Current Liabilities .....</b>	<b><u>101,652</u></b>	<b><u>1,678,092</u></b>	<b><u>12,604,275</u></b>	<b><u>794,298</u></b>	<b><u>15,178,317</u></b>	<b><u>13,697,522</u></b>	<b><u>177,492</u></b>	<b><u>79,648</u></b>
<b>Long-Term Liabilities:</b>								
Compensated absences .....	-	53,457	225,182	21,227	299,866	275,068	-	-
Bonds payable .....	-	43,660,165	18,985,000	6,365,000	69,020,165	70,660,161	-	-
Estimated liability for Landfill closure and postclosure care costs .....	-	-	-	7,203,672	7,203,672	6,663,341	-	-
Revolving loan payable .....	-	4,297,479	-	-	4,297,479	879,626	-	-
Capital lease payable .....	82,438	-	-	53,523	135,961	264,777	-	-
Advances – TVA Conservation Loans .....	-	-	2,251,546	-	2,251,546	2,184,503	-	-
Deferred Credits .....	-	-	386,707	-	386,707	586,106	-	-
<b>Total Long-Term Liabilities .....</b>	<b><u>82,438</u></b>	<b><u>48,011,101</u></b>	<b><u>21,848,435</u></b>	<b><u>13,643,422</u></b>	<b><u>83,585,396</u></b>	<b><u>81,513,582</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Assets:</b>								
Unrestricted .....	828,000	7,825,305	8,634,590	1,556,692	18,844,587	14,497,846	1,066,804	1,269,986
Restricted for property acquisitions .....	-	-	-	1,269,617	1,269,617	1,200,538	-	-
Invested in capital assets, net of related debt ..	219,370	11,282,158	25,567,400	209,415	37,278,343	37,476,104	-	-
<b>Total Net Assets .....</b>	<b><u>1,047,370</u></b>	<b><u>19,107,463</u></b>	<b><u>34,201,990</u></b>	<b><u>3,035,724</u></b>	<b><u>57,392,547</u></b>	<b><u>53,174,488</u></b>	<b><u>1,066,804</u></b>	<b><u>1,269,986</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 1,231,460</u></b>	<b><u>\$ 68,796,656</u></b>	<b><u>\$ 68,654,700</u></b>	<b><u>\$ 17,473,444</u></b>	<b><u>\$156,156,260</u></b>	<b><u>\$148,385,592</u></b>	<b><u>\$ 1,244,296</u></b>	<b><u>\$ 1,349,634</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 June 30, 2012  
 With Comparative Totals for June 30, 2011**

	<b>Business-Type Activities – Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>		
	<b>2012</b>					<b>2011 Total</b>	<b>2012</b>	<b>2011</b>
	<b>Stormwater Utility</b>	<b>Water/ Sewer Utility</b>	<b>Electric Utility</b>	<b>Landfill</b>	<b>Total</b>			
<b>Operating Revenues:</b>								
Charges for services .....	\$ 1,032,697	\$ 11,079,081	\$ 59,934,004	\$ 4,142,464	\$ 76,188,246	\$ 76,226,505	\$ 4,752,348	\$ 3,530,789
Forfeited discounts .....	-	-	420,582	-	420,582	439,295	-	-
Miscellaneous revenues .....	-	902,691	823,018	85,422	1,811,131	696,546	1,425	1,822
Total Operating Revenues .....	<u>1,032,697</u>	<u>11,981,772</u>	<u>61,177,604</u>	<u>4,227,886</u>	<u>78,419,959</u>	<u>77,362,346</u>	<u>4,753,773</u>	<u>3,532,611</u>
<b>Operating Expenses:</b>								
Medical claims paid .....	-	-	-	-	-	-	3,531,389	2,814,594
Insurance premiums/administration .....	-	-	-	-	-	-	1,259,352	959,268
Administrative .....	231,347	624,986	2,827,417	298,295	3,982,045	3,591,188	-	-
Accounting and collections .....	-	681,933	-	-	681,933	675,580	-	-
Supervision .....	-	225,879	-	-	225,879	202,392	-	-
Water plant operation .....	-	1,563,571	-	-	1,563,571	1,512,087	-	-
Distribution and transmission .....	-	826,922	1,299,299	-	2,126,221	2,001,245	-	-
Meter reading and repair .....	-	333,595	-	-	333,595	300,637	-	-
Water maintenance .....	-	186,402	-	-	186,402	250,084	-	-
Sewage collection/disposal/pumping .....	-	2,342,623	-	-	2,342,623	2,812,943	-	-
Customer accounts .....	-	-	1,307,531	-	1,307,531	1,348,792	-	-
Purchased power .....	-	-	47,257,423	-	47,257,423	49,832,583	-	-
Landfill operation .....	-	-	-	2,252,887	2,252,887	2,052,332	-	-
Environmental compliance .....	-	98,673	-	120,854	219,527	193,244	-	-
Depreciation .....	49,912	2,150,240	2,370,321	831,403	5,401,876	5,024,695	-	-
Operations and maintenance .....	629,894	-	2,094,912	-	2,724,806	2,398,183	-	-
Street cleaning .....	97,357	-	-	-	97,357	125,305	-	-
Service center operations .....	-	-	-	-	-	-	234,714	208,162
Total Operating Expenses .....	<u>1,008,510</u>	<u>9,034,824</u>	<u>57,156,903</u>	<u>3,503,439</u>	<u>70,703,676</u>	<u>72,321,290</u>	<u>5,025,455</u>	<u>3,982,024</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS (Continued)  
 June 30, 2012  
 With Comparative Totals for June 30, 2011**

	<b>Business-Type Activities – Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>		
	<b>2012</b>					<b>2011 Total</b>	<b>2012</b>	<b>2011</b>
	<b>Stormwater Utility</b>	<b>Water/ Sewer Utility</b>	<b>Electric Utility</b>	<b>Landfill</b>	<b>Total</b>			
Operating Income (loss).....	24,187	2,946,948	4,020,701	724,447	7,716,283	5,041,056	(271,682)	(449,413)
<b>Other Income (Expense):</b>								
Amortization of bond premium/expenses ....	-	-	-	-	-	49,573	-	-
Other income.....	-	27,499	2,529	5,391	35,419	15,812	-	-
Amortization of debt discount and expense .....	-	(44,494)	(26,387)	(15,045)	(85,926)	(80,421)	-	-
Interest expense.....	-	(1,433,809)	(240,000)	(259,845)	(1,933,654)	(2,154,149)	-	-
Interest income .....	1,722	24,003	20,185	7,309	53,219	37,511	-	-
Total Other Income (Expense) .....	1,722	(1,426,801)	(243,673)	(262,190)	(1,930,942)	(2,131,674)	-	-
Net Income (loss) Before Contributions and Transfers .....	25,909	1,520,147	3,777,028	462,257	5,785,341	2,909,382	-	(449,413)
Transfers In (Out) .....	-	-	-	-	-	-	68,500	68,500
Capital Contributions .....	-	54,219	-	-	54,219	2,667,043	-	-
Payments in Lieu of Taxes.....	-	(400,000)	(1,221,501)	-	(1,621,501)	(1,576,436)	-	-
Change in Net Assets .....	25,909	1,174,366	2,555,527	462,257	4,218,059	3,999,989	(203,182)	(380,913)
Net Assets – Beginning.....	1,021,461	17,933,097	31,646,463	2,573,467	53,174,488	49,174,499	1,269,986	1,650,899
<b>Net Assets – Ending .....</b>	<b>\$ 1,047,370</b>	<b>\$ 19,107,463</b>	<b>\$ 34,201,990</b>	<b>\$ 3,035,724</b>	<b>\$ 57,392,547</b>	<b>\$ 53,174,488</b>	<b>\$ 1,066,804</b>	<b>\$ 1,269,986</b>

**CITY OF ALCOA, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Totals for June 30, 2011**

	<b>Business-Type Activities – Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>		
	<b>2012</b>							
	<b>Stormwater Utility</b>	<b>Water/ Sewer Utility</b>	<b>Electric Utility</b>	<b>Landfill</b>	<b>Total</b>	<b>2011 Total</b>	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Cash received from customers/employees' insurance.....	\$ 948,420	\$10,953,230	\$60,001,401	\$ 4,259,391	\$ 76,162,442	\$ 76,989,849	\$ 4,753,773	\$ 3,532,611
Cash payments to suppliers for goods and services/ medical claims .....	(571,653)	(4,231,256)	(49,763,916)	(1,817,766)	(56,384,591)	(61,592,898)	(4,927,611)	(4,021,389)
Cash payments to employees for services.....	(371,046)	(1,922,189)	(3,525,645)	(827,479)	(6,646,359)	(6,460,587)	-	-
Net Cash Flows From Operating Activities.....	<u>5,721</u>	<u>4,799,785</u>	<u>6,711,840</u>	<u>1,614,146</u>	<u>13,131,492</u>	<u>8,936,364</u>	<u>(173,838)</u>	<u>(488,778)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>								
Transfers out – in lieu of taxes .....	-	(400,000)	(1,221,501)	-	(1,621,501)	(1,576,436)	-	-
Restricted cash transfer .....	-	-	-	-	-	(5,849,092)	-	-
Closure/postclosure payments.....	-	-	-	526,500	526,500	526,500	-	-
Receipts from other funds .....	-	-	-	-	-	-	131,500	131,500
Payments to other funds.....	-	-	-	-	-	-	(63,000)	(63,000)
Net Cash Flows From Non-Capital Financing Activities .	<u>-</u>	<u>(400,000)</u>	<u>(1,221,501)</u>	<u>526,500</u>	<u>(1,095,001)</u>	<u>(6,899,028)</u>	<u>68,500</u>	<u>68,500</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Advances from TVA .....	-	-	747,651	-	747,651	807,030	-	-
Utility plant removal costs .....	-	-	29,509	-	29,509	27,699	-	-
Principal paid on bonds/notes/capital leases/revolving loan .	(50,913)	(567,486)	(630,000)	(634,028)	(1,882,427)	(2,076,000)	-	-
Interest paid on bonds/notes/capital leases/revolving loan....	-	(1,433,809)	(277,578)	(259,845)	(1,971,232)	(2,094,755)	-	-
Customer deposits received.....	-	-	383,551	-	383,551	324,370	-	-
Customer deposits refunded.....	-	-	(279,996)	-	(279,996)	(291,802)	-	-
Repayments of advances .....	-	-	(680,608)	-	(680,608)	(586,540)	-	-
Deferred credits.....	-	-	(199,399)	-	(199,399)	(85,449)	-	-
Merchandizing, jobbing, and contract work revenue .....	-	27,499	696	5,391	33,586	406	-	-
Collection on conservation loans .....	-	-	491,313	-	491,313	461,553	-	-
Payments for acquisition and construction of capital assets..	(126,739)	(6,227,092)	(1,668,524)	(451,531)	(8,473,886)	(5,381,294)	-	-
Additional long-term bond/capital outlay notes/ revolving loans.....	-	3,551,221	-	-	3,551,221	920,000	-	-
Acquisition of conservation loans .....	-	-	(565,021)	-	(565,021)	(672,727)	-	-
Contributions in aid of construction.....	-	54,219	-	-	54,219	2,667,043	-	-
Net Cash Flows From Capital and Related Financing Activities .....	<u>(177,652)</u>	<u>(4,595,448)</u>	<u>(2,648,406)</u>	<u>(1,340,013)</u>	<u>(8,761,519)</u>	<u>(5,980,466)</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (Continued)  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Totals for June 30, 2011**

	<b>Business-Type Activities – Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>	
	<b>2012</b>					<b>2011 Total</b>	<b>2012</b>
	<b>Stormwater Utility</b>	<b>Water/ Sewer Utility</b>	<b>Electric Utility</b>	<b>Landfill</b>	<b>Total</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchase of investment securities .....	-	-	(9,216,250)	(4,792,926)	(14,009,176)	(14,177,038)	-
Proceeds from sale and maturities of investment Securities.....	-	1,630,651	9,068,932	4,266,425	14,966,008	19,748,890	-
Interest and dividends on investments .....	1,722	24,003	14,437	7,309	47,471	33,482	-
Net Cash Flows From Investing Activities...	1,722	1,654,654	(132,881)	(519,192)	1,004,303	5,605,334	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	(170,209)	1,458,991	2,709,052	281,441	4,279,275	1,662,204	(105,338)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR .....</b>	962,913	5,187,803	4,367,390	2,282,097	12,800,203	11,137,999	1,349,634
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 792,704</b>	<b>\$ 6,646,794</b>	<b>\$ 7,076,442</b>	<b>\$ 2,563,538</b>	<b>\$17,079,478</b>	<b>\$12,800,203</b>	<b>\$ 1,244,296</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by (Used) in Operating Activities:</b>							
Operating Income (loss).....	\$ 24,187	\$ 2,946,948	\$ 4,020,701	\$ 724,447	\$ 7,716,283	\$ 5,041,056	\$ (271,682)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation.....	49,912	2,150,240	2,370,321	831,403	5,401,876	5,024,695	-
Amortization .....	-	44,494	26,387	15,045	85,926	80,421	-
Changes in assets and liabilities:							
Accounts receivable .....	(84,277)	(1,028,542)	(1,187,229)	31,505	(2,268,543)	(382,053)	-
Prepaid expenses .....	-	-	827,269	-	827,269	(1,767,182)	-
Inventory .....	-	(83,279)	81,963	-	(1,316)	(211,166)	-
Other receivables.....	-	-	(5,748)	-	(5,748)	(4,029)	-
Accounts payable .....	10,633	629,083	577,126	48,487	1,265,329	1,002,128	11,283
Other liabilities.....	-	-	73,735	-	73,735	99,157	86,561
Accrued payroll.....	(6,190)	(37,197)	(121,307)	(13,327)	(178,021)	25,651	-
Retainage payable .....	-	217,373	-	-	217,373	-	-
Compensated absences.....	11,456	(39,335)	48,622	(23,414)	(2,671)	27,686	-
Total Adjustments .....	(18,466)	1,852,837	2,691,139	889,699	5,415,209	3,895,308	97,844
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>\$ 5,721</b>	<b>\$ 4,799,785</b>	<b>\$ 6,711,840</b>	<b>\$ 1,614,146</b>	<b>\$13,131,492</b>	<b>\$ 8,936,364</b>	<b>\$ (173,838)</b>

(Continued)

**CITY OF ALCOA, TENNESSEE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (Continued)  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Totals for June 30, 2011**

**(1) Cash and cash equivalents are as follows:**

	<u>Cash in Bank</u>	<u>Certificates of Deposit/ Cash Equivalents</u>	<u>Total</u>
StormWater Utility .....	\$ 792,704	\$ -	\$ 792,704
Water/Sewer Utility .....	6,646,794	-	6,646,794
Electric Utility .....	5,695,880	1,380,562	7,076,442
Landfill .....	<u>2,563,538</u>	<u>-</u>	<u>2,563,538</u>
<b>Totals.....</b>	<b><u>\$ 15,698,916</u></b>	<b><u>\$ 1,380,562</u></b>	<b><u>\$ 17,079,478</u></b>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less.

Schedule of Noncash Investing and Financing Activities:

Acquisition of capital assets that were funded through vendor financing (recorded as capital leases payable), reclassified from construction in progress, or transferred are as follows:

<u>Year Ended June 30,</u>	<u>Stormwater Utility Fund</u>	<u>Landfill Fund</u>
2012	\$ -	\$ -
2011	-	205,600

The Landfill Fund acquired capital assets that were reclassified from construction in progress as follows:

<u>Year Ended June 30,</u>	
2012	\$ 6,229,343
2011	-

**CITY OF ALCOA, TENNESSEE  
EMPLOYEES' RETIREMENT SYSTEM - FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2012 and 2011**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<b>Investments</b>		
Cash and cash equivalents .....	\$ 892,390	\$ 266,472
U.S. Treasury obligations .....	3,114,586	3,599,939
Corporate and foreign bonds .....	4,960,797	5,534,022
Common equity securities .....	11,035,811	11,564,678
Municipal obligations .....	1,083,300	616,958
Accrued interest .....	<u>96,986</u>	<u>108,856</u>
<b>Total Assets .....</b>	<b><u>\$ 21,183,870</u></b>	<b><u>\$ 21,690,925</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>Liabilities</b>	\$ -	\$ -
<b>Net Assets:</b>		
Held in trust for pension benefits .....	<u>21,183,870</u>	<u>21,690,925</u>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 21,183,870</u></b>	<b><u>\$ 21,690,925</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
EMPLOYEES' RETIREMENT SYSTEM - FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY PLAN NET ASSETS  
For the Fiscal Year Ended June 30, 2012  
With Comparative Totals for June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Additions:</b>		
Employer contributions .....	\$ 1,182,060	\$ 860,778
Interest and dividend income.....	668,066	713,601
Net appreciation in fair value of investments .....	170,110	1,240,269
Realized gain on sale of investments.....	<u>563</u>	<u>847,074</u>
Total Additions .....	<u>2,020,799</u>	<u>3,661,722</u>
<b>Deductions:</b>		
Benefit payments.....	2,454,697	2,423,338
Administrative expenses.....	<u>73,157</u>	<u>63,436</u>
Total Deductions .....	<u>2,527,854</u>	<u>2,486,774</u>
Change in Net Assets .....	(507,055)	1,174,948
Net Assets – Beginning of Year .....	<u>21,690,925</u>	<u>20,515,977</u>
<b>Net Assets – End of Year .....</b>	<b><u>\$ 21,183,870</u></b>	<b><u>\$ 21,690,925</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Alcoa, Tennessee, was incorporated July 1, 1919, under the provisions of Act 116, P.A. 1919, as amended. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public utilities, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Alcoa are in conformity with all applicable statements of the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

(A) FINANCIAL REPORTING ENTITY:

The City of Alcoa, Tennessee, is a municipal corporation governed by an elected five-member Board of Commissioners. As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the City of Alcoa, Tennessee (primary government) and all funds, organizations, agencies, departments, and offices that are a part of the primary government. The criteria for determining a primary government consist of the following:

- (1) A separately elected governing body.
- (2) Separate legal standing - corporate power with the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and, the right to buy, sell, lease or mortgage property in its own name.
- (3) Fiscal independence of other state and local governments by determining its budget, levying taxes, setting rates or charges, and issuing bonded debt without approval by another government.

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria applicable to *GASB No. 14*, as amended by *GASB Statement No. 39*, for component units, the City has no financial accountability for any component units. Therefore, the financial reporting entity is limited to those funds, departments, and offices which comprise the City's legally adopted jurisdictions.

The following organizations are excluded from the accompanying financial statements in that they do not meet the prescribed GASB Statement 39 criteria:

City of Alcoa Schools' Student Activity Funds:

The Alcoa Board of Education, through its school principals, governs the Student Activity Funds of the Alcoa City Schools as provided for in the Internal School Accounting Act (Tennessee Code Annotated Section 49-2-110). The Activity Fund monies are used to finance school extra-curricular activities for the benefit of the student body as a whole. Separate financials (available at the Board of Education Office) are issued for the Student Activity Funds. The City cannot access the Student Activity Funds' resources, nor does the City have any legal obligation to subsidize the Activity Funds. The Student Activity Funds are used only for the benefit of the students.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(A) FINANCIAL REPORTING ENTITY (Continued):

Tennessee Consolidated Retirement System (TCRS):

The City's teachers and other City employees participate in the TCRS, an employee benefit plan established as an individual entity, and is liable for its proportionate costs associated with the operation and administration of its 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 the plan assets.

(B) BASIC FINANCIAL STATEMENTS:

The basic financial statements (in accordance with GASB No. 34) include both government-wide (based on the City as a whole and its component units, if any) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The government-wide financial statements (the statement of net assets and the statement of activities) report on the government as a whole. The statements include the City of Alcoa and any applicable component units, except that neither fiduciary funds nor the component units that are fiduciary in nature are included.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, on the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(B) BASIC FINANCIAL STATEMENTS (Continued):

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide statements.

Internal service funds of a government (which traditionally provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

(C) BASIS OF PRESENTATION:

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the City:

**GOVERNMENTAL FUND TYPES:** All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Sales taxes are considered "measurable" (susceptible to accrual) when in the hands of intermediary collecting agencies and are recognized as revenues at that time. All other intergovernmental revenues are recorded as revenue when received. Property tax revenues are recognized in the fiscal year for which they are levied. Expenditures are recognized when the related fund liability is incurred.

Governmental Funds include the following fund types:

**General Fund:** The General Fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund in the basic financial statements.

**Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes as defined by GASB 54 – *Fund Balance Reporting and Governments Fund Type Definition*. There is one special revenue fund presented as a major fund in the basic financial statements:

**Education Fund:** The Education Fund is used to account for the general operations of the Alcoa City Schools. Major funding for the Education Fund is provided by State Education funds, shared revenues provided by Blount County, and property tax revenue from the City's General Fund.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(C) BASIS OF PRESENTATION (Continued)

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest, and related costs. The debt service fund is presented as a major fund in the basic financial statements.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital facilities and/or related improvements, other than those financed by Enterprise operations. There is one capital project fund presented as a major fund in the basic financial statements:

School Construction and Improvement Fund: The School Construction and Improvement Fund is used to account for expenditures incurred in the renovation of schools within the Alcoa City School System.

Proprietary Fund Types: Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net assets, financial position and cash flows. Each proprietary fund is reported as major funds in the basic financial statements.

Proprietary funds include the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private businesses – where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following Enterprise funds are used by the City:

Water and Sewer Utility Fund: The Water and Sewer Utility Fund is used to account for the operation of the City's water and sewer system.

Electric Utility Fund: The Electric Department Fund is used to account for the operation of the City's electric system.

Landfill Fund: The Landfill Fund is used to account for the operation by the City of the Blount County Landfill.

Stormwater Utility Fund: The Stormwater Utility Fund is used to account for the operations of the City's stormwater utility system.

Internal Service Funds: Internal Service Funds are used to account for the providing of goods or services to other governmental operating units such as departments, bureaus, and agencies. The services provided may include duplicating services, data processing, legal services, motor pools, and centralized maintenance. Also, an Internal Service Fund may produce goods as does a manufacturer. For example, products may be provided by government printing shops, repair facilities, and processing facilities.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(C) BASIS OF PRESENTATION (Continued)

Internal Service Funds (Continued)

The purpose of centralizing certain activities in an Internal Service Fund is to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple units within the governmental organization. Costs associated with the centralized activity are usually recovered from those governmental units that benefit from the goods or services provided through the Internal Service Funds. Thus, the objective of an Internal Service Fund is not to make a profit but rather to recover, over a period of time, the total cost of providing the goods or services.

The following Internal Service Funds are used by the City:

Employee's Insurance Trust Fund: The Employee's Trust Fund is used to account for the City of Alcoa's self-insured health insurance program. Premiums charged to various operating funds and employee payroll deductions are placed in this fund for the payment of medical claims and administrative expenses.

Flexible Spending Account Fund: The Flexible Spending Account Fund is used to account for the City of Alcoa's flexible spending program. Employee payroll deductions are placed in this fund for the payment of dependent care and medical claims.

Service Center Fund: This fund is used to account for services provided to other departments of the City by the Service Center, on a cost reimbursement basis.

OPEB Insurance Fund: This fund is used to account for the City's liability for postemployment benefits, including payments and required contributions for all City employees.

School OPEB Insurance Fund: This fund is used to account for the Alcoa Board of Education's liability for postemployment benefits, including payments and required contributions for all school employees.

Fiduciary Funds Types: These Funds account for assets held by the City as trustee or agent, and are as follows:

Pension Trust Fund: This fund was established to provide pension benefits for City employees. The Pension Trust Fund is used to account for assets held by the City of Alcoa in a fiduciary capacity for employees or former employees of the City. The Pension Trust Fund, like Proprietary Funds, uses the accrual method of accounting.

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government’s water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by the program revenues.

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.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

***Application of Financial Accounting Standards Board Statements:***

GASB No. 20 requires that governments with enterprise activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Accounting Principles Board Opinion No. 22, Disclosure of Accounting Policies, require the same treatment for the government-wide financial statements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989 in reporting business-type activities or enterprise funds.

***Management's Discussion and Analysis*** – In accordance with GASB Statement No. 34, the financial statements are accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

***Government-Wide Financial Statements*** – The financial statements are prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

***Statement of Net Assets*** – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the City are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

***Statement of Activities*** – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(E) BUDGETS AND BUDGETARY ACCOUNTING:

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

1. In a timely manner, the City Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted by the City to obtain taxpayer comments.
3. Prior to July 1st, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts within a department of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General Fund, Special Revenue Funds (excluding the Special Assessment Fund), and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted, or as amended by the Commissioners. Individual amendments were not material in relation to the original appropriations. All appropriations lapse at year end.

(F) ENCUMBRANCES:

Encumbrance accounting, under which purchase orders, contracts, or other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as reservations of fund equities, since the commitments will be honored through subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities. Reservations of fund equities at June 30, 2012 are as follows: General Fund \$180,786; Special Revenue Funds \$1,752,814; Capital Projects Funds \$3,628,336; Enterprise Funds \$1,269,617; and Debt Service \$94,697.

(G) CASH:

The City pools cash resources of some of its various funds (excluding fiduciary funds) in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less, primarily with local financial institutions. The deposits and investments of the pension funds are held separately from those of other governmental funds.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(G) CASH (Continued)

Custodial Credit Risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to only maintain funds in financial institutions which are members of the Tennessee Bank Collateral Pool.

The caption "cash and certificates of deposits" in the accompanying combined financial statements includes cash and equity in the pooled cash account described as follows:

	<u>Equity Pooled In Cash Account</u>	<u>Other Cash Accounts</u>	<u>Combined Cash Total</u>
<b>General Fund</b> .....	\$ 4,164,302	\$ 1,200	\$ 4,165,502
<b>Special Revenue Funds:</b>			
State Street Aid Fund.....	369,788	5,257	375,045
Education Fund.....	1,036,553	-	1,036,553
Cafeteria Fund .....	140,364	-	140,364
Extended Day Program Fund.....	47,886	-	47,886
Special Assessment Fund .....	8,878	-	8,878
Drug Control Fund.....	89,396	-	89,396
Commercial Vehicle Fines Fund .....	15,601	-	15,601
Total Special Revenue Funds .....	<u>1,708,466</u>	<u>5,257</u>	<u>1,713,723</u>
<b>Debt Service Fund</b> .....	<u>94,697</u>	<u>-</u>	<u>94,697</u>
<b>Capital Projects Funds:</b>			
Capital Projects Fund.....	-	55,019	55,019
School Construction and Improvement Fund .....	768,054	250,140	1,018,194
2001 Special Projects Fund .....	41,796	303,868	345,664
Equipment Replacement Fund.....	294,177	-	294,177
Bessie Harvey Memorial Fund .....	1,968	-	1,968
Greenway Fund.....	57,422	-	57,422
Landscaping Fund.....	137,817	-	137,817
Home Grant Fund .....	743	-	743
Special Projects.....	97,282	-	97,282
Total Capital Projects Funds.....	<u>1,399,259</u>	<u>609,027</u>	<u>2,008,286</u>
<b>Internal Service Funds:</b>			
Employees' Insurance Fund .....	-	642,374	642,374
Flexible Spending Fund.....	15,722	-	15,722
Service Center.....	66,200	-	66,200
City OPEB Fund.....	289,000	-	289,000
School OPEB Fund.....	231,000	-	231,000
Total Internal Service Funds.....	<u>601,922</u>	<u>642,374</u>	<u>1,244,296</u>
<b>Total Governmental Funds</b>	<u>7,968,646</u>	<u>1,257,858</u>	<u>9,226,504</u>

(Continued)

**CITY OF ALCOA, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(G) CASH (Continued):

	<u>Equity Pooled In Cash Account</u>	<u>Other Cash Account</u>	<u>Combined Cash Total</u>
<b>Proprietary Funds:</b>			
Water and Sewer Utility Fund .....	6,646,794	-	6,646,794
Electric Utility Fund .....	-	7,076,442	7,076,442
Landfill Fund .....	-	2,563,538	2,563,538
Stormwater Utility Fund .....	<u>792,704</u>	<u>-</u>	<u>792,704</u>
Total Proprietary Funds .....	<u>7,439,498</u>	<u>9,639,980</u>	<u>17,079,478</u>
<b>TOTAL GOVERNMENT .....</b>	<b><u>\$ 15,408,144</u></b>	<b><u>\$ 10,897,838</u></b>	<b><u>\$ 26,305,982</u></b>

(H) RECEIVABLES AND UNBILLED REVENUE:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

During the fiscal year 1983, the City adopted a procedure whereby the Electric Utility Fund purchases the receivables of the Water and Sewer Utility Fund. This procedure results in one billing to customers for user charges.

The Enterprise Funds delay the recording of some accrued revenues. This comes about by staggering their meter reading dates during the month. Consequently, there is a lag in meter reading time and billing dates as the Utilities do not bill at a cut-off date of June 30th, the year-end. Unbilled revenues are estimated by calculation of the number of days unrecorded based on the following month's billing.

The Utilities' approximate unbilled revenues at June 30, 2012 are as follows:

Electric Utility Fund .....	\$ 2,855,411
Water and Sewer Utility Fund .....	<u>792,708</u>
<b>Total .....</b>	<b><u>\$ 3,648,119</u></b>

(I) INVESTMENTS:

Investments in governmental type funds are stated at cost which approximates market. Investments in fiduciary funds are stated at fair value. Investments and non-cash equivalents consist of certificates of deposit, United States government securities, commercial paper and bonds with an original maturity date greater than three (3) months.

In order to provide a safe temporary medium for investment of idle funds, the City adopted an investment policy that allows investment in the following:

1. Bonds, notes and treasury bills of the United States;
2. Non-convertible debt securities of certain government sponsored enterprises that are chartered by the Congress of the United States;
3. Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
4. Certificates of Deposit at state and federal chartered banks and savings and loan associations;
5. The Local Government Investment Pool created by TCA, Title 9, Chapter 4, Part 2;

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(J) DUE TO AND DUE FROM OTHER FUNDS, AND INTERFUND TRANSFERS:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

All interfund transactions are accounted for as transfers. Non-recurring or non-routine transfers of equity between funds are considered residual equity transfers, and all other transfers are treated as operating transfers.

Operating transfers represent intragovernmental transactions, and therefore, cannot be considered as revenues or expenditures of the related funds for financial reporting purposes. The exception to transfers between funds are transactions between funds whereby the transaction is classified as a revenue, expenditure, or expense, such as routine service charges for inspection, engineering, utilities, or similar services provided by a department financed from one fund to a department financed from another fund. These transactions give rise to the recording of revenues, expenditures, and expenses by the funds involved in the transaction, as if the transaction had been consummated with an external entity.

Interfund receivables/payables (due to/from) at June 30, 2012, are as follows:

<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
<u>INTERFUND RECEIVABLES:</u>		<u>INTERFUND PAYABLES:</u>	
General Fund	\$ 100,000	Federal Projects	\$ 5,007
Education Fund	298,243	Cafeteria Fund	293,236
General Obligation Public Works	<u>2,000,000</u>	Greenway Fund	100,000
	<u>\$2,398,243 (1)</u>	General Fund	<u>2,000,000</u>
			<u>\$ 2,398,243 (1)</u>

(1) The above balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

(K) INTEREST RECEIVABLE:

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

(L) INVENTORIES AND PREPAID ITEMS:

Materials and supplies inventories of the proprietary funds are maintained by a perpetual inventory accounting system and are valued on a basis of the lower of average cost or market, using first-in first-out method. Inventory of the Alcoa City Schools' Cafeteria Fund is accounted for on the purchase (cost) basis, using the first-in first-out method.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government wide and fund financial statements.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(M) OTHER ASSETS:

Other assets held are recorded and accounted for at cost.

(N) RESTRICTED ASSETS:

The Electric Utility Fund, based on certain Tennessee Valley Authority requirements for bond and administrative covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. Restricted assets at June 30, 2012 amount to \$3,339,869 in compliance with bond covenants.

State and federal laws and regulations require the Landfill Fund to restrict cash and investments for closure and postclosure costs of the Landfill. Restricted at June 30, 2012 is \$7,203,672.

(O) USE OF ESTIMATES:

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

(P) COMPENSATED ABSENCES:

The City of Alcoa, Tennessee, accounts for compensated absences in conformity with the *Governmental Accounting Standards Board (GASB) Statement Number 16*, whereby a liability is accrued for the amounts employees are entitled to receive for future absences. Such accruals include related costs such as payroll taxes and retirement contributions as required by *GASB Statement Number 16*.

The City of Alcoa employees are granted vacation and sick leave in varying amounts. Vacation is generally granted for periods from two (2) to five (5) weeks based on the number of years employed. Employees earning more than two (2) weeks of vacation during the previous calendar year may carry over one (1) week (40 hours) of vacation leave in addition to that earned the preceding year. In the event of termination, an employee is reimbursed for accumulated vacation days. Sick leave is accumulated at one (1) day per month for an unlimited amount. Employees are reimbursed for accumulated sick leave up to a maximum of eighty (80) days only after reaching the established normal retirement age. If an employee terminates prior to attaining the normal retirement age, the accumulated sick leave is forfeited.

Employees of the City of Alcoa Board of Education accumulate sick leave at the rate of one (1) day per month or a maximum of ten (10) days per year based upon a ten (10) month period. Non-professional employees of the Board have the same sick leave policies as other employees of the City of Alcoa.

Compensated absences are those absences for which employees will be paid for services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee are accounted for in the period those services are rendered or those events take place.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(P) COMPENSATED ABSENCES (Continued):

Accumulated unpaid vacation and vested sick pay are accrued in the Government-wide and all Proprietary Fund statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources.

In governmental funds, compensated absences that have matured (i.e. unused reimbursable leave still outstanding following an employee’s resignation or retirement) are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported as General Long Term Debt. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

(Q) CAPITAL ASSETS

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks and culverts) are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset, or materially extend its life, are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress) are not depreciated:

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	50
Improvements	20 – 50
Equipment and vehicles	5 - 25
Infrastructure	60

(R) COMPARATIVE TOTAL DATA:

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. Certain comparative data for the prior year was reclassified to be comparable with June 30, 2012 accounts in the government wide and fund financial statements. However, comparative data (i.e., presentation of prior year’s totals by fund type) have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

(S) IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES:

During the fiscal year ended June 30, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types.

Governmental fund equity is classified as fund balance. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of authority (commission) using its highest level of formal action (ordinance).

This amount can also include amounts needed to balance the next year's budget when the budget is approved by ordinance.

- d. Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority or an official expressly authorized by the governing body. The City Council has retained the authority to assign funds for specified purposes.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The City has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement 54 apply expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources. No City official is granted the authority to assign fund balance. In addition, the City has no formal policy with regard to stabilization funds.

Fund Balances at June 30, 2010 have been restated to conform to GASB Statement 54.

(T) RECLASSIFICATIONS/NET ASSETS RESTATED:

Certain prior year assets, liabilities, equity, revenues and expenditures of the General Fund, Special Revenue Funds, Fiduciary Fund and Enterprise Funds have been reclassified to facilitate comparison with June 30, 2012 amounts. The reclassification causes no effect on the "excess of revenues and other sources over expenditures and other uses" or on beginning fund equities.

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**(Continued):**

Total fund balances of the City's governmental funds differ from net assets of governmental activities reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

	<b><u>Balance Sheet/Statement of Net Assets</u></b>				
	<b><u>Total</u></b>	<b><u>Long-term</u></b>	<b><u>Internal</u></b>	<b><u>Reclassifications</u></b>	<b><u>Statement of</u></b>
	<b><u>Governmental</u></b>	<b><u>Assets,</u></b>	<b><u>Service</u></b>	<b><u>and</u></b>	<b><u>Net Assets</u></b>
	<b><u>Funds</u></b>	<b><u>Liabilities</u></b>	<b><u>Funds</u></b>	<b><u>Eliminations</u></b>	
		<b><u>(1)</u></b>	<b><u>(2)</u></b>		
<b><u>Assets</u></b>					
Cash on hand/equity in pooled					
Cash/certificates of deposit .....	\$ 7,422,943	\$ -	\$ 1,244,296	\$ 559,265	\$ 9,226,504
Certificates of Deposit .....	250,140	-	-	(250,140)	-
Tennessee Local					
Government Investment Pool....	309,125	-	-	(309,125)	-
Receivables:					
Taxes, net .....	10,307,669	-	-	-	10,307,669
Accounts, net.....	253,708	-	-	3,187	256,895
Note.....	1,982	-	-	(1,982)	-
Credit Union.....	1,205	-	-	(1,205)	-
Internal balances .....	2,398,243	-	-	(2,398,243)	-
Due from other governments .....	1,412,031	-	-	-	1,412,031
Prepaid items .....	72	-	-	-	72
Net OPEB asset .....	-	-	-	80,257	80,257
Capital Assets, Net .....	-	47,704,862	-	-	47,704,862
Capital lease property .....	-	10,594,977	-	-	10,594,977
<b>Total Assets .....</b>	<b><u>\$ 22,357,118</u></b>	<b><u>\$ 58,299,839</u></b>	<b><u>\$ 1,244,296</u></b>	<b><u>\$ (2,317,986)</u></b>	<b><u>\$ 79,583,267</u></b>
<b><u>Liabilities and Net Assets</u></b>					
Accounts payable.....	\$ 1,551,974	\$ -	\$ 177,492	\$ 100,783	\$ 1,830,249
Accrued payroll .....	109,182	-	-	-	109,182
Accrued liabilities.....	-	-	-	-	-
Unapplied grant funds .....	61,514	-	-	(61,514)	-
Unearned revenue .....	10,218,602	-	-	61,514	10,280,116
Long-term debt .....	-	56,217,342	-	-	56,217,342
Due to state in Tennessee/					
Blount County .....	100,783	-	-	(100,783)	-
Internal balances .....	2,398,243	-	-	(2,398,243)	-
Unfunded pension obligation.....	-	-	-	1,108,113	1,108,113
Unfunded OPEB obligation.....	-	-	-	138,387	138,387
<b>Total Liabilities .....</b>	<b><u>14,440,298</u></b>	<b><u>56,217,342</u></b>	<b><u>177,492</u></b>	<b><u>(1,151,743)</u></b>	<b><u>69,683,389</u></b>
Total Fund Balance/Net Assets ....	<u>7,916,820</u>	<u>2,082,497</u>	<u>1,066,804</u>	<u>(1,166,243)</u>	<u>9,899,878</u>
<b>Total Liabilities and Fund</b>					
<b>Balance/Net Assets .....</b>	<b><u>\$ 22,357,118</u></b>	<b><u>\$ 58,299,839</u></b>	<b><u>\$ 1,244,296</u></b>	<b><u>\$ (2,317,986)</u></b>	<b><u>\$ 79,583,267</u></b>

When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of Capital Assets	\$ 94,176,892
Accumulated depreciation	(35,877,053)
	<b><u>\$ 58,299,839</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**(Continued):**

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	\$	909,058
Bonds, capital improvement notes, loans		44,865,000
Capital lease obligations		<u>10,443,284</u>
		<b><u>\$ 56,217,342</u></b>

Internal service funds are used by management to charge the costs of self-insurance, service center operations, fleet maintenance, and data processing services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

**\$ 1,066,804**

The net change in fund balances for governmental funds differ from the change in net assets for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

<b><u>Revenues</u></b>	<b><u>Total Governmental Funds</u></b>	<b><u>Capital- Related Items (4)</u></b>	<b><u>Long-term Debt Transactions (5)</u></b>	<b><u>Internal Service Funds</u></b>	<b><u>Reclass- ifications</u></b>	<b><u>Statement of Activities</u></b>
Taxes.....	\$ 18,847,900	\$ -	\$ -	\$ -	\$ (6,636,579)	\$ 12,211,321
Sales taxes.....	-	-	-	-	15,002,875	15,002,875
State income & excise tax ....	-	-	-	-	145,229	145,229
Licenses, permits and fees.....	387,426	-	-	-	(387,426)	-
Business taxes.....	-	-	-	-	1,361,561	1,361,561
Intergovernmental.....	19,660,547	-	-	-	(19,660,547)	-
Capital grants/contributions .....	-	-	-	-	328,348	328,348
Operating grants/contributions .	-	-	-	-	3,577,873	3,577,873
Charges for services.....	1,104,516	-	-	-	1,358,593	2,463,109
Fines, forfeitures, and costs.....	504,571	-	-	-	(504,571)	-
Investment income.....	14,301	-	-	-	3,630	17,931
Miscellaneous taxes.....	174,371	-	-	-	157,532	331,903
Property rentals.....	136,533	-	-	-	(136,533)	-
Gain (loss) on deletion of capital assets	-	-	-	-	-	-
In-lieu of taxes.....	-	-	-	-	180,915	180,915
Sale of property/equipment.....	54,149	-	-	-	(54,149)	-
LGIP Deferred.....	<u>794,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(794,317)</u>	<u>-</u>
Total Revenues.....	<u>41,678,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,057,566)</u>	<u>35,621,065</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**(Continued):**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued):

	<b>Total Governmental Funds</b>	<b>Capital- Related Items (4)</b>	<b>Long-term Debt Transactions (5)</b>	<b>Internal Service Funds</b>	<b>Reclass- ifications</b>	<b>Statement of Activities</b>
<b>Expenditures/Expenses</b>						
Current:						
General government	1,734,180	358,437	-	203,182	144,190	2,439,989
Public safety – Police/Fire	7,831,192	411,332	-	-	-	8,242,524
Public works - Streets	5,269,501	206,375	-	-	-	5,475,876
Recreation and Culture	1,096,972	245,160	-	-	-	1,342,132
Community development	690,939	-	-	-	-	690,939
Education	17,958,513	1,022,128	-	-	72	18,980,713
Debt service - principal retirement	3,497,476	-	(3,497,476)	-	-	-
Debt service - interest and fiscal fees	5,421,897	-	(2,746,732)	-	-	2,675,165
Capital Outlay	<u>1,174,219</u>	<u>(1,174,219)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>44,674,889</u>	<u>1,069,213</u>	<u>(6,244,208)</u>	<u>203,182</u>	<u>144,262</u>	<u>39,847,338</u>
<b>Other Financing Sources (Uses)/ Changes in Net Assets</b>						
Transfers (Out)	(5,969,306)	-	5,959,306	-	-	-
Transfers In	5,900,806	-	(5,900,806)	-	-	-
Capital Leases	402,528	-	(402,528)	-	-	-
In lieu of tax payments	<u>1,621,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,621,501</u>
Total Other Financing Sources (Uses)/Changes In Net Assets	<u>1,955,529</u>	<u>-</u>	<u>(334,028)</u>	<u>-</u>	<u>-</u>	<u>1,621,501</u>
<b>Net Change for the Year</b>	<b><u>\$ (1,040,729)</u></b>	<b><u>\$ (1,069,213)</u></b>	<b><u>\$ 5,910,180</u></b>	<b><u>\$ (203,182)</u></b>	<b><u>\$ (6,201,828)</u></b>	<b><u>\$ (2,604,772)</u></b>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrual for compensated absences **\$ 909,058**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas, net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

Capital expenditures	\$ 1,803,196
Depreciation	<u>(2,872,409)</u>
Net Change	<b><u>\$ (1,069,213)</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**(Continued):**

Repayment of debt principal is reported as a expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The City's long-term debt was reduced because principal payments were made to holders of long-term debt.

Principal payments made	<u>\$ 1,760,000</u>
-------------------------	---------------------

**NOTE 3 – CASH AND INVESTMENTS:**

In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (3) Certificates of deposit at state and federal chartered bank and savings and loan associations;
- (4) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (5) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (6) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash and investment include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Interest rate risk: The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal management procedures limits investments to maturities of less than twelve months.

Credit risk of investments: The City has no formal policy relating to the credit risk of investments, but has internal management procedures restricts the purchase of securities to the highest possible ratings. Certain bond proceeds are temporarily invested with Morgan Keegan which is unrated. Other investments consist of certificates of deposits in fully insured financial institutions. The City also invests in the LGIP (Local Government Investment Pool) which is unrated.

The City's investment policy allows investments in obligations of the U.S. Treasury and other authorized investments as more fully explained in Note 1.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Investments are shown at fair value; except that investments that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost (none at June 30, 2012). Fair value is based on quoted market prices.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 3 – CASH AND INVESTMENTS (Continued):**

Presented below is a summary of Combined Cash, Certificates of Deposit and Investments by Fund as of June 30, 2012:

**SUMMARY OF CASH AND INVESTMENTS BY FUNDS:**

Fiduciary Funds – Pension Trust.....	\$ <u>21,183,870</u>
Statement of Net Assets:	
Special Revenue Funds and Capital Projects Funds - Local Government Investment Pool ....	\$ 559,265
Enterprise Funds – Restricted Assets .....	10,569,743
Enterprise Funds - Non-restricted Assets .....	<u>1,380,562</u>
Total Governmental and Enterprise Funds.....	<u>12,509,570</u>

**SUMMARY OF CHECKING ACCOUNTS BY FUNDS:**

General Fund (includes cash on hand of \$1,200) .....	4,165,502
Special Revenue Funds .....	1,708,466
Debt Service Fund .....	94,697
Capital Projects Funds.....	1,454,278
Internal Service Funds.....	1,244,296
Enterprise Funds – Non-restricted Assets (includes cash on hand of \$8,300) .....	<u>15,698,916</u>
Total Checking Accounts By Funds.....	<u>24,366,155</u>
Total Checking and Certificates of Deposit – Statement of Net Assets .....	<b><u>\$ 36,875,725</u></b>

Total cash and investments presented on the statement of net assets are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Certificates of Deposit .....	\$ 9,226,504	\$ 17,079,478	\$ 26,305,982
Restricted Cash/Certificates of Deposit.....	-	10,569,743	10,569,743
Funds held by Bond Trustee .....	-	-	-
Totals .....	<b><u>\$ 9,226,504</u></b>	<b><u>\$ 27,649,221</u></b>	<b><u>36,875,725</u></b>
Fiduciary Funds – Investments, at fair values			
(Employees Retirement System) .....			<u>21,183,870</u>
Total Cash and Investments.....			<b><u>\$ 58,059,595</u></b>

Investments in the Local Government Investment Pool, if applicable, are reported at amortized cost. The State Pooled Investment Fund, of which the Local Government Investment Pool is a part, is managed like a SEC 2a-7 fund. The same investment guidelines are followed, but the State Pooled Investment Fund does not report to the SEC.

The shares in the Local Government Investment Pool are constant dollar. Therefore, the fair value of the position in the Pool is the same as the value of the Pool shares.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 3 – CASH AND INVESTMENTS (Continued):**

The State Pooled Investment Fund is governed by the State Funding Board in accordance with Tennessee Code Annotated. The Funding Board is comprised of the State Treasurer, the Comptroller, the Commissioner of Finance and Administration, the Secretary of State, and the Governor. Reporting is done monthly, quarterly, and annually and there are regularly scheduled meetings. The Funding Board has developed an Investment Policy which meets SEC 2a-7 requirements and state law. The Investment Pool has received no credit quality rating from a credit rating agency.

Additional financial information regarding the Local Government Investment Pool is available from the Local Government Investment Pool, P. O. Box 198785, Nashville, Tennessee 37219-8785 (telephone (615) 532-1163).

The Employees' Retirement System Fund is additionally authorized to invest in U.S. Government Securities and corporate equity securities. Investments and non-cash equivalents in this Fiduciary Fund at June 30, 2012, are described below:

	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>
Government Bonds .....	\$ 3,114,586	\$ 3,114,586
Savings Certificates .....	892,390	892,390
Corporate Securities .....	15,996,608	15,996,608
Municipal Obligations .....	<u>1,083,300</u>	<u>1,083,300</u>
<b>Total Retirement System ...</b>	<b><u>\$ 21,086,884</u></b>	<b><u>\$ 21,086,884</u></b>

**Credit Risk – Employees' Retirement System Fund**

The credit quality rating of investments in debt securities – the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. A nationally recognized statistical rating organization assigns a rating. The City's investments in U.S. Agencies are rated Aaa, whereas the corporate securities investments are unrated. First Tennessee Bank is the investment agent for the Employees' Retirement System Fund. No separate audited GAAP-based benefit plan report is available for the defined benefit plan. Additional financial information regarding the Employees' Retirement System Fund is available from First Tennessee Bank, 4385 Poplar Avenue, Memphis, TN 38117.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. While the City has no formal policy to limit its interest rate risk, it manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term certificates of deposit and by timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide cash flow and liquidity needed for operations.

**Concentrations of Credit Risk**

The City places no limit on the amount the City may invest in any one issuer.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 – PROPERTY TAX:**

The City's property tax is levied each September 1st on the assessed value as listed by the County Assessor and is payable by each October 1st. Property taxes are delinquent after October 1st, and are recorded as such on June 30th. The assessed values are established by the County Assessment Board. The City's tax rate for the years ended June 30, 2012 and 2011 was 2.10 per \$100.00 of assessed value.

Property taxes levied for 2011 are recorded as receivables, net of estimated uncollectibles. The taxes collected during the fiscal year 2011-12 and expected to be collected in the subsequent sixty (60) days are recognized as revenues in the fiscal year ended June 30, 2012.

Property taxes for 2012 are recorded (estimated at \$8,907,792) as receivables, since the enforceable legal claim to the asset (2012 taxes) is effective as of January 1, 2012 (lien date) in accordance with the "Codification of Governmental Accounting and Financial Reporting Standards – Section No. 50.114."

**NOTE 5 – CAPITAL ASSETS:**

Fixed assets are stated at cost. Below is a summary of changes in Capital Fixed Assets and Accumulated Depreciation used in Governmental Activities:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer</u> <u>In (Out)</u>	<u>Balance</u> <u>June 30, 2012</u>
Non-depreciable assets:					
Land	\$ 1,765,732	\$ -	\$ -	\$ -	\$ 1,765,732
Depreciable assets:					
Parks & Greenway	3,088,971	551,878	-	-	3,640,849
Accumulated depreciation	<u>(613,150)</u>	<u>(125,319)</u>	<u>-</u>	<u>-</u>	<u>(738,469)</u>
	<u>2,475,821</u>	<u>426,559</u>	<u>-</u>	<u>-</u>	<u>2,902,380</u>
Buildings	29,621,681	51,224	-	-	29,672,905
Accumulated depreciation	<u>(9,196,656)</u>	<u>(606,186)</u>	<u>-</u>	<u>-</u>	<u>(9,802,842)</u>
	<u>20,425,025</u>	<u>(554,962)</u>	<u>-</u>	<u>-</u>	<u>19,870,063</u>
Swimming Pools	991,178	-	-	-	991,178
Accumulated depreciation	<u>(446,030)</u>	<u>(49,559)</u>	<u>-</u>	<u>-</u>	<u>(495,589)</u>
	<u>545,148</u>	<u>(49,559)</u>	<u>-</u>	<u>-</u>	<u>495,589</u>
Improvements other than buildings	38,666,568	679,394	(15,750)	-	39,330,212
Accumulated depreciation	<u>(18,150,040)</u>	<u>(1,510,024)</u>	<u>6,038</u>	<u>-</u>	<u>(19,654,026)</u>
	<u>20,516,528</u>	<u>(830,630)</u>	<u>(9,712)</u>	<u>-</u>	<u>19,676,186</u>
Equipment	7,808,375	283,773	(365,030)	-	7,727,118
Accumulated depreciation	<u>(4,969,836)</u>	<u>(581,321)</u>	<u>365,030</u>	<u>-</u>	<u>(5,186,127)</u>
	<u>2,838,539</u>	<u>(297,548)</u>	<u>-</u>	<u>-</u>	<u>2,540,991</u>
Construction in progress	<u>1,757,235</u>	<u>236,927</u>	<u>(1,540,241)</u>	<u>-</u>	<u>453,921</u>
Capital Lease Property:					
Civic Center	9,142,400	-	-	-	9,142,400
Communications Center	751,750	-	-	-	751,750
Other Capital leases	<u>298,299</u>	<u>402,528</u>	<u>-</u>	<u>-</u>	<u>700,827</u>
	<u>10,192,449</u>	<u>402,528</u>	<u>-</u>	<u>-</u>	<u>10,594,977</u>
<b>Capital Assets, net of</b>					
<b>Accumulated depreciation</b>	<b><u>\$ 60,516,477</u></b>	<b><u>\$ (666,685)</u></b>	<b><u>\$(1,549,953)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 58,299,839</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 – CAPITAL ASSETS (Continued):**

A summary of business type capital assets and accumulated depreciation is as follows:

**CAPITAL ASSETS:**

		<b>Non- Depreciable Land, Land Rights and Easements</b>	<b>Electric Distribution and Buildings</b>	<b>Electric Station Equipment and Improvements Other than Buildings</b>	<b>Equipment</b>	<b>Construction in Progress</b>	<b>Totals</b>
<b>ELECTRIC</b>	Balance 7-1-11	\$ 336,481	\$ 46,085,482	\$ 11,468,383	\$ 11,591,384	\$ 812,914	\$ 70,294,644
	Additions	-	1,799,782	-	128,848	-	1,928,630
	Retirements	-	(257,851)	-	(27,340)	(260,106)	(545,297)
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-12	<u>336,481</u>	<u>47,627,413</u>	<u>11,468,383</u>	<u>11,692,892</u>	<u>552,808</u>	<u>71,677,977</u>
<b>WATER</b>	Balance 7-1-11	1,020,097	19,053,933	17,090,947	16,050,265	-	53,215,242
	Additions	-	-	220,373	63,984	-	284,357
	Retirements	-	-	-	(42,717)	-	(42,717)
	Balance 6-30-12	<u>1,020,097</u>	<u>19,053,933</u>	<u>17,311,320</u>	<u>16,071,532</u>	<u>-</u>	<u>53,456,882</u>
<b>SEWER</b>	Balance 7-1-11	174,138	4,257,424	12,849,919	808,166	1,416,497	19,506,144
	Additions	-	109,057	2,091,322	92,600	3,649,756	5,942,735
	Retirements	-	-	-	(22,733)	-	(22,733)
	Balance 6-30-12	<u>174,138</u>	<u>4,366,481</u>	<u>14,941,241</u>	<u>878,033</u>	<u>5,066,253</u>	<u>25,426,146</u>
<b>LANDFILL</b>	Balance 7-1-11	640,851	4,735,975	-	2,506,974	5,839,312	13,723,112
	Additions	-	6,243,148	-	47,695	-	6,290,843
	Retirements	-	-	-	(61,500)	(5,839,312)	(5,900,812)
	Balance 6-30-12	<u>640,851</u>	<u>10,979,123</u>	<u>-</u>	<u>2,493,169</u>	<u>-</u>	<u>14,113,143</u>
<b>STORMWATER</b>	Balance 7-1-11	-	-	-	418,925	-	418,925
	Additions	-	-	-	126,739	-	126,739
	Retirements	-	-	-	-	-	-
	Balance 6-30-12	<u>-</u>	<u>-</u>	<u>-</u>	<u>545,664</u>	<u>-</u>	<u>545,664</u>
<b>TOTALS</b>		<b><u>\$ 2,171,567</u></b>	<b><u>\$ 82,026,950</u></b>	<b><u>\$ 43,720,944</u></b>	<b><u>\$ 31,681,290</u></b>	<b><u>\$ 5,619,061</u></b>	<b><u>\$ 165,219,812</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 – CAPITAL ASSETS (Continued):**

**ACCUMULATED DEPRECIATION:**

		<b>Land, Land Rights and Easements</b>	<b>Electric Distribution and Buildings</b>	<b>Electric Station Equipment and Improvements Other than Buildings</b>	<b>Equipment</b>	<b>Construction in Progress</b>	<b>Totals</b>
<b>ELECTRIC</b>	Balance 7-1-11	\$ -	\$ 15,405,036	\$ 5,639,165	\$ 3,345,754	\$ -	\$ 24,389,955
	Additions	-	1,619,779	347,359	403,183	-	2,370,321
	Retirements	-	(257,850)	-	(27,340)	-	(285,190)
	Removal Costs	-	(35,861)	-	6,352	-	(29,509)
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-12	<u>-</u>	<u>16,731,104</u>	<u>5,986,524</u>	<u>3,727,949</u>	<u>-</u>	<u>26,445,577</u>
<b>WATER</b>	Balance 7-1-11	-	1,938,983	4,971,959	4,480,275	-	11,391,217
	Additions	-	419,768	383,545	865,925	-	1,669,238
	Retirements	-	-	-	(42,717)	-	(42,717)
	Balance 6-30-12	<u>-</u>	<u>2,358,751</u>	<u>5,355,504</u>	<u>5,303,483</u>	<u>-</u>	<u>13,017,738</u>
<b>SEWER</b>	Balance 7-1-11	-	1,177,062	3,840,259	616,544	-	5,633,865
	Additions	-	115,428	311,286	54,288	-	481,002
	Retirements	-	-	-	(22,733)	-	(22,733)
	Balance 6-30-12	<u>-</u>	<u>1,292,490</u>	<u>4,151,545</u>	<u>648,099</u>	<u>-</u>	<u>6,092,134</u>
<b>LANDFILL</b>	Balance 7-1-11	-	4,362,174	-	1,706,983	-	6,069,157
	Additions	-	619,195	-	212,208	-	831,403
	Retirements	-	-	-	(61,500)	-	(61,500)
	Balance 6-30-12	<u>-</u>	<u>4,981,369</u>	<u>-</u>	<u>1,857,691</u>	<u>-</u>	<u>6,839,060</u>
<b>STORMWATER</b>	Balance 7-1-11	-	-	-	141,273	-	141,273
	Additions	-	-	-	49,912	-	49,912
	Retirements	-	-	-	-	-	-
	Balance 6-30-12	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,185</u>	<u>-</u>	<u>191,185</u>
	TOTALS	<u>-</u>	<u>25,363,714</u>	<u>15,493,573</u>	<u>11,728,407</u>	<u>-</u>	<u>52,585,694</u>
<b>NET CAPITAL ASSETS</b>		<u>\$ 2,171,567</u>	<u>\$ 56,663,236</u>	<u>\$ 28,227,371</u>	<u>\$ 19,952,883</u>	<u>\$ 5,619,061</u>	<u>\$ 112,634,118</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 – CAPITAL ASSETS (Continued):**

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

<b>Governmental activities:</b>	
General Government .....	\$ 210,734
Police .....	274,710
Fire .....	136,622
Recreation .....	245,160
Public works/streets .....	746,393
Solid waste .....	88,959
Education .....	1,022,128
Service center .....	147,703
<b>Total depreciation expense – governmental activities.....</b>	<b><u>\$ 2,872,409</u></b>
<b>Business – type activities:</b>	
Water and sewer.....	\$ 2,150,240
Electric .....	2,370,321
Landfill.....	831,403
Stormwater .....	49,912
<b>Total depreciation expense – business-type activities .....</b>	<b><u>\$ 5,401,876</u></b>

The City uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable fixed assets:

Class .....	
Building and Improvements .....	40-50 years
Machinery and equipment.....	4-10 years
Water and sewer systems .....	50 years
Infrastructure .....	20-50 years

**NOTE 6 – LONG-TERM LIABILITIES:**

A summary of changes in the Long-Term Debt is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retired</u> <u>Deletions</u>	<u>Total</u> <u>Balance</u> <u>June 30, 2012</u>	<u>Non-Current</u> <u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Balance</u>
<b>Governmental Activities:</b>						
General Obligation Bonds/ Revenue Bonds.....	\$ 46,625,000	\$ -	\$(1,760,000)	\$ 44,865,000	\$ 42,975,000	\$ 1,890,000
Compensated Absences .....	796,279	168,986	(56,207)	909,058	909,058	-
Capital Leases Payable.....	<u>10,192,449</u>	<u>402,528</u>	<u>(151,693)</u>	<u>10,443,284</u>	<u>10,206,515</u>	<u>236,769</u>
<b>Totals-Governmental Activities.....</b>	<b><u>\$ 57,613,728</u></b>	<b><u>\$ 571,514</u></b>	<b><u>\$(1,967,900)</u></b>	<b><u>\$ 56,217,342</u></b>	<b><u>\$ 54,090,573</u></b>	<b><u>\$ 2,126,769</u></b>
<b>Business-type Activities:</b>						
General Obligation Bonds/ Revenue Bonds.....	\$ 73,277,263	\$ 3,551,221	\$(1,737,476)	\$ 75,091,008	\$ 73,307,654	\$ 1,783,354
Compensated absences .....	890,563	987,988	(890,563)	987,988	299,866	688,122
Capital leases.....	409,718	-	(144,941)	264,777	135,961	128,816
Estimated liability for closure/ Post-closure care cost .....	<u>6,663,341</u>	<u>540,331</u>	<u>-</u>	<u>7,203,672</u>	<u>7,203,672</u>	<u>-</u>
<b>Totals-Business Type Activities.....</b>	<b><u>\$ 81,240,885</u></b>	<b><u>\$ 5,079,540</u></b>	<b><u>\$(2,772,980)</u></b>	<b><u>\$ 83,547,445</u></b>	<b><u>\$ 80,947,153</u></b>	<b><u>\$ 2,600,292</u></b>
<b>Totals-Governmental and Business-Type Activities .....</b>	<b><u>\$ 138,854,613</u></b>	<b><u>\$ 5,651,054</u></b>	<b><u>\$(4,740,880)</u></b>	<b><u>\$ 139,764,787</u></b>	<b><u>\$ 135,037,726</u></b>	<b><u>\$ 4,727,061</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 – LONG-TERM LIABILITIES (Continued):**

The following is a summary of bond and capital outlay note transactions of the City for the fiscal year ended June 30, 2012.

	<b><u>General Obligation Bonds</u></b>	<b><u>Revenue Bonds</u></b>	<b><u>Total</u></b>
Debt payable at July 1, 2011 .....	\$ 119,590,175	\$ 312,088	\$ 119,902,263
Debt retired.....	(3,325,000)	(172,476)	(3,497,476)
Debt refunded.....	-	-	-
Issued during fiscal year.....	<u>-</u>	<u>3,551,221</u>	<u>3,551,221</u>
<b>Debt Payable – June 30, 2012.....</b>	<b><u>\$ 116,265,175</u></b>	<b><u>\$ 3,690,833</u></b>	<b><u>\$ 119,956,008</u></b>

Bonds payable at June 30, 2012, are comprised of the following individual issues:

<b>General Obligation Bonds:</b>	<b><u>Total</u></b>	<b><u>Long-term Amount Outstanding</u></b>	<b><u>Current Amount Outstanding</u></b>
\$2,000,000 – 2006 Public Improvement Bonds due in annual installments of \$100,000 to \$200,000 through June 2021, variable interest .....	\$ 1,460,000	\$ 1,330,000	\$ 130,000
\$10,750,000 – General Obligation Bonds Series 2006 (taxable), due in annual installments of \$225,000 to \$900,000 through June 2026, variable interest.....	8,775,000	8,350,000	425,000
\$5,200,000 – 2008 Water and Sewer General Obligation Bonds, due in installments of \$50,000 (6-1-2014) to \$1,000,000 (6-1-2042), average interest at 4.74% .....	5,200,000	5,200,000	-
\$2,400,000 – 2008 General Obligation Bonds, due in installments of \$50,000 (6-1-2011) to \$400,000 (6-1-2036) average interest at 4.68% .....	2,300,000	2,250,000	50,000
\$3,000,000 – 2008 Local Government Public Improvement Bonds Series B-17-A due in installments of \$100,000 to \$230,000 through June 2028 variable interest .....	2,600,000	2,490,000	110,000
\$10,365,000 – 2008 Local Government Improvement Bonds, Series E-3-E, due in annual installments of \$155,000 to \$1,065,000 through June 2017, interest at 5% .....	6,265,000	5,445,000	820,000
\$77,370,000 – 2008 Local Government Improvement Bonds, Series E-5-B, due in annual installments of \$100,000 to \$2,090,000 through June 2042, variable interest .....	75,145,175	74,215,175	930,000
\$9,925,000 – 2010 Industrial Development Board of Blount County, TN, Civic Arts Center, due in annual installments of \$250,000 to \$565,000 through June 2036, interest at 4.5% .....	7,875,000	7,875,000	-

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 – LONG-TERM LIABILITIES (Continued):**

	<u>Total</u>	<u>Long-term Amount Outstanding</u>	<u>Current Amount Outstanding</u>
<b>General Obligation Bonds (Continued)</b>			
\$6,075,000 – 2009 Landfill General Obligation Bonds due in annual installments of \$300,000 to \$815,000 through June 2022, variable interest .....	5,525,000	5,265,000	260,000
\$1,390,000 – General Obligation Refunding Bonds, Series 2011, due in annual installments of \$270,000 to \$300,000 through June 2016, interest at 3%.....	1,120,000	860,000	260,000
<b>Revenue Bonds:</b>			
\$933,844 – 1997 State Revolving Funds – due in annual installments of \$49,865 to 41,900 through July 2012, interest at 3.06% .....	123,822	41,900	81,922
\$1,092,718 – 1997 State Revolving Funds – due in annual installments of \$62,670 to \$15,790 through August 2012, interest at 3.04% .....	15,790	-	15,790
\$4,064,166 – 2011 State Revolving Funds – due in annual installments of \$35,642 to \$207,313 through March 2033, interest at 3.4% .....	<u>3,551,221</u>	<u>3,515,579</u>	<u>35,642</u>
<b>Total Bonds Outstanding .....</b>	<b><u>\$ 119,956,008</u></b>	<b><u>\$ 116,837,654</u></b>	<b><u>\$ 3,118,354</u></b>

Total Bonds and Capital Outlay Notes Outstanding are classified in the financial statements as follows:

Proprietary Fund Types .....	\$ 75,091,008
Governmental Activities.....	44,865,000
Total Bonds Outstanding .....	<b><u>\$ 119,956,008</u></b>

The annual requirements to amortize all Bonds and Capital Outlay Notes outstanding as of June 30, 2012, including interest payments, are \$198,022,306 as follows:

<u>Fiscal Year Ending June 30<sup>th</sup></u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,673,354	\$ 5,309,335	\$ 8,982,689
2014	3,932,532	5,242,131	9,174,663
2015	4,320,662	5,061,894	9,382,556
2016	4,575,865	4,858,877	9,434,742
2017	<u>4,991,248</u>	<u>4,997,419</u>	<u>9,988,667</u>
Subtotal	<u>21,493,661</u>	<u>25,469,656</u>	<u>46,963,317</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 – LONG-TERM LIABILITIES (Continued):**

<b>Fiscal Year Ending June 30<sup>th</sup></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2018	5,206,816	4,764,226	9,971,042
2019	5,477,577	4,520,152	9,997,729
2020	5,753,537	4,259,403	10,012,940
2021	6,029,703	3,983,621	10,013,324
2022	<u>6,111,082</u>	<u>3,692,742</u>	<u>9,803,824</u>
Subtotal	<u>28,578,715</u>	<u>21,220,144</u>	<u>49,798,859</u>
2023	4,107,681	3,399,729	7,507,410
2024	4,279,507	3,197,001	7,476,508
2025	4,446,570	2,983,590	7,430,160
2026	4,633,877	2,761,733	7,395,610
2027	<u>4,156,436</u>	<u>2,530,336</u>	<u>6,686,772</u>
Subtotal	<u>21,624,071</u>	<u>14,872,389</u>	<u>36,496,460</u>
2028	4,309,255	2,329,516	6,638,771
2029	4,577,345	2,121,251	6,698,596
2030	4,830,715	1,903,196	6,733,911
2031	4,049,373	1,672,998	5,722,371
2032	<u>3,143,331</u>	<u>1,480,891</u>	<u>4,624,222</u>
Subtotal	<u>20,910,019</u>	<u>9,507,852</u>	<u>30,417,871</u>
2033	3,217,313	1,332,997	4,550,310
2034	3,195,000	1,184,600	4,379,600
2035	3,310,000	1,032,525	4,342,525
2036	3,515,000	875,050	4,390,050
2037	<u>2,155,000</u>	<u>707,825</u>	<u>2,862,825</u>
Subtotal	<u>15,392,313</u>	<u>5,132,997</u>	<u>20,525,310</u>
2038	2,260,000	604,575	2,864,575
2039	2,370,000	496,375	2,866,375
2040	2,490,000	382,500	2,872,500
2041	2,610,000	262,750	2,872,750
2042	<u>2,740,175</u>	<u>134,500</u>	<u>2,874,675</u>
Subtotal	<u>12,470,175</u>	<u>1,880,700</u>	<u>14,350,875</u>
Less: Unfunded Commitment	<u>(512,946)</u>	<u>(17,440)</u>	<u>(530,386)</u>
<b>Totals</b>	<b><u>\$ 119,956,008</u></b>	<b><u>\$ 78,066,298</u></b>	<b><u>\$ 198,022,306</u></b>

In the Electric Utility Fund, there are certain limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds.

**NOTE 7 – RETIREMENT COMMITMENTS:**

(1) **EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA:**

(A) **Plan Description**

The City of Alcoa Employees' Retirement System (the Plan) is a single-employer defined benefit pension plan that covers the employees of the City (except school employees) hired before May 18, 2000. Employees hired after May 18, 2000 can participate in the Tennessee Consolidated Retirement System (TCRS).

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(1) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

(A) Plan Description (Continued)

The Plan provides retirement benefits to plan members and their beneficiaries. Membership of the Plan consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits.....	160
Terminated plan members entitled to but not yet receiving benefits.....	31
Active plan members .....	<u>68</u>
Total .....	<u><u>259</u></u>
 Number of participating employers .....	 <u><u>1</u></u>

The entire cost of the Plan is funded by contributions made by the City of Alcoa, Tennessee. An actuarial determination of the financial requirements of the Plan is made every two years on July 1. For each fiscal year, the financial contribution for the Plan is included in the City's appropriation ordinance in accordance with the budgetary process. Administrative costs are financed through investment earnings. The Plan is managed by a Board of Trustees with the First Tennessee Bank, Memphis, Tennessee, as agent for the Trustees. The City has no beneficial interest in the trust fund and no funds are ever to revert to the City. A separate, audited GAAP-basis postemployment benefit plan report is not available for the defined benefit plan. An actuarial report for the financial contribution of the Plan is made every two years on July 1 and available, on request, at the City of Alcoa.

(B) Realized Gains and Losses Disclosed

Realized gains on investments for the year ended June 30, 2012, were \$563. The calculation of these gains is independent of the calculation of the net appreciation (depreciation) in the fair value of Plan investments, and unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in the net appreciation reported in the current year amounting to \$170,110.

(C) Summary of Significant Accounting Policies

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

(D) Valuation of Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates market. Securities traded on a national exchange are valued at the last reported sales price.

(E) Funded Status of the Plan

As of July 1, 2012, the most recent actuarial valuation date, the plan was 58% funded. The actuarial accrued liability for benefits was \$35.8 million, and the actuarial value of assets was \$20.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$15.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.8 million, and the ratio of the UAAL to the covered payroll was 402%.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(1) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

(E) Funded Status of the Plan (Continued)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Actuarial Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ 20,602	\$ 35,824	\$ 15,222	58%	\$ 3,788	402%
July 1, 2010	20,949	31,345	10,396	67%	4,224	246%
July 1, 2008	24,237	29,569	5,332	82%	4,163	128%
July 1, 2006	26,291	29,068	2,777	90%	4,163	67%
July 1, 2004	17,041	27,736	10,695	61%	4,173	256%
July 1, 2002	18,301	21,209	2,907	86%	4,247	68%
July 1, 2000	20,878	23,870	2,992	87%	4,828	62%
July 1, 1998	22,436	26,989	4,554	83%	8,220	55%
July 1, 1996	17,099	22,195	5,096	77%	7,208	71%

(F) Actuarial Methods and Assumptions

The funded status of the Plan presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The required contribution was determined as part of the July 1, 2012 actuarial valuation using the frozen entry age method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases of 2% annually to normal retirement, with adjustment for longevity and sick pay. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2012, was 9 years.

(G) ANNUAL PENSION COST AND NET PENSION OBLIGATION

The funding level below is calculated as the sum of the normal cost for the Plan year, plus amounts required to amortize the unfunded accrued liability as a percentage of payroll, plus an interest adjustment for payment of employer contributions into the Trust Fund approximately monthly for each Plan year. The contribution rate assumes amortization of unfunded actuarial liability over a 9-year period beginning July 1, 2012. The funding level determined by the City for the year ended June 30, 2012 is as follows:

Normal cost .....	\$ 166,412
Amortization payment (11 years remaining) .....	981,794
Interest at the valuation rate (8%) .....	45,928
Annual pension cost .....	1,194,134
Contributions made .....	<u>(860,971)</u>
Increase (decrease) in net pension obligation .....	333,163
Net pension obligation beginning of year .....	774,950
Net pension obligation end of year .....	<u><b>\$ 1,108,113</b></u>

The annual required contribution for the current year was determined by the City using the frozen entry age method. The amortization method used is level dollar of projected payroll on a closed basis. The actuarial assumptions include (1) Eight percent (8%) investment rate of return (net of administrative expenses), and (2) projected salary increases of two percent (2%) per year. Both (1) and (2) include an inflation component of 2.0%. The assumptions do not include any post-retirement benefit payments, which are currently funded and approved annually.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(1) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

(H) TREND INFORMATION

Six (6) year trend information is presented below:

Fiscal Year Ended <u>June 30,</u>	Annual Pension Cost (APC)	Percentage of Annual Pension Cost <u>Contributed</u>	Net Pension <u>Obligation</u>
2012	\$ 1,194,134	72.1%	\$ 1,108,113
2010	\$ 939,470	100.5%	\$ 441,594
2008	\$ 526,193	95.1%	\$ 25,746
2006	\$ 526,193	43.8%	\$ 2,777,435
2004	\$ 1,393,860	58.7%	\$ 10,694,723
2002	\$ 969,731	48.7%	\$ 2,907,449

(2) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:

(A) PLAN DESCRIPTION

Employees of the City of Alcoa 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, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Alcoa 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

(B) FUNDING POLICY

The City of Alcoa has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The City of Alcoa is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 15.76% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City of Alcoa is established and may be amended by the TCRS Board of Trustees.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(2) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

(C) ANNUAL PENSION COST

For the year ended June 30, 2012, the City of Alcoa’s annual pension cost of \$1,651,396 to TCRS was equal to the City of Alcoa’s required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City of Alcoa’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 11 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 1,651,396	100.00%	0.00
June 30, 2011	\$ 1,537,975	100.00%	0.00
June 30, 2010	\$ 1,405,216	100.00%	0.00
June 30, 2009	\$ 1,404,575	100.00%	0.00
June 30, 2008	\$ 1,425,562	100.00%	0.00
June 30, 2007	\$ 1,323,325	100.00%	0.00

(D) FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the plan was 82.32 percent funded. The actuarial accrued liability for benefits was \$25.37 million, and the actuarial value of assets was \$20.88 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.48 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.8 million, and the ratio of the UAAL to the covered payroll was 45.77 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(2) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

(D) FUNDED STATUS AND FUNDING PROGRESS (Continued)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/01/11	\$ 20,882	\$ 25,366	\$ 4,484	82.32%	\$ 9,796	45.77%
7/01/09	\$ 15,353	\$ 15,412	\$ 59	99.62%	\$ 9,692	0.61%
7/01/07	\$ 12,804	\$ 12,870	\$ 66	99.49%	\$ 8,668	0.76%

(3) ALCOA CITY SCHOOLS

(A) Plan Description

The Alcoa City Schools contribute 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 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

(B) FUNDING POLICY

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Alcoa City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 was 9.05 % of annual covered payroll. The employer contribution requirement for Alcoa City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2009 were \$756,777, \$751,670, and \$511,091, respectively, equal to the required contributions for each year.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(4) **DEFERRED COMPENSATION PLAN:**

The City of Alcoa, Tennessee offers its employees a deferred compensation plan known as the City of Alcoa Thrift Plan. The Plan, available to all city employees, permits them to defer a portion of their salary until future years. Contributions to the plan are optional. The deferred compensation is not available to employees until termination, retirement, or death. Investments in the plan are managed by SEI Private Trust Company through Wachovia Bank as sub-custodian.

The City of Alcoa Thrift Plan qualifies under Internal Revenue Section 457(g). The assets of the deferred compensation plan are held in trust (not available to the creditors of the City) and the City does not act as a fiduciary or administrator of the trust. The Plan administrator provides an annual valuation report to the City. The Plan assets totaled \$14,043,218 and \$13,973,598 as of June 30, 2012 and 2011, respectively.

The following is a summary of activity in the Plan for the year:

Asset balance at July 1, 2011 .....	\$ 13,973,598
Deferrals of compensation.....	556,899
Loan repayments/rollovers	119,539
Investment appreciation/depreciation.....	(126,986)
Withdrawals.....	(948,532)
Outstanding loan balances .....	<u>468,700</u>
 Asset balance at June 30, 2012.....	 <b><u>\$ 14,043,218</u></b>

(5) **OTHER POST-EMPLOYMENT BENEFITS:**

In addition to the pension benefits described above, the City of Alcoa provides post-retirement health care benefits to all employees who retire from the City. Currently 39 City retirees and 25 Education retirees meet the eligibility requirements.

**CITY OF ALCOA – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

(A) **BACKGROUND**

On July 1, 2008, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the City’s retiree health benefits. Historically, the City’s post retirement benefits were funded on a pay-as-you-go basis, but GASB 45 requires that the City accrue the cost of the retiree health subsidy and any other post-employment benefits during the period of the employees’ active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. The funding methodology mirrors the funding approach used for pension benefits.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(5) OTHER POST-EMPLOYMENT BENEFITS (Continued):

CITY OF ALCOA - POST RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued):

(B) PLAN DESCRIPTION

The City established a policy that provides medical insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in the self-insured plan provided by the City. The retiree can remain on the City plan from age 55 through age 65 by paying half of the coverage premium to the City.

At July 1, 2012 the date of the actuarial valuation, membership included:

	<u>Primary Government</u>
Retirees and beneficiaries receiving benefits .....	34
Terminated employees entitled to, but not yet receiving benefits .....	0
Active employees .....	273

(C) FUNDING POLICY

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City's annual required contribution, but does not require the funding of the related liability. The City has established an internal service fund where assets are set aside for payment of OPEB.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

(D) ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for June 30, 2012 is as follows:

Annual required contribution (ARC)	
for June 30, 2012	
Normal Cost .....	\$ 147,947
Interest on Net OPEB Obligation.....	6,781
Amortization of unfunded accrued liability .....	194,462
Annual OPEB Costs .....	349,190
Annual employer contributions .....	(224,157)
Increase (decrease) in net OPEB obligation.....	125,033
Net OPEB obligation – beginning of year.....	(205,290)
Net OPEB obligation – end of year.....	<b>\$ (80,257)</b>

(Continued)

**CITY OF ALCOA, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(5) OTHER POST-EMPLOYMENT BENEFITS (Continued):

CITY OF ALCOA - POST RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued):

(D) ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of the 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 employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the year ended June, 2012 (based on an actuarial as of July 1, 2012), the City's OPEB funding progress is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL(UAAL) (Funding Excess)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL (Funding Excess as a Percentage of Covered Payroll)</u>
7/01/10*	\$ -	4,187,184	4,187,184	0%	13,540,995	30.9%
7/01/11*	\$ -	4,231,148	4,231,148	0%	13,540,995	31.2%
7/01/12	\$ -	5,424,471	5,424,471	0%	12,441,103	43.6%

\* Information for the 2010-2011 fiscal years is based on results from an actuarial valuation that was performed as of July 1, 2010 and information for the 2012 fiscal year is based on an actuarial valuation as of July 1, 2012.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of evaluation. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(5) OTHER POST-EMPLOYMENT BENEFITS (Continued):

CITY OF ALCOA - POST RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued):

(E) ACTUARIAL METHOD AND ASSUMPTION

The ARC for fiscal year ended June 30, 2012 was determined as part of the July 1, 2012, actuarial valuation using the entry age normal method – a method under which the Actuarial Present Value of the Projected Benefits is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages.

Funding Investment Rate .....	4%
Medical Trend Rate .....	10% graded down to 6% after 8 years, and 6% thereafter
Inflation Rate Assumption .....	3%
Ultimate Trend Rate.....	5%
Actuarial Cost Method.....	Entry Age Normal
Annual Payroll Growth Rate.....	4.00%
Remaining amortization period at June 30, 2012 .....	27 years

(6) ALCOA CITY SCHOOLS – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(A) BACKGROUND

On July 1, 2008, the Alcoa Schools adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension*. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the School’s retiree health benefit subsidy. Historically, the School’s subsidy was funded on a pay-as-you-go basis, but GASB 45 requires that the Schools accrue the cost of the retiree health subsidy and any other post-employment benefits during the period of the employees’ active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Schools. The funding methodology mirrors the funding approach used for pension benefits.

(B) PLAN DESCRIPTION

The Schools maintain a policy that provides medical insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in the self-insured plan provided by the Schools.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(6) ALCOA CITY SCHOOLS – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)  
(Continued)

(C) FUNDING POLICY

At July 1, 2010 the date of the actuarial valuation, membership included:

	<u>Alcoa City Schools</u>
Retirees and beneficiaries receiving benefits .....	30
Terminated employees entitled to, but not yet receiving benefits .....	0
Active employees .....	163

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the School's annual required contribution, but does not require the funding of the related liability.

The School's annual OPEB cost (expense) is calculated based on the annual required contribution of the School (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

(D) ANNUAL OPEB COST AND NET OPEB OBLIGATION

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for June 30, 2012 is as follows:

Annual required contribution (ARC) for June 30, 2012 .....	\$ 182,546
Interest on net OPEB obligation .....	2,239
Adjustment on annual required contribution .....	(2,249)
Annual OPEB Costs .....	182,536
Annual employer contributions .....	(100,123)
Increase (decrease) in net OPEB obligation .....	82,413
Net OPEB obligation – beginning of year .....	55,974
Net OPEB obligation – end of year .....	<b>\$ 138,387</b>

Actuarial valuations of an ongoing plan involve estimates of the value of the 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 employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – RETIREMENT COMMITMENTS (Continued):**

(6) ALCOA CITY SCHOOLS – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)  
(Continued)

(D) ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)

For the year ended June, 2010, the School’s OPEB funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL(UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	UAAL (Funding Excess as a Percentage of Covered Payroll)
7/01/09*	\$ -	\$ 3,543,694	\$ 3,543,694	0%	\$ 8,128,471	43.6%
7/01/10	\$ -	\$ 1,786,267	\$ 1,786,267	0%	\$ 8,396,138	21.3%
7/01/11	\$ -	\$ 1,846,396	\$ 1,846,396	0%	\$ 8,396,138	22.0%
7/01/12	\$ -	\$ 1,799,973	\$ 1,799,973	0%	\$ 8,519,194	21.1%

\* Information for the 2009 fiscal year is based on results from an actuarial valuation that was performed as of July 1, 2010 and information for the 2010-2011 fiscal years is based on an actuarial performed as of July 1, 2010. Information for the 2012 fiscal year is based on an actuarial valuation performed as of July 1, 2012.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of evaluation. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(E) ACTUARIAL METHOD AND ASSUMPTION

The ARC for fiscal year ended June 30, 2012 was determined as part of the July 1, 2012 actuarial valuation using the entry age normal method – a method under which the Actuarial Present Value of the Projected Benefits is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages.

Significant assumptions used in the actuarial valuation include:

Investment Return Rate .....	4%
Medical Trend Rate .....	10% graded down to 6% over 8 years, and 6% thereafter
Inflation Assumption .....	3%
Ultimate Trend Rate.....	5%
Actuarial Cost Method.....	Entry Age Normal
Annual Payroll Growth Rate.....	3.00%
Remaining amortization period at June 30, 2012 .....	28 years

The actuarial value of the OPEB assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Any excess of these assets over actuarial accrued liability is amortized as a level percentage of projected payroll over an open 30 year period. The remaining amortization period is thirty years.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 8 – EMPLOYEE HEALTH INSURANCE, INTERNAL SERVICE FUND:**

The City of Alcoa, Tennessee has chosen to establish the Employees' Insurance Trust Fund for risks associated with the employee's health insurance plan. The Employees Insurance Trust is accounted for as an internal service fund where assets are set aside for claim settlements. The City retains the risk of loss to a limit of \$60,000 per specific loss. The City has obtained a stop/loss commercial insurance policy to cover claims beyond the \$60,000 per specific loss. The maximum liability approximates \$29.6 million for the year (based on 493 employees at a maximum of \$60,000 per employee).

All full-time employees of the primary government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This premium charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employees' Insurance Trust Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount.

Changes in the balance of claims liabilities during the past three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Beginning of</u> <u>Fiscal Year</u> <u>Liability</u>	<u>Current Year</u> <u>Claims</u>	<u>Liability</u> <u>Balance at</u> <u>Fiscal</u> <u>Year End</u>
2010	\$ 122,645	\$ 2,379,175	\$ 106,451
2011	106,451	2,703,271	67,086
2012	67,086	3,423,382	153,647

The City of Alcoa carries commercial insurance for all other risks of loss, including general liability, property and casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9 – CONTRACTS WITH THE TENNESSEE VALLEY AUTHORITY (TVA):**

The Electric Utility has a power contract with TVA whereby the Utility purchases all its electric power from TVA subject to certain restrictions and conditions. The restrictions and conditions include prohibitions against diverting Utility assets to other operations of the Municipality, securing indebtedness of other operations, or paying more than the Utility's equitable share of tax equivalents.

The Utility participates in TVA's Home Energy Conservation Program. TVA advances the funds from which the Utility disburses for approved customer home insulation and heat pumps. In event of customer default, the Utility does not have loss exposure.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 10 – JOINT VENTURES:**

In order to pool resources and share the costs, risks and rewards of providing services for the benefit of the general public, the City of Alcoa, Tennessee, participates (has an ongoing financial interest and financial responsibility) in the following joint ventures:

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee was organized pursuant to a resolution of the Blount County Quarterly Court in a special called session on September 30, 1969. A certificate of incorporation was received from the Secretary of State of the State of Tennessee dated October 1, 1969. The Industrial Development Board is governed by seven (7) directors. The purpose of the Industrial Development Board is to promote industrial development, provide additional job opportunities in Blount County, Tennessee and surrounding areas, and to exercise the authority and pursue the objectives of an industrial development corporation as provided for in Title 7, Chapter 53, of the Tennessee Code Annotated.

For the fiscal year ended June 30, 2012, the City of Alcoa contributed \$233,086 to the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (exclusive of payments in the amount of \$1,024,635 for the development and operation of three (3) industrial parks.

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2012 is presented below:

Industrial Development Board of Blount County and  
the Cities of Alcoa and Maryville, Tennessee (Summary)

Revenues .....	\$ 2,001,020
Expenditures .....	<u>(3,156,378)</u>
Excess of Expenditures Over Revenues.....	(1,155,358)
 Net Assets – July 1, 2011 .....	 <u>49,279,897</u>
Net Assets – June 30, 2012 .....	<u>\$ 48,124,539</u>
 Total Assets.....	 <u>\$ 76,248,196</u>
Total Liabilities .....	<u>\$ 28,123,657</u>
Net Assets .....	<u>\$ 48,124,539</u>

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee issues a publicly available report. A copy may be obtained by writing to Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, 201 S. Washington Street, Maryville, Tennessee 37804.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 10 – JOINT VENTURES:**

**BLOUNT COUNTY PUBLIC LIBRARY:**

The Blount County Public Library (a special revenue fund of Blount County, Tennessee) is funded jointly by Blount County, the City of Maryville, Tennessee, and the City of Alcoa, Tennessee, pursuant to an agreement entered into on effective date January 1, 1969, and continuing until any party shall furnish a six (6) months written notice to terminate its participation. Effective July 1, 1989, Blount County, Tennessee became the fiscal agent for the Library, a component unit of Blount County, Tennessee. Financial statements for the Blount County Public Library can be obtained by writing to Blount County Courthouse, 341 Court Street, Maryville, TN 37801.

For the fiscal year ended June 30, 2012, the City of Alcoa contributed \$179,904 to the Library. A summary of the Library's financial information as required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2012, is presented below:

Revenues .....	\$ 1,132,948
Other Sources – Operating Transfers .....	899,520
Expenditures .....	<u>(1,913,197)</u>
Excess of Revenues and Other Sources Over Expenditures .....	119,271
Fund Balance – July 1, 2011 .....	<u>1,027,744</u>
Fund Balance – June 30, 2012.....	<u>\$ 1,147,015</u>
Total Assets .....	<u>\$ 1,246,964</u>
Total Liabilities .....	<u>\$ 99,949</u>
Total Fund Balance .....	<u>\$ 1,147,015</u>

**EMERGENCY COMMUNICATIONS DISTRICT OF BLOUNT COUNTY, TENNESSEE**  
**(formerly Blount County Communications Center):**

Pursuant to agreement dated August 28, 1984, between Blount County, Tennessee, the City of Maryville, Tennessee, and the City of Alcoa, Tennessee, a Communications Center was established for the purpose of handling emergency calls for all three governmental units. The intergovernmental cooperative was known as the Blount County Communications Center, which has now merged with the Blount County Emergency Communications District, a component unit of Blount County, Tennessee. The District's Board is composed of nine directors, whom are appointed by the Blount County Board of County Commissioners. The City of Alcoa has control over budget and financing of the joint venture only to the extent of representation by the committee members and is responsible for funding 25% of operations. The City of Alcoa contributed \$151,065 to the District during the fiscal year ended June 30, 2012. Summary financial information as required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2012, is presented at the top of the next page:

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 11 – JOINT VENTURES (Continued):**

**EMERGENCY COMMUNICATIONS DISTRICT OF BLOUNT COUNTY, TENNESSEE**  
**(formerly Blount County Communications Center) (Continued):**

Operating Revenues.....	\$ 1,319,865
Operating Expenses.....	<u>(1,937,237)</u>
Operating Income (loss) .....	(617,372)
Non-Operating Revenues .....	<u>625,323</u>
Net Income .....	7,951
Net Assets – July 1, 2011 .....	<u>3,077,595</u>
Net Assets – June 30, 2012.....	<u>\$ 3,085,546</u>
Total Assets .....	<u>\$ 4,952,423</u>
Total Liabilities .....	<u>\$ 1,866,877</u>
Total Net Assets .....	<u>\$ 3,085,546</u>

The Emergency Communications District of Blount County issues a publicly available financial report. The financial statements can be obtained by writing the Emergency Communications District of Blount County at P. O. Box 4609, Maryville, TN 37802.

**BLOUNT COUNTY CABLE TELEVISION AUTHORITY:**

Blount County, the City of Maryville, and the City of Alcoa jointly regulate the operation of cable television through the Blount County Cable Television Authority. The Authority is composed of nine members, three of whom are appointed by the City of Alcoa Commission. The remaining six members are appointed by the County and the City of Maryville. The City of Alcoa has control over budget and financing of the joint venture only to the extent of representation by the three board members appointed. The Authority funds its budget through the collection of cable television franchise fees from companies under its jurisdiction. After payment of the Authority's expenses, the residual of those collections is remitted to the county and the two cities based on point of collection.

Alcoa's share for the year ended June 30, 2012, amounted to \$75,894. Summary financial information required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2012, is presented below:

Revenues .....	\$ 920,263
Expenditures.....	<u>(26,081)</u>
Excess of Revenues Over Expenditures Before Franchise	
Fee Distributions .....	894,182
Franchise Fee Distributions to County and Cities.....	<u>(895,161)</u>
Excess (Deficiency) of Revenues Over Expenditures .....	(979)
Fund Balance – July 1, 2011 .....	<u>20,550</u>
Fund Balance – June 30, 2012.....	<u>\$ 19,571</u>
Total Assets.....	<u>\$ 227,548</u>
Total Liabilities .....	<u>\$ 207,977</u>
Total Fund Balance .....	<u>\$ 19,571</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 10 – JOINT VENTURES (Continued):**

**BLOUNT COUNTY CABLE TELEVISION AUTHORITY (Continued)**

No joint venture debt was reported on the financial statements of the Cable Television Authority as of June 30, 2012. Publically available financial statements can be obtained by writing to the Blount County Cable Television Authority, P. O. Box 4338, Maryville, TN 37802.

**RECREATION AND PARKS COMMISSION:**

Blount County, the City of Maryville, and the City of Alcoa jointly operate a recreation and parks system through a joint Recreation and Parks Commission. The Commission is composed of seven members, two of whom are appointed by the City of Alcoa Commission. Two members each are appointed by the County and the City of Maryville and one member is appointed by the joint commission. The City of Alcoa has control over budget and financing of the Commission only to the extent of representation by the two board members appointed. Contributions toward operations are provided annually by the county and the cities based on a per capita cost sharing formula. The City of Alcoa contributed \$446,470 to the operations of the Commission during the fiscal year ended June 30, 2012, and expended an additional \$44,058 for recreation and parks improvements. For the year ended June 30, 2011, the City contributed \$446,470 for Commission operations and \$19,080 for park improvements.

Summary financial information required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2012, is presented below.

Revenues.....	\$ 2,629,449
Expenditures .....	<u>(2,562,126)</u>
Excess of Revenues Over Expenditures .....	67,323
Fund Balance – July 1, 2011.....	<u>1,161,115</u>
Fund Balance – June 30, 2012 .....	<u>\$ 1,228,438</u>
Total Assets .....	<u>\$ 1,487,205</u>
Total Liabilities .....	<u>\$ 258,767</u>
Total Fund Balance.....	<u>\$ 1,228,438</u>

Complete publically available financial statements are available by writing the office of the Recreation and Parks Commission at 316 Everett High School Road, Maryville, TN 37801.

(Continued)

**CITY OF ALCOA, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 10 – JOINT VENTURES (Continued):**

**RECREATION AND PARKS COMMISSION** (Continued)

Bonds issued by Blount County, Tennessee on behalf of the Recreation and Parks Commission for the construction of a new Senior Citizen Center totaled \$1,325,000. The City of Alcoa's share (10%) is as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$ 9,500	\$ 3,225	\$ 12,725
2014	10,000	2,750	12,750
2015	10,500	2,250	12,750
2016	11,000	1,725	12,725
2017	<u>11,500</u>	<u>1,175</u>	<u>12,675</u>
Subtotal	<u>52,500</u>	<u>11,125</u>	<u>63,625</u>
2018	<u>12,000</u>	<u>600</u>	<u>12,600</u>
<b>Total</b>	<b><u>\$ 64,500</u></b>	<b><u>\$ 11,725</u></b>	<b><u>\$ 76,225</u></b>

**JOINT DEVELOPMENT OF INDUSTRIAL PARKS:**

**PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH:**

Pursuant to an Intergovernmental Agreement dated December 16, 1997, between the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, and the Industrial Development Board of Blount County, Tennessee, the two (2) cities and Blount County agreed to provide financial assistance to the Industrial Development Board and Blount County, Tennessee in connection with the purchase of certain property and the development and operation of such property as two (2) industrial parks. Such financial assistance is to be provided as follows: Blount County – forty percent (40%); City of Maryville – thirty percent (30%); and City of Alcoa – thirty percent (30%).

Bonds issued by the Industrial Board and Blount County, Tennessee for the projects total \$7,915,000. The City of Alcoa's share is as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b>2012</b>	<b><u>\$ 81,000</u></b>	<b><u>\$ 5,000</u></b>	<b><u>\$ 86,000</u></b>

Under the terms of the Agreement, a Joint Operating Committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the two (2) industrial parks – the Partnership Park South (Herron property) and the Partnership Park North (Burkhart property). Such overall control shall include the right to approve all sales of the property in the Industrial Parks; approve all budgets related to the operation of the Industrial Parks; approve all capital improvements to the Industrial Parks; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Parks.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 10 – JOINT VENTURES (Continued):**

JOINT DEVELOPMENT OF INDUSTRIAL PARKS (Continued):

PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH (Continued):

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, and Blount County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Parks together with other receipts in connection with the operation, development, and maintenance of the Industrial Parks. Also, amounts equivalent to the property taxes received with respect to any property within either of the Industrial Parks is to be contributed to the Industrial Board.

THE PELLISSIPPI RESEARCH CENTRE ON THE OAK RIDGE CORRIDOR:

Pursuant to an Intergovernmental Cooperation Agreement dated May 2006, by and among the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, Knox County, Tennessee, and the Industrial Development Board of Blount County, Tennessee, the two (2) cities and two (2) counties agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as a research and development industrial park. Such financial assistance is to be provided as follows: Blount County – twenty-five percent (25%); Knox County – twenty-five percent (25%); City of Maryville – twenty-five percent (25%); and City of Alcoa – twenty-five percent (25%).

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the industrial park. Such overall control shall include the right to approve all sales of property in the Industrial park; approve all budgets related to the operation of the Industrial Park; approve all capital improvements to the Industrial Park; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Park.

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, Blount County and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Park together with other receipts in connection with the operation, development, and maintenance of the Industrial Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon the above percentages.

The City's funding pursuant to this agreement is \$5,000,000 which is complete at June 30, 2012.

An agreement between the City of Alcoa Utilities (AUB) and the City of Maryville Utilities (MUB) provides for MUB to treat wastewater from AUB. During the current year, AUB paid MUB \$2,281,325 in operating costs for the year ended June 30, 2012 (June 30, 2011 amount paid \$2,110,539).

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 11 –LANDFILL OPERATIONS:**

(A) SOLID WASTE AUTHORITY:

In accordance with the Solid Waste Management Act of 1989, the Solid Waste Authority was established. The Authority's eleven members, appointed by the Blount County Executive and the Mayors of Maryville and Alcoa, are comprised of the following representatives:

City of Alcoa .....	2
City of Maryville .....	2
Blount County .....	3
Citizens-At-Large .....	2
Private Hauler.....	1
Industrial.....	1

Expenditures of the Authority for management and a solid waste plan are paid by the City of Alcoa Landfill Fund and amounted to \$95,930 and \$92,942 for the years ended June 30, 2012 and June 30, 2011, respectively.

(B) LANDFILL CLOSURE AND POSTCLOSURE CARE:

Blount County, Tennessee and the Cities of Maryville and Alcoa are currently being served by one landfill area operated by the City of Alcoa. The existing landfill (Phase I) began operations in 1974, and was expanded in July 1986 and in April 1991. The original design and both expansions were based on a variation of an area landfill using the trench method to develop refuse filled cells.

State and Federal laws and regulations require the Landfill to place a final cover on its Phase I site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after the closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste (including Phase II in 1996 through Phase IV which will all interface with the existing Phase I Landfill), the Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7,203,672 reported as restricted cash and landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of twenty-six (26%) percent of the estimated capacity of the Landfill. The Landfill will recognize the cost of closure and postclosure care of \$6.4 million as the remaining estimated capacity is filled. The amounts are based on what it would cost to perform all closure and postclosure care in 2012. The Landfill expects to close the Landfill site in 2028. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 12 – ECONOMIC DEPENDENCY (ALUMINUM COMPANY OF AMERICA):**

The Aluminum Company of America (ALCOA) provides the City of Alcoa with substantial property tax revenues, approximately 21%. Nine additional entities provide an additional 10% in property tax revenues.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 13 – REFUNDING OF DEBT:**

**REFUNDING:**

During the prior year, the City of Alcoa issued \$87,735,000 of fixed rate Local Government Improvement Bonds to provide resources for the current refunding of ten (10) General Obligation and Revenue Bonds. The purpose of these transactions was to reduce the City's exposure to interest rate volatility in the insured bond market. As a result, the refunding bonds were redeemed, and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$701,880. This amount was netted against the new debt and amortized over the remaining life of the refunded debt. The City's financial advisors were not able to determine the cumulative savings or economic gain from the refunding transactions due to the variable rate debt instruments involved.

**(A) GENERAL OBLIGATION REFUNDING BONDS – SERIES 2002:**

In 2002, the City of Alcoa issued General Obligation Refunding Bonds, Series 2002 amounting to \$1,545,000. The purpose of the bonds was to reduce debt service payable by the City over the term of the bonds by taking advantage favorable conditions in the municipal bond market, thereby effecting a cost savings to the public. The Refunding Bonds were issued to refund Series 1996 Bonds General Obligation Public Works Bonds of \$5,610,000, exclusive of \$745,000 of the Series 1996 Bonds (non-refunded) maturing on April 1, 2003 (\$365,000) and April 1, 2004 (\$380,000). The 2002 Refunding Bonds (\$1,545,000) mature serially in amounts ranging from \$10,000 on April 1, 2003 to \$105,000 on April 1, 2016. Average coupon interest rate is 4.1%.

**(B) WATER AND SEWER REVENUE AND TAX REFUNDING BONDS – SERIES 2002:**

In 2002, the City of Alcoa issued Water and Sewer and Tax Refunding Bonds, Series 2002 amounting to \$2,865,000. The purpose of the bonds was to reduce debt service payable by the City over the term of the bonds by taking advantage of favorable conditions in the municipal bond market, thereby effecting a cost savings to the public. The Refunding Bonds were issued to refund 2 bonds: (1) Series 1996 General Obligation Public Works Bonds of \$5,610,000, exclusive of \$745,000 of the Series 1996 Bonds (non-refunded) maturing on April 1, 2003 (\$365,000) and April 1, 2004 (\$380,000) and (2) Series 1993 Water and Sewer Revenue Tax Refunding Bonds of \$2,570,000. The 2002 Refunding Bonds (\$2,865,000) mature serially in amounts ranging from \$200,000 on April 1, 2003 to \$205,000 on April 1, 2016. Average coupon interest rate is 4.18%.

**(C) INTEREST RATE SWAP AGREEMENTS:**

In 2003, the City of Alcoa executed interest rate swap agreements with the Public Building Authorities of Blount County and Sevier County. The purpose is to swap a variable rate exposure to a fixed rate.

Under the agreements, the Public Building Authorities and the City entered into interest rate swap agreements for all of the outstanding Local Government Improvement Bonds, Series IV-B-5 and A-1-C. Based on the loan agreements and swap agreements, the City owes interest at an effective fixed rate of 4.72% and 4.70%, respectively. In return, the counterparty owes the City interest based on a variable rate that is calculated at 70% of the 3-month LIBOR (London InterBank Offered Rate). Only the net difference in interest payments is actually exchanged with the counterparty. The bond principal is not exchanged; it is used as the basis on which the interest payments are calculated.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 14 – FUND BALANCES:**

(A) FUND BALANCES:

At June 30, 2012, fund balances are as follows:

	<b>Fund Balance Summary</b>					<b>Sub-totals</b>	<b>Description</b>
	<b>Major Governmental Funds</b>						
	<b>General Fund</b>	<b>General Purpose School Fund</b>	<b>Debt Service Fund</b>	<b>School Construction And Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>		
NONSPENDABLE							
Prepays	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ 72	Nonspendable
RESTRICTED TO:							
General Fund	180,786	-	-	-	-	-	
Education	-	41,988	-	-	-	-	
Streets and Roads	-	-	-	-	348,512	-	
Vehicle enforcement	-	-	-	-	15,601	-	
Drug enforcement	-	-	-	-	80,698	-	
Public Works							
Construction	-	-	-	-	1,862,096	-	
Landscaping	-	-	-	-	130,072	-	
Capital projects	-	-	-	-	55,019	2,714,772	Restricted
COMMITTED TO:							
Education Construction	-	-	-	500,000	-	500,000	Committed
ASSIGNED TO:							
Education	-	1,096,989	-	-	-	-	
Education – Cafeteria	-	-	-	-	99,025	-	
Education -							
Extended Day	-	-	-	-	61,051	-	
Debt Service	-	-	94,697	-	-	-	
School Construction	-	-	-	434,986	-	-	
Special Assessment	-	-	-	-	8,878	-	
2001 Special projects	-	-	-	-	345,664	-	
Equipment replacement	-	-	-	-	290,786	-	
Bessie Harvey							
Memorial	-	-	-	-	1,968	-	
Landscaping	-	-	-	-	7,745	2,441,789	Assigned
UNASSIGNED	<u>2,336,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,574)</u>	<u>2,260,187</u>	Unassigned
<b>Totals</b>	<b><u>\$ 2,517,547</u></b>	<b><u>\$ 1,138,977</u></b>	<b><u>\$ 94,697</u></b>	<b><u>\$ 934,986</u></b>	<b><u>\$ 3,230,613</u></b>	<b><u>\$ 7,916,820</u></b>	

(B) CHANGES IN PROPRIETARY FUNDS' NET ASSETS:

	<b>Governmental Activities Internal Service Funds</b>	<b>Enterprise Funds</b>				<b>Total</b>
	<b>Stormwater Utility</b>	<b>Water and Sewer Utility</b>	<b>Electric Utility</b>	<b>Landfill</b>		
Net Assets – Beginning	\$ 1,269,986	\$ 1,021,461	\$ 17,933,097	\$ 31,646,463	\$ 2,573,467	\$ 53,174,488
Net Income (Loss)	<u>(203,182)</u>	<u>25,909</u>	<u>1,174,366</u>	<u>2,555,527</u>	<u>462,257</u>	<u>4,218,059</u>
<b>Net Assets - Ending</b>	<b><u>\$ 1,066,804</u></b>	<b><u>\$ 1,047,370</u></b>	<b><u>\$ 19,107,463</u></b>	<b><u>\$ 34,201,990</u></b>	<b><u>\$ 3,035,724</u></b>	<b><u>\$ 57,392,547</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 15 – COMMITMENTS:**

(A) CAPITAL LEASES:

The City has acquired equipment for which it is obligated under certain leases accounted for as capital leases. The leased assets and related obligations at June 30, 2012 are as follows:

<b>Assets Recorded Under Capital Leases</b>	<b>Terms</b>	<b>Total Lease Amount</b>	<b>Total Interest/ Interest Rate</b>	<b>Balance of lease Obligation at June 30, 2012</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Fund:				
Civic Center Capital Lease .....		\$ 9,142,400 (1)		\$ 9,142,400
Communication Equipment .....		751,750 (2)	\$ 173,706/2.30%	689,053
SunTrust Equipment – Mack Truck.....	60 mos.	200,761	11,957/2.30%	149,459
First Source – Peterson TL3 .....	60 mos.	91,313	12,229/5.06%	-
First Commerce Bank – Freightliner M2.....	60 mos.	159,729	20,199/4.28%	59,844
SunTrust Equipment – Police cruisers & SUVs ...	36 mos.	402,528	12,448/1.88%	402,528
Subtotal .....		<u>\$ 10,748,481</u>		<u>1,300,884</u>
Total Capital Leases – Governmental Funds .....				
				<u>\$ 10,443,284</u>
Enterprise Funds:				
Stormwater Utility Fund:				
Stormwater Vacuum Truck.....	60 mos.	\$ 259,222	23,827/3.41%	\$ 135,109
Landfill Fund:				
Case 580 Super M Series 3 Loader/Exthoe .....	36 mos.	80,344	3,478/3.12%	6,931
CAT 9630 Track Loader.....	36 mos.	205,600	11,283/3.50%	122,737
Total Enterprise Funds .....		<u>\$ 545,166</u>		<u>\$ 264,777</u>

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2012:

<b>Fiscal Year Ending June 30,</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
2013	\$ 236,769	\$ 128,816	\$ 365,585
2014	268,058	108,014	376,072
2015	247,911	27,947	275,858
2016	135,799	-	135,799
2017	76,176	-	76,176
2018 - 2021	<u>336,171</u>	<u>-</u>	<u>336,171</u>
Minimum lease payments for all capital leases except Civic Arts Center (1).....	1,300,884	264,777	1,565,661
Less: Amount representing interest at City's incremental borrowing rate of interest.....	<u>(39,026)</u>	<u>(7,943)</u>	<u>(46,969)</u>
Present Value of Minimum Lease Payments.....	<u>\$ 1,261,858</u>	<u>\$ 256,834</u>	<u>\$ 1,518,692</u>

(1) See Note 15 – (E) (1) Civic Arts Center  
(2) See Note 15 – (E) (2) Communication Equipment

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 15 – COMMITMENTS (Continued):**

(B) COMMITTED CONSTRUCTION:

As of June 30, 2012, the City of Alcoa, Tennessee, had the following commitments with respect to unfinished construction in progress:

<u>Project Name</u>	<u>Total Contract or Estimated Amount</u>	<u>Costs Incurred through June 30, 2012</u>	<u>Estimated Cost to Complete</u>
Hall Road/South Plant Turn Lane .....	\$ 60,000	\$ 11,000	\$ 49,000
Alcoa High School Study .....	788,950	442,921	346,029
Overlook Reservoirs Replacement (1) .....	5,500,000	4,834,035	665,965
Old Knoxville Highway/Pellissippi Place W/S replacement .....	550,000	232,217	317,783
Electric Utility: Voltage and substation improvements, and line extensions .....	<u>779,459</u>	<u>552,808</u>	<u>226,651</u>
<b>Totals .....</b>	<b><u>\$ 7,678,409</u></b>	<b><u>\$ 6,072,981</u></b>	<b><u>\$ 1,605,428</u></b>

(1) State Revolving Fund Loan/ARRA

(C) SPRINGBROOK CORPORATE CENTER:

In August 1993, the City foreclosed on the Springbrook Corporate Center property, under terms of a prior 1992 settlement agreement approved by the U.S. Bankruptcy Court (re: City of Alcoa vs. United Tri-Tech, Inc.). All property in the Center has been sold except for a lake and commons area, and property for joining of the Greenbelt Park with the City of Maryville.

(D) RESEARCH AND DEVELOPMENT INDUSTRIAL PARK:

Pursuant to an Intergovernmental Cooperation Agreement dated May 2006, by and among the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, Knox County, Tennessee, and the Industrial Development Board of Blount County, Tennessee, the two (2) cities and two (2) counties agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as a research and development industrial park. Such financial assistance is to be provided as follows: Blount County – twenty-five percent (25%); Knox County – twenty-five percent (25%), City of Maryville – twenty-five percent (25%); City of Alcoa – twenty-five percent (25%).

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the industrial park. Such overall control shall include the right to approve all sales of property in the Industrial Park; approve all budgets related to the operation of the Industrial Park; and approve all guidelines, restrictive covenants, and management policies regarding the Industrial Park.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 15 – COMMITMENTS (Continued):**

(D) RESEARCH AND DEVELOPMENT INDUSTRIAL PARK (Continued):

In addition to the financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, Blount County, and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon an equal share of 25% each.

The City's funding pursuant to this agreement was \$5,000,000.

(E) CAPITAL LEASE – OBLIGATION:

(1) Civic Arts Center (Note 16-(A))

In May 2006 the City Commission adopted a resolution authorizing the execution of a lease agreement with respect to a Civic Arts Center to be constructed on the campus of Maryville College; approving the issuance of bonds by the Industrial Development Board of Blount County to finance such Civic Arts Center; consenting to the assignment of the City's obligation under the lease agreement; and such other matters with respect to the Civic Arts Center.

The City approved the Industrial Board's issuance of bonds, not to exceed \$33,685,000, for the construction of the Civic Arts Center. The resolution also authorized the City to levy and collect a direct annual tax sufficient with any other funds available and pledged to pay the rental payments due under the lease. The lease obligates the City to pay annually an amount not to exceed 28.57% of the rental payment due, which rental payments shall be an amount equal to a percentage of the principal and interest on the Bonds, approved under the resolution.

The Industrial Board entered into a fifty (50) year lease with Maryville College to lease the land on which the Civic Arts Center is to be constructed. At the end of the fifty year lease, the Civic Arts Center becomes the property of Maryville College.

Bonds in the amount of \$32,000,000 were issued by the Industrial Board on December 14, 2006.

Maryville College has committed a total of \$18,000,000 toward the debt service of the bonds. Any amounts paid will reduce the City of Alcoa's obligation under the lease. If Maryville College fulfills its commitment, the City's Lease Obligation would be reduced by \$5,142,600.

Interest Rate Risk – As the bonds bear interest at a variable rate, and the lease payments are an amount equal to the total debt service, including interest, the City has risk associated with changes in interest rates. A rate of 4.5% has been used to determine the above obligations under the lease. The City has purchased insurance to protect the bond holders in the event the City defaults on its lease obligations, including defaults as a result in changes in the interest rate.

The following presents a summary of the City's Civic Arts Center Capital Lease commitment as of June 30, 2012:

<b>Present Value of Minimum Lease Payments</b>	<b><u>Interest</u></b>	<b>Total Minimum Lease Payments</b>
<b><u>\$ 9,142,400</u></b>	<b><u>\$ 6,213,260</u></b>	<b><u>\$ 15,355,660</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 15 – COMMITMENTS (Continued):**

(E) CAPITAL LEASE – OBLIGATIONS (Continued):

(1) Civic Arts Center (Continued)

Maryville College has committed a total of \$18,000,000 toward the debt service of the bonds. Any amounts paid will reduce the City of Alcoa's obligation under the lease. If Maryville College fulfills its commitment, the City's lease obligation would be reduced by \$5,142,600.

Interest Rate Risk – As the bonds bear interest at a variable rate, and the lease payments are an amount equal to the total debt service, including interest, the City has risk associated with changes in interest rates. A rate of 4.5% has been used to determine the above obligations on the lease. The City has purchased insurance to protect the bond holders in the event the City defaults on its lease obligations, including defaults as a result in changes in the interest rate.

(2) Communications Center Equipment

On August 3, 2010, and subsequently modified on October 21, 2010, the City entered into an inter-governmental agreement with Blount County, Tennessee, and the City of Maryville, Tennessee to acquire certain emergency communications equipment. Under the terms of the agreement, Blount County, Tennessee is the Lessee of the equipment. In turn, the County subleased to the cities of Alcoa and Maryville their prorate share of the equipment. The terms of the agreement require the City to make lease payments totaling \$751,750, plus interest at 3.97%. Title to the equipment will transfer to each governmental entity based upon its share of the actual equipment acquired.

<b><u>Present Value of Minimum Lease Payments</u></b>	<b><u>Interest</u></b>	<b><u>Communication Equipment: Total Minimum Lease Payments</u></b>
<b><u>\$ 751,750</u></b>	<b><u>\$ 173,706</u></b>	<b><u>\$ 925,456</u></b>

These total minimum lease payments are payable as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Civic Center</u></b>	<b><u>Communication Equipment</u></b>
2013	\$ 605,100	\$ 65,191
2014	610,650	67,779
2015	605,525	70,470
2016	605,175	73,267
2017	604,375	76,176
Subtotal	<u>3,030,825</u>	<u>352,883</u>
2018 – 2022	3,027,100	336,170
2023 – 2027	3,029,075	-
2028 – 2032	3,032,625	-
2033 – 2037	3,236,035	-
Subtotal	<u>12,324,835</u>	<u>336,170</u>
<b>Total</b>	<b><u>\$ 15,355,660</u></b>	<b><u>\$ 689,053</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 16 – LITIGATION:**

There are several pending lawsuits in which the City is involved. Information provided by attorneys for the City indicates that potential claims against the City resulting from such litigation which are not covered by insurance would not materially affect the financial statements of the City.

**NOTE 17 – RISK FINANCING ACTIVITIES:**

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and workers compensation. Settled claims have not exceeded this commercial coverage in the last three (3) years.

The City’s Electric Department has started the process for building a new electric substation to relieve the load on the Wildwood Substation. Expected completion would be December 2013 for the substation and four miles of transmission lines. Estimated cost is \$3.5 million to \$4.5 million.

The City maintains its funds with financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must be equal to at least one hundred five percent (105%) of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Under this assessment agreement, public funds accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

**NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE:**

For the year ended June 30, 2011, the City implemented Statement No. 54 of the Governmental Accounting Standards Board, which resulted in one of the City’s special revenue funds no longer meeting the definition of a special revenue fund. As a result, the Solid Waste Sanitation Fund is now reported as part of the General Fund. The beginning fund balances have been restated as follows:

	<b><u>General Fund</u></b>	<b><u>Solid Waste Sanitation Fund</u></b>
Fund Balance, July 1, 2010		
as previously reported .....	\$ 2,409,019	\$ 103,231
Adjustment .....	<u>103,231</u>	<u>(103,231)</u>
<b>Fund Balance, July 1, 2010</b>		
<b>as restated.....</b>	<b><u>\$ 2,512,250</u></b>	<b><u>\$ -</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 19 – CALCULATION OF INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**  
**(GOVERNMENTAL FUNDS):**

The following items are used in the calculation of invested in capital assets, net of related debt as follows in the Statement of Net Assets:

	<b><u>Governmental Activities Invested In Capital Assets, Net of Related Debt</u></b>
Total Capital Assets .....	\$ 58,299,839
Long-Term Debt .....	(56,217,342)
Items in Long-Term Debt:	
Add – compensated absences.....	909,058
Debt – noncapital related pension funding.....	6,265,000
Civic Center debt .....	7,875,000
<b>June 30, 2012 .....</b>	<b>\$ 17,131,555</b>

**NOTE 20 – SUBSEQUENT EVENTS:**

The City’s Water Department is in the process of replacing two in-ground water tanks. One was built in 1920 and the other 1942. The total project estimate is approximately \$5.8 million. The City has been approved for a \$5.0 million loan through the Drinking Water State Revolving Fund (DWSRF) Loan Program of the State of Tennessee with a 20% Principal Forgiveness 2010 EPA Capitalization Grant that will make this a Principal loan of \$4.0 million. The additional \$800,000 will come from local funds.

The City’s Electric Department has started the process for building a new electric substation to relieve the load on the Wildwood Substation. Expected completion would be December 2013 for the substation and four miles of transmission lines. Estimated cost is \$3.5 million to \$4.5 million.

On June 5, 2012, the Cities of Maryville and Alcoa entered into an interlocal agreement to establish centralized traffic operations. The joint effort will manage in a collaborative way the combined traffic signal system of the two cities, including oversight, operations, design, timing, and maintenance.

Beginning with the budget effective July 1, 2012, the two cities have appropriated joint funding based on the percentage of intersections controlled by traffic signals located within each city. Funding shall be reviewed annually and may be adjusted according to the number of each city’s signalized street intersections and may be expanded to include other traffic control functions. The budget for the fiscal year ending June 30, 2013 for Centralized Traffic Operations is \$62,399, of which 63% is funded by the City of Maryville, and 37% by the City of Alcoa.

In July, 2012 the Alcoa Commissioners approved an ordinance to appropriate funding of \$5,020,000 for the local interstate connector (LIC) to help facilitate development of the former west plant site of the Aluminum Company of America.

In August, 2012, the Board of Commissioners of the City passed a resolution authorizing the issuance of the City of Alcoa General Obligation Bonds Series 2012 not to exceed thirty million dollars.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 20 – SUBSEQUENT EVENTS (Continued):**

An ordinance and taxpayer referendum vote approved a local sales tax rate increase of .25% to be used for funding the proposed building of a new Alcoa High School.

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is January 30, 2012, which is the date on which the financial statements were issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALCOA, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2012**

**SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF ALCOA, TENNESSEE  
(TN Consolidated Retirement System):**

(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, 2011	\$ 20,882	\$ 25,366	\$ 4,484	82.32%	\$ 9,796	45.77%
July 1, 2009	\$ 15,353	\$ 15,412	\$ 59	99.62%	\$ 9,692	0.61%
July 1, 2007	\$ 12,804	\$ 12,870	\$ 66	99.49%	\$ 8,668	0.76%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year of the 2007 actuarial valuation date and therefore only the three most current years are presented.

Schedule of employer contributions:

Years Ended June 30,	Annual Required Contribution	Actual Contributions	Percentage of Annual Requirements to Contributions
2012	\$ 1,651,396	\$ 1,651,396	100%
2011	1,537,975	1,537,975	100%
2010	1,425,562	1,425,562	100%
2009	1,404,575	1,404,575	100%
2008	1,425,562	1,425,562	100%
2007	1,323,325	1,323,325	100%

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2012**

**SCHEDULE OF FUNDING PROGRESS FOR EMPLOYEES' RETIREMENT SYSTEM OF ALCOA:**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ 20,602	\$ 35,824	\$ 15,222	58%	\$ 3,788	402%
July 1, 2010	20,949	31,345	10,396	67%	4,224	246%
July 1, 2008	24,237	29,569	5,332	82%	4,163	128%
July 1, 2006	26,291	29,068	2,777	90%	4,163	67%
July 1, 2004	17,041	27,736	10,695	61%	4,173	256%
July 1, 2002	18,301	21,209	2,907	86%	4,247	68%

Schedule of employer contributions:

Years Ended <u>June 30,</u>	Annual Required <u>Contribution</u>	Amount Contributed <u>By Employer</u>	Percentage of Annual Requirement <u>to Contribution</u>
2012	\$ 1,194,134	\$ 860,971	72.1%
2011	1,194,134	860,778	72.1%
2010	939,470	860,778	91.6%
2009	1,008,809	501,664	49.7%
2008	526,193	500,447	95.1%
2007	526,193	8,443,481	1604.6%

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2012**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH BENEFITS (OPEB)**

The City implemented GASB 45 in the fiscal year ended 6/30/09; therefore, six years of data is not available, but will be accumulated over time. The above values were calculated using the Entry Age Normal Method, discount rates of 6%, and the initial unfunded actuarial liability is amortized over thirty years based on a level percentage of payroll method. Using this method, benefits are projected for life and their present value is determined, which are divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

(Dollar amounts in thousands)

	<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Primary Government	2012 (4)	7/1/2012	\$ -	\$ 5,424	\$ 5,424	0%	\$12,441	43.6%
	2011 (3)	7/1/2010	-	4,231	4,231	0%	13,540	31.2%
	2010 (3)	7/1/2009	-	4,187	4,187	0%	13,540	30.9%
	2009 (1)	7/1/2006	-	2,642	2,642	0%	11,415	23.1%
Education	2012 (4)	7/1/2012	\$ -	\$ 1,799	\$ 1,799	0%	\$ 8,519	21.1%
	2011 (3)	7/1/2010	-	1,846	1,846	0%	8,396	22.0%
	2010 (3)	7/1/2010	-	1,786	1,786	0%	8,396	21.3%
	2009 (2)	1/1/2007	-	3,543	3,543	0%	8,128	43.6%

- (1) Information for the fiscal year 2009 is based on results from an actuarial valuation that was performed as of July 1, 2006.
- (2) Information for the fiscal year 2009 is based on results from an actuarial valuation that was performed as of 1/1/2007.
- (3) Information for the fiscal years 2010, 2011, and 2012 is based on results from an actuarial valuation that was performed 7/1/2010.
- (4) Information for the fiscal year 2012 is based on results from an actuarial valuation performed as of July 1, 2012.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**COMBINING FUND FINANCIAL STATEMENTS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE  
COMBINING BALANCE SHEET  
Non-Major Governmental Funds  
June 30, 2012**

**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

<b>ASSETS</b>	<b>Special Revenue Funds</b>							<b>2012 Total Special Revenue Funds</b>
	<b>State Street Aid</b>	<b>Federal Projects</b>	<b>Alcoa City Schools Cafeteria</b>	<b>Alcoa Schools Extended Day Program</b>	<b>Special Assessment</b>	<b>Drug Fund</b>	<b>Commercial Motor Vehicle Fines</b>	
Cash and cash equivalents.....	\$ 369,788	\$ -	\$ 140,364	\$ 47,886	\$ 8,878	\$ 89,396	\$ 15,601	\$ 671,913
Local Government Investment Pool.....	5,257	-	-	-	-	-	-	5,257
Accounts and assessments receivable .....	-	561	6,229	15,573	-	-	-	22,363
Due from grantors, other governments, and State of Tennessee .....	18,927-	332,299	246,504	-	-	-	-	597,730
Prepaid items.....	-	72	-	-	-	-	-	72
Due from other funds .....	-	-	-	-	-	-	-	-
<b>Total Assets.....</b>	<b><u>\$ 393,972</u></b>	<b><u>\$ 332,932</u></b>	<b><u>\$ 393,097</u></b>	<b><u>\$ 63,459</u></b>	<b><u>\$ 8,878</u></b>	<b><u>\$ 89,396</u></b>	<b><u>\$ 15,601</u></b>	<b><u>\$ 1,297,335</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>								
Liabilities:								
Accounts payable .....	\$ 41,959	\$ 266,339	\$ 836	\$ 510	\$ -	\$ 8,698	\$ -	\$ 318,342
Unapplied grant funds .....	-	61,514	-	-	-	-	-	61,514
Unearned fee income.....	-	-	-	1,898	-	-	-	1,898
Due to other funds.....	-	5,007	293,236	-	-	-	-	298,243
Due to State of Tennessee .....	3,501	-	-	-	-	-	-	3,501
<b>Total Liabilities .....</b>	<b><u>45,460</u></b>	<b><u>332,860</u></b>	<b><u>294,072</u></b>	<b><u>2,408</u></b>	<b><u>-</u></b>	<b><u>8,698</u></b>	<b><u>-</u></b>	<b><u>683,498</u></b>
Fund Balances								
Nonspendable.....	-	72	-	-	-	-	-	72
Restricted .....	348,512	-	-	-	-	80,698	15,601	444,811
Assigned.....	-	-	99,025	61,051	8,878	-	-	168,954
<b>Total Fund Balances.....</b>	<b><u>348,512</u></b>	<b><u>72</u></b>	<b><u>99,025</u></b>	<b><u>61,051</u></b>	<b><u>8,878</u></b>	<b><u>80,698</u></b>	<b><u>15,601</u></b>	<b><u>613,837</u></b>
<b>Total Liabilities and Fund Balance.....</b>	<b><u>\$ 393,972</u></b>	<b><u>\$ 332,932</u></b>	<b><u>\$ 393,097</u></b>	<b><u>\$ 63,459</u></b>	<b><u>\$ 8,878</u></b>	<b><u>\$ 89,396</u></b>	<b><u>\$ 15,601</u></b>	<b><u>\$ 1,297,335</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
COMBINING BALANCE SHEET (Continued)  
Non-Major Governmental Funds  
June 30, 2012**

**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<b>Capital Project Funds</b>									<b>2012 Total Capital Project Funds</b>	<b>Total Non-Major Governmental Funds</b>	
	<b>Capital Projects</b>	<b>Special Projects</b>	<b>General Obligation Public Works Construction</b>	<b>Greenway Projects</b>	<b>2001 Special Projects</b>	<b>Equipment Replacement Fund</b>	<b>Bessie Harvey Memorial Project</b>	<b>Home Grant Fund</b>	<b>Landscaping Fund</b>		<b>2012</b>	<b>2011</b>
<b>ASSETS</b>												
Cash and cash equivalents .....	\$ 55,019	\$ 97,282	\$ -	\$ 57,422	\$ 41,796	\$ 294,177	\$ 1,968	\$ 743	\$ 137,817	\$ 686,224	\$ 1,358,137	\$ 1,230,778
Local Government Investment Pool .....	-	-	-	-	303,868	-	-	-	-	303,868	309,125	536,293
Accounts and assessments receivable.....	-	-	-	-	-	-	-	-	-	-	22,363	115,595
Due from grantors, other governments, and State of Tennessee.....	-	-	-	-	-	-	-	-	-	-	597,730	354,147
Prepaid items .....	-	-	-	-	-	-	-	-	-	-	72	-
Due from other funds .....	-	-	2,000,000	-	-	-	-	-	-	2,000,000	2,000,000	981
<b>Total Assets.....</b>	<b>\$ 55,019</b>	<b>\$ 97,282</b>	<b>\$2,000,000</b>	<b>\$ 57,422</b>	<b>\$ 345,664</b>	<b>\$ 294,177</b>	<b>\$ 1,968</b>	<b>\$ 743</b>	<b>\$ 137,817</b>	<b>\$ 2,990,092</b>	<b>\$ 4,287,427</b>	<b>\$ 2,237,794</b>
<b>LIABILITIES AND FUND BALANCE</b>												
<b>Liabilities:</b>												
Accounts payable .....	\$ -	\$ -	\$ 137,904	\$ -	\$ -	\$ 3,391	\$ -	\$ 34,739	\$ -	\$ 176,034	\$ 494,376	\$ 4,271
Unapplied grant funds.....	-	-	-	-	-	-	-	-	-	-	61,514	185,674
Unearned fee income .....	-	-	-	-	-	-	-	-	-	-	1,898	1,899
Due to other funds.....	-	-	-	100,000	-	-	-	-	-	100,000	398,243	265,753
Due to State of Tennessee.....	-	-	-	-	-	-	-	-	-	-	3,501	793,694
Due to Blount County .....	-	97,282	-	-	-	-	-	-	-	97,282	97,282	-
<b>Total Liabilities.....</b>	<b>-</b>	<b>97,282</b>	<b>137,904</b>	<b>100,000</b>	<b>-</b>	<b>3,391</b>	<b>-</b>	<b>34,739</b>	<b>-</b>	<b>373,316</b>	<b>1,056,814</b>	<b>1,251,291</b>
<b>Fund Balances:</b>												
Nonspendable.....	-	-	-	-	-	-	-	-	-	-	72	-
Restricted.....	55,019	-	1,862,096	-	-	-	-	-	130,072	2,047,187	2,491,998	741,308
Assigned.....	-	-	-	-	345,664	290,786	1,968	-	7,745	646,163	815,117	245,195
Unassigned .....	-	-	-	(42,578)	-	-	-	(33,996)	-	(76,574)	(76,574)	-
<b>Total Fund Balances .....</b>	<b>55,019</b>	<b>-</b>	<b>1,862,096</b>	<b>(42,578)</b>	<b>345,664</b>	<b>290,786</b>	<b>1,968</b>	<b>(33,996)</b>	<b>137,817</b>	<b>2,616,776</b>	<b>3,230,613</b>	<b>986,503</b>
<b>Total Liabilities and Fund Balances ...</b>	<b>\$ 55,019</b>	<b>\$ 97,282</b>	<b>\$2,000,000</b>	<b>\$ 57,422</b>	<b>\$ 345,664</b>	<b>\$ 294,177</b>	<b>\$ 1,968</b>	<b>\$ 743</b>	<b>\$ 137,817</b>	<b>\$ 2,990,092</b>	<b>\$ 4,287,427</b>	<b>\$ 2,237,794</b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<b>Special Revenue Funds</b>							
	<b>State Street Aid</b>	<b>Federal Projects</b>	<b>Alcoa City Schools Cafeteria</b>	<b>Alcoa Schools Extended Day Program</b>	<b>Special Assessment</b>	<b>Drug Fund</b>	<b>Commercial Motor Vehicle Fines</b>	<b>2012 Total Special Revenue Funds</b>
<b>Revenues:</b>								
Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental .....	-	-	-	-	-	-	-	-
State gasoline tax.....	237,072	-	-	-	-	-	-	237,072
Federal and state grants .....	-	1,021,578	-	-	-	-	-	1,021,578
U.S.D.A. reimbursements.....	-	-	436,576	-	-	-	-	436,576
Charges for services .....	-	-	362,489	196,416	-	-	-	558,905
Fines, forfeitures and court cases ..	-	-	-	-	-	27,775	2,210	29,985
Investment income .....	714	-	77	49	9	159	31	1,039
Sale of equipment.....	501	-	-	-	-	-	-	501
Total Revenues.....	<u>238,287</u>	<u>1,021,578</u>	<u>799,142</u>	<u>196,465</u>	<u>9</u>	<u>27,934</u>	<u>2,241</u>	<u>2,285,656</u>
<b>Expenditures:</b>								
Current:								
Public Safety .....	-	-	-	-	-	57,321	8,235	65,556
Public Works.....	169,210	-	-	-	-	-	-	169,210
Culture and Recreation.....	-	-	-	-	-	-	-	-
Economic Development .....	-	-	-	-	-	-	-	-
Education.....	-	1,021,506	866,915	174,557	-	-	-	2,062,978
Capital Outlay .....	-	-	-	-	-	-	-	-
Total Expenditures .....	<u>169,210</u>	<u>1,021,506</u>	<u>866,915</u>	<u>174,557</u>	<u>-</u>	<u>57,321</u>	<u>8,235</u>	<u>2,297,744</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	<u>69,077</u>	<u>-</u>	<u>(67,773)</u>	<u>21,908</u>	<u>9</u>	<u>(29,387)</u>	<u>(5,994)</u>	<u>(12,088)</u>
<b>Other Financing Sources (Uses):</b>								
Transfers In:								
General Fund.....	-	-	-	-	-	-	-	-
Transfers Out.....	-	-	-	-	-	-	-	-
Issuance of Debt.....	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance.....	69,077	-	(67,773)	21,908	9	(29,387)	(5,994)	(12,088)
Fund Balance, July 1 <sup>st</sup> .....	<u>279,435</u>	<u>-</u>	<u>166,798</u>	<u>39,143</u>	<u>8,869</u>	<u>110,085</u>	<u>21,595</u>	<u>625,925</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 348,512</u></b>	<b><u>\$ 72</u></b>	<b><u>\$ 99,025</u></b>	<b><u>\$ 61,051</u></b>	<b><u>\$ 8,878</u></b>	<b><u>\$ 80,698</u></b>	<b><u>\$ 15,601</u></b>	<b><u>\$ 613,837</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE (Continued)**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Capital Project Funds</u>									<b>2012 Capital Project Funds</b>	<b>Total Total Non-Major Governmental Funds</b>	
	<u>Capital Projects</u>	<u>Special Projects</u>	<u>General Obligation Public Works Construction</u>	<u>Greenway Projects</u>	<u>2001 Special Project</u>	<u>Equipment Replacement</u>	<u>Bessie Harvey Memorial Project</u>	<u>Home Grant Program</u>	<u>Landscaping</u>		<u>2012</u>	<u>2011</u>
<b>Revenues:</b>												
Intergovernmental.....	\$ 27,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,240	\$ 27,240	\$ 27,240
State gasoline tax .....	-	-	-	-	-	-	-	-	-	-	237,072	211,413
Federal and state grants .....	-	-	-	182,803	-	-	-	121,060	-	303,863	1,325,441	1,655,658
American Recovery and Reinvestment Act of 2009 .....	-	-	-	-	-	-	-	-	-	-	-	1,052,265
High Priority Projects (HPP) .....	-	-	-	-	-	-	-	-	-	-	-	338,140
LGIP Deferred .....	-	-	-	-	794,317	-	-	-	-	794,317	794,317	-
U.S.D.A. reimbursements.....	-	-	-	-	-	-	-	-	-	-	436,576	397,818
Charges for services.....	-	-	-	-	-	-	-	-	7,822	7,822	566,727	523,406
Fines, forfeitures and court cases .....	-	-	-	-	-	-	-	-	-	-	29,985	34,351
Investment income.....	-	34	-	66	83	518	-	-	-	701	1,740	3,257
Sale of equipment .....	-	-	-	-	-	25,031	-	-	-	25,031	25,532	6,919
<b>Total Revenues .....</b>	<b>27,240</b>	<b>34</b>	<b>-</b>	<b>182,869</b>	<b>794,400</b>	<b>25,549</b>	<b>-</b>	<b>121,060</b>	<b>7,822</b>	<b>1,158,974</b>	<b>3,444,630</b>	<b>4,250,467</b>
<b>Expenditures:</b>												
Current:												
Public Safety .....	-	-	-	-	-	-	-	-	-	-	65,556	82,499
Public Works.....	-	-	-	-	229,573	-	-	-	-	229,573	398,783	367,861
Culture and Recreation .....	-	-	-	266,120	-	-	-	156,095	4,325	426,540	426,540	2,121,203
Economic Development .....	-	98,115	-	-	-	-	-	-	-	98,115	98,115	-
Education .....	-	-	-	-	-	-	-	-	-	-	2,062,978	1,940,057
Capital Outlay .....	33,579	-	137,913	-	-	579,584	-	-	-	751,076	751,076	176,671
<b>Total Expenditures.....</b>	<b>33,579</b>	<b>98,115</b>	<b>137,913</b>	<b>266,120</b>	<b>229,573</b>	<b>579,584</b>	<b>-</b>	<b>156,095</b>	<b>4,325</b>	<b>1,505,304</b>	<b>3,803,048</b>	<b>4,688,291</b>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	(6,339)	(98,081)	(137,913)	(83,251)	564,827	(554,035)	-	(35,035)	3,497	(346,330)	(358,418)	(437,824)
<b>Other Financing Sources (Uses):</b>												
Transfers In:												
Equipment Replacement Fund .....	-	-	-	-	-	-	-	-	-	-	-	-
General Fund.....	-	-	2,000,000	-	-	200,000	-	-	-	2,200,000	2,200,000	238,260
Transfers Out .....	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt – Capital Lease .....	-	-	-	-	-	402,528	-	-	-	402,528	402,528	-
<b>Total Other Financing Sources (Uses) .....</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>602,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,602,528</b>	<b>2,602,528</b>	<b>238,280</b>
Net Change in Fund Balances .....	(6,339)	(98,081)	1,862,087	(83,251)	564,827	48,493	-	(35,035)	3,497	2,256,198	2,244,110	(199,564)
Fund Balance, July 1 <sup>st</sup> .....	61,358	98,081	9	40,673	(219,163)	242,293	1,968	1,039	134,320	360,578	986,503	1,289,298
Adjustment (Note 19) .....	-	-	-	-	-	-	-	-	-	-	-	(103,231)
Fund Balance, July 1 <sup>st</sup> as restated.....	61,358	98,081	9	40,673	(219,163)	242,293	1,968	1,039	134,320	360,578	986,503	1,186,067
<b>Fund Balance (Deficit), June 30<sup>th</sup> .....</b>	<b>\$ 55,019</b>	<b>\$ -</b>	<b>\$ 1,862,096</b>	<b>\$ (42,578)</b>	<b>\$ 345,664</b>	<b>\$ 290,786</b>	<b>\$ 1,968</b>	<b>\$ (33,996)</b>	<b>\$ 137,817</b>	<b>\$ 2,616,776</b>	<b>\$ 3,230,613</b>	<b>\$ 986,503</b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**COMBINING FUND FINANCIAL STATEMENTS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2012**

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# INTERNAL SERVICE FUNDS

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Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other governmental operating units on a cost-reimbursed basis.

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***Employee Insurance Fund*** – The Employee Insurance Fund is used to account for the City of Alcoa’s self-insured health insurance program. Premiums charged to various operating funds and employee payroll deductions are placed in this fund for the payment of medical claims and administrative expenses.

***Service Center Fund*** – The Service Center Fund is used to account for the operation of the City’s physical facilities. Charges collected from various City funds are placed in this fund for the payment of operating expenses associated with the City’s physical facilities.

***Flexible Spending Fund*** – The Flexible Spending Fund is a fund used to account for the City of Alcoa’s employees for setting aside a certain amount of each paycheck (before income tax) and to later get reimbursed for other medical expenses not covered by insurance.

***City OPEB Insurance Fund*** – The OPEB Insurance Fund is a dedicated reserve used to account for the City’s liability for postemployment benefits – medical benefits not associated with a pension plan.

***Schools OPEB Insurance Fund*** – The OPEB Insurance Fund is a dedicated reserve used to account for the City School’s liability for postemployment benefits – medical benefits not associated with a pension plan.

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**CITY OF ALCOA, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2012  
With Comparative Totals for June 30, 2011**

<u>ASSETS</u>	<u>Employee Insurance Fund</u>	<u>Flexible Spending Fund</u>	<u>Service Center Fund</u>	<u>City OPEB Insurance Fund</u>	<u>School's OPEB Insurance Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS:</b>							
Cash.....	\$ 642,374	\$ 15,722	\$ 66,200	\$ 289,000	\$ 231,000	\$ 1,244,296	\$ 1,349,634
<b><u>LIABILITIES AND NET ASSETS</u></b>							
<b>CURRENT LIABILITIES:</b>							
Medical claims payable .....	\$ 153,647	\$ -	\$ -	\$ -	\$ -	\$ 153,647	\$ 67,086
Accounts payable.....	-	12,562	11,283	-	-	23,845	12,562
Total Current Liabilities .....	153,647	12,562	11,283	-	-	177,492	79,648
<b>NET ASSETS:</b>							
Unrestricted .....	488,727	3,160	54,917	289,000	231,000	1,066,804	1,269,986
<b>Total Liabilities and Net Assets .....</b>	<b>\$ 642,374</b>	<b>\$ 15,722</b>	<b>\$ 66,200</b>	<b>\$ 289,000</b>	<b>\$ 231,000</b>	<b>\$ 1,244,296</b>	<b>\$ 1,349,634</b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012  
With Comparative Totals for June 30, 2011**

	<b>Employee Insurance Fund</b>	<b>Flexible Spending Fund</b>	<b>Service Center Fund</b>	<b>City OPEB Insurance Fund</b>	<b>School's OPEB Insurance Fund</b>	<b>Total Internal Service Funds</b>	
						<b><u>2012</u></b>	<b><u>2011</u></b>
<b>OPERATING REVENUES:</b>							
Insurance charges .....	\$ 4,071,737	\$ -	\$ -	\$ -	\$ -	\$ 4,071,737	\$ 2,931,000
Refunds – Co-insurance .....	111,283	-	-	-	-	111,283	56,707
Employee Contributions.....	225,875	110,422	-	-	-	336,297	324,654
Miscellaneous.....	-	-	1,425	-	-	1,425	1,822
Service Center charges .....	-	-	233,031	-	-	233,031	218,428
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues .....	<u>4,408,895</u>	<u>110,422</u>	<u>234,456</u>	<u>-</u>	<u>-</u>	<u>4,753,773</u>	<u>3,532,611</u>
<b>OPERATING EXPENSES:</b>							
Salaries.....	-	-	43,523	-	-	43,523	39,905
Fringe benefits.....	-	-	7,823	-	-	7,823	7,924
Public relations.....	-	-	-	-	-	-	142
Improvement teams .....	-	-	-	-	-	-	8,270
Maintenance contracts.....	-	-	12,473	-	-	12,473	-
Contract services .....	-	-	8,524	-	-	8,524	7,125
Utilities.....	-	-	122,267	-	-	122,267	116,487
Supplies.....	-	-	6,880	-	-	6,880	7,073
Repair and maintenance .....	-	-	18,721	-	-	18,721	21,236
Insurance claims paid.....	3,423,382	108,007	-	-	-	3,531,389	2,814,594
Insurance claims, premiums and administrative expenses.....	1,259,352	-	-	-	-	1,259,352	946,950
Insurance .....	<u>-</u>	<u>-</u>	<u>14,503</u>	<u>-</u>	<u>-</u>	<u>14,503</u>	<u>12,318</u>
Total Operating Expenses.....	<u>4,682,734</u>	<u>108,007</u>	<u>234,714</u>	<u>-</u>	<u>-</u>	<u>5,025,455</u>	<u>3,982,024</u>
OPERATING INCOME (LOSS) .....	(273,839)	2,415	(258)	-	-	(271,682)	(449,413)

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS (Continued)  
For the Fiscal Year Ended June 30, 2012  
With Comparative Totals for June 30, 2011**

	<b>Employee Insurance <u>Fund</u></b>	<b>Flexible Spending <u>Fund</u></b>	<b>Service Center <u>Fund</u></b>	<b>City OPEB Insurance <u>Fund</u></b>	<b>Schools OPEB Insurance <u>Fund</u></b>	<b><u>Total Internal Service Funds</u></b>	
						<b><u>2012</u></b>	<b><u>2011</u></b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>							
Transfers (out) in .....	(63,000)	-	-	63,000	68,500	68,500	68,500
CHANGE IN NET ASSETS .....	(336,839)	2,415	(258)	63,000	68,500	(203,182)	(380,913)
NET ASSETS – July 1 <sup>st</sup> .....	<u>825,566</u>	<u>745</u>	<u>55,175</u>	<u>226,000</u>	<u>162,500</u>	<u>1,269,986</u>	<u>1,650,899</u>
<b>NET ASSETS. June 30<sup>th</sup> .....</b>	<b><u>\$ 488,727</u></b>	<b><u>\$ 3,160</u></b>	<b><u>\$ 54,917</u></b>	<b><u>\$ 289,000</u></b>	<b><u>\$ 231,000</u></b>	<b><u>\$ 1,066,804</u></b>	<b><u>\$ 1,269,986</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2012  
With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<b>Employee Insurance <u>Fund</u></b>	<b>Flexible Spending <u>Fund</u></b>	<b>Service Center <u>Fund</u></b>	<b>City OPEB Insurance <u>Fund</u></b>	<b>Schools OPEB Insurance <u>Fund</u></b>	<b><u>Total Internal Service Funds</u></b>	
						<b><u>2012</u></b>	<b><u>2011</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Insurance premiums/reimbursements							
Collected .....	\$ 4,408,895	\$ -	\$ -	\$ -	\$ -	\$ 4,408,895	\$ 3,200,992
Collections from various City departments .....	-	110,422	234,456	-	-	344,878	331,619
Payments to employees and vendors .....	<u>(4,596,173)</u>	<u>(108,007)</u>	<u>(223,431)</u>	<u>-</u>	<u>-</u>	<u>(4,927,611)</u>	<u>(4,021,389)</u>
Net Cash Provided By (Used In)							
Operating Activities .....	<u>(187,278)</u>	<u>2,415</u>	<u>11,025</u>	<u>-</u>	<u>-</u>	<u>(173,838)</u>	<u>(488,778)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Receipts from other funds .....	-	-	-	63,000	68,500	131,500	131,500
Payments to other funds .....	<u>(63,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,000)</u>	<u>(63,000)</u>
Net Cash Provided By (Used In)							
Noncapital Financing Activities .....	<u>(63,000)</u>	<u>-</u>	<u>-</u>	<u>63,000</u>	<u>68,500</u>	<u>68,500</u>	<u>68,500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	(250,278)	2,415	11,025	63,000	68,500	(105,338)	(420,278)
CASH AND CASH EQUIVALENTS – July 1 <sup>st</sup> .....	<u>892,652</u>	<u>13,307</u>	<u>55,175</u>	<u>226,000</u>	<u>162,500</u>	<u>1,349,634</u>	<u>1,769,912</u>
<b>CASH AND CASH EQUIVALENTS – June 30<sup>th</sup> ..</b>	<b><u>\$ 642,374</u></b>	<b><u>\$ 15,722</u></b>	<b><u>\$ 66,200</u></b>	<b><u>\$ 289,000</u></b>	<b><u>\$ 231,000</u></b>	<b><u>\$ 1,244,296</u></b>	<b><u>\$ 1,349,634</u></b>

(Continued)

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2012  
With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Employee Insurance Fund</u>	<u>Flexible Spending Fund</u>	<u>Service Center Fund</u>	<u>OPEB Insurance Fund</u>	<u>Schools OPEB Insurance Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>							
Operating income (loss) .....	\$ (273,839)	\$ 2,415	\$ (258)	\$ -	\$ -	\$ (271,682)	\$ (449,413)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Changes in assets and liabilities:							
Accounts payable.....	-	-	11,283	-	-	11,283	-
Medical claims payable .....	<u>86,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,561</u>	<u>(39,365)</u>
<b>NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES .....</b>	<b><u>\$ (187,278)</u></b>	<b><u>\$ 2,415</u></b>	<b><u>\$ 11,025</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (173,838)</u></b>	<b><u>\$ (488,778)</u></b>

See accompanying independent auditors' report and notes.

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**CITY OF ALCOA, TENNESSEE**  
**FUND FINANCIAL STATEMENTS**  
**FIDUCIARY FUND**  
**Pension Trust Fund**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**EMPLOYEES' RETIREMENT SYSTEM - FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY PLAN NET ASSETS**  
**June 30, 2012**  
**With Comparative Totals for June 30, 2011**

	<b>Pension Trust Fund Employees' Retirement System</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>ASSETS</b>		
Investments, at fair value:		
Cash and cash equivalents .....	\$ 892,390	\$ 266,472
U.S. Treasury Obligations .....	3,114,586	3,599,939
Domestic corporate and foreign bonds .....	4,960,797	5,534,022
Common equity securities .....	11,035,811	11,564,678
Municipal obligations .....	<u>1,083,300</u>	<u>616,958</u>
Total Investments .....	21,086,884	21,582,069
Accrued interest .....	<u>96,986</u>	<u>108,856</u>
<b>Total Assets .....</b>	<b><u>\$ 21,183,870</u></b>	<b><u>\$ 21,690,925</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities .....	\$ -	\$ -
Net Assets:		
Held in trust for pension benefits .....	<u>21,183,870</u>	<u>21,690,925</u>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 21,183,870</u></b>	<b><u>\$ 21,690,925</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
EMPLOYEES' RETIREMENT SYSTEM - FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY PLAN NET ASSETS  
For the Fiscal Year Ended June 30, 2012  
With Comparative Totals for June 30, 2011**

	<b>Pension Trust Fund Employees' Retirement System</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Additions:</b>		
Employer contributions .....	\$ 1,182,060	\$ 860,778
Interest/dividend income .....	668,066	713,601
Net appreciation in fair value of investments .....	170,110	1,240,269
Realized gain on sale of investments .....	<u>563</u>	<u>847,074</u>
Total Additions .....	<u>2,020,799</u>	<u>3,661,722</u>
<b>Deductions:</b>		
Benefits paid.....	2,454,697	2,423,338
Administrative expenses.....	<u>73,157</u>	<u>63,436</u>
Total Deductions .....	<u>2,527,854</u>	<u>2,486,774</u>
Change in Net Assets.....	(507,055)	1,174,948
Net Assets – Beginning of Year .....	<u>21,690,925</u>	<u>20,515,977</u>
<b>Net Assets – End of Year.....</b>	<b><u>\$ 21,183,870</u></b>	<b><u>\$ 21,690,925</u></b>

See accompanying independent auditors' report and notes.

## GENERAL FUND

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The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always presented as a major fund in the basic financial statements.

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**CITY OF ALCOA, TENNESSEE  
GENERAL FUND  
SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES  
June 30, 2012 and 2011**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Cash on hand and equity in pooled cash .....	\$ 4,165,502	\$ 3,348,435
Property taxes receivable (net of allowance for estimated uncollectibles) .....	10,285,306	9,922,450
Sales taxes receivable - State of Tennessee.....	253,838	1,208,693
Accounts receivable .....	253,708	150,504
Notes receivable .....	1,982	1,982
Due from Other Governments .....	4,472	3,886
Due from Greenway Projects Fund .....	100,000	100,000
Due from Bessie Harvey Fund .....	-	1,057
Due from School Construction and Improvement Fund .....	-	360,000
Due from Credit Union .....	1,205	135
Due from Grantors .....	<u>66,686</u>	<u>132,978</u>
<b>Total Assets .....</b>	<b><u>\$ 15,132,699</u></b>	<b><u>\$ 15,230,120</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>  		
<b>Liabilities:</b>		
Accounts payable .....	\$ 315,378	\$ 69,783
Deferred revenue .....	10,216,704	9,829,604
Wages payable .....	109,182	200,305
Due to Capital Projects Fund .....	<u>2,000,000</u>	<u>-</u>
Total Liabilities .....	<u>12,641,264</u>	<u>10,099,692</u>
<b>Fund Balance:</b>		
Restricted .....	180,786	990
Assigned.....	-	1,135,718
Unassigned .....	<u>2,310,649</u>	<u>3,993,720</u>
Total Fund Balance .....	<u>2,491,435</u>	<u>5,130,428</u>
<b>Total Liabilities and Fund Balance.....</b>	<b><u>\$ 15,132,699</u></b>	<b><u>\$ 15,230,120</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>	
			<u>Basis)</u>	<u>Positive</u>	<u>(Negative)</u>
<b>TAXES:</b>					
Current property taxes.....	\$ 4,708,570	\$ 4,708,570	\$ 4,597,027	\$ (111,543)	\$ 4,925,373
Delinquent property taxes.....	400,000	400,000	264,169	(135,831)	1,521,572
Business tax.....	634,700	694,700	727,843	33,143	761,500
Local sales tax.....	6,400,000	6,400,000	5,764,787	(635,213)	6,249,648
Gas franchise tax.....	160,000	160,000	116,107	(43,893)	152,091
Tax equivalent/in lieu.....	86,000	86,000	59,112	(26,888)	40,000
Hotel/Motel tax.....	<u>112,000</u>	<u>112,000</u>	<u>125,458</u>	<u>13,458</u>	<u>113,225</u>
Total Taxes.....	<u>12,501,270</u>	<u>12,561,270</u>	<u>11,654,503</u>	<u>(906,767)</u>	<u>13,763,409</u>
<b>LICENSES AND PERMITS:</b>					
Animal registration.....	900	900	614	(286)	638
Building permits.....	52,000	52,000	77,462	25,462	53,203
Mechanical and gas permits.....	2,500	2,500	3,750	1,250	3,970
Plumbing permits.....	3,000	3,000	2,779	(221)	4,013
Sanitary sewer inspection.....	<u>800</u>	<u>800</u>	<u>1,025</u>	<u>225</u>	<u>-</u>
Total Licenses and Permits.....	<u>59,200</u>	<u>59,200</u>	<u>85,630</u>	<u>26,430</u>	<u>61,824</u>
<b>INTERGOVERNMENTAL REVENUE:</b>					
State of Tennessee:					
Beer tax.....	4,000	4,000	4,147	147	4,035
Sales tax.....	510,000	560,000	614,795	54,795	511,897
State Income tax.....	50,000	50,000	140,048	90,048	69,431
Streets and transportation.....	16,600	16,600	18,727	2,127	16,600
Mixed drink tax.....	115,000	135,000	123,024	(11,976)	105,218
Alcoholic liquor tax.....	158,000	158,000	186,818	28,818	160,931
TVA - in lieu.....	85,000	85,000	97,616	12,616	87,037
Excise tax.....	13,750	13,750	5,181	(8,569)	2,703
Fire – salary supplement.....	16,200	16,200	16,200	-	16,800
Police – salary supplement.....	22,200	22,200	24,000	1,800	22,200
Local:					
Local beer tax.....	520,000	590,000	588,945	(1,055)	522,438
Credit Union cost recovery.....	83,000	83,000	87,731	4,731	87,817
Stormwater cost recovery.....	200,000	200,000	203,228	3,228	180,281
Grants:					
State/Federal grants.....	242,000	304,994	344,533	39,539	169,794
Drug Task Force.....	700	700	76	(624)	782
ARRA Grant – State DOT.....	-	-	3,366	3,366	1,635,667
Federal Grant.....	-	227,962	136,435	(91,527)	121,192
Grant COPS – ARRA.....	122,000	122,000	135,710	13,710	117,083
Cop Grant.....	<u>-</u>	<u>-</u>	<u>1,867</u>	<u>1,867</u>	<u>3,133</u>
Total Intergovernmental Revenue....	<u>2,158,450</u>	<u>2,589,406</u>	<u>2,732,447</u>	<u>143,041</u>	<u>3,835,039</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Original</u>	<u>Final</u>			
<b>FINES AND FORFEITS:</b>					
Fines and costs .....	305,000	305,000	309,020	4,020	319,286
Penalties .....	200,000	200,000	144,750	(55,250)	463,786
Police Evidence Money/Drug					
Control .....	<u>18,000</u>	<u>18,000</u>	<u>20,816</u>	<u>2,816</u>	<u>16,200</u>
Total Fines and Forfeits.....	<u>523,000</u>	<u>523,000</u>	<u>474,586</u>	<u>(48,414)</u>	<u>799,272</u>
INTEREST EARNED.....	<u>4,100</u>	<u>4,000</u>	<u>11,878</u>	<u>7,878</u>	<u>9,512</u>
<b>MISCELLANEOUS REVENUE:</b>					
Public works, labor, and material...	467,850	542,950	416,425	(126,525)	378,405
Miscellaneous.....	10,000	10,000	53,217	43,217	20,688
CATV franchise fee .....	72,000	72,000	75,894	3,894	73,240
Fees/development.....	9,000	9,000	7,584	(1,416)	17,734
Department Services .....	100,000	100,000	121,364	21,364	108,193
Insurance refunds .....	5,000	30,000	37,586	7,586	2,500
Property rental.....	154,650	154,650	136,533	(18,117)	154,944
Sale of property .....	-	25,000	28,617	3,617	5,005
Contributions and donations -					
Business .....	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>
Total Miscellaneous Revenue ..	<u>836,500</u>	<u>961,600</u>	<u>877,220</u>	<u>(84,380)</u>	<u>760,709</u>
<b>TOTAL REVENUES .....</b>	<b><u>\$ 16,082,520</u></b>	<b><u>\$ 16,698,476</u></b>	<b><u>\$ 15,836,264</u></b>	<b><u>\$ (862,212)</u></b>	<b><u>\$ 19,229,765</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>	
		<u>(Budgetary</u>	<u>Positive</u>		
			<u>Basis)</u>	<u>(Negative)</u>	
				<u>(Negative)</u>	
<b>GENERAL GOVERNMENT:</b>					
<b><u>Board of Commissioners:</u></b>					
Wages and salaries .....	\$ 11,400	\$ 11,400	\$ 11,400	\$ -	\$ 11,400
FICA.....	900	900	1,203	(303)	1,203
Other personnel services .....	100	100	-	100	-
Mailing .....	50	50	18	32	12
Dues, memberships, and subscriptions.....	4,000	4,000	3,829	171	3,937
Advertising and publicity .....	3,500	3,500	2,431	1,069	4,020
Travel, conferences, and training .....	5,000	5,000	5,998	(998)	913
Reproduction and printing.....	3,000	3,000	2,693	307	2,866
Office supplies .....	500	500	275	225	162
Insurance .....	30,000	30,000	18,416	11,584	28,271
Computer Equipment .....	-	-	150	(150)	978
Utilities.....	3,600	3,600	4,395	(795)	3,696
Other contractual services .....	4,320	4,320	4,320	-	4,320
Uniform and Clothing .....	-	-	-	-	69
Total Board of Commissioners.....	<u>66,370</u>	<u>66,370</u>	<u>55,128</u>	<u>11,242</u>	<u>61,847</u>
<b><u>City Manager's Office:</u></b>					
Wages and salaries .....	100,460	100,460	102,952	(2,492)	99,417
F. I. C. A.....	8,010	8,010	7,560	450	7,246
Retirement.....	20,390	20,390	22,500	(2,110)	22,103
Hospitalization insurance .....	11,760	12,960	15,120	(2,160)	11,760
Life/AD&D .....	430	430	396	34	397
Dental insurance.....	1,440	1,440	801	639	742
Workmen's compensation.....	550	550	413	137	449
Professional and Consulting.....	-	-	-	-	214
Other personnel services .....	4,250	4,250	4,653	(403)	4,904
Mailing .....	150	150	203	(53)	51
Dues, memberships, and subscriptions.....	5,000	5,000	4,974	26	5,117
Computer equipment.....	-	-	3,039	(3,039)	482
Travel, conferences, training, gas and parts .	9,300	9,300	13,978	(4,678)	7,210
Public relations.....	2,000	2,000	2,702	(702)	1,932
Repairs and maintenance.....	200	200	-	200	-
Employee education and training .....	500	500	166	334	140
Reproduction and printing.....	3,000	3,000	2,693	307	2,865
Utilities.....	4,600	4,600	4,331	269	4,093
Insurance .....	1,400	1,400	956	444	1,026
Office supplies/other supplies .....	1,200	1,200	873	327	1,708
Lease .....	2,650	2,650	2,648	2	2,649
Total City Manager's Office.....	<u>177,290</u>	<u>178,490</u>	<u>190,958</u>	<u>(12,468)</u>	<u>174,505</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<b><u>Human Resources:</u></b>					
Wages and salaries .....	195,580	195,580	200,595	(5,015)	194,196
Overtime .....	-	-	-	-	64
F. I. C. A. ....	15,380	15,380	15,758	(378)	14,917
Retirement.....	33,680	33,680	34,834	(1,154)	30,430
Hospitalization insurance.....	16,130	19,930	20,736	(806)	16,134
Life/AD&D.....	520	520	487	33	487
Dental insurance.....	1,970	1,970	1,768	202	1,634
Workmen's compensation .....	350	350	276	74	273
Maintenance contracts.....	250	250	224	26	176
Professional services.....	1,500	1,500	110	1,390	540
Other personnel services .....	5,610	5,610	5,563	47	5,871
Mailing.....	1,000	1,000	772	228	494
Dues, memberships, and subscriptions .....	500	500	345	155	461
Travel, conferences, and training .....	1,000	1,000	1,431	(431)	578
Reproduction and printing .....	3,000	3,000	4,800	(1,800)	5,549
Utilities.....	2,800	2,800	2,625	175	2,813
Office supplies .....	5,000	5,000	4,551	449	7,861
Repairs and maintenance .....	350	350	250	100	557
Business/Public relations .....	-	-	109	(109)	165
Employee education and training.....	1,700	1,700	1,395	305	1,081
Insurance .....	1,800	1,800	1,165	635	1,249
Other operating supplies .....	-	-	66	(66)	667
Computer equipment.....	-	-	138	(138)	170
Other contractual services.....	810	810	1,152	(342)	929
Improvement teams/service awards .....	3,200	3,200	5,336	(2,136)	3,331
Safety supplies .....	800	800	41	759	193
Drug/alcohol testing.....	-	-	-	-	23
Total Personnel Office .....	<u>292,930</u>	<u>296,730</u>	<u>304,527</u>	<u>(7,797)</u>	<u>290,843</u>
<b><u>Judicial/Legal:</u></b>					
Retirement.....	1,450	1,450	1,473	(23)	1,419
FICA .....	700	700	661	39	637
Medical Insurance.....	8,400	10,400	10,800	(400)	8,400
Dental Insurance .....	1,060	1,060	1,108	(48)	1,026
City Attorney .....	100,000	100,000	70,646	29,354	56,882
Other Legal Services.....	15,000	15,000	10,000	5,000	12,415
Uniforms .....	-	-	242	(242)	-
Wages – City Judge .....	<u>9,000</u>	<u>9,000</u>	<u>9,346</u>	<u>(346)</u>	<u>8,999</u>
Total Judicial/Legal .....	<u>135,610</u>	<u>137,610</u>	<u>104,276</u>	<u>33,334</u>	<u>89,778</u>
<b><u>Finance:</u></b>					
Wages and salaries.....	140,440	140,440	167,678	(27,238)	138,304
F. I. C. A. ....	11,230	11,230	13,259	(2,029)	10,673
Retirement.....	39,030	39,030	42,037	(3,007)	37,529

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>GENERAL GOVERNMENT (Continued):</b>					
<b><u>Finance (Continued):</u></b>					
Hospitalization insurance .....	22,680	28,080	29,880	(1,800)	22,680
Life/AD&D .....	690	690	670	20	639
Dental insurance .....	2,770	2,770	2,700	70	2,376
Workmen's compensation.....	450	450	340	110	339
Bonds.....	500	500	634	(134)	473
Other personnel services.....	6,510	6,510	7,380	(870)	6,192
Employee education and training .....	300	300	457	(157)	-
Professional services .....	500	500	106	394	277
Mailing .....	5,000	5,000	5,251	(251)	4,863
Dues, memberships, and subscriptions.....	1,000	1,000	788	212	1,509
Accounting and auditing.....	15,000	15,000	15,000	-	14,100
Advertising .....	300	300	513	(213)	340
Travel.....	4,000	4,000	5,208	(1,208)	3,929
Public relations .....	300	300	4	296	388
Repairs and maintenance.....	365	365	-	365	-
Reproduction and printing .....	2,000	2,000	1,908	92	1,841
Utilities .....	2,800	2,800	2,252	548	2,787
Other contractual services .....	810	810	1,170	(360)	810
Office supplies.....	6,000	6,000	5,601	399	2,774
Insurance .....	1,800	1,800	1,443	357	1,347
Property tax assessment fees .....	46,000	46,000	40,779	5,221	60,900
Auto parts/gas.....	350	350	-	350	-
Computer equipment .....	-	-	1,038	(1,038)	256
Debt service fees.....	1,500	1,500	5,597	(4,097)	3,134
Retirement supplement.....	24,225	24,225	-	24,225	-
Maintenance contracts .....	3,200	3,200	3,283	(83)	3,200
Total Finance .....	<u>339,750</u>	<u>345,150</u>	<u>354,976</u>	<u>(9,826)</u>	<u>321,660</u>
<b><u>Information Systems:</u></b>					
Wages and salaries .....	92,930	92,930	88,245	4,685	91,320
F. I. C. A.....	7,170	7,170	6,796	374	6,804
Retirement .....	20,330	20,330	20,044	286	19,825
Hospitalization insurance .....	16,800	19,600	18,916	684	16,806
Life/AD&D .....	480	480	413	67	447
Dental insurance .....	2,050	2,050	2,048	2	2,053
Workmen's compensation .....	260	260	217	43	216
Mailing .....	50	50	81	(31)	48
Other operating supplies.....	250	250	788	(538)	195
Other personnel services.....	1,340	1,340	1,399	(59)	2,570
Travel, conference and training .....	1,000	1,000	697	303	752
Rental and maintenance contracts .....	64,000	64,000	68,001	(4,001)	62,324
Utilities .....	12,000	12,000	12,144	(144)	11,685
Employee education training.....	-	-	972	(972)	104

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<b>Function/Activity/Object</b>	<b>June 30, 2012</b>				<b>Total 2011</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>			
<b>GENERAL GOVERNMENT (Continued):</b>					
<b>Information Systems (Continued):</b>					
Office supplies .....	5,000	5,000	6,238	(1,238)	5,245
Insurance .....	2,300	2,300	1,786	514	1,798
Drug/alcohol testing .....	150	150	64	86	22
Computer equipment .....	-	-	1,646	(1,646)	2,236
Auto parts and gasoline .....	1,100	1,100	627	473	910
Total Information Systems .....	<u>227,210</u>	<u>230,010</u>	<u>231,122</u>	<u>(1,112)</u>	<u>225,360</u>
<b>Purchasing and Warehouse:</b>					
Wages and salaries .....	36,840	36,840	37,556	(716)	36,279
F. I. C. A. ....	2,840	2,840	2,913	(73)	2,793
Retirement .....	11,450	11,450	11,712	(262)	11,639
Hospitalization insurance .....	5,630	6,930	7,236	(306)	5,803
Life/AD&D .....	170	170	163	7	168
Dental insurance .....	690	690	442	248	416
Workmen's compensation .....	150	150	86	64	83
Other personnel services .....	270	270	269	1	269
Employee education/training/testing .....	150	150	504	(354)	72
Mailing .....	125	125	103	22	91
Dues, memberships, and subscriptions .....	900	900	805	95	576
Advertising .....	200	200	954	(754)	1,637
Travel and training .....	1,400	1,400	1,402	(2)	22
Repair and maintenance office .....	-	-	85	(85)	-
Reproduction and printing .....	100	100	-	100	-
Utilities .....	2,300	2,300	2,062	238	2,301
Office supplies .....	1,700	1,700	747	953	1,251
Other operating supplies/parts .....	700	700	428	272	388
Insurance and bonds .....	950	950	640	310	661
Computer equipment .....	1,000	1,000	1,490	(490)	64
Uniforms and clothing .....	250	250	-	250	72
Professional services .....	300	300	320	(20)	283
Improvement teams .....	200	200	25	175	150
Total Purchasing and Warehouse .....	<u>68,315</u>	<u>69,615</u>	<u>69,942</u>	<u>(327)</u>	<u>65,018</u>
<b>Planning and Development:</b>					
Wages and salaries .....	155,570	155,570	158,589	(3,019)	153,213
F. I. C. A. ....	12,020	12,020	12,309	(289)	11,635
Retirement .....	24,520	24,520	26,073	(1,553)	24,612
Hospitalization insurance .....	21,000	26,000	27,000	(1,000)	21,000
Life/AD&D .....	700	700	652	48	652
Dental insurance .....	2,570	2,570	2,771	(201)	2,566
Workmen's compensation .....	450	450	364	86	360

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>GENERAL GOVERNMENT (Continued):</b>					
<b><u>Planning and Development (Continued):</u></b>					
Insurance .....	1,600	1,600	1,119	481	1,209
Other personnel services.....	1,630	1,630	1,625	5	1,375
Employee education .....	500	500	1,628	(1,128)	83
Dues and memberships.....	775	775	620	155	779
Mailing .....	100	100	-	100	-
Drug/alcohol testing .....	100	100	43	57	-
Temporary services .....	-	-	1,260	(1,260)	-
Professional and consulting services .....	2,500	2,500	52	2,448	600
Travel.....	1,000	1,000	407	593	454
Printing.....	2,000	2,000	2,106	(106)	1,772
Planning commission meetings .....	1,300	1,300	2,320	(1,020)	1,056
Utilities .....	1,200	1,200	921	279	1,115
Other contractual services .....	2,000	2,000	2,400	(400)	1,801
Advertising/Public relations .....	1,250	1,250	2,379	(1,129)	1,483
Office supplies.....	660	660	480	180	863
Repairs and maintenance office.....	150	150	-	150	-
Maintenance contracts .....	500	500	-	500	-
Gasoline/auto parts .....	500	500	336	164	218
Other operating supplies.....	100	100	-	100	9
Uniforms.....	-	-	124	(124)	-
Computer equipment .....	-	-	1,242	(1,242)	138
Total Planning and Development .....	<u>234,695</u>	<u>239,695</u>	<u>246,820</u>	<u>(7,125)</u>	<u>226,993</u>
<b><u>Economic and Industrial Development:</u></b>					
Wages and salaries .....	54,130	54,130	55,189	(1,059)	53,312
F. I. C. A.....	4,450	4,450	4,383	67	4,169
Retirement .....	8,530	8,530	9,901	(1,371)	9,381
Hospitalization insurance .....	4,200	5,200	5,400	(200)	4,200
Life/AD&D .....	200	200	185	15	185
Dental insurance .....	510	510	554	(44)	513
Workmen's compensation .....	400	400	321	79	331
Other personnel services.....	4,080	4,080	4,085	(5)	4,021
Employee education and training .....	200	200	5	195	154
Professional services .....	60,000	60,000	56,388	3,612	58,329
Mailing .....	300	300	398	(98)	499
Dues and memberships.....	3,500	3,500	2,487	1,013	2,527
Advertising .....	4,000	4,000	2,485	1,515	3,150
Travel.....	7,000	7,000	13,427	(6,427)	13,696
Public relations .....	1,500	1,500	2,252	(752)	509
Printing .....	3,000	3,000	2,693	307	2,866
Utilities .....	4,000	4,000	3,272	728	2,956
Other contractual services .....	2,250	2,250	2,800	(550)	2,250
Office supplies.....	750	750	761	(11)	1,179

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<b><u>Economic and Industrial Development (Cont.)</u></b>					
Insurance .....	900	900	656	244	627
Equipment .....	1,000	1,000	300	700	-
Sister City Project.....	-	-	91	(91)	190
Total Economic and Industrial Development .....	<u>164,900</u>	<u>165,900</u>	<u>168,033</u>	<u>(2,133)</u>	<u>165,044</u>
TOTAL GENERAL GOVERNMENT .....	<u>1,707,070</u>	<u>1,729,570</u>	<u>1,725,782</u>	<u>3,788</u>	<u>1,621,048</u>
PUBLIC WORKS:					
<b><u>Supervision:</u></b>					
Wages and salaries – regular .....	169,880	169,880	173,364	(3,484)	165,825
Overtime.....	-	-	345	(345)	-
F. I. C. A.....	13,360	13,360	13,630	(270)	12,733
Retirement.....	36,160	36,160	38,323	(2,163)	36,495
Hospitalization insurance .....	23,940	43,640	30,780	12,860	24,009
Life/AD&D .....	780	780	711	69	712
Dental insurance .....	2,930	2,930	3,159	(229)	2,792
Workmen's compensation .....	750	750	549	201	538
Service center cost.....	70,000	70,000	67,653	2,347	71,217
Drug/Alcohol testing .....	-	-	68	(68)	43
Employee education and training .....	1,100	1,100	633	467	-
Other contractual services .....	100	100	1,920	(1,820)	-
Other personnel services .....	4,830	4,830	4,846	(16)	4,346
Mailing .....	1,000	1,000	894	106	966
Dues and memberships.....	3,915	3,915	2,402	1,513	2,513
Travel .....	2,600	2,600	676	1,924	1,364
Advertising .....	150	150	98	52	49
Uniforms .....	250	250	-	250	43
Reproduction and printing.....	900	900	1,043	(143)	930
Professional and consulting.....	1,000	1,000	200	800	-
Rental and maintenance contracts .....	150	150	190	(40)	150
Utilities .....	1,500	1,500	1,766	(266)	1,722
Office supplies.....	1,700	1,700	1,271	429	1,434
Auto parts .....	500	500	292	208	780
Gas .....	900	900	1,160	(260)	925
Insurance and bonds .....	1,000	1,000	843	157	893
Other supplies.....	400	400	266	134	65
Safety supplies and materials .....	300	300	37	263	9
Communication and computer equipment.....	7,450	7,450	2,796	4,654	588
Public relations.....	150	150	277	(127)	91
Improvement teams .....	1,200	1,200	824	376	1,193
Machinery and equipment .....	500	500	-	500	-
Repair and maintenance .....	200	200	225	(25)	272

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>				<u>Total 2011</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>	
<b>PUBLIC WORKS (Continued)</b>					
<b><u>Supervision (Continued)</u></b>					
Small tools.....	150	150	15	135	-
GIS Systems .....	13,645	13,645	12,700	945	13,537
Regulatory fees and licenses .....	<u>2,010</u>	<u>2,010</u>	<u>665</u>	<u>1,345</u>	<u>2,506</u>
Total Supervision .....	<u>365,400</u>	<u>385,100</u>	<u>364,621</u>	<u>20,479</u>	<u>348,740</u>
<b><u>Engineering and Codes Enforcement:</u></b>					
Wages and salaries .....	116,770	116,770	119,672	(2,902)	114,998
F. I. C. A.....	9,300	9,300	9,405	(105)	8,827
Retirement.....	49,440	49,440	51,020	(1,580)	45,041
Hospitalization insurance .....	21,000	26,000	27,000	(1,000)	21,000
Life/AD&D .....	600	600	561	39	561
Dental insurance.....	2,570	2,570	2,771	(201)	2,566
Workmen's compensation .....	4,000	4,000	3,704	296	3,780
Drug/Alcohol testing .....	200	200	9,207	(9,007)	43
Other personnel services .....	4,930	4,930	64	4,866	4,864
Wages – Temporary .....	-	-	1,260	(1,260)	-
Mailing .....	450	450	156	294	328
Dues and memberships.....	400	400	969	(569)	346
House demolition .....	3,000	3,000	-	3,000	-
Insurance .....	1,800	1,800	1,268	532	1,352
Advertising/Public relations .....	400	400	107	293	100
Travel/employee training .....	500	500	675	(175)	246
Printing.....	1,800	1,800	2,106	(306)	1,772
Professional services .....	250	250	-	250	14
Other contractual services .....	1,200	1,200	1,331	(131)	4,447
Repairs and maintenance – Office equipment.	150	150	21	129	150
Uniforms .....	400	400	489	(89)	243
Utilities .....	2,400	2,400	1,734	666	2,425
Office supplies.....	250	250	461	(211)	220
Small tools.....	100	100	30	70	55
Auto parts .....	1,200	1,200	1,178	22	1,002
Gas .....	2,700	2,700	3,793	(1,093)	2,800
Computer equipment .....	-	-	314	(314)	-
Employee education/training.....	<u>500</u>	<u>500</u>	<u>738</u>	<u>(238)</u>	<u>273</u>
Total Engineering and Codes .....	<u>226,310</u>	<u>231,310</u>	<u>240,034</u>	<u>(8,724)</u>	<u>217,453</u>
<b><u>Building and Grounds:</u></b>					
Wages and salaries .....	25,070	25,070	25,454	(384)	52,517
Wages - overtime and standby .....	4,570	4,570	4,428	142	-
F. I. C. A.....	2,330	2,330	2,354	(24)	4,384
Retirement.....	8,000	8,000	8,261	(261)	21,715
Hospitalization insurance .....	4,200	5,200	5,400	(200)	4,900
Life/AD&D .....	130	130	116	14	142
Dental insurance.....	510	510	554	(44)	599
Workmen's compensation .....	2,500	2,500	1,069	1,431	1,995

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>				<u>Total 2011</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
<b>PUBLIC WORKS (Continued):</b>					
<b><u>Building and Grounds (Continued):</u></b>					
Other personnel services.....	870	870	619	251	4,334
Travel.....	-	-	28	(28)	-
Rental and maintenance contracts .....	500	500	-	500	500
Utilities .....	1,000	1,000	1,007	(7)	994
Other operating supplies .....	50	50	209	(159)	223
Small tools .....	125	125	67	58	81
Uniforms.....	-	-	11,960	(11,960)	-
Auto parts .....	150	150	23	127	25
Electric, chemical and plumbing supplies .....	50	50	-	50	-
Gasoline, fuel, and lubricants .....	1,500	1,500	7	1,493	1,137
Construction materials .....	1,000	1,000	-	1,000	-
Insurance .....	15,000	15,000	12,166	2,834	11,621
Retiree insurance .....	2,460	2,460	2,460	-	1,230
Repairs and maintenance.....	1,200	1,200	-	1,200	532
Springbrook Corporation Center .....	8,000	8,000	10,896	(2,896)	8,806
Contract services .....	500	500	-	500	-
Maintenance – Associates Boulevard.....	8,000	8,000	6,409	1,591	5,087
Other improvements .....	-	-	-	-	20
Total Building and Grounds .....	<u>87,715</u>	<u>88,715</u>	<u>93,487</u>	<u>(4,772)</u>	<u>120,842</u>
<b><u>Municipal Building:</u></b>					
Rental and maintenance contracts .....	8,000	8,000	7,617	383	7,811
Wages .....	15,900	15,900	16,209	(309)	15,661
F.I.C.A.....	1,220	1,220	1,238	(18)	1,173
Fringe Benefits .....	9,240	10,640	10,530	110	9,307
Workers Comp.....	750	750	557	193	-
Other Personnel Services.....	40	40	35	5	84
Auto parts/gas.....	750	750	456	294	1,394
Utilities .....	90,000	90,000	93,717	(3,717)	85,637
Insurance .....	4,400	4,400	4,374	26	3,826
Operating supplies .....	6,000	6,000	4,891	1,109	6,511
Repairs and maintenance.....	11,250	11,250	20,740	(9,490)	16,183
Professional services .....	-	-	8,398	(8,398)	-
Equipment and building improvements.....	<u>68,000</u>	<u>68,000</u>	<u>17,644</u>	<u>50,356</u>	<u>-</u>
Total Municipal Building .....	<u>215,550</u>	<u>216,950</u>	<u>186,406</u>	<u>30,544</u>	<u>147,587</u>
<b><u>Equipment Shop:</u></b>					
Wages and salaries .....	76,920	76,920	61,097	15,823	77,052
Wages – overtime and standby .....	5,730	5,730	4,130	1,600	5,660
F.I.C.A.....	6,380	6,380	5,030	1,350	6,407
Retirement .....	21,170	21,170	15,183	5,987	18,912
Retiree supplement .....	-	-	-	-	17,305
Retiree insurance .....	2,820	2,820	2,818	2	1,409
Hospitalization insurance .....	15,370	18,970	18,056	914	15,371
Life/AD&D .....	420	420	329	91	390

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>PUBLIC WORKS (Continued):</b>					
<b><u>Equipment Shop (Continued):</u></b>					
Dental insurance .....	1,880	1,880	1,650	230	1,878
Workmen's compensation.....	2,800	2,800	2,793	7	2,729
Other personnel services.....	2,630	2,630	214	2,416	2,619
Drug/Alcohol test .....	50	50	21	29	43
Professional services .....	200	200	-	200	85
Machinery and equipment .....	10,000	10,000	12,838	(2,838)	-
Utilities .....	900	900	825	75	484
Office supplies .....	25	25	14	11	-
Other operating supplies .....	2,500	2,500	7,281	(4,781)	6,082
Small tools .....	1,500	1,500	3,735	(2,235)	1,476
Uniforms.....	1,050	1,050	775	275	560
Auto/electrical parts/materials .....	10,000	10,000	8,107	1,893	8,939
Other contractual services .....	5,600	5,600	133	5,467	638
Gas, fuel, and lubricants .....	4,600	4,600	2,619	1,981	3,702
Insurance and bonds .....	1,600	1,600	1,229	371	1,170
Repairs and maintenance .....	3,000	3,000	1,656	1,344	187
Travel.....	100	100	280	(180)	-
Fuel pump equipment .....	-	-	6,024	(6,024)	1,562
Computer equipment .....	25,500	25,500	21,412	4,088	848
Dues, memberships and subscriptions .....	600	600	1,200	(600)	-
Improvement teams .....	100	100	158	(58)	120
Printing .....	200	200	-	200	208
Mailing .....	25	25	151	(126)	-
Employee education and training .....	500	500	605	(105)	-
Regulatory fees and licenses.....	500	500	521	(21)	-
Safety supplies.....	-	-	210	(210)	-
Advertising .....	-	-	276	(276)	99
Total Equipment Shop .....	<u>204,670</u>	<u>208,270</u>	<u>181,370</u>	<u>26,900</u>	<u>175,935</u>
<b><u>Streets Supervision:</u></b>					
Wages and salaries – regular .....	122,910	122,910	124,328	(1,418)	142,785
Wages and salaries – overtime and standby .....	8,730	8,730	7,544	1,186	8,899
F. I. C. A. ....	10,420	10,420	10,426	(6)	11,860
Retirement .....	64,970	64,970	65,671	(701)	65,005
Retiree insurance .....	4,620	4,620	4,620	-	4,620
Hospitalization insurance .....	21,840	27,040	28,080	(1,040)	25,200
Life/AD&D .....	630	630	587	43	687
Dental insurance .....	2,670	2,670	2,882	(212)	3,079
Workmen's compensation.....	8,500	8,500	6,817	1,683	8,432
Dues/travel/memberships .....	700	700	-	700	-
Other personnel services.....	4,630	4,630	4,495	135	6,295
Employee training .....	100	100	5	95	100
Utilities .....	450	450	438	12	497
Office supplies.....	100	100	40	60	87

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<b><u>Streets Supervision (Continued):</u></b>					
Improvement teams .....	200	200	284	(84)	156
Professional and consulting .....	225	225	586	(361)	217
Other operating supplies .....	100	100	36	64	6
Automotive parts .....	1,000	1,000	184	816	612
Gasoline, fuel and lubricants .....	1,300	1,300	1,192	108	1,065
Insurance .....	1,000	1,000	756	244	846
Uniforms .....	700	700	639	61	270
Regulatory fees and license .....	250	250	257	(7)	-
Drug/alcohol testing .....	-	-	250	(250)	312
Total Streets Supervision .....	<u>256,045</u>	<u>261,245</u>	<u>260,117</u>	<u>1,128</u>	<u>281,030</u>
<b><u>Streets – Repair and Construction:</u></b>					
Wages and salaries – regular .....	194,000	194,000	198,641	(4,641)	181,618
Wages and salaries – overtime and standby .....	20,320	20,320	17,019	3,301	18,363
F.I.C.A. ....	17,200	17,200	17,163	37	15,608
Retirement .....	68,560	68,560	69,554	(994)	55,810
Hospitalization insurance .....	39,480	48,880	50,760	(1,880)	37,800
Life/AD&D .....	1,060	1,060	994	66	947
Dental insurance .....	4,820	4,820	4,459	361	3,923
Workmen’s compensation .....	8,750	8,750	10,671	(1,921)	7,092
Other personnel services .....	10,750	10,750	12,475	(1,725)	9,764
Employee education/training .....	1,000	1,000	273	727	135
Professional services .....	600	600	636	(36)	578
Other operating supplies .....	600	600	560	40	441
Small tools .....	550	550	640	(90)	348
Uniforms .....	1,400	1,400	735	665	241
Auto parts .....	12,500	12,500	4,915	7,585	18,181
Repairs and maintenance .....	20,000	20,000	15,753	4,247	9,442
Gasoline, fuel and lubricants .....	18,000	18,000	13,610	4,390	14,717
Construction materials .....	20,000	20,000	7,597	12,403	9,819
Insurance and bonds .....	2,000	2,000	1,740	260	1,693
Dues and memberships .....	300	300	210	90	180
Travel .....	2,560	2,560	981	1,579	147
Christmas light maintenance .....	4,100	4,100	1,896	2,204	62
Emergency response .....	500	500	-	500	-
Printing .....	700	700	562	138	749
Repairs – sidewalks .....	10,000	10,000	5,502	4,498	10,857
Traffic signal maintenance .....	13,000	13,000	17,558	(4,558)	10,509
Street resurfacing .....	92,180	92,180	92,180	-	-
Computer equipment .....	1,000	1,000	1,017	(17)	-
Regulatory fees and license .....	-	-	80	(80)	-
Machinery and equipment .....	-	-	303	(303)	-

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>				<u>Total 2011</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<b><u>Streets – Repair and Construction (Continued):</u></b>					
Snow removal.....	8,000	8,000	4,323	3,677	15,913
Safety supplies.....	800	800	1,612	(812)	527
Signs and materials.....	22,500	22,500	23,139	(639)	12,634
Landfill services .....	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>118</u>
Total Streets – Repair and Construction.....	<u>597,430</u>	<u>606,830</u>	<u>577,558</u>	<u>29,272</u>	<u>438,216</u>
<b><u>Street Lighting:</u></b>					
Utilities .....	<u>475,000</u>	<u>565,000</u>	<u>558,417</u>	<u>6,583</u>	<u>452,226</u>
<b><u>Right of Way Maintenance:</u></b>					
Wages and salaries – regular .....	234,280	234,280	240,400	(6,120)	227,314
Wages and salaries – overtime and temporary .....	8,570	8,570	1,921	6,649	1,785
F. I. C. A.....	18,620	18,620	18,778	(158)	17,145
Retirement.....	61,890	61,890	63,347	(1,457)	57,512
Hospitalization insurance .....	58,800	58,800	75,600	(16,800)	58,800
Life/AD&D .....	1,430	1,430	1,352	78	1,343
Drug/alcohol testing .....	100	100	429	(329)	146
Employee education .....	-	-	245	(245)	32
Retiree insurance .....	2,460	2,460	2,460	-	2,460
Dental insurance .....	7,180	7,180	5,507	1,673	5,446
Workmen's compensation .....	13,000	13,000	12,186	814	10,424
Other personnel services .....	4,880	4,880	5,041	(161)	4,997
Professional services .....	650	650	803	(153)	735
Travel .....	800	800	-	800	-
Other contractual services .....	10,000	10,000	4,574	5,426	7,419
Operating supplies.....	2,100	2,100	1,942	158	2,249
Small tools.....	1,500	1,500	1,521	(21)	1,858
Contract mowing .....	5,000	5,000	-	5,000	-
Uniforms .....	2,450	2,450	893	1,557	944
Auto parts .....	24,000	24,000	15,662	8,338	18,404
Chemical supplies .....	5,000	5,000	3,749	1,251	3,341
Gasoline.....	19,600	19,600	21,156	(1,556)	15,680
Construction materials.....	500	500	-	500	-
Other equipment.....	50,000	50,000	23,466	26,534	282
Insurance .....	2,000	2,000	1,567	433	1,752
Repairs and maintenance.....	1,200	1,200	36	1,164	117
Mosquito control .....	100	100	86	14	-
Utilities .....	750	750	998	(248)	860
Greenway resurfacing.....	5,000	5,000	-	5,000	-
Greenway maintenance .....	1,200	1,200	1,678	(478)	1,946
Other improvement .....	8,000	8,000	-	8,000	-
Safety supplies.....	<u>1,500</u>	<u>1,500</u>	<u>1,031</u>	<u>469</u>	<u>1,116</u>
Total Right of Way Maintenance .....	<u>552,560</u>	<u>552,560</u>	<u>506,428</u>	<u>46,132</u>	<u>444,107</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>PUBLIC WORKS (Continued):</b>					
<b><u>Sanitation Supervision:</u></b>					
Wages and Salaries.....	63,290	63,290	64,528	(1,238)	62,333
F.I.C.A.....	5,210	5,210	5,081	129	4,825
Retirement.....	34,360	34,360	35,070	(710)	31,955
Hospitalization insurance.....	8,400	8,400	10,800	(2,400)	8,400
Life/Accidental death insurance.....	290	290	264	26	264
Dental insurance.....	1,030	1,030	1,108	(78)	1,026
Professional and consulting.....	300	300	612	(312)	239
Mailing.....	200	200	-	200	1,115
Drug/Alcohol test.....	300	300	339	(39)	312
Printing.....	3,000	3,000	2,727	273	2,530
Uniforms.....	150	150	-	150	125
Workmen's compensation.....	3,500	3,500	2,993	507	2,921
Improvement teams.....	250	250	505	(255)	207
Repair and maintenance.....	300	300	200	100	-
Small tools.....	125	125	-	125	65
Other personnel services.....	4,800	4,800	4,581	219	277
Utility processing.....	1,500	1,500	1,171	329	311
Utilities.....	500	500	497	3	497
Office supplies.....	200	200	136	64	171
Auto parts.....	200	200	36	164	1,258
Gasoline.....	1,300	1,300	1,524	(224)	1,216
Insurance.....	400	400	255	145	298
Operating supplies/tools.....	325	325	219	106	172
Dues.....	50	50	15	35	15
Travel/training.....	1,400	1,400	72	1,328	162
Retiree insurance.....	3,720	3,720	3,540	180	4,620
Computer equipment.....	-	-	-	-	283
Total Sanitation Supervision.....	<u>135,100</u>	<u>135,100</u>	<u>136,273</u>	<u>(1,173)</u>	<u>125,597</u>
<b><u>Sanitation Collection:</u></b>					
Wages and salaries.....	79,290	79,290	87,599	(8,309)	79,492
Overtime.....	2,540	2,540	1,889	651	-
F.I.C.A.....	6,300	6,300	6,862	(562)	6,070
Retirement.....	19,220	19,220	20,938	(1,718)	19,451
Hospitalization insurance.....	25,200	25,200	31,000	(5,800)	23,400
Life/Accidental death insurance.....	560	560	510	50	490
Dental insurance.....	3,080	3,080	2,640	440	1,896
Workmen's compensation.....	5,000	5,000	3,622	1,378	4,658
Landfill services.....	100,000	100,000	93,084	6,916	97,504
Other personnel services.....	650	650	275	375	3,565
Machinery and equipment.....	24,300	24,300	26,069	(1,769)	-
Other supplies.....	1,450	1,450	1,494	(44)	125
Small tools and minor equipment.....	100	100	21	79	-
Uniforms.....	2,100	2,100	1,006	1,094	972
Equipment lease purchase.....	36,000	36,000	35,983	17	35,983
Recycling contracts.....	180,000	180,000	182,029	(2,029)	113,974

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>PUBLIC WORKS (Continued):</b>					
<b><u>Sanitation Collection (Continued):</u></b>					
Automotive parts .....	16,000	16,000	29,386	(13,386)	12,657
Gasoline, fuel, and lubricants .....	25,060	25,060	27,822	(2,762)	24,800
Insurance .....	2,500	2,500	1,553	947	1,937
Recycling center .....	800	800	-	800	65
Parts and materials .....	1,000	1,000	-	1,000	1,235
Professional services .....	300	300	317	(17)	289
Utility processing .....	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>35</u>
Total Sanitation Collection .....	<u>532,950</u>	<u>532,950</u>	<u>554,099</u>	<u>(21,149)</u>	<u>428,598</u>
<b><u>Brush and Demolition:</u></b>					
Wages and Salaries .....	68,120	68,120	63,741	4,379	67,484
Wages – temporary .....	12,000	12,000	10,179	1,821	11,669
Wages – overtime .....	1,020	1,020	142	878	797
F.I.C.A. ....	5,520	5,520	5,212	308	5,360
Retirement .....	21,520	21,520	21,234	286	18,191
Hospitalization insurance .....	16,800	16,800	19,400	(2,600)	16,800
Life/Accidental death insurance .....	410	410	343	67	388
Dental insurance .....	2,050	2,050	1,940	110	1,705
Workmen’s compensation .....	4,000	4,000	3,176	824	3,046
Other personnel services .....	3,160	3,160	4,467	(1,307)	2,173
Professional services .....	150	150	158	(8)	144
Landfill services .....	78,000	78,000	63,281	14,719	71,722
Recycling contracts .....	40,000	40,000	36,120	3,880	30,640
Small tools .....	100	100	84	16	323
Uniforms .....	1,020	1,020	281	739	-
Automotive parts .....	6,800	6,800	8,731	(1,931)	7,671
Equipment lease purchase .....	20,800	20,800	18,982	1,818	20,708
Gasoline .....	17,500	17,500	18,885	(1,385)	14,340
Other operating supplies .....	600	600	475	125	184
Insurance .....	<u>2,200</u>	<u>2,200</u>	<u>1,558</u>	<u>642</u>	<u>1,848</u>
Total Brush and Demolition .....	<u>301,770</u>	<u>301,770</u>	<u>278,389</u>	<u>23,381</u>	<u>275,193</u>
<b><u>Industrial Collection:</u></b>					
Wages and salaries .....	136,840	136,840	139,512	(2,672)	136,218
Wages – overtime .....	7,320	7,320	6,314	1,006	7,040
F.I.C.A. ....	11,490	11,490	10,515	975	11,011
Retirement .....	39,790	39,790	36,751	3,039	35,854
Retiree insurance .....	2,820	2,820	2,640	180	4,620
Hospitalization insurance .....	33,600	33,600	43,200	(9,600)	33,600
Life/Accidental death insurance .....	830	830	779	51	783
Dental insurance .....	4,110	4,110	2,932	1,178	2,715
Workmen’s compensation .....	7,500	7,500	6,610	890	6,801
Uniforms .....	1,400	1,400	491	909	127
Other personnel services .....	6,300	6,300	6,555	(255)	4,691
Automotive parts .....	28,000	28,000	21,390	6,610	36,935

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>PUBLIC WORKS (Continued):</b>					
<b><u>Industrial Collection (Continued):</u></b>					
Other operating supplies/small tools .....	375	375	466	(91)	406
Gasoline, fuel, and lubricants .....	34,240	34,240	38,382	(4,142)	23,744
Insurance .....	2,700	2,700	2,972	(272)	2,654
Landfill services .....	220,000	295,000	265,820	29,180	262,847
Professional .....	290	290	318	(28)	289
Equipment lease payments .....	55,000	55,000	46,089	8,911	54,366
Repair and maintenance.....	750	750	12	738	740
Equipment .....	4,750	4,750	8,323	(3,573)	4,564
Safety supplies.....	500	500	230	270	188
Total Industrial Collection.....	<u>598,605</u>	<u>673,605</u>	<u>640,301</u>	<u>33,304</u>	<u>630,193</u>
<b><u>SPECIAL PROJECTS:</u></b>					
Traffic Signal Improvement .....	200,000	200,000	300,763	(100,763)	1,244,886
Hall Road/South Plant Turn .....	-	-	-	-	10,147
Alcoa Hwy/Wright Rd Intersection.....	-	-	-	-	138,490
Street Resurfacing .....	-	-	-	-	444,183
Fuel center expansion.....	60,000	60,000	853	59,147	-
Total Special Projects .....	<u>260,000</u>	<u>260,000</u>	<u>301,616</u>	<u>(41,616)</u>	<u>1,837,706</u>
<b>TOTAL PUBLIC WORKS .....</b>	<u>4,809,105</u>	<u>5,019,405</u>	<u>4,879,116</u>	<u>140,289</u>	<u>5,923,423</u>
<b>PUBLIC SAFETY</b>					
<b><u>Police Administration:</u></b>					
Wages and salaries .....	144,920	144,920	147,840	(2,920)	142,730
F.I.C.A.....	11,140	11,140	10,946	194	10,320
Retirement .....	29,630	29,630	30,720	(1,090)	29,594
Hospitalization insurance .....	16,800	20,800	21,600	(800)	16,800
Retiree Insurance.....	1,025	1,025	2,050	(1,025)	2,460
Life/AD&D .....	620	620	569	51	569
Dental insurance.....	2,050	2,050	2,217	(167)	2,052
Workmen's compensation.....	3,500	3,500	3,115	385	3,364
Other personnel services.....	850	850	850	-	850
Dues and memberships.....	1,065	1,065	988	77	1,264
Advertising .....	1,000	1,000	-	1,000	286
Travel, conferences and training.....	3,200	3,200	4,293	(1,093)	3,001
Reproduction and printing.....	500	500	871	(371)	-
Utilities .....	1,400	1,400	1,294	106	1,467
Office supplies.....	1,000	1,000	349	651	631
Uniforms.....	600	600	-	600	179
Auto parts .....	650	650	3,248	(2,598)	96
Gasoline, fuel and lubricants .....	800	800	1,104	(304)	616
Insurance and bonds .....	1,400	1,400	1,141	259	1,243
Professional and consultation services .....	5,000	5,000	365	4,635	982
Public relations.....	800	800	799	1	734
Small Tools.....	500	500	145	355	-
TIES Terminal services .....	2,240	2,240	2,365	(125)	2,315
Total Police Administration.....	<u>230,690</u>	<u>234,690</u>	<u>236,869</u>	<u>(2,179)</u>	<u>221,553</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued)					
<b><u>Administrative Services:</u></b>					
Wages and salaries – regular .....	367,130	367,130	374,455	(7,325)	324,939
Wages and salaries – overtime and temporary ..	22,790	22,790	19,712	3,078	10,889
F.I.C.A. ....	29,230	29,230	28,493	737	24,357
Retirement.....	57,920	57,920	62,527	(4,607)	53,316
Hospitalization insurance .....	67,200	82,200	86,400	(4,200)	59,500
Life/AD&D .....	1,900	1,900	1,771	129	1,578
Dental insurance.....	8,210	8,210	8,682	(472)	6,243
Workmen's compensation .....	9,500	9,500	8,124	1,376	8,810
Other personnel services .....	12,620	12,620	14,715	(2,095)	13,359
Software license fee .....	25,800	25,800	27,116	(1,316)	15,493
Professional and consulting.....	-	-	348	(348)	193
Mailing.....	2,500	2,500	1,824	676	1,460
Dues and memberships .....	2,600	2,600	1,399	1,201	1,356
Travel, conferences and training .....	12,000	12,000	4,930	7,070	2,460
Repair and maintenance .....	27,000	27,000	10,091	16,909	29,950
Printing.....	14,000	14,000	12,119	1,881	13,024
Rental and maintenance contracts .....	9,500	9,500	8,192	1,308	9,127
Office supplies .....	15,000	15,000	12,934	2,066	10,687
Utilities.....	6,000	6,000	4,555	1,445	4,529
Small tools .....	4,500	4,500	3,877	623	1,236
Uniforms .....	1,500	1,500	1,980	(480)	100
Insurance .....	4,800	4,800	4,399	401	4,321
Other operating supplies .....	4,500	4,500	1,648	2,852	2,699
Computer software .....	15,000	15,000	-	15,000	6,720
Auto parts.....	3,000	3,000	4,022	(1,022)	2,189
Gasoline .....	6,000	6,000	6,157	(157)	4,566
Communication equipment .....	2,000	2,000	1,993	7	1,085
Certificate of Accreditation.....	16,800	16,800	10,008	6,792	8,482
Office/computer machinery and equipment.....	31,000	31,000	32,957	(1,957)	5,082
Building and improvements .....	-	-	-	-	6,903
Community policing .....	-	-	91	(91)	-
Janitorial services .....	14,700	14,700	16,740	(2,040)	17,213
Total Administrative Services.....	<u>794,700</u>	<u>809,700</u>	<u>772,259</u>	<u>37,441</u>	<u>651,866</u>
<b><u>Police Communications:</u></b>					
911 Communications Center .....	151,070	151,070	151,065	5	151,064
Homeland Security Director.....	15,000	15,000	-	15,000	11,280
Total Police Communications .....	<u>166,070</u>	<u>166,070</u>	<u>151,065</u>	<u>15,005</u>	<u>162,344</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued)					
<b><u>Police Patrol and Traffic Division:</u></b>					
Wages and salaries – regular.....	1,236,460	1,236,460	1,130,650	105,810	1,084,779
Wages and salaries – overtime.....	116,840	116,840	108,059	8,781	101,819
F. I. C. A. ....	108,850	108,850	98,095	10,755	92,550
Retiree insurance.....	4,620	4,620	4,620	-	4,620
Retirement.....	327,790	327,790	319,478	8,312	276,844
Hospitalization insurance.....	243,600	294,000	281,500	12,500	216,300
Life/AD&D.....	6,530	6,530	5,524	1,006	5,484
Dental insurance.....	29,760	29,760	27,286	2,474	24,688
Wages – ARRA.....	-	-	70,297	(70,297)	66,580
Overtime – ARRA .....	-	-	15,746	(15,746)	11,074
FICA – ARRA .....	-	-	6,632	(6,632)	5,842
Retirement – ARRA.....	-	-	13,922	(13,922)	12,238
Hospitalization insurance – ARRA.....	-	-	21,600	(21,600)	16,800
Life/AD&D – ARRA.....	-	-	375	(375)	375
Dental insurance – ARRA.....	-	-	1,966	(1,966)	1,358
Workmen’s compensation – ARRA.....	-	-	-	-	2,815
Other personnel services – ARRA.....	-	-	2,598	(2,598)	-
Workmen's compensation .....	45,000	45,000	41,664	3,336	36,594
Drug/Alcohol testing.....	3,000	3,000	3,056	(56)	1,932
Ammunition .....	16,000	16,000	15,530	470	14,375
Veterinarian .....	1,500	1,500	717	783	1,083
Employee education and training.....	2,000	2,000	1,634	366	4,000
Other personnel services .....	71,080	71,080	64,809	6,271	64,897
Dues and memberships .....	500	500	538	(38)	480
Travel, conferences and training.....	25,000	25,000	15,650	9,350	14,183
Office/other operating supplies.....	9,000	9,000	9,868	(868)	5,486
Small tools and minor equipment .....	500	500	246	254	198
Uniforms and clothing .....	30,000	30,000	31,463	(1,463)	30,321
Automotive parts.....	65,000	65,000	47,642	17,358	50,462
Gasoline, fuel, and lubricants.....	100,000	100,000	133,195	(33,195)	101,957
Firing range.....	3,500	3,500	3,499	1	3,139
Community policing .....	1,500	1,500	780	720	1,215
Mailing.....	500	500	254	246	213
Auto equipment.....	-	-	-	-	2,380
Insurance.....	25,000	25,000	20,491	4,509	22,180
Professional services.....	8,700	8,700	2,862	5,838	5,610
Repairs and maintenance – machinery.....	3,000	3,000	3,233	(233)	222
Maintenance contracts.....	1,000	1,000	480	520	564
Other equipment.....	22,000	47,000	51,309	(4,309)	143
Printing and photography.....	4,000	4,000	4,019	(19)	4,146
Utilities.....	82,000	82,000	81,193	807	79,677
Contract services.....	13,000	13,000	14,600	(1,600)	12,960
K-9 .....	1,500	1,500	1,437	63	1,148
Lease equipment .....	51,275	51,275	52,080	(805)	4,800
Computer equipment.....	11,000	11,000	10,230	770	1,293
Radio systems annual contract.....	17,080	17,080	-	17,080	-
Total Police Patrol and Traffic Control....	<u>2,688,085</u>	<u>2,763,485</u>	<u>2,720,827</u>	<u>42,658</u>	<u>2,389,824</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>PUBLIC SAFETY (Continued)</b>					
<b><u>Police Investigation:</u></b>					
Wages and salaries – regular.....	312,080	312,080	345,035	(32,955)	347,272
Undercover operations.....	500	500	102	398	232
Wages and salaries – overtime/standby .....	45,210	45,210	56,980	(11,770)	41,699
F. I. C. A. ....	27,960	27,960	31,159	(3,199)	29,368
Retirement.....	89,540	89,540	98,868	(9,328)	87,268
Hospitalization insurance.....	50,400	64,400	72,800	(8,400)	58,800
Life/AD&D.....	1,510	1,510	1,556	(46)	1,621
Dental insurance .....	6,160	6,160	7,481	(1,321)	7,184
Workmen's compensation .....	14,000	14,000	11,011	2,989	11,673
Dues/subscriptions/memberships.....	800	800	885	(85)	2,783
Other personnel services.....	8,370	8,370	9,383	(1,013)	8,870
Mailing.....	400	400	161	239	327
Other operating supplies .....	2,500	2,500	625	1,875	2,305
Travel, conferences, and training .....	6,000	6,000	5,463	537	2,233
Office supplies .....	2,000	2,000	3,325	(1,325)	1,977
Professional services.....	450	450	4,235	(3,785)	-
Uniforms .....	4,100	4,100	5,532	(1,432)	759
Auto parts.....	5,000	5,000	1,852	3,148	4,897
Gasoline, fuel and lubricants.....	12,500	12,500	13,567	(1,067)	11,177
Insurance.....	5,500	5,500	4,378	1,122	4,679
Utilities .....	3,100	3,100	4,772	(1,672)	2,642
Equipment.....	-	-	-	-	640
Computer equipment.....	-	-	1,495	(1,495)	-
Small tools .....	2,500	2,500	1,782	718	2,874
Printing .....	800	800	1,328	(528)	797
Repair and maintenance.....	-	-	783	(783)	-
<b>Total Police Investigation .....</b>	<b>601,380</b>	<b>615,380</b>	<b>684,558</b>	<b>(69,178)</b>	<b>632,077</b>
<b><u>Police – Animal Control:</u></b>					
Wages and salaries – regular.....	83,640	83,640	85,289	(1,649)	82,375
Wages and salaries – overtime.....	510	510	530	(20)	61
F. I. C. A. ....	6,510	6,510	6,501	9	6,131
Retirement.....	13,800	13,800	14,462	(662)	13,781
Hospitalization insurance.....	16,800	20,800	21,600	(800)	16,800
Life/AD&D.....	450	450	416	34	416
Dental insurance .....	2,050	2,050	1,466	584	1,358
Workmen's compensation.....	3,500	3,500	2,786	714	2,751
Dues and memberships .....	150	150	-	150	220
Other personnel services.....	1,100	1,100	1,100	-	1,100
Utilities .....	1,400	1,400	800	600	1,230
Office supplies .....	1,000	1,000	1,678	(678)	101
Small tools and equipment.....	1,500	1,500	1,180	320	1,161
Veterinarian expenses .....	500	500	-	500	-
Uniforms .....	800	800	337	463	-

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY - POLICE(Continued):					
<b><u>Police – Animal Control (Continued):</u></b>					
Auto parts .....	4,500	4,500	1,616	2,884	714
Professional services .....	145	145	158	(13)	144
Animal shelter fees .....	5,000	5,000	2,205	2,795	2,907
Gasoline, fuel and lubricants .....	5,000	5,000	5,395	(395)	4,294
Other commodities .....	500	500	92	408	37
Insurance .....	1,550	1,550	1,104	446	1,152
Travel and training .....	1,000	1,000	-	1,000	-
Printing .....	500	500	-	500	-
Total Police – Animal Control.....	<u>151,905</u>	<u>155,905</u>	<u>148,715</u>	<u>7,190</u>	<u>136,733</u>
TOTAL PUBLIC SAFETY – POLICE.....	<u>4,632,830</u>	<u>4,745,230</u>	<u>4,714,293</u>	<u>30,937</u>	<u>4,194,397</u>
PUBLIC SAFETY – FIRE:					
<b><u>Fire Supervision:</u></b>					
Wages and salaries .....	262,740	262,740	269,028	(6,288)	259,362
Overtime .....	6,600	6,600	3,514	3,086	5,643
F. I. C. A.....	22,550	22,550	22,818	(268)	21,836
Retirement .....	85,910	85,910	89,179	(3,269)	77,600
Hospitalization insurance .....	33,600	41,600	43,200	(1,600)	33,600
Life AD&D.....	1,160	1,160	1,077	83	1,076
Dental insurance .....	4,110	4,110	3,683	427	3,410
Workmen’s compensation .....	6,500	6,500	6,079	421	5,824
Retiree insurance .....	2,460	2,460	4,920	(2,460)	2,460
Other personnel services.....	25,660	25,660	28,874	(3,214)	25,780
Mailing .....	700	700	213	487	154
Dues and memberships .....	650	650	988	(338)	621
Travel, conferences and training.....	3,000	3,000	5,352	(2,352)	2,557
Reproduction and printing .....	4,600	4,600	4,311	289	4,214
Office supplies.....	3,400	3,400	1,639	1,761	780
Uniforms.....	2,100	2,100	1,422	678	1,295
Auto parts .....	1,800	1,800	1,988	(188)	4,296
Gasoline, fuel and lubricants .....	5,000	5,000	6,595	(1,595)	5,140
Other commodities .....	500	500	20	480	30
Insurance .....	2,700	2,700	2,071	629	2,238
Professional and consultation .....	13,500	13,500	5,020	8,480	216
Small tools.....	1,000	1,000	298	702	898
Public relations .....	3,000	3,000	2,955	45	1,312
Rental and maintenance contracts .....	2,800	2,800	2,361	439	2,036
Utilities .....	8,700	8,700	11,073	(2,373)	9,615
Repairs and maintenance.....	500	500	133	367	-
Computer equipment .....	-	-	-	-	116
Total Fire Supervision .....	<u>505,240</u>	<u>513,240</u>	<u>518,811</u>	<u>(5,571)</u>	<u>472,109</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE (Continued):					
<b><u>Fire Prevention/Inspection:</u></b>					
Wages and salaries .....	43,570	43,570	45,064	(1,494)	43,453
Overtime .....	3,050	3,050	3,897	(847)	2,753
F. I. C. A. ....	3,600	3,600	3,787	(187)	3,512
Retirement.....	25,660	25,660	26,550	(890)	14,491
Hospitalization insurance .....	7,560	9,360	9,720	(360)	7,560
Life/AD&D.....	220	220	206	14	205
Dental insurance.....	920	920	997	(77)	923
Workmen's compensation .....	3,000	3,000	1,722	1,278	3,831
Dues and memberships .....	500	500	185	315	191
Other commodities .....	200	200	-	200	30
Professional services .....	250	250	65	185	-
Rental and maintenance contracts .....	100	100	-	100	-
Utilities.....	1,300	1,300	1,469	(169)	1,254
Employee education and training.....	300	300	195	105	-
Other personnel services .....	500	500	495	5	495
Mailing.....	50	50	-	50	8
Advertising.....	2,500	2,500	275	2,225	1,396
Computer equipment.....	-	-	2,500	(2,500)	-
Retiree insurance.....	4,160	4,160	4,158	2	4,158
Repairs and maintenance – office equipment....	200	200	-	200	-
Office supplies .....	500	500	146	354	63
Small tools and minor equipment.....	2,400	2,400	1,267	1,133	1,532
Smoke detectors .....	500	500	91	409	188
Uniforms .....	700	700	-	700	952
Auto parts.....	600	600	1,267	(667)	1,417
Gasoline, fuel and lubricants.....	3,100	3,100	3,197	(97)	2,462
Insurance .....	1,000	1,000	549	451	560
Travel .....	<u>1,800</u>	<u>1,800</u>	<u>2,072</u>	<u>(272)</u>	<u>1,150</u>
Total Fire Prevention/Inspection.....	<u>108,240</u>	<u>110,040</u>	<u>109,874</u>	<u>166</u>	<u>92,584</u>
<b><u>Emergency Management Coordination:</u></b>					
Professional and consulting.....	-	125,736	-	125,736	-
Repair and maintenance – vehicle.....	-	99,725	-	99,725	-
Vehicle .....	-	68,488	-	68,488	-
Building and improvements .....	-	<u>10,000</u>	-	<u>10,000</u>	-
Total Emergency Management Coordination .	-	<u>303,949</u>	-	<u>303,949</u>	-
<b><u>Fire Fighting:</u></b>					
Wages and salaries – regular.....	1,096,990	1,096,990	1,119,271	(22,281)	1,050,791
Wages and salaries – temporary.....	1,500	1,500	1,065	435	1,855
Wages and salaries – overtime.....	105,000	105,000	69,351	35,649	93,747
F. I. C. A. ....	96,270	96,270	93,571	2,699	88,375
Retiree insurance.....	16,320	16,320	15,540	780	16,620
Retirement.....	311,100	311,100	322,049	(10,949)	291,336
Hospitalization insurance .....	226,800	280,800	288,100	(7,300)	218,400

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE (Continued):					
<b><u>Fire Fighting (Continued):</u></b>					
Life/AD&D.....	6,000	6,000	5,532	468	5,422
Dental insurance .....	27,710	27,710	26,774	936	24,316
Workmen's compensation .....	35,000	35,000	30,170	4,830	27,867
Drug/Alcohol testing .....	750	750	384	366	531
Mailing.....	500	500	193	307	216
Radio system annual contract .....	15,880	15,880	-	15,880	-
Equipment – lease purchase.....	46,275	46,275	46,272	3	-
Employee education and training.....	6,000	6,000	4,975	1,025	3,153
Other personnel services.....	57,800	57,800	57,500	300	56,602
Maintenance contracts .....	16,000	16,000	14,547	1,453	14,414
Travel.....	4,000	4,000	2,958	1,042	2,588
Office and station supplies.....	14,100	14,100	12,062	2,038	13,407
Small tools and minor equipment .....	12,500	12,500	12,004	496	11,730
Uniforms.....	27,000	27,000	21,412	5,588	19,522
Automotive parts .....	22,000	22,000	32,579	(10,579)	21,832
Printing .....	2,150	2,150	2,460	(310)	2,104
Repairs and maintenance .....	10,400	10,400	6,387	4,013	16,598
Gasoline, fuel and lubricants .....	16,500	16,500	19,507	(3,007)	14,843
Other commodities.....	7,600	7,600	6,168	1,432	5,931
Medical physicals .....	-	-	1,422	(1,422)	2,395
Utilities .....	54,000	54,000	58,822	(4,822)	58,247
Insurance.....	33,825	33,825	22,792	11,033	28,557
Fire hydrant rental.....	20,670	20,670	-	20,670	20,670
Building improvements .....	15,000	15,000	36,700	(21,700)	-
Fire training facilities.....	86,000	86,000	86,235	(235)	9,017
Station furnishings.....	3,000	3,000	1,692	1,308	3,115
Grant equipment .....	-	-	-	-	127,245
Medical surveillance.....	3,100	3,100	-	3,100	-
Professional and consultation .....	6,500	6,500	4,164	2,336	2,649
Total Fire Fighting.....	<u>2,404,240</u>	<u>2,458,240</u>	<u>2,422,658</u>	<u>35,582</u>	<u>2,254,095</u>
TOTAL PUBLIC SAFETY - FIRE .....	<u>3,017,720</u>	<u>3,385,469</u>	<u>3,051,343</u>	<u>334,126</u>	<u>2,818,788</u>
CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES:					
Parks and Recreation:					
Little League Park.....	-	-	386	(386)	194
Senior Citizen Center.....	12,675	12,675	12,602	73	12,262
Repairs and maintenance .....	32,000	32,000	30,182	1,818	5,694
Special events .....	2,500	2,500	888	1,612	930
Support services and projects .....	446,470	446,470	446,470	-	446,470
Total Parks and Recreation .....	<u>493,645</u>	<u>493,645</u>	<u>490,528</u>	<u>3,117</u>	<u>465,550</u>
Blount County Library.....	179,905	179,905	179,904	1	179,905

(Continued)

**CITY OF ALCOA, TENNESSEE  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Function/Activity/Object</u>	<u>June 30, 2012</u>				<u>Total 2011</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued):					
Blount County Industrial Development Board.....	<u>233,090</u>	<u>233,090</u>	<u>233,086</u>	<u>4</u>	<u>379,592</u>
East Tennessee Development District .....	<u>1,240</u>	<u>1,240</u>	<u>1,237</u>	<u>3</u>	<u>1,237</u>
Blount County Family Services.....	<u>15,245</u>	<u>15,245</u>	<u>15,245</u>	<u>-</u>	<u>15,245</u>
Blount County Chamber of Commerce .....	<u>2,050</u>	<u>2,050</u>	<u>2,050</u>	<u>-</u>	<u>2,050</u>
Blount County Community Action Agency.....	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Economic Development Board - Blount Partnership.....	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>18,900</u>
Vocational Rehabilitation .....	<u>44,370</u>	<u>44,370</u>	<u>44,367</u>	<u>3</u>	<u>36,130</u>
In Lieu of Taxes.....	<u>254,250</u>	<u>275,250</u>	<u>274,839</u>	<u>411</u>	<u>264,698</u>
TOTAL CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES....	<u>1,245,795</u>	<u>1,266,795</u>	<u>1,263,256</u>	<u>3,539</u>	<u>1,373,307</u>
CAPITAL OUTLAY.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>952,511</u>
<b>TOTAL EXPENDITURES.....</b>	<b><u>\$15,412,520</u></b>	<b><u>\$16,146,469</u></b>	<b><u>\$15,633,790</u></b>	<b><u>\$ 512,679</u></b>	<b><u>\$ 16,883,474</u></b>

(Continued)

# EDUCATION SPECIAL REVENUE FUND

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specific purposes.

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**Education Fund** – The Education Fund is used to account for the general operations of the Alcoa City Schools. Major funding for the Education Fund is provided by State education funds, shared revenues provided by Blount County, and transfer of property tax revenue from the General Fund. The Education Fund is presented as a major fund in the basic financial statements.

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**CITY OF ALCOA, TENNESSEE**  
**EDUCATION FUND - SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Source of Revenue</u>	<u>June 30, 2012</u>				<u>Totals 2011</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance – With</u>	
	<u>Original</u>	<u>Final</u>	<u>Amounts Budgetary Basis</u>	<u>Final Budget Positive (Negative)</u>	
<b>TAXES:</b>					
Current city taxes.....	\$ 4,020,000	\$ 4,020,000	\$ 4,020,000	\$ -	\$ 4,020,000
Current county taxes.....	2,650,000	2,850,000	2,902,959	52,959	2,648,170
Previous year's county taxes.....	190,000	188,000	205,029	17,029	292,438
Pick-up taxes.....	15,000	20,000	41,222	21,222	12,494
In-lieu of taxes.....	<u>21,000</u>	<u>21,000</u>	<u>24,187</u>	<u>3,187</u>	<u>21,883</u>
Total Taxes.....	<u>6,896,000</u>	<u>7,099,000</u>	<u>7,193,397</u>	<u>94,397</u>	<u>6,994,985</u>
<b>MISCELLANEOUS REVENUE:</b>					
Mixed drink tax.....	4,800	4,800	9,075	4,275	7,062
Interest.....	-	-	3,630	3,630	3,989
Regular tuition.....	215,000	215,000	223,632	8,632	238,215
Business tax, marriage licenses, fees.....	60,500	60,500	69,089	8,589	55,779
Local sales tax - County.....	1,525,000	1,690,000	1,644,348	(45,652)	1,464,124
Contributions/gifts/miscellaneous.....	-	-	90	90	1,059
Other services.....	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
Total Miscellaneous Revenue.....	<u>1,805,300</u>	<u>2,120,300</u>	<u>1,949,864</u>	<u>(170,436)</u>	<u>1,770,228</u>
<b>REVENUE FROM OTHER AGENCIES:</b>					
State of Tennessee:					
Tennessee Foundation Program.....	6,382,000	6,382,000	6,390,000	8,000	5,863,710
State driver education.....	3,800	3,800	4,848	1,048	4,344
Career Ladder Program.....	157,100	157,100	135,043	(22,057)	148,372
Other Federal.....	-	12,600	300	(12,300)	12,190
State Matching.....	5,800	5,800	7,034	1,234	7,141
Lottery Pre-K.....	162,400	162,400	168,949	6,549	225,151
Other State Funds.....	-	-	-	-	2,056
BEP State Stabilization.....	-	-	-	-	520,290
Coord. School Health.....	85,000	85,000	86,025	1,025	83,098
ConnecTENN.....	-	-	-	-	6,029
Statewide Student Management					
System – ARRA.....	-	-	-	-	4,302
Safe Schools Grant.....	-	-	-	-	8,000
USDA – ARRA.....	-	-	-	-	7,000
Family Resource Center.....	<u>28,000</u>	<u>28,000</u>	<u>29,612</u>	<u>1,612</u>	<u>33,300</u>
Total Revenue from Other Agencies..	<u>6,824,100</u>	<u>6,836,700</u>	<u>6,821,811</u>	<u>(14,889)</u>	<u>6,924,983</u>
<b>TOTAL REVENUES.....</b>	<b><u>\$ 15,525,400</u></b>	<b><u>\$ 16,056,000</u></b>	<b><u>\$ 15,965,072</u></b>	<b><u>\$ (90,928)</u></b>	<b><u>\$ 15,690,196</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**EDUCATION FUND - SPECIAL REVENUE FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Activity/Object</u>	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>	
			<u>Budgetary</u>	<u>Positive</u>	<u>2011</u>
			<u>Basis</u>	<u>(Negative)</u>	
<b>BOARD OF EDUCATION:</b>					
Board member fees .....	\$ 6,850	\$ 6,850	\$ 5,700	\$ 1,150	\$ 5,700
F.I.C.A./Medicare .....	524	524	436	88	436
Professional services .....	28,000	28,000	15,000	13,000	23,570
Dues and memberships .....	11,000	11,000	10,822	178	10,910
Legal services .....	6,500	6,500	3,952	2,548	6,145
Travel .....	15,000	15,000	8,184	6,816	3,918
Liability insurance .....	31,000	31,000	21,953	9,047	20,116
Surety bonds .....	1,500	1,500	1,480	20	1,103
Commissions – Blount County Trustee ....	50,000	50,000	64,450	(14,450)	61,245
Workmen’s compensation insurance .....	53,000	53,000	47,667	5,333	51,063
Other charges/supplies .....	12,500	12,500	6,386	6,114	20,264
Total Board of Education .....	<u>215,874</u>	<u>215,874</u>	<u>186,030</u>	<u>29,844</u>	<u>204,470</u>
<b>OFFICE OF SUPERINTENDENT:</b>					
Superintendent .....	100,000	100,000	100,000	-	116,356
Assistants .....	58,129	58,129	60,265	(2,136)	55,828
F.I.C.A/Medicare .....	12,097	12,097	12,338	(241)	12,913
Retirement .....	18,351	18,351	19,837	(1,486)	22,514
Employee insurance .....	25,267	25,267	15,566	9,701	11,722
Communication .....	15,000	15,000	12,957	2,043	15,748
Travel .....	7,100	7,100	4,333	2,767	895
Office supplies .....	250	250	-	250	165
Other fringe benefits .....	6,000	6,000	-	6,000	-
Career ladder .....	-	-	1,000	(1,000)	-
Total Office of Superintendent .....	<u>242,194</u>	<u>242,194</u>	<u>226,296</u>	<u>15,898</u>	<u>236,141</u>
<b>OFFICE OF PRINCIPALS:</b>					
Principals .....	280,140	280,140	276,140	4,000	269,322
Assistant Principals .....	250,327	250,327	246,327	4,000	241,795
Career ladder .....	9,500	9,500	8,000	1,500	8,000
Secretaries .....	112,265	112,265	116,209	(3,944)	109,233
F.I.C.A/Medicare .....	49,895	49,895	48,079	1,816	46,727
Retirement .....	66,829	66,829	92,369	(25,540)	78,809
Employee insurance .....	73,386	73,386	82,792	(9,406)	101,402
Communications .....	31,000	31,000	38,958	(7,958)	43,983
Travel .....	6,000	6,000	1,260	4,740	95
Total Office of Principals .....	<u>879,342</u>	<u>879,342</u>	<u>910,134</u>	<u>(30,792)</u>	<u>899,366</u>
<b>LOTTERY PRE-K FUNDS:</b>					
Teacher salaries .....	104,088	104,088	106,485	(2,397)	58,761
Education assistant .....	40,106	40,106	45,560	(5,454)	40,314
F.I.C.A./Medicare .....	10,795	10,795	10,970	(175)	7,516
Retirement .....	15,837	15,837	22,754	(6,917)	16,088
Employee insurance .....	32,620	32,620	21,075	11,545	10,722
Instructional supplies .....	2,000	2,000	1,081	919	600
Unemployment compensation .....	2,091	2,091	-	2,091	-
Total Lottery Pre-K Funds .....	<u>207,537</u>	<u>207,537</u>	<u>207,925</u>	<u>(388)</u>	<u>134,001</u>

See accompanying independent auditors’ report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**EDUCATION FUND – SPECIAL REVENUE FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

Activity/Object	June 30, 2012				Totals 2011
	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance – with Final Budget Positive (Negative)	
	Original	Final			
<b>FISCAL SERVICES:</b>					
Supervisor/Director.....	89,886	89,886	88,886	1,000	87,486
Finance Director .....	45,000	45,000	45,000	-	-
Secretaries.....	48,857	48,857	52,021	(3,164)	46,922
F.I.C.A/Medicare .....	14,056	14,056	13,764	292	10,090
Retirement .....	15,952	15,952	17,795	(1,843)	16,711
Employee insurance.....	8,494	8,494	14,124	(5,630)	6,212
Travel.....	1,800	1,800	3,528	(1,728)	2,997
Office supplies.....	5,500	5,500	5,892	(392)	4,667
Other charges.....	44,000	44,000	34,951	9,049	128,185
Administration equipment .....	3,000	3,000	1,697	1,303	4,659
Total Fiscal Services.....	<u>276,545</u>	<u>276,545</u>	<u>277,658</u>	<u>(1,113)</u>	<u>307,929</u>
<b>TRANSPORTATION:</b>					
Bus Drivers .....	6,923	6,923	2,017	4,906	6,611
F.I.C.A/Medicare .....	529	529	154	375	491
Retirement .....	1,108	1,108	318	790	1,226
Employee insurance.....	6,362	6,362	8,793	(2,431)	16,170
Gasoline/Diesel.....	3,000	3,000	-	3,000	7
Tires and tubes.....	2,000	2,000	796	1,204	218
Vehicle parts .....	2,500	2,500	4,229	(1,729)	1,246
Other charges.....	15,000	15,000	7,905	7,095	-
Contracts with private agencies .....	180,000	180,000	178,500	1,500	169,325
Vehicle maintenance and repair.....	4,000	4,000	1,337	2,663	1,077
Vehicle and equipment insurance .....	2,000	2,000	-	2,000	-
Total Transportation .....	<u>223,422</u>	<u>223,422</u>	<u>204,049</u>	<u>19,373</u>	<u>196,371</u>
<b>INSTRUCTION ELEMENTARY/ SECONDARY:</b>					
Regular teacher salaries .....	5,778,067	5,778,067	5,744,577	33,490	5,598,972
Substitute /homebound teacher salaries ....	71,000	136,000	130,560	5,440	95,484
Supervisor/Director.....	-	-	61	(61)	-
F.I.C.A/Medicare .....	488,171	488,171	472,476	15,695	446,711
Retirement .....	600,493	600,493	622,037	(21,544)	585,962
Employee insurance.....	1,194,721	1,264,721	1,275,514	(10,793)	1,299,728
Unemployment insurance .....	3,000	3,000	871	2,129	6,157
Other contractual services.....	45,000	45,000	45,309	(309)	59,052
Other fringe benefits .....	4,000	4,000	1,000	3,000	77,992
Instructional supplies/materials .....	150,000	150,000	132,468	17,532	133,159
Textbooks .....	130,000	130,000	188,861	(58,861)	181,552
Educational assistants .....	405,552	405,552	445,925	(40,373)	385,777
Other supplies/charges.....	26,000	26,000	34,865	(8,865)	22,122
Career ladder program.....	153,000	153,000	105,686	47,314	106,956
ConnecTENN – ARRA .....	-	-	-	-	7,045
Other salaries and wages .....	10,000	10,000	8,753	1,247	-
Statewide Student Management System...	-	-	-	-	4,302
Instruction equipment .....	125,000	125,000	123,844	1,156	157,354
Total Instruction	<u>9,184,004</u>	<u>9,319,004</u>	<u>9,332,807</u>	<u>(13,803)</u>	<u>9,168,325</u>
Elementary/Secondary .....	<u>9,184,004</u>	<u>9,319,004</u>	<u>9,332,807</u>	<u>(13,803)</u>	<u>9,168,325</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**EDUCATION FUND – SPECIAL REVENUE FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>FAMILY RESOURCE:</b>					
Supervisor/director .....	66,040	66,040	68,426	(2,386)	64,999
F.I.C.A./Medicare.....	5,052	5,052	4,867	185	4,587
Retirement .....	5,977	5,977	4,015	1,962	5,852
Employee insurance .....	<u>5,960</u>	<u>5,960</u>	<u>9,780</u>	<u>(3,820)</u>	<u>5,800</u>
Total Family Resource .....	<u>83,029</u>	<u>83,029</u>	<u>87,088</u>	<u>(4,059)</u>	<u>81,238</u>
<b>INSTRUCTION-REGULAR PROGRAM:</b>					
Supervisor/Director .....	22,523	22,523	22,523	-	19,508
Career ladder .....	11,000	11,000	7,000	4,000	10,000
Librarians .....	178,070	178,070	173,954	4,116	187,803
Instructional computer.....	144,976	144,976	141,976	3,000	138,502
Education media personnel .....	112,982	112,982	115,815	(2,833)	74,026
F.I.C.A./Medicare.....	35,345	35,345	33,283	2,062	31,234
Retirement .....	41,814	41,814	45,439	(3,625)	38,900
Employee insurance .....	67,209	67,209	49,059	18,150	40,528
Other fringe benefits.....	3,500	3,500	1,896	1,604	1,785
Consultants .....	4,000	4,000	-	4,000	6,016
Travel .....	16,500	16,500	18,744	(2,244)	12,016
Library books .....	28,000	28,000	27,648	352	29,445
Other salaries and wages .....	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Total Instruction-Regular Program.....	<u>680,919</u>	<u>680,919</u>	<u>637,337</u>	<u>43,582</u>	<u>589,763</u>
<b>OTHER STUDENT SUPPORT:</b>					
Guidance personnel .....	203,618	203,618	206,109	(2,491)	198,635
Career ladder .....	5,000	5,000	1,000	4,000	1,000
F.I.C.A./Medicare.....	15,959	15,959	15,395	564	14,823
Retirement .....	18,880	18,880	18,743	137	18,067
Employee insurance .....	24,873	24,873	22,380	2,493	17,386
Evaluation and testing .....	25,000	25,000	14,467	10,533	31,898
Other supplies/charges .....	<u>31,000</u>	<u>31,000</u>	<u>30,498</u>	<u>502</u>	<u>75,983</u>
Total Other Student Support.....	<u>324,330</u>	<u>324,330</u>	<u>308,592</u>	<u>15,738</u>	<u>357,792</u>
<b>HEALTH SERVICES:</b>					
Wages.....	45,387	45,387	46,296	(909)	43,639
F.I.C.A./Medicare.....	3,537	3,537	3,542	(5)	3,048
Retirement .....	4,108	4,108	4,190	(82)	3,939
Employee insurance .....	5,701	5,701	3,280	2,421	5,800
Contractual services .....	50,000	62,000	107,263	(45,263)	38,940
Medical supplies.....	23,000	23,000	4,941	18,059	4,359
Other charges.....	<u>31,000</u>	<u>31,000</u>	<u>20,660</u>	<u>10,340</u>	<u>22,452</u>
Total Health Services .....	<u>162,733</u>	<u>174,733</u>	<u>190,172</u>	<u>(15,439)</u>	<u>122,177</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**EDUCATION FUND – SPECIAL REVENUE FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>OPERATION OF PLANT:</b>					
Custodial personnel.....	98,065	98,065	98,370	(305)	89,159
F.I.C.A/Medicare .....	7,502	7,502	7,483	19	6,796
Retirement .....	15,690	15,690	26,617	(10,927)	26,158
Employee insurance .....	24,759	24,759	22,104	2,655	19,063
Contractual services .....	200,000	200,000	182,919	17,081	182,789
Electricity .....	425,000	425,000	454,834	(29,834)	437,938
Natural gas .....	93,350	93,350	55,676	37,674	64,054
Water and sewer.....	59,000	59,000	79,193	(20,193)	69,559
Other supplies .....	10,000	10,000	2,741	7,259	4,065
Other charges .....	20,000	20,000	10,273	9,727	7,766
Rentals.....	6,500	6,500	12,829	(6,329)	11,678
Custodial supplies .....	35,000	35,000	40,456	(5,456)	43,902
Building and contents insurance.....	65,000	65,000	58,739	6,261	55,524
Disposable fees.....	11,000	11,000	7,973	3,027	9,202
Equipment .....	4,000	4,000	-	4,000	-
Total Operation of Plant.....	<u>1,074,866</u>	<u>1,074,866</u>	<u>1,060,207</u>	<u>14,659</u>	<u>1,027,653</u>
<b>MAINTENANCE OF PLANT:</b>					
Maintenance personnel.....	228,433	228,433	223,655	4,778	206,610
FICA/Medicare .....	17,475	17,475	16,447	1,028	15,139
Retirement .....	40,549	40,549	55,543	(14,994)	45,002
Employee insurance .....	42,536	42,536	35,766	6,770	23,285
Contractual services .....	60,000	125,000	116,625	8,375	139,358
Machinery parts.....	3,800	3,800	-	3,800	765
Building maintenance/repairs.....	60,000	60,000	66,133	(6,133)	55,898
Equipment repairs/maintenance .....	60,000	135,000	136,744	(1,744)	71,802
Supplies/materials .....	22,500	22,500	9,934	12,566	8,227
Other charges .....	71,000	71,000	97,996	(26,996)	101,733
Maintenance equipment .....	4,000	4,000	10,918	(6,918)	-
Total Maintenance of Plant .....	<u>610,293</u>	<u>750,293</u>	<u>769,761</u>	<u>(19,468)</u>	<u>667,819</u>
<b>FOOD SERVICES:</b>					
Office supplies/staff development.....	650	650	1,033	(383)	3,161
<b>CAPITAL OUTLAY:</b>					
Equipment and other .....	25,000	106,000	105,976	24	16,007

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**EDUCATION FUND - SPECIAL REVENUE FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

<u>Activity/Object</u>	<u>June 30, 2012</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Totals 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>SPECIAL EDUCATION PROGRAM:</b>					
Supervisor/director.....	31,532	31,532	31,532	-	33,400
Teachers.....	520,550	520,550	520,550	-	543,998
Career ladder.....	-	-	-	-	2,000
Homebound teachers.....	2,000	2,000	2,000	-	5,845
Other salaries and wages.....	6,049	6,049	6,049	-	-
F.I.C.A./Medicare .....	56,527	56,527	56,457	70	51,849
Retirement.....	88,669	88,669	69,813	18,856	70,254
Employee insurance.....	135,937	135,937	132,004	3,933	85,600
In-service/Staff development .....	2,000	2,000	600	1,400	10,408
Special Education equipment.....	3,000	3,000	1,564	1,436	-
Educational assistants .....	95,900	95,900	95,900	-	37,202
Psychological personnel .....	61,796	61,796	61,796	-	61,699
Travel.....	2,000	2,000	976	1,024	3,615
Other supplies & materials.....	5,000	5,000	4,384	616	22,070
Contracts with Others .....	70,000	70,000	70,000	-	84,239
Instructional supplies and materials...	2,000	2,000	1,584	416	-
Clerical personnel .....	<u>23,079</u>	<u>23,079</u>	<u>22,481</u>	<u>598</u>	<u>22,186</u>
Total Special Education Program ...	<u>1,106,039</u>	<u>1,106,039</u>	<u>1,077,690</u>	<u>28,349</u>	<u>1,034,365</u>
<b>VOCATIONAL EDUCATION:</b>					
Teachers.....	261,701	261,701	217,215	44,486	221,002
Substitute teachers .....	2,500	2,500	-	2,500	-
F.I.C.A./Medicare .....	20,517	20,517	16,269	4,248	16,259
Retirement.....	24,046	24,046	19,748	4,298	18,855
Instructional supplies/textbooks.....	15,750	15,750	15,750	-	15,750
Employee insurance.....	42,209	42,209	22,545	19,664	23,596
Other charges .....	2,500	2,500	2,253	247	2,500
Career ladder.....	4,000	4,000	1,000	3,000	1,000
Vocational equipment .....	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Total Vocational Education .....	<u>391,223</u>	<u>391,223</u>	<u>312,780</u>	<u>78,443</u>	<u>316,962</u>
<b>TOTAL EXPENDITURES .....</b>	<b><u>\$15,688,000</u></b>	<b><u>\$16,056,000</u></b>	<b><u>\$15,895,535</u></b>	<b><u>\$ 160,465</u></b>	<b><u>\$15,363,540</u></b>

# SCHOOL CONSTRUCTION AND IMPROVEMENT FUND

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School construction and improvement fund is used to account for the acquisition and construction of education major capital facilities, improvements and equipment.

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**School Construction and Improvement Fund** – The school construction and improvement fund is presented as a major fund in the basic financial statements.

**CITY OF ALCOA, TENNESSEE**  
**SCHOOL CONSTRUCTION AND IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>	
			<u>Basis</u>	<u>Positive</u>	<u>2011</u>
				<u>(Negative)</u>	
<b>REVENUES:</b>					
Investment income.....	\$ -	\$ -	\$ 683	\$ 683	\$ 2,612
Intergovernmental.....	-	-	-	-	229,000
Total Revenues .....	<u>-</u>	<u>-</u>	<u>683</u>	<u>683</u>	<u>231,612</u>
<b>EXPENDITURES:</b>					
Capital projects .....	315,240	315,240	141,361	173,879	187,409
Equipment.....	-	-	-	-	229,000
High School Project.....	<u>788,950</u>	<u>788,950</u>	<u>281,782</u>	<u>507,168</u>	<u>-</u>
Total Expenditures.....	<u>1,104,190</u>	<u>1,104,190</u>	<u>423,143</u>	<u>681,047</u>	<u>416,409</u>
Net Change in Fund Balance Before Other Financing Sources (Uses) .....	<u>(1,104,190)</u>	<u>(1,104,190)</u>	<u>(422,460)</u>	<u>681,730</u>	<u>(184,797)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In:					
Education .....	963,950	963,950	963,950	-	
Transfers Out:					
General Fund .....	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total Other Financing Sources (Uses).....	<u>963,950</u>	<u>963,950</u>	<u>713,950</u>	<u>(250,000)</u>	<u>(500,000)</u>
Net Change in Fund Balance .....	(140,240)	(140,240)	291,490	431,730	(684,797)
Fund Balance, July 1 <sup>st</sup> .....	<u>643,496</u>	<u>643,496</u>	<u>643,496</u>	<u>-</u>	<u>1,328,293</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 503,256</u></b>	<b><u>\$ 503,256</u></b>	<b><u>\$ 934,986</u></b>	<b><u>\$ 431,730</u></b>	<b><u>\$ 643,496</u></b>

See accompanying independent auditors' report and notes.

## **DEBT SERVICE FUND**

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The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt not being accounted for in the enterprise funds. The Debt Service Fund is presented as a major fund in the basic financial statements.

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**CITY OF ALCOA, TENNESSEE  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				<u>Totals 2011</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
<b>Revenues</b> .....	<u>\$ 6,431,982</u>	<u>\$ 6,431,982</u>	<u>\$ 6,431,982</u>	<u>\$ -</u>	<u>\$ 6,128,436</u>
<b>Expenditures:</b>					
Bond/capital outlay note redemptions.....	3,497,476	3,497,476	3,497,476	-	3,022,318
Interest charges .....	<u>5,421,897</u>	<u>5,421,897</u>	<u>5,421,897</u>	<u>-</u>	<u>5,625,452</u>
Total Expenditures .....	<u>8,919,373</u>	<u>8,919,373</u>	<u>8,919,373</u>	<u>-</u>	<u>8,647,770</u>
Excess (Deficiency) of Revenues Over Expenditures .....	<u>(2,487,391)</u>	<u>(2,487,391)</u>	<u>(2,487,391)</u>	<u>-</u>	<u>(2,519,334)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers – In:					
General Fund.....	<u>2,486,856</u>	<u>2,486,856</u>	<u>2,486,856</u>	<u>-</u>	<u>2,518,800</u>
Total Other Financing Sources (Uses) ..	<u>2,486,856</u>	<u>2,486,856</u>	<u>2,486,856</u>	<u>-</u>	<u>2,518,800</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses .....	(535)	(535)	(535)	-	(534)
Fund Balance at Beginning of Year .....	<u>95,232</u>	<u>95,232</u>	<u>95,232</u>	<u>-</u>	<u>95,766</u>
<b>Fund Balance at End of Year</b> .....	<u><b>\$ 94,697</b></u>	<u><b>\$ 94,697</b></u>	<u><b>\$ 94,697</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 95,232</b></u>

See accompanying independent auditors' report and notes.

# NON – MAJOR OTHER GOVERNMENTAL FUNDS

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## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specific purposes.

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**State Street Aid Fund** – The State Street Aid Fund is used to account for the State gasoline tax. Proceeds of this tax must be expended for the improvement and maintenance of City streets.

**Federal Projects Fund** – The Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

**Extended Day Program** – The Extended Day Program Fund is used to account for the revenues (primarily fees) and expenditures of the before – and – after school program at the elementary school.

**Alcoa City Schools Cafeteria Fund** – The Alcoa City Schools Cafeteria Fund is used to account for the operations of all cafeterias in the Alcoa City School System. Revenues are provided primarily by the sale of meals (breakfasts, lunches, and a la carte items) and reimbursements from the United States Department of Agriculture (USDA).

**Special Assessment Fund** – The Special Assessment Fund is used to account for the collections of special assessments from prior years.

**Solid Waste Sanitation Fund** – The Solid Waste Sanitation Fund is used to account for solid waste collection and disposal costs as mandated by State law. Major funding is provided by the transfer of property tax revenue from the General Fund.

**Drug Fund** – The Drug Fund is used to account for revenues (primarily drug related fines) which must be expended on drug enforcement operations of the City.

**Commercial Motor Vehicle Fine Fund** – The Commercial Motor Vehicle Fund is used to account for commercial motor vehicle fines and related expenditures.

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**CITY OF ALCOA, TENNESSEE**  
**STATE STREET AID – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Totals 2011</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
<b>Revenues:</b>					
State gasoline tax.....	\$ 200,000	\$ 200,000	\$ 237,072	\$ 37,072	\$ 211,413
Investment income .....	250	250	714	464	690
Sale of equipment.....	-	-	501	501	-
Total Revenues.....	<u>200,250</u>	<u>200,250</u>	<u>238,287</u>	<u>38,037</u>	<u>212,103</u>
<b>Expenditures:</b>					
Streets:					
Resurfacing/striping .....	125,250	125,250	74,104	51,146	168,935
Traffic signal maintenance .....	5,000	5,000	2,444	2,556	923
Other equipment and vehicles.....	60,000	60,000	92,662	(32,662)	8,209
Snow removal.....	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>	<u>20,521</u>
Total Expenditures .....	<u>200,250</u>	<u>200,250</u>	<u>169,210</u>	<u>31,040</u>	<u>198,588</u>
Excess (Deficiency) of Revenues Over Expenditures.....	-	-	69,077	69,077	13,515
Fund Balance at Beginning of Year .....	<u>279,435</u>	<u>279,435</u>	<u>279,435</u>	-	<u>265,920</u>
<b>Fund Balance at End of Year ....</b>	<b><u>\$ 279,435</u></b>	<b><u>\$ 279,435</u></b>	<b><u>\$ 348,512</u></b>	<b><u>\$ 69,077</u></b>	<b><u>\$ 279,435</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS FUND – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts (Budgetary Basis)</u></b>	<b><u>Variance With Final Budget - Positive (Negative)</u></b>	<b><u>Total 2011</u></b>
<b>Revenues:</b>				
Grant revenue .....	\$1,276,954	\$1,021,578	\$ (255,376)	\$1,014,709
<b>Expenditures:</b>				
Personnel and related costs .....	695,543	631,500	64,043	569,848
Seminars/travel/staff development .....	231,697	171,450	60,247	120,286
Contracted services .....	-	-	-	4,795
Instructional materials and supplies .....	277,239	154,599	122,640	156,905
Equipment .....	72,106	55,626	16,480	88,684
Title I Stimulus .....	-	-	-	2,567
Other miscellaneous charges .....	<u>369</u>	<u>8,331</u>	<u>(7,962)</u>	<u>71,624</u>
Total Expenditures .....	<u>1,276,954</u>	<u>1,021,506</u>	<u>255,448</u>	<u>1,014,709</u>
Excess of Revenues Over Expenditures..				
Over Expenditures .....	-	72	72	-
Fund Balance at Beginning of Year .....	-	-	-	-
<b>Fund Balance at End of Year .....</b>	<b><u>\$ -</u></b>	<b><u>\$ 72</u></b>	<b><u>\$ 72</u></b>	<b><u>\$ -</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**CARL PERKINS PROJECT #12-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts (Budgetary Basis)</u></b>	<b><u>Variance With Final Budget - Positive (Negative)</u></b>	<b><u>Total 2011</u></b>
<b>Revenues:</b>				
Monies received through the State of Tennessee.....	<b><u>\$ 59,443</u></b>	<b><u>\$ 59,443</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,565</u></b>
<b>Expenditures:</b>				
Vocational Education Instruction:				
Personnel and related costs .....	12,610	12,610	-	-
Instructional equipment .....	29,997	29,997	-	6,000
Materials and supplies .....	4,565	4,565	-	3,037
Other miscellaneous.....	369	369	-	-
Vocational Education Support:				
Seminars/staff development/Travel ....	<u>11,902</u>	<u>11,902</u>	<u>-</u>	<u>11,528</u>
Total Expenditures.....	<b><u>\$ 59,443</u></b>	<b><u>\$ 59,443</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,565</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**TITLE I STIMULUS PROJECT #12-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Monies received through the State of Tennessee (ARRA).....	<u>\$ 21,161</u>	<u>\$ 21,161</u>	<u>\$ -</u>	<u>\$ 32,570</u>
<b>Expenditures:</b>				
Regular Education Instruction:				
Salaries and related costs .....	11,196	11,196	-	-
Materials and supplies .....	9,965	9,965	-	14,270
Travel/Seminars/staff development .....	-	-	-	15,369
Other miscellaneous charges .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,931</u>
Total Expenditures.....	<u>\$ 21,161</u>	<u>\$ 21,161</u>	<u>\$ -</u>	<u>\$ 32,570</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**TITLE III (PART A) (ESL) PROJECT #12-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Monies received through the State of Tennessee .....	<u>\$ 11,180</u>	<u>\$ 2,592</u>	<u>\$ (8,588)</u>	<u>\$ 12,359</u>
<b>Expenditures:</b>				
Regular Instruction:				
Materials and supplies .....	8,588	2,592	5,996	8,379
Regular Instruction Support:				
Travel/Seminar/Staff development.....	<u>2,592</u>	<u>-</u>	<u>2,592</u>	<u>3,980</u>
Total Expenditures .....	<u>\$ 11,180</u>	<u>\$ 2,592</u>	<u>\$ 8,588</u>	<u>\$ 12,359</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**TITLE I PROJECT #12-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Monies received through the State of Tennessee .....	<u>\$ 95,529</u>	<u>\$ 92,303</u>	<u>\$ (3,226)</u>	<u>\$ 99,701</u>
<b>Expenditures:</b>				
Regular Instruction:				
Salaries and related costs.....	67,356	65,501	1,855	59,133
Instructional supplies and materials ....	<u>8,173</u>	<u>8,173</u>	<u>-</u>	<u>18,703</u>
Total Regular Instruction .....	<u>75,529</u>	<u>73,674</u>	<u>1,855</u>	<u>77,836</u>
Regular Instruction Support:				
In-service/staff development/travel.....	<u>20,000</u>	<u>18,629</u>	<u>1,371</u>	<u>21,865</u>
Total Expenditures .....	<u>\$ 95,529</u>	<u>\$ 92,303</u>	<u>\$ 3,226</u>	<u>\$ 99,701</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**TITLE II (PART A) TRAINING #12-21**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Monies received through the State of Tennessee.....	<u>\$ 132,368</u>	<u>\$ 125,877</u>	<u>\$ (6,491)</u>	<u>\$ 28,546</u>
<b>Expenditures:</b>				
Regular Education Support:				
Materials and supplies.....	\$ -	\$ 11,797	\$ (11,797)	\$ -
In-service/staff development.....	72,076	71,961	115	21,719
Salaries and related costs .....	60,292	42,119	18,173	5,845
Contract services.....	-	-	-	982
Total Expenditures .....	<u>\$ 132,368</u>	<u>\$ 125,877</u>	<u>\$ 6,491</u>	<u>\$ 28,546</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**TITLE II (PART D) TECHNOLOGY PROJECT #12-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts (Budgetary Basis)</u></b>	<b><u>Variance With Final Budget - Positive (Negative)</u></b>	<b><u>Total 2011</u></b>
<b>Revenues:</b>				
Stimulus.....	\$ -	\$ -	\$ -	\$ -
Monies received through the State of Tennessee .....	<u>340</u>	<u>340</u>	<u>-</u>	<u>2,623</u>
Total Revenues.....	<u>\$ 340</u>	<u>\$ 340</u>	<u>\$ -</u>	<u>\$ 2,623</u>
<b>Expenditures:</b>				
Regular Instruction Support:				
In-service/staff development/travel .....	340	340	-	2,623
Materials and supplies .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 340</u>	<u>\$ 340</u>	<u>\$ -</u>	<u>\$ 2,623</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**TITLE II NCLB (PART D) TECHNOLOGY PROJECT #12-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2011</u>
<b>Revenues:</b>				
Monies received through the State of Tennessee .....	<u>\$ 244</u>	<u>\$ 244</u>	<u>\$ -</u>	<u>\$ 2,396</u>
<b>Expenditures:</b>				
In-service/staff development/travel .....	<u>\$ 244</u>	<u>\$ 244</u>	<u>\$ -</u>	<u>\$ 2,396</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**DRUG FREE SCHOOLS PROJECT #11-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2011</u>
<b>Revenues:</b>				
Monies received through the State of Tennessee .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,684</u>
<b>Expenditures:</b>				
Regular Instruction Support:				
Travel/training .....	-	-	-	-
Materials and supplies .....	-	-	-	1,684
Total Expenditures .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,684</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**TITLE X - #11-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2011</u>
<b>Revenues:</b>				
Monies received through the State of Tennessee .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418</u>
<b>Expenditures:</b>				
Regular Instruction Support: Materials and supplies .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**IDEA PRESCHOOL PROJECT #11-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Monies received through the State of Tennessee.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,697</u>
<b>Expenditures:</b>				
Salaries and related costs .....	\$ -	\$ -	\$ -	\$ -
Special Education Instruction:				
Seminars/travel .....	-	-	-	32
Instructional supplies and materials ....	-	-	-	1,665
Total Expenditures .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,697</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**PRESCHOOL PROJECT #12-01**  
**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Preschool stimulus .....	<u>\$ 8,475</u>	<u>\$ 16,208</u>	<u>\$ 7,733</u>	<u>\$ 7,347</u>
<b>Expenditures:</b>				
Seminars/travel .....	\$ 3,956	\$ 1,072	\$ 2,884	\$ 1,780
Instructional supplies .....	4,519	4,519	-	3,000
Preschool personnel .....	-	10,617	(10,617)	2,567
 Total Expenditures .....	 <u>\$ 8,475</u>	 <u>\$ 16,208</u>	 <u>\$ (7,733)</u>	 <u>\$ 7,347</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
 FEDERAL PROJECTS – SPECIAL REVENUE FUND  
 IDEA (PART B) PROJECT #12-01  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Monies received through the State of Tennessee.....	<u>\$ 570,140</u>	<u>\$ 401,717</u>	<u>\$ (168,423)</u>	<u>\$ 279,938</u>
<b>Expenditures:</b>				
Special Education Instruction:				
Teachers and assistants .....	\$ 235,276	\$ 235,276	\$ -	\$ 213,392
Seminars/travel .....	64,587	18,487	46,100	-
Related salary costs.....	75,882	70,022	5,860	66,546
Instructional supplies and materials ....	179,395	77,932	101,463	-
Equipment.....	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
<b>Total Expenditures.....</b>	<b><u>\$ 570,140</u></b>	<b><u>\$ 401,717</u></b>	<b><u>\$ 168,423</u></b>	<b><u>\$ 279,938</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**IDEA (PART B) STIMULUS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total <u>2011</u></b>
<b>Revenues:</b>				
IDEA (Part B) Stimulus .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,410</u>
<b>Expenditures:</b>				
Teachers/assistants .....	\$ -	\$ -	\$ -	\$ 42,681
Seminars/travel .....	-	-	-	15,450
Contracted services .....	-	-	-	3,813
Instructional materials.....	-	-	-	41,782
Equipment.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,684</u>
Total Expenditures .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,410</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**E-RATE PROJECT #12-01 (Communications)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts (Budgetary Basis)</u></b>	<b><u>Variance With Final Budget - Positive (Negative)</u></b>	<b><u>Total 2011</u></b>
<b>Revenues:</b>				
Monies received through the State of Tennessee.....	<b><u>\$ 27,109</u></b>	<b><u>\$ 25,629</u></b>	<b><u>\$ (1,480)</u></b>	<b><u>\$ 48,027</u></b>
<b>Expenditures:</b>				
Special Education Instruction: Instructional supplies and equipment/materials.....	<b><u>\$ 27,109</u></b>	<b><u>\$ 25,629</u></b>	<b><u>\$ 1,480</u></b>	<b><u>48,027</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
FEDERAL PROJECTS – SPECIAL REVENUE FUND  
TITLE I PROJECT #12-01  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts (Budgetary Basis)</u></b>	<b><u>Variance With Final Budget - Positive (Negative)</u></b>	<b><u>Total 2011</u></b>
<b>Revenues:</b>				
Monies received through the State of Tennessee.....	<b><u>\$ 345,958</u></b>	<b><u>\$ 271,057</u></b>	<b><u>\$ (74,901)</u></b>	<b><u>\$ 290,428</u></b>
<b>Expenditures:</b>				
Regular Education Instruction:				
Salaries and related costs .....	\$ 227,924	\$ 179,152	\$ 48,772	\$ 182,251
Materials and supplies .....	62,034	35,233	26,801	15,940
Travel/Seminars/Professional development.....	56,000	48,815	7,185	23,544
Other miscellaneous charges .....	-	7,857	(7,857)	68,693
 Total Expenditures .....	 <b><u>\$ 345,958</u></b>	 <b><u>\$ 271,057</u></b>	 <b><u>\$ 74,901</u></b>	 <b><u>\$ 290,428</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**FEDERAL PROJECTS – SPECIAL REVENUE FUND**  
**EDUCATION JOBS PROGRAM**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2011</u>
<b>Revenues:</b>				
Monies received through the State of Tennessee .....	<u>\$ 5,007</u>	<u>\$ 5,007</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Regular Instruction Support: Personnel .....	<u>\$ 5,007</u>	<u>\$ 5,007</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**CAFETERIA FUND – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget -</u>	
			<u>Basis)</u>	<u>Positive</u>	<u>2011</u>
				<u>(Negative)</u>	
<b>Revenues:</b>					
Lunch and breakfast payments -					
children .....	\$ 188,000	\$ 188,000	\$ 157,554	\$ (30,446)	\$ 257,299
Lunch and breakfast payments -					
adults .....	16,000	16,000	8,857	(7,143)	3,951
USDA reimbursements .....	330,000	490,000	436,576	(53,424)	397,818
Milk sales .....	5,000	5,000	4,738	(262)	5,419
Interest.....	-	-	77	77	104
Ice cream sales and a la carte .....	<u>161,000</u>	<u>191,000</u>	<u>191,340</u>	<u>340</u>	<u>70,492</u>
Total Revenues.....	<u>700,000</u>	<u>890,000</u>	<u>799,142</u>	<u>(90,858)</u>	<u>735,083</u>
<b>Expenditures:</b>					
Food .....	255,000	370,000	358,097	11,903	318,958
Labor .....	300,000	375,000	359,565	15,435	321,775
Non-food supplies .....	50,000	50,000	45,814	4,186	33,035
Transportation .....	5,000	5,000	2,823	2,177	3,929
Ice cream and a la carte.....	80,000	80,000	84,079	(4,079)	67,594
Purchase of equipment .....	<u>10,000</u>	<u>10,000</u>	<u>16,537</u>	<u>(6,537)</u>	<u>12,767</u>
Total Expenditures .....	<u>700,000</u>	<u>890,000</u>	<u>866,915</u>	<u>23,085</u>	<u>758,058</u>
Excess (Deficit) of Revenues Over					
Expenditures.....	-	-	(67,773)	(67,773)	(22,975)
Fund Balance at Beginning of Year .....	<u>166,798</u>	<u>166,798</u>	<u>166,798</u>	<u>-</u>	<u>189,773</u>
<b>Fund Balance at End of Year .....</b>	<b><u>\$ 166,798</u></b>	<b><u>\$ 166,798</u></b>	<b><u>\$ 99,025</u></b>	<b><u>\$ (67,773)</u></b>	<b><u>\$ 166,798</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**EXTENDED DAY PROGRAM – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>	
		<u>(Budgetary</u>	<u>Positive</u>		
			<u>Basis)</u>	<u>(Negative)</u>	
<b>Revenues:</b>					
Fees .....	\$ 175,000	\$ 175,000	\$ 196,416	\$ 21,416	\$ 178,667
Interest.....	-	-	49	49	13
Total Revenues.....	<u>175,000</u>	<u>175,000</u>	<u>196,465</u>	<u>21,465</u>	<u>178,680</u>
<b>Expenditures:</b>					
Salaries.....	131,500	131,500	137,625	(6,125)	140,191
Fringe benefits.....	26,135	26,135	17,665	8,470	11,813
Supplies and food.....	13,100	13,100	13,149	(49)	13,085
Other charges .....	<u>4,265</u>	<u>4,265</u>	<u>6,118</u>	<u>(1,853)</u>	<u>2,201</u>
Total Expenditures .....	<u>175,000</u>	<u>175,000</u>	<u>174,557</u>	<u>443</u>	<u>167,290</u>
Excess (Deficiency) of Revenues Over Expenditures.....	-	-	21,908	21,908	11,390
Fund Balance at Beginning of Year .....	<u>39,143</u>	<u>39,143</u>	<u>39,143</u>	-	<u>27,753</u>
<b>Fund Balance at End of Year .....</b>	<b><u>\$ 39,143</u></b>	<b><u>\$ 39,143</u></b>	<b><u>\$ 61,051</u></b>	<b><u>\$ 21,908</u></b>	<b><u>\$ 39,143</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**SPECIAL ASSESSMENT FUND – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>	
		<u>(Budgetary</u>	<u>Positive</u>		
			<u>Basis)</u>	<u>(Negative)</u>	<u>2011</u>
<b>Revenues:</b>					
Interest on investments/ Assessments .....	\$ -	\$ -	\$ 9	\$ 9	\$ 9
<b>Expenditures</b> .....	-	-	-	-	-
Excess of Revenues Over Expenditures .....	-	-	9	9	9
Fund Balance at Beginning of Year ....	<u>8,869</u>	<u>8,869</u>	<u>8869</u>	<u>-</u>	<u>8,860</u>
<b>Fund Balance at End of Year .....</b>	<b><u>\$ 8,869</u></b>	<b><u>\$ 8,869</u></b>	<b><u>\$ 8,878</u></b>	<b><u>\$ 9</u></b>	<b><u>\$ 8,869</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**SOLID WASTE SANITATION FUND**  
**NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>	
			<u>(Budgetary</u>	<u>Positive</u>	
			<u>Basis)</u>	<u>(Negative)</u>	<u>2011</u>
<b>Revenues:</b>					
Current city taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services .....	-	-	-	-	-
Sale of equipment.....	-	-	-	-	-
Total Revenue .....	-	-	-	-	-
<b>Expenditures:</b>					
Sanitation Supervision .....	-	-	-	-	-
Sanitation collection.....	-	-	-	-	-
Brush and demolition .....	-	-	-	-	-
Industrial collection.....	-	-	-	-	-
Total Expenditures .....	-	-	-	-	-
Net Change in Fund					
Balance Before Other Financing					
Financing Sources (Uses).....	-	-	-	-	-
Other Financing Sources (Uses):					
Adjustment (Note below).....	-	-	-	-	(103,231)
Net Change in Fund Balance.....	-	-	-	-	-
Fund Balance at Beginning of Year .....	-	-	-	-	103,231
<b>Fund Balance at End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Note: For the year ended June 30, 2011, the City implemented Statement No. 54 of the Governmental Accounting Standards Board, which resulted in the Solid Waste Sanitation Fund no longer meeting the definition of a special revenue fund; the fund is now reported as part of the General Fund.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**DRUG CONTROL FUND – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget -</u>	
			<u>Basis)</u>	<u>Positive</u>	<u>2011</u>
				<u>(Negative)</u>	
<b>Revenues:</b>					
Interest on investments/assessments ...	\$ 200	\$ 200	\$ 159	\$ (41)	\$ 251
Fines and forfeits:					
Drug Control and seizure .....	<u>35,000</u>	<u>35,000</u>	<u>27,775</u>	<u>(7,225)</u>	<u>31,403</u>
Total Revenues.....	<u>35,200</u>	<u>35,200</u>	<u>27,934</u>	<u>(7,266)</u>	<u>31,654</u>
<b>Expenditures:</b>					
Drug control and seizure .....	<u>113,500</u>	<u>113,500</u>	<u>57,321</u>	<u>56,179</u>	<u>74,061</u>
Excess (Deficiency) of Revenues					
Over Expenditures.....	(78,300)	(78,300)	(29,387)	48,913	(42,407)
Fund Balance at Beginning of Year .....	<u>110,085</u>	<u>110,085</u>	<u>110,085</u>	-	<u>152,492</u>
<b>Fund Balance at End of Year .....</b>	<b><u>\$ 31,785</u></b>	<b><u>\$ 31,785</u></b>	<b><u>\$ 80,698</u></b>	<b><u>\$ 48,913</u></b>	<b><u>\$ 110,085</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
COMMERCIAL MOTOR VEHICLES FINES FUND  
NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<u>June 30, 2012</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2011</u>
	<u>Original</u>	<u>Final</u>			
<b>Revenues:</b>					
Fines.....	\$ 2,800	\$ 2,800	\$ 2,210	\$ (590)	\$ 2,948
Interest .....	<u>35</u>	<u>35</u>	<u>31</u>	<u>(4)</u>	<u>45</u>
Total Revenues .....	2,835	2,835	2,241	(594)	2,993
<b>Expenditures.....</b>	<u>7,700</u>	<u>10,000</u>	<u>8,235</u>	<u>1,765</u>	<u>8,438</u>
Excess (Deficiency) of Revenues Over Expenditures .....	(4,865)	(7,165)	(5,994)	1,171	(5,445)
Fund Balance at Beginning of Year ...	<u>21,595</u>	<u>21,595</u>	<u>21,595</u>	<u>-</u>	<u>27,040</u>
<b>Fund Balance at End of Year.....</b>	<u>\$ 16,730</u>	<u>\$ 14,430</u>	<u>\$ 15,601</u>	<u>\$ 1,171</u>	<u>\$ 21,595</u>

See accompanying independent auditors' report and notes.

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# CAPITAL PROJECT FUNDS

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Capital Project Funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds.

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**Special Projects Fund** – The Special Projects Fund is used to account for the acquisition of industrial park development land and facilities.

**General Obligation Public Works Construction** – The General Obligation Public Works Construction is used to account for the acquisition and construction of major capital facilities.

**Greenway Projects Fund** – The Greenway Projects Fund is used to account for the acquisition and construction of improvements to bridge and walking trails.

**2001 Special Projects Fund** – The 2001 Special Projects Fund is used to account for the acquisition and construction of improvements to roads.

**Equipment Replacement Fund** – The Equipment Replacement Fund is used to account for the acquisition of equipment.

**Bessie Harvey Memorial Projects Fund** – The Bessie Harvey Memorial Projects Fund is used to account for improvements to parks.

**Home Grant Program Fund** – The Home Grant Program Fund is used to account for improvements for low income residents.

**Landscaping Fund** – The Landscaping Fund is used to account for improvements to landscaping areas of the city.

**Capital Projects Fund** – The Capital Projects Fund is used to account for the acquisition of equipment.

**CITY OF ALCOA, TENNESSEE  
SPECIAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Investment income .....	\$ -	\$ 34	\$ 34	\$ 72
<b>Expenditures:</b>				
R & D Park.....	98,009	98,115	106	-
Net Change in Fund Balance.....	(98,009)	(98,081)	(72)	72
Fund Balance, July 1 <sup>st</sup> .....	98,081	98,081	-	98,009
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 72</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (72)</u></b>	<b><u>\$ 98,081</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**GENERAL OBLIGATION PUBLIC WORKS CONSTRUCTION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Investment income .....	\$ -	\$ -	\$ -	\$ 16
Rent .....	-	-	-	-
State Grant.....	2,000,000	-	(2,000,000)	-
Contribution from Developer .....	<u>1,020,000</u>	-	<u>(1,020,000)</u>	-
Total Revenue .....	<u>3,020,000</u>	-	<u>(3,020,000)</u>	<u>16</u>
<b>Expenditures:</b>				
Capital Outlay .....	<u>5,020,000</u>	<u>137,913</u>	<u>4,882,087</u>	<u>8,357</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	<u>(2,000,000)</u>	<u>(137,913)</u>	<u>1,862,087</u>	<u>(8,341)</u>
Other Financing Sources:				
Transfers In:				
General Fund.....	<u>2,000,000</u>	<u>2,000,000</u>	-	-
Net Change in Fund Balance.....	-	1,862,087	1,862,087	(8,341)
Fund Balance, July 1 <sup>st</sup> .....	<u>9</u>	<u>9</u>	-	<u>8,350</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 9</u></b>	<b><u>\$1,862,096</u></b>	<b><u>\$1,862,087</u></b>	<b><u>\$ 9</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
GREENWAY PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
State Grants .....	\$ 240,998	\$ 182,803	\$ (58,195)	\$ 212,682
Pedestrian Bridge – American Recovery and Reinvestment Act (ARRA).....	-	-	-	1,048,964
Pedestrian Bridge – High Priority Projects (HPP).....	-	-	-	338,140
Investment income .....	<u>-</u>	<u>66</u>	<u>66</u>	<u>1,038</u>
Total Revenues.....	<u>240,998</u>	<u>182,869</u>	<u>(58,129)</u>	<u>1,600,824</u>
<b>Expenditures:</b>				
Pedestrian Bridge .....	11,783	-	11,783	188
Pedestrian Bridge – American Recovery and Reinvestment Act (ARRA).....	-	-	-	1,048,964
Pedestrian Bridge – High Priority Projects (HPP).....	-	556	(556)	344,943
Pistol Creek Phase III.....	-	24	(24)	52,970
Culton Creek Extension .....	<u>267,445</u>	<u>265,540</u>	<u>1,905</u>	<u>241,697</u>
Total Expenditures .....	<u>279,228</u>	<u>266,120</u>	<u>13,108</u>	<u>1,688,762</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	(38,230)	(83,251)	(45,021)	(87,938)
<b>Other Financing Sources (Uses):</b>				
Transfers In:				
General Fund.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,260</u>
Net Change in Fund Balance.....	(38,230)	(83,251)	(45,021)	50,322
Fund Balance, July 1 <sup>st</sup> .....	<u>40,673</u>	<u>40,673</u>	<u>-</u>	<u>(9,649)</u>
<b>Fund Balance, June 30<sup>th</sup>.....</b>	<b><u>\$ 2,443</u></b>	<b><u>\$ (42,578)</u></b>	<b><u>\$ (45,021)</u></b>	<b><u>\$ 40,673</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
2001 SPECIAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
LGIP Deferred.....	\$ 473,528	\$ 794,317	\$ 320,789	\$ -
Investment income .....	<u>-</u>	<u>83</u>	<u>83</u>	<u>162</u>
Total Revenues.....	<u>473,528</u>	<u>794,400</u>	<u>320,872</u>	<u>162</u>
<b>Expenditures:</b>				
Middlesettlements Road.....	44,103	2,552	41,551	87,717
Intersection Middlesettlements Road/ Bessemer Street/Hamilton Crossing....	<u>473,528</u>	<u>227,021</u>	<u>246,507</u>	<u>81,556</u>
Total Expenditures .....	<u>517,631</u>	<u>229,573</u>	<u>288,058</u>	<u>169,273</u>
Net Change in Fund Balance.....	(44,103)	564,827	608,930	(169,111)
Fund Balance (Deficit), July 1 <sup>st</sup> .....	<u>(219,163)</u>	<u>(219,163)</u>	<u>-</u>	<u>(50,052)</u>
<b>Fund Balance (Deficit), June 30<sup>th</sup> .....</b>	<b><u>\$ (263,266)</u></b>	<b><u>\$ 345,664</u></b>	<b><u>\$ 608,930</u></b>	<b><u>\$ (219,163) (1)</u></b>

(1) This project deficit will be cleared in a subsequent year when finalized with the Tennessee Department of Transportation.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**EQUIPMENT REPLACEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2011</u>
<b>Revenues:</b>				
Investment income .....	\$ 300	\$ 518	\$ 218	\$ 568
Sale of equipment.....	-	25,031	25,031	6,919
Justice Assistance Grant (JAG) - American Recovery and Reinvestment Act (ARRA) .....	-	-	-	3,301
Total Revenues.....	<u>300</u>	<u>25,549</u>	<u>25,249</u>	<u>10,788</u>
<b>Expenditures:</b>				
Justice Assistance Grant (JAG) - American Recovery and Reinvestment Act (ARRA) .....	-	-	-	5,049
Capital Outlay .....	<u>664,938</u>	<u>579,584</u>	<u>85,354</u>	<u>116,465</u>
Total Expenditures .....	<u>664,938</u>	<u>579,584</u>	<u>85,354</u>	<u>121,514</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	(664,638)	(554,035)	110,603	(110,726)
<b>Other Financing Sources (Uses):</b>				
Transfers In:				
Capital Lease Proceeds.....	402,528	402,528	-	-
General Fund.....	<u>200,000</u>	<u>200,000</u>	-	<u>100,000</u>
Total Other Financing Sources (Uses) .....	<u>602,528</u>	<u>602,528</u>	-	<u>100,000</u>
Net Change in Fund Balance.....	(62,110)	48,493	110,603	(10,726)
Fund Balance, July 1 <sup>st</sup> .....	<u>242,293</u>	<u>242,293</u>	-	<u>253,019</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 180,183</u></b>	<b><u>\$ 290,786</u></b>	<b><u>\$ 110,603</u></b>	<b><u>\$ 242,293</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**BESSIE HARVEY MEMORIAL PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues</b> .....	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b> .....	-	-	-	-
Net Change in Fund Balance .....	-	-	-	-
Fund Balance, July 1 <sup>st</sup> .....	<u>1,968</u>	<u>1,968</u>	-	<u>1,968</u>
<b>Fund Balance, June 30<sup>th</sup></b> .....	<b><u>\$ 1,968</u></b>	<b><u>\$ 1,968</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,968</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
HOME GRANT PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b><u>Original and Final Budgeted Amounts</u></b>	<b><u>Actual Amounts (Budgetary Basis)</u></b>	<b><u>Variance With Final Budget - Positive (Negative)</u></b>	<b><u>Total 2011</u></b>
<b>Revenues:</b>				
State Grant (THDA) .....	\$ 492,975	\$ 121,060	\$ 371,915	\$ 428,267
<b>Expenditures:</b>				
Home Improvements .....	<u>492,975</u>	<u>156,095</u>	<u>336,880</u>	<u>428,008</u>
Net Change in Fund Balance.....	-	(35,035)	35,035	259
Fund Balance, July 1 <sup>st</sup> .....	<u>1,039</u>	<u>1,039</u>	<u>-</u>	<u>780</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 1,039</u></b>	<b><u>\$ (33,996)</u></b>	<b><u>\$ 35,035</u></b>	<b><u>\$ 1,039</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**LANDSCAPING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Investment income .....	\$ -	\$ -	\$ -	\$ 289
Charges for services .....	<u>-</u>	<u>7,822</u>	<u>7,822</u>	<u>7,578</u>
Total Revenues.....	<u>-</u>	<u>7,822</u>	<u>7,822</u>	<u>7,867</u>
<b>Expenditures:</b>				
Landscaping Projects .....	39,000	4,325	34,675	1,800
Sidewalk Projects .....	40,000	-	40,000	2,633
Greenway Projects .....	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>-</u>
Total Expenditures .....	<u>87,000</u>	<u>4,325</u>	<u>82,675</u>	<u>4,433</u>
Net Change in Fund Balance.....	(87,000)	3,497	90,497	3,434
Fund Balance, July 1 <sup>st</sup> .....	<u>134,320</u>	<u>134,320</u>	<u>-</u>	<u>130,886</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 47,320</u></b>	<b><u>\$ 137,817</u></b>	<b><u>\$ 90,497</u></b>	<b><u>\$ 134,320</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>Total 2011</b>
<b>Revenues:</b>				
Intergovernmental .....	\$ 27,240	\$ 27,240	\$ -	\$ 27,240
<b>Expenditures:</b>				
Capital Outlay .....	33,950	33,433	517	46,704
Bank Charges .....	-	146	(146)	96
Total Expenditures .....	<u>33,950</u>	<u>33,579</u>	<u>371</u>	<u>46,800</u>
Net Change in Fund Balance.....	(6,710)	(6,339)	371	(19,560)
Fund Balance, July 1 <sup>st</sup> .....	<u>61,358</u>	<u>61,358</u>	-	<u>80,918</u>
<b>Fund Balance, June 30<sup>th</sup> .....</b>	<b><u>\$ 54,648</u></b>	<b><u>\$ 55,019</u></b>	<b><u>\$ 371</u></b>	<b><u>\$ 61,358</u></b>

See accompanying independent auditors' report and notes.

# ENTERPRISE FUNDS

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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**Stormwater Utility Fund** – The Stormwater Utility Fund is used to account for the operations of the City’s stormwater systems and is presented as a major fund in the basic financial statements.

**Water and Sewer Utility Fund** – The Water and Sewer Utility Fund is used to account for the operation of the City’s water and sewer system. The Water and Sewer Utility Fund is presented as a major fund in the basic financial statements.

**Electric Utility Fund** – The Electric Department Fund is used to account for the operation of the City’s electric system. The Electric Utility Fund is presented as a major fund in the basic financial statements.

**Landfill Fund** – The Landfill Fund is used to account for the operation by the City of the Blount County Landfill. The Landfill Fund is presented as a major fund in the basic financial statements.

**CITY OF ALCOA, TENNESSEE  
 STORMWATER UTILITY FUND – ENTERPRISE FUND  
 SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS  
 June 30, 2012 and 2011**

<u>ASSETS</u>	<u>Business Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Equity in pooled cash.....	\$ 792,704	\$ 962,913
Accounts receivable.....	84,277	-
Total Current Assets.....	876,981	962,913
<b>Depreciable Capital Assets:</b>		
Structures, improvements and equipment.....	545,664	418,925
Less: Allowance for depreciation.....	(191,185)	(141,273)
Total Net Capital Assets.....	354,479	277,652
<b>Total Assets.....</b>	<b>\$ 1,231,460</b>	<b>\$ 1,240,565</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accounts payable.....	\$ 10,633	\$ -
Accrued salaries.....	5,629	11,819
Compensated absences.....	32,719	21,263
Capital lease payable.....	52,671	50,913
Total Current Liabilities.....	101,652	83,995
<b>Long-Term Liabilities:</b>		
Capital lease payable.....	82,438	135,109
<b>Net Assets:</b>		
Unrestricted.....	828,000	929,831
Invested in net assets, net of unrelated debt.....	219,370	91,630
Total Net Assets.....	1,047,370	1,021,461
<b>Total Liabilities and Net Assets.....</b>	<b>\$ 1,231,460</b>	<b>\$ 1,240,565</b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**STORMWATER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Business Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Operating Revenue:</b>		
Residential sales.....	\$ 153,375	\$ 145,764
Commercial/Industrial sales.....	<u>879,322</u>	<u>851,745</u>
Total Operating Revenue .....	<u>1,032,697</u>	<u>997,509</u>
<b>Operating Expenses:</b>		
Administrative .....	231,347	172,155
Operations and maintenance .....	629,894	519,422
Street cleaning.....	<u>97,357</u>	<u>125,305</u>
Total Operating Expenses Before Depreciation.....	<u>958,598</u>	<u>816,882</u>
Operating Income Before Depreciation .....	74,099	180,627
Depreciation.....	<u>(49,912)</u>	<u>(39,931)</u>
Operating Income .....	24,187	140,696
<b>Other Income:</b>		
Interest on Investments .....	<u>1,722</u>	<u>1,861</u>
Net Income Before Capital Contributions.....	25,909	142,557
Capital Contributions .....	<u>-</u>	<u>-</u>
Change in Net Assets .....	25,909	142,557
Net Assets at Beginning of Year.....	<u>1,021,461</u>	<u>878,904</u>
<b>Net Assets at End of Year.....</b>	<b><u>\$ 1,047,370</u></b>	<b><u>\$ 1,021,461</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**STORMWATER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Business Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers.....	\$ 948,420	\$ 997,509
Cash payments to suppliers for goods and services.....	(571,653)	(501,840)
Cash payments to employees for services .....	<u>(371,046)</u>	<u>(319,824)</u>
Net Cash Flows from Operating Activities .....	<u>5,721</u>	<u>175,845</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments for stormwater acquisitions .....	(126,739)	(39,848)
Principal paid on capital lease .....	<u>(50,913)</u>	<u>(49,213)</u>
Net Cash Flows from Capital and Related Financing Activities .....	(177,652)	(89,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and dividends on investments.....	<u>1,722</u>	<u>1,861</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS.....	(170,209)	88,645
Cash and Cash Equivalents at Beginning of Year .....	<u>962,913</u>	<u>874,268</u>
<b>Cash and Cash Equivalents at End of Year .....</b>	<b><u>\$ 792,704</u></b>	<b><u>\$ 962,913</u></b>
<b>Operating Income</b>	<b><u>\$ 24,187</u></b>	<b><u>\$ 140,696</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation .....	49,912	39,931
<b>Change in assets and liabilities:</b>		
Accounts receivable.....	(84,277)	-
Compensated absences .....	11,456	(6,787)
Accrued salaries .....	(6,190)	2,005
Accounts payable.....	<u>10,633</u>	<u>-</u>
Total adjustments.....	<u>(18,466)</u>	<u>35,149</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES.....</b>	<b><u>\$ 5,721</u></b>	<b><u>\$ 175,845</u></b>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposits with original maturities of three (3) months or less.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**STORMWATER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES**  
**BY DEPARTMENT**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Business Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Administrative and General:</b>		
Wages .....	\$ 115,134	\$ 101,778
FICA .....	8,859	7,683
Retirement .....	19,452	16,236
Hospitalization insurance.....	21,276	14,609
Life/accidental death insurance.....	485	436
Dental insurance .....	2,161	1,766
Other personal services.....	128	994
Regulatory fees and license .....	3,860	3,860
Utilities .....	978	973
Office supplies.....	-	19
Other operating supplies.....	121	-
Gasoline .....	1,154	704
Drug/alcohol test.....	17	-
Workmen’s compensation .....	1,338	1,418
Employee education and training.....	778	1,420
Professional services.....	28,821	263
Dues and memberships .....	1,437	1,563
Advertising/public education.....	108	-
Business/Public relations .....	539	52
Printing .....	300	344
Auto parts .....	-	51
Safety supplies .....	3	8
Insurance.....	1,381	2,001
Utility processing.....	3,512	1,040
Computer equipment .....	2,009	1,299
Improvement teams .....	48	101
GIS - System.....	12,700	13,537
Mailing.....	66	-
Travel.....	16	-
Cost-recovery – Service center .....	4,666	-
Total Administrative and General.....	231,347	172,155
<b>Operations and Maintenance:</b>		
Wages .....	199,272	168,171
Standby pay .....	9,261	8,267
Overtime .....	1,766	2,997
F.I.C.A. ....	16,287	13,063
Retirement .....	47,760	35,680
Hospitalization insurance.....	57,034	42,000
Life/Accidental death insurance .....	1,026	965
Dental insurance .....	5,813	5,131
Workmen’s compensation .....	10,725	7,393
Other personal services.....	19,689	11,739
Drug/Alcohol test.....	21	39
Retiree insurance .....	4,235	-
Employee education and training.....	1,138	15
Travel.....	75	405
Gasoline .....	11,063	8,916

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**STORMWATER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES**  
**BY DEPARTMENT**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Business Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Operations and Maintenance (Continued):</b>		
Equipment lease.....	5,697	7,397
Other operating supplies.....	447	357
Small tools.....	889	974
Uniforms.....	1,215	755
Auto parts.....	12,459	5,400
Safety supplies.....	2,122	745
Insurance.....	2,436	2,665
Repair and maintenance.....	11,364	15,890
Cost recovered.....	203,228	180,280
Communication equipment.....	102	160
Dues and memberships.....	-	18
Regulatory fees and license.....	400	-
Improvement teams.....	353	-
Machinery and equipment.....	4,017	-
Total Operations and Maintenance.....	<u>629,894</u>	<u>519,422</u>
<b>Street Cleaning:</b>		
Wages.....	37,342	38,093
Standby pay.....	2,081	1,742
Overtime pay.....	-	781
F.I.C.A.....	2,886	2,989
Retirement.....	6,463	11,823
Retiree supplement.....	-	26,209
Retiree insurance.....	4,620	2,310
Hospitalization insurance.....	10,800	9,100
Life/Accidental death insurance.....	201	221
Dental insurance.....	1,108	1,112
Workmen's compensation.....	1,369	1,422
Other personal services.....	1,386	-
Professional services.....	79	72
Landfill services.....	11,809	14,858
Uniforms.....	-	130
Auto parts.....	7,529	6,464
Gasoline.....	8,332	6,048
Safety.....	46	34
Insurance.....	846	1,038
Repair and maintenance.....	244	724
Improvement teams.....	-	20
Other operating supplies.....	88	69
Small tools.....	128	46
Total Street Cleaning.....	<u>97,357</u>	<u>125,305</u>
<b>Total Operating and Maintenance.....</b>	<b><u>\$ 958,598</u></b>	<b><u>\$ 816,882</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE  
 STORMWATER UTILITY FUND – ENTERPRISE FUND  
 SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION  
 For the Fiscal Year Ended June 30, 2012**

	<u>Capital Assets</u>			<u>Allowance for Depreciation</u>				
	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>	<u>Balance 7/1/2011</u>	<u>Depreciation Taken</u>	<u>Additions - Reclassify</u>	<u>Balance 6/30/2012</u>
Street Sweeper.....	\$ 119,855	\$ -	\$ -	\$ 119,855	\$ 93,886	\$ 11,986	\$ -	\$ 105,872
Vacuum Truck.....	259,222	-	-	259,222	45,364	25,922	-	71,286
Geocollector XH6000 ..	9,500	-	-	9,500	-	2,375	-	2,375
Bobcat Loader .....		46,861	-	46,861	-	1,562	-	1,562
2013 Freightliner .....	-	79,878	-	79,878	-	1,997	-	1,997
2011 Ford F250 4x4 .....	<u>30,348</u>	<u>-</u>	<u>-</u>	<u>30,348</u>	<u>2,023</u>	<u>6,070</u>	<u>-</u>	<u>8,093</u>
<b>Total Stormwater Utility .....</b>	<b><u>\$ 418,925</u></b>	<b><u>\$ 126,739</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 545,664</u></b>	<b><u>\$ 141,273</u></b>	<b><u>\$ 49,912</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 191,185</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b><u>Business Type Activities</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Current Assets:</b>		
Equity in pooled cash.....	\$ 6,646,794	\$ 5,187,969
Cash held by bond trustee.....	-	1,630,485
Inventory.....	575,112	491,833
Accounts receivable.....	<u>1,028,542</u>	<u>-</u>
<b>Total Current Assets</b> .....	<b><u>8,250,448</u></b>	<b><u>7,310,287</u></b>
<b>Capital Assets:</b>		
Non-depreciable Capital Assets:		
Land and easements.....	1,194,236	1,194,235
Construction in progress .....	<u>5,066,253</u>	<u>1,416,497</u>
	<u>6,260,489</u>	<u>2,610,732</u>
Depreciable Capital Assets:		
Structures, improvements, and equipment.....	72,622,539	70,110,654
Less: Allowance for depreciation .....	<u>(19,109,872)</u>	<u>(17,025,082)</u>
<b>Net Depreciable Capital Assets</b> .....	<b><u>53,512,667</u></b>	<b><u>53,085,572</u></b>
<b>Total Net Capital Assets</b> .....	<b><u>59,773,156</u></b>	<b><u>55,696,304</u></b>
<b>Deferred Debits:</b>		
Unamortized debt expenses .....	286,334	309,099
Unamortized discount on long-term debt.....	<u>486,718</u>	<u>508,447</u>
<b>Total Deferred Debits</b> .....	<b><u>773,052</u></b>	<b><u>817,546</u></b>
<b>Total Assets</b> .....	<b><u>\$ 68,796,656</u></b>	<b><u>\$ 63,824,137</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accrued salaries.....	\$ 40,560	\$ 77,757
Accounts payable.....	654,238	25,155
Bonds payable – Due within one (1) year.....	225,000	215,000
Compensated absences.....	232,567	213,323
Revolving loan – Due within one (1) year.....	272,712	352,476
Retainage payable.....	<u>217,373</u>	<u>-</u>
<b>Total Current Liabilities</b> .....	<b><u>1,642,450</u></b>	<b><u>883,711</u></b>
<b>Long-Term Liabilities:</b>		
General obligation bonds payable.....	47,211,386	44,060,161
Compensated absences.....	53,457	67,542
Revolving loan payable.....	<u>781,900</u>	<u>879,626</u>
<b>Total Long-Term Liabilities</b> .....	<b><u>48,046,743</u></b>	<b><u>45,007,329</u></b>
<b>Net Assets:</b>		
Unrestricted.....	7,825,305	6,113,571
Invested in capital assets, net of related debt .....	<u>11,282,158</u>	<u>11,819,526</u>
<b>Total Net Assets</b> .....	<b><u>19,107,463</u></b>	<b><u>17,933,097</u></b>
<b>Total Liabilities and Net Assets</b> .....	<b><u>\$ 68,796,656</u></b>	<b><u>\$ 63,824,137</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Operating Revenue:</b>		
Retail water sales.....	\$ 4,498,277	\$ 3,717,542
Wholesale water sales .....	1,029,291	739,550
Wholesale water sales – ALCOA.....	1,319,226	1,125,826
Sewer charges.....	4,003,957	3,901,603
Other Operating Revenue:		
Penalties .....	164,026	153,226
Sewer taps .....	27,850	25,000
Connections.....	36,454	17,524
Fire hydrant rental.....	-	20,670
Grant.....	887,805	-
Miscellaneous.....	14,886	377,257
	<u>11,981,772</u>	<u>10,078,198</u>
<b>Operating Expenses:</b>		
Administration.....	624,986	592,863
Accounting and collections .....	681,933	675,580
Supervision.....	225,879	202,392
Water treatment plant .....	1,563,571	1,512,087
Environmental compliance.....	98,673	91,824
Transmission and distribution .....	826,922	801,657
Meter reading and repairs.....	333,595	300,637
Water maintenance.....	186,402	250,084
Sewer collection/pumping.....	61,298	702,404
Sewer disposal.....	2,281,325	2,110,539
Total Operating Expenses .....	<u>6,884,584</u>	<u>7,240,067</u>
<b>Other Operating Expense:</b>		
Depreciation .....	2,150,240	2,120,348
	<u>2,946,948</u>	<u>717,783</u>
<b>Operating Income.....</b>		
	<u>2,946,948</u>	<u>717,783</u>
<b>Other Income:</b>		
Interest on investments.....	24,003	10,093
Amortization of bond premium.....	-	49,573
Insurance refunds .....	2,806	-
Sale of equipment.....	24,693	-
Total Other Income .....	<u>51,502</u>	<u>59,666</u>
<b>Other Expense:</b>		
Amortization of Bond Expenses.....	(44,494)	(38,989)
Interest expense – Bonds and capital leases .....	(1,433,809)	(1,471,659)
Total Other Expense.....	<u>(1,478,303)</u>	<u>(1,510,648)</u>
Net Income (Loss) Before Contributions and Transfers.....	1,520,147	(733,199)
Transfer in lieu of taxes.....	(400,000)	(400,000)
Capital Contributions .....	54,219	2,667,043
	<u>1,174,366</u>	<u>1,533,844</u>
Change in Net Assets .....	1,174,366	1,533,844
Net Assets at Beginning of Year .....	<u>17,933,097</u>	<u>16,399,253</u>
<b>Net Assets at End of Year .....</b>	<b><u>\$ 19,107,463</u></b>	<b><u>\$ 17,933,097</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers.....	\$ 10,953,230	\$ 10,078,198
Cash payments to suppliers for goods and services.....	(4,231,256)	(5,220,848)
Cash payments to employees for services .....	(1,922,189)	(2,142,005)
Net Cash Flows From Operating Activities .....	<u>4,799,785</u>	<u>2,715,345</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal paid and early extinguishment of bonds.....	(567,486)	(1,090,000)
Interest paid on notes/bonds/capital leases .....	(1,433,809)	(1,471,659)
Payments for acquisition and construction of capital assets.....	(6,227,092)	(3,338,616)
Proceeds of notes/bonds .....	3,551,221	920,000
Other revenue .....	27,499	-
Contributions in Aid of Construction .....	54,219	2,667,043
Net Cash Flows From (Used by) Capital and Related Financing Activities .....	<u>(4,595,448)</u>	<u>(2,313,232)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfer out - In lieu of tax.....	<u>(400,000)</u>	<u>(400,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturities of investments.....	1,630,651	-
Interest and dividends on investments.....	24,003	10,093
Net Cash Flows From (Used By) Investing Activities .....	<u>1,654,654</u>	<u>10,093</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	1,458,991	12,206
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR .....	<u>5,187,803</u>	<u>5,175,597</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b><u>\$ 6,646,794</u></b>	<b><u>\$ 5,187,803</u></b>

(Continued)

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
Operating Income (loss) .....	\$ 2,946,948	\$ 717,783
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation .....	2,150,240	2,120,348
Amortization of bond expense .....	44,494	38,989
Changes in assets and liabilities:		
Accounts receivable .....	(1,028,542)	-
Compensated absences .....	(39,335)	3,916
Inventory .....	(83,279)	(152,048)
Accrued salaries .....	(37,197)	227
Accounts payable .....	629,083	(13,870)
Retainage payable .....	<u>217,373</u>	<u>-</u>
Total Adjustments .....	<u>1,852,837</u>	<u>1,997,562</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b><u>\$ 4,799,785</u></b>	<b><u>\$ 2,715,345</u></b>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities on three (3) months or less.

The Water and Sewer Utility Fund acquired capital assets that were reclassified from construction in progress as follows:

Year Ended <u>June 30,</u>			
2012	\$	-	
2011	\$	-	

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE**  
**EXPENSES BY DEPARTMENT**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Administrative and General:</b>		
Wages.....	\$ 311,895	\$ 299,794
Overtime.....	561	153
F.I.C.A.....	24,088	22,667
Retirement.....	60,758	56,555
Hospitalization insurance.....	46,764	36,490
Life/Accidental death insurance.....	1,204	1,207
Dental insurance.....	4,424	3,969
Workmen’s compensation.....	1,179	1,334
Retiree insurance.....	1,461	3,591
Professional service.....	11,688	19,206
Mailing.....	-	193
Advertising/Public Relations.....	2,408	242
Travel and training.....	1,425	1,500
Dues.....	9,709	10,756
Printing.....	940	794
Maintenance contracts.....	439	425
Utilities.....	1,511	1,137
Other contracted services.....	3,627	1,449
Office supplies.....	540	743
Insurance.....	8,579	12,373
Other personnel services.....	13,901	10,075
Repair and maintenance.....	750	896
GIS System.....	12,700	13,537
Operating supplies.....	256	125
Costs recovered.....	83,423	75,968
Computer Equipment.....	4,745	2,458
Improvement teams.....	1,248	-
Regulatory fees and license.....	14,763	15,226
Total Administrative and General.....	<u>624,986</u>	<u>592,863</u>
<b>Accounting and Collections:</b>		
Wages.....	321,451	306,470
Overtime.....	11	76
F.I.C.A.....	25,183	23,156
Retirement.....	75,379	68,349
Hospitalization insurance.....	75,542	61,050
Life/Accidental death insurance.....	1,526	1,560
Dental insurance.....	6,551	6,479
Workmen’s compensation.....	742	741
Retiree insurance.....	51	-
Other personnel service.....	10,440	10,958
Drug/alcohol test.....	17	6
Dues.....	-	117
Employee Training.....	150	1
Professional services.....	10,185	41,425
Mailing.....	36,755	46,376

See accompanying independent auditors’ report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE**  
**EXPENSES BY DEPARTMENT (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Accounting and Collections (Continued):</b>		
Advertising/Public relations .....	73	1,595
Credit card processing .....	24,576	15,820
Repair and maintenance .....	-	91
Printing .....	2,216	4,201
Maintenance contracts .....	9,397	9,501
Rent expense .....	50,280	57,000
Utilities .....	1,292	1,704
Other contractual services .....	1,394	1,056
Collection fees .....	6,905	6,245
Office supplies .....	6,783	5,607
Billing process .....	11,145	3,423
Insurance .....	2,230	2,309
Computer equipment .....	1,659	264
Total Accounting and Collections .....	<u>681,933</u>	<u>675,580</u>
<b>Supervision:</b>		
Wages .....	107,979	104,302
Standby pay .....	6,120	5,610
Overtime .....	6,076	5,624
F.I.C.A. ....	9,762	9,182
Retirement .....	48,463	40,133
Hospitalization insurance .....	21,600	16,450
Life/Accidental death insurance .....	478	468
Dental insurance .....	2,217	2,009
Workmen’s compensation .....	4,245	1,763
Other personnel service .....	11,321	9,661
Dues and memberships .....	99	50
Travel and training .....	1,163	369
Improvement teams .....	629	290
Utilities .....	2,549	2,229
Office supplies .....	53	8
Uniforms .....	255	642
Automotive parts .....	48	85
Gasoline .....	1,276	1,101
Insurance .....	826	945
Regulatory fees and license .....	700	60
Costs recovered .....	-	843
Computer equipment .....	-	568
Drug/Alcohol test .....	20	-
Total Supervision .....	<u>225,879</u>	<u>202,392</u>
<b>Water Treatment:</b>		
Wages .....	455,840	436,142
Standby .....	380	-
Overtime .....	1,322	934
F.I.C.A. ....	35,441	33,116
Retirement .....	131,448	117,392
Hospitalization insurance .....	108,000	84,000
Life/Accidental death insurance .....	2,186	2,186
Dental insurance .....	9,270	8,178

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE**  
**EXPENSES BY DEPARTMENT (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Water Treatment (Continued):</b>		
Workmen’s compensation .....	15,586	15,976
Retiree insurance .....	7,080	7,080
Unemployment benefits .....	-	2,227
Other personnel services .....	21,596	14,171
Drug/alcohol test .....	43	276
Employee education and training .....	740	920
Professional fees .....	5,383	3,868
Mailing .....	195	912
Dues .....	177	175
Regulatory fees .....	8,570	9,110
Travel .....	8,156	2,559
Public relations .....	73	221
Improvement teams .....	413	136
Printing .....	1,390	1,669
Rental/Maintenance contracts .....	2,172	1,882
Utilities .....	486,830	481,233
Other contractual services .....	5,758	6,815
Office supplies .....	1,490	1,183
Small tools .....	446	461
Uniforms .....	762	1,326
Automotive parts .....	676	511
Electrical and plumbing .....	1,881	1,944
Chemicals .....	115,501	122,996
Gasoline .....	4,652	4,157
Safety supplies .....	2,596	3,211
Insurance .....	32,090	30,315
Repair and maintenance .....	90,039	114,662
Communication equipment .....	3,709	114
Computer equipment .....	1,680	29
Total Water Treatment .....	<u>1,563,571</u>	<u>1,512,087</u>
<b>Environmental Compliance:</b>		
Wages .....	54,212	50,214
F.I.C.A. ....	4,181	3,807
Retirement .....	19,558	15,240
Hospitalization insurance .....	12,960	9,660
Life/Accidental death insurance .....	261	251
Dental insurance .....	1,330	1,180
Workmen’s compensation .....	1,961	1,396
Other personnel services .....	-	3,331
Easement .....	-	1,467
Employee education and training .....	10	112
Mailing .....	37	39
Regulatory fees and license .....	315	215
Dues .....	-	10
Travel .....	260	1,029
Office supplies .....	29	405
Small tools .....	83	138
Uniforms .....	7	390
Improvement teams .....	25	-

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE**  
**EXPENSES BY DEPARTMENT (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Environmental Compliance (Continued):</b>		
Printing .....	344	-
Utilities .....	437	437
Repair and maintenance .....	367	676
Automotive parts.....	197	23
Electrical & Plumbing.....	165	3
Gasoline .....	1,296	1,037
Insurance.....	591	632
Safety .....	47	53
Computer equipment.....	-	79
Total Environmental Compliance.....	<u>98,673</u>	<u>91,824</u>
<b>Transmission and Distribution:</b>		
Wages .....	306,971	302,570
Standby pay .....	16,347	16,951
Overtime .....	20,574	21,487
F.I.C.A. ....	26,847	26,178
Retirement.....	110,295	93,450
Retirement settlement .....	-	2,271
Hospitalization insurance.....	89,232	69,786
Life/Accidental death insurance.....	1,632	1,666
Dental insurance .....	7,668	7,408
Workmen’s compensation .....	11,961	12,715
Retiree insurance.....	14,070	14,452
Regulatory fees and license .....	7,193	8,713
Easement.....	24	1,000
Employee education and training.....	464	379
Other personnel services .....	10,657	4,735
Professional fees .....	795	722
Dues .....	221	158
Travel.....	70	498
Printing .....	562	750
Utilities .....	54,997	52,249
Office supplies .....	42	204
Other operating supplies .....	1,902	3,011
Small tools .....	1,829	2,726
Uniforms.....	1,496	2,127
Automotive parts.....	21,861	25,524
Gasoline .....	34,710	23,956
Construction materials .....	27,221	20,276
Safety .....	3,192	4,345
Insurance.....	4,758	5,088
Repair and maintenance .....	33,992	59,679
Water line relocation.....	171	7,387
Costs recovered.....	9,381	5,820
Machinery and equipment.....	3,652	999
Drug/alcohol test.....	32	-
Improvement teams.....	20	-

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE**  
**EXPENSES BY DEPARTMENT (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Transmission and Distribution (Continued):</b>		
Fire hydrant – installation and maintenance .....	2,083	-
Deadend lines.....	-	2,377
Total Transmission and Distribution .....	<u>826,922</u>	<u>801,657</u>
<b>Meter Readings and Repairs:</b>		
Wages .....	110,709	101,585
Standby pay .....	8,539	6,584
Overtime .....	14,055	14,417
F.I.C.A. ....	10,592	9,470
Retirement.....	47,203	40,331
Hospitalization insurance.....	27,985	18,703
Life/Accidental death insurance.....	527	464
Dental insurance .....	2,144	1,661
Workmen's compensation .....	4,378	3,182
Retiree insurance.....	1,384	1,519
Other personnel services .....	5,533	9,058
Contract meter reading.....	5,010	28,589
Professional fees .....	265	270
Drug/Alcohol test.....	37	27
Maintenance contracts .....	2,854	2,018
Utilities .....	1,708	1,739
Office supplies .....	2,362	1,170
Small tools .....	1,729	505
Chemicals .....	-	47
Uniforms.....	688	1,211
Automotive parts.....	3,924	3,506
Gasoline .....	4,782	6,346
Other commodities.....	577	285
Insurance.....	1,977	1,733
Repairs and maintenance .....	26,946	32,592
Meters and devices.....	47,027	13,378
Vehicle equipment .....	32	-
Computer equipment.....	628	247
Total Meter Readings and Repairs .....	<u>333,595</u>	<u>300,637</u>
<b>Maintenance:</b>		
Wages .....	91,791	122,093
Standby pay .....	12,222	16,466
Overtime .....	3,859	6,668
F.I.C.A. ....	8,511	11,469
Retirement.....	19,717	25,871
Hospitalization insurance.....	19,440	21,000
Life/Accidental death insurance.....	419	581
Dental insurance .....	1,995	2,566
Workmen's compensation .....	3,855	6,499
Retiree insurance.....	540	2,460
Professional fees .....	239	217
Dues.....	30	130
Travel.....	110	110
Utilities .....	1,241	1,230

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF OPERATING AND MAINTENANCE**  
**EXPENSES BY DEPARTMENT (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Maintenance (Continued):</b>		
Other Operating Supplies.....	42	224
Small tools .....	479	329
Uniforms .....	293	414
Automotive parts.....	1,880	3,222
Electrical and plumbing .....	165	-
Gasoline .....	7,551	7,026
Insurance.....	1,337	1,438
Safety .....	3	1,111
Repairs and maintenance .....	<u>10,683</u>	<u>18,960</u>
Total Maintenance .....	<u>186,402</u>	<u>250,084</u>
<b>Sewage Collection/Pumping:</b>		
Wages .....	-	289,976
Standby pay .....	15,834	15,724
Overtime .....	18,244	18,392
F.I.C.A. ....	2,607	25,266
Retirement.....	-	89,591
Retirement settlement .....	-	2,270
Hospitalization insurance.....	-	59,424
Life/Accidental death insurance.....	-	1,503
Dental insurance .....	-	6,605
Workmen's compensation .....	-	10,342
Other personnel services .....	-	13,362
Professional fees .....	-	433
Regulatory fees and license .....	-	60
Utilities .....	19,468	18,643
Other operating supplies .....	-	984
Small tools .....	-	1,584
Uniforms .....	-	741
Automotive parts.....	-	11,709
Gasoline .....	-	13,752
Construction materials .....	2,279	9,292
Safety .....	-	1,411
Insurance.....	-	2,957
Repairs and maintenance .....	2,866	11,306
Meter and devices .....	-	9,397
Easement.....	-	8
Sewer rehabilitation .....	-	78,989
Costs recovered.....	-	5,546
Retiree insurance.....	-	3,137
Total Sewage Collection/Pumping .....	<u>61,298</u>	<u>702,404</u>
<b>Disposal:</b>		
Sewage treatment expense .....	1,398,510	1,279,782
Treatment plant improvements .....	177	44
City of Maryville .....	<u>882,638</u>	<u>830,713</u>
Total Disposal .....	<u>2,281,325</u>	<u>2,110,539</u>
<b>Total Operating and Maintenance.....</b>	<b><u>\$ 6,884,584</u></b>	<b><u>\$ 7,240,067</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION**  
**For the Fiscal Year Ended June 30, 2012**

<u>SEWER</u>	<u>CAPITAL ASSETS</u>				<u>ALLOWANCE FOR DEPRECIATION</u>			
	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/12</u>	<u>Balance 7/1/11</u>	<u>Depreciation Taken</u>	<u>Additions (Deductions)</u>	<u>Balance 6/30/12</u>
Land and easements .....	\$ 174,138	\$ -	\$ -	\$ 174,138	\$ -	\$ -	\$ -	\$ -
Buildings:								
Pumping station .....	218,935	109,057	-	327,992	165,417	5,350	-	170,767
Leasehold improvements .....	2,536,361	-	-	2,536,361	912,522	76,091	-	988,613
Service Center .....	<u>1,502,128</u>	-	-	<u>1,502,128</u>	<u>99,123</u>	<u>33,987</u>	-	<u>133,110</u>
Total Buildings .....	<u>4,257,424</u>	<u>109,057</u>	-	<u>4,366,481</u>	<u>1,177,062</u>	<u>115,428</u>	-	<u>1,292,490</u>
Improvements Other Than Buildings:								
Sewer lines and mains .....	<u>12,849,919</u>	<u>2,091,322</u>	-	<u>14,941,241</u>	<u>3,840,259</u>	<u>311,286</u>	-	<u>4,151,545</u>
Machinery and Equipment:								
Pumping equipment .....	105,094	-	-	105,094	79,343	2,874	-	82,217
Tools and working equipment .....	549,491	-	-	549,491	383,621	48,327	-	431,948
Automobile and trucks .....	<u>153,581</u>	<u>92,600</u>	<u>(22,733)</u>	<u>223,448</u>	<u>153,580</u>	<u>3,087</u>	<u>(22,733)</u>	<u>133,934</u>
Total Machinery and Equipment .....	<u>808,166</u>	<u>92,600</u>	<u>(22,733)</u>	<u>878,033</u>	<u>616,544</u>	<u>54,288</u>	<u>(22,733)</u>	<u>648,099</u>
<b>Total Sewer .....</b>	<b><u>\$ 18,089,647</u></b>	<b><u>\$ 2,292,979</u></b>	<b><u>\$ (22,733)</u></b>	<b><u>\$ 20,359,893</u></b>	<b><u>\$ 5,633,865</u></b>	<b><u>\$ 481,002</u></b>	<b><u>\$ (22,733)</u></b>	<b><u>\$ 6,092,134</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**WATER AND SEWER UTILITY FUND – ENTERPRISE FUND**  
**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

<u>WATER</u>	<u>CAPITAL ASSETS</u>				<u>ALLOWANCE FOR DEPRECIATION</u>			
	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/12</u>	<u>Balance 7/1/11</u>	<u>Depreciation Taken</u>	<u>Additions (Deductions)</u>	<u>Balance 6/30/12</u>
Land.....	\$ 1,020,097	\$ -	\$ -	\$ 1,020,097	\$ -	\$ -	\$ -	\$ -
Buildings:								
Filter and treatment plant.....	19,053,933	-	-	19,053,933	1,938,983	419,768	-	2,358,751
Improvements Other Than Buildings:								
Water mains.....	9,344,864	179,877	-	9,524,741	2,376,085	193,937	-	2,570,022
Reservoirs.....	3,527,124	-	-	3,527,124	937,428	105,143	-	1,042,571
Lines to reservoirs.....	139,187	-	-	139,187	107,177	2,785	-	109,962
Water service connections.....	1,118,002	40,496	-	1,158,498	366,467	22,432	-	388,899
Raw water storage.....	2,961,770	-	-	2,961,770	1,184,802	59,248	-	1,244,050
Total Improvements Other Than Buildings.....	17,090,947	220,373	-	17,311,320	4,971,959	383,545	-	5,355,504
Machinery and Equipment:								
Water meters.....	409,682	13,723	-	423,405	263,600	29,636	-	293,236
Fire hydrants.....	347,500	-	-	347,500	102,857	6,952	-	109,809
Water purification equipment.....	6,168,663	-	-	6,168,663	1,522,215	359,250	-	1,881,465
Pumping equipment.....	7,287,030	-	-	7,287,030	1,293,260	364,381	-	1,657,641
Laboratory equipment.....	176,551	-	-	176,551	75,610	17,554	-	93,164
Tools and working equipment.....	707,101	-	-	707,101	436,323	55,311	-	491,634
Automobile and truck.....	673,773	50,261	(42,717)	681,317	671,318	5,123	(42,717)	633,724
Office furniture and fixtures.....	279,965	-	-	279,965	115,092	27,718	-	142,810
Total Machinery and Equipment.....	16,050,265	63,984	(42,717)	16,071,532	4,480,275	865,925	(42,717)	5,303,483
Total Water.....	\$53,215,242	\$ 284,357	\$ (42,717)	\$ 53,456,882	\$ 11,391,217	\$ 1,669,238	\$ (42,717)	\$ 13,017,738
<b>TOTAL WATER AND SEWER.....</b>	<b>\$71,304,889</b>	<b>\$ 2,577,336</b>	<b>\$ (65,450)</b>	<b>\$ 73,816,775</b>	<b>\$ 17,025,082</b>	<b>\$ 2,150,240</b>	<b>\$ (65,450)</b>	<b>\$ 19,109,872</b>

**CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS  
June 30, 2012 and 2011**

<u>ASSETS</u>	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>CAPITAL ASSETS:</b>		
Non-depreciable Capital Assets:		
Land and easements .....	\$ 336,481	\$ 336,481
Construction in progress .....	<u>552,808</u>	<u>812,914</u>
	889,289	1,149,395
Depreciable Capital Assets:		
Structures, improvements and equipment .....	70,788,688	69,145,249
Less: Allowance for depreciation .....	<u>(26,445,577)</u>	<u>(24,389,955)</u>
	44,343,111	44,755,294
Net Capital Assets .....	<u>45,232,400</u>	<u>45,904,689</u>
<b>CURRENT ASSETS:</b>		
Bond principal and redemption reserve.....	3,366,071	3,339,869
Cash.....	5,695,880	2,990,699
Cash investments.....	1,380,562	1,376,691
Accounts receivable - Less provision for doubtful accounts of \$111,294 at June 30, 2012 and \$229,489 at June 30, 2011.....	5,616,828	4,440,625
Accounts receivable - Pole rentals .....	159,877	148,851
Materials and supplies at average cost .....	534,639	616,602
Accrued interest receivable .....	10,507	4,759
Prepaid expenses .....	744	668
Prepaid TVA Power Invoice Program.....	3,772,648	4,599,993
Unamortized debt expense .....	<u>-</u>	<u>25,000</u>
Total Current Assets .....	<u>20,537,756</u>	<u>17,543,757</u>
<b>OTHER ASSETS:</b>		
Receivables from customers for conservation loans.....	2,283,198	2,191,618
Long-term notes receivable .....	100,000	100,000
Unamortized debt expense .....	<u>501,346</u>	<u>502,733</u>
Total Other Assets .....	<u>2,884,544</u>	<u>2,794,351</u>
<b>Total Assets .....</b>	<b><u>\$ 68,654,700</u></b>	<b><u>\$ 66,242,797</u></b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS (Continued)  
June 30, 2012 and 2011**

<u>LIABILITIES AND NET ASSETS</u>	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>LONG-TERM LIABILITIES:</b>		
Compensated absences .....	\$ 225,182	\$ 184,625
Revenue bonds payable .....	18,985,000	19,665,000
Deferred credits .....	386,707	586,106
Conservation – TVA .....	<u>2,251,546</u>	<u>2,184,503</u>
 Total Long-Term Liabilities .....	 <u>21,848,435</u>	 <u>22,620,234</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	9,916,631	9,339,505
Customer deposits .....	1,469,509	1,365,954
Accrued payroll .....	60,952	182,260
Accrued rentals .....	102,892	95,796
Accrued interest .....	33,097	70,675
Miscellaneous payables .....	3,265	2,603
Compensated absences .....	337,929	289,307
Revenue bonds payable .....	<u>680,000</u>	<u>630,000</u>
 Total Current Liabilities .....	 <u>12,604,275</u>	 <u>11,976,100</u>
 Total Liabilities .....	 <u>34,452,710</u>	 <u>34,596,334</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt .....	25,567,400	25,609,689
Unrestricted .....	<u>8,634,590</u>	<u>6,036,774</u>
 Total Net Assets .....	 <u>34,201,990</u>	 <u>31,646,463</u>
 <b>Total Liabilities and Net Assets .....</b>	 <b><u>\$ 68,654,700</u></b>	 <b><u>\$ 66,242,797</u></b>

**CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULES OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUE:</b>		
Sale of Electric Energy:		
Residential - Non-farm .....	\$ 35,888,794	\$ 38,352,043
Small lighting and power sales .....	5,766,500	5,559,605
Large lighting and power sales .....	17,243,546	16,586,668
Street and outdoor lighting .....	1,035,164	975,038
Consumer forfeited discounts .....	420,582	439,295
Rent from electric property .....	538,810	515,378
Miscellaneous service revenue .....	232,357	248,659
Other electric revenue .....	51,851	528
Total Operating Revenue .....	<u>61,177,604</u>	<u>62,677,214</u>
<b>PURCHASED POWER</b> .....	<u>47,257,423</u>	<u>49,832,583</u>
<b>OPERATING EXPENSES:</b>		
Distribution expense .....	1,299,299	1,199,588
Customer accounts expense .....	1,307,531	1,348,792
Sales expense .....	117,430	66,893
Administrative and general expense .....	2,709,987	2,472,151
Total Operating Expenses .....	<u>5,434,247</u>	<u>5,087,424</u>
<b>MAINTENANCE EXPENSE:</b>		
Distribution expense .....	2,076,232	1,853,469
Administrative and general expense .....	18,680	25,292
Total Maintenance Expense .....	<u>2,094,912</u>	<u>1,878,761</u>
<b>OTHER OPERATING EXPENSE:</b>		
Depreciation expense .....	<u>2,370,321</u>	<u>2,304,265</u>
<b>TOTAL PURCHASED POWER AND OPERATING EXPENSES</b> .....	<u>57,156,903</u>	<u>59,103,033</u>
<b>OPERATING INCOME</b> .....	4,020,701	3,574,181
Interest income on investments .....	<u>20,185</u>	<u>18,046</u>
Net Operating Income .....	<u>4,040,886</u>	<u>3,592,227</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULES OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS (Continued)  
For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INTEREST EXPENSE:</b>		
Interest on long-term debt .....	(240,000)	(405,000)
Amortization of long-term debt discount and expense .....	(26,387)	(26,387)
Total Interest Expense .....	<u>(266,387)</u>	<u>(431,387)</u>
<b>OTHER INCOME (EXPENSE):</b>		
Revenue from merchandise, jobbing and contract work.....	696	406
State of TN – Unclaimed property returned .....	1,833	1,646
Total Other Income.....	<u>2,529</u>	<u>2,052</u>
NET INCOME BEFORE TRANSFERS.....	3,777,028	3,162,892
Transfer in lieu of tax .....	<u>(1,221,501)</u>	<u>(1,176,436)</u>
NET INCOME.....	2,555,527	1,986,456
NET ASSETS – BEGINNING OF YEAR .....	<u>31,646,463</u>	<u>29,660,007</u>
<b>NET ASSETS – END OF YEAR.....</b>	<b><u>\$ 34,201,990</u></b>	<b><u>\$ 31,646,463</u></b>

**CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULES OF CASH FLOWS  
For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers .....	\$ 60,001,401	\$ 62,315,741
Cash payments to suppliers for goods and services.....	(49,763,916)	(53,987,580)
Cash payments to employees for services .....	<u>(3,525,645)</u>	<u>(3,259,331)</u>
Net Cash Flows From Operating Activities.....	<u>6,711,840</u>	<u>5,068,830</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Customer deposits received.....	383,551	324,370
Customer deposits refunded .....	(279,996)	(291,802)
Advances from TVA .....	747,651	807,030
Repayments of advances .....	(680,608)	(586,540)
Principal paid on bonds/notes.....	(630,000)	(575,000)
Interest paid on bonds/notes .....	(277,578)	(345,606)
Deferred credits .....	(199,399)	(85,449)
Merchandise, jobbing, and contract work revenue.....	696	406
Acquisition and construction of capital assets.....	(1,668,524)	(1,797,769)
Removal costs of fixed assets.....	29,509	27,699
Acquisition of conservation loans .....	(565,021)	(672,727)
Collection on conservation loans .....	<u>491,313</u>	<u>461,553</u>
Net Cash Flows From Capital and Related Financing Activities .....	<u>(2,648,406)</u>	<u>(2,733,835)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments .....	(9,216,250)	(9,183,114)
Proceeds from maturities of investments .....	9,068,932	9,329,919
Interest and dividends on investments.....	<u>14,437</u>	<u>14,017</u>
Net Cash Flows From Investing Activities.....	<u>(132,881)</u>	<u>160,822</u>
<b>CASH FLOWS FROM NON-CAPITAL ACTIVITIES:</b>		
Transfers – In lieu of Tax .....	<u>(1,221,501)</u>	<u>(1,176,436)</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULES OF CASH FLOWS (Continued)  
For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	2,709,052	1,319,381
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR .....	<u>4,367,390</u>	<u>3,048,009</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b><u>\$ 7,076,442</u></b>	<b><u>\$ 4,367,390</u></b>
 Operating Income .....	 <u>\$ 4,020,701</u>	 <u>\$ 3,574,181</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation .....	2,370,321	2,304,265
Amortization.....	26,387	26,387
Changes in assets and liabilities:		
Poles rental .....	(11,026)	(11,026)
Accounts receivable .....	(1,176,203)	(361,473)
Miscellaneous receivables – back utilities .....	-	1,470
Prepaid expenses .....	827,269	(1,767,182)
Inventory .....	81,963	(59,118)
Accrued interest receivables.....	(5,748)	(4,029)
Accounts payable .....	577,126	1,232,998
Accrued rentals.....	7,096	7,096
Accrued interest .....	(37,578)	59,394
Accrued payroll .....	(121,308)	22,829
Miscellaneous Payables.....	104,218	32,667
Compensated absences .....	<u>48,622</u>	<u>10,371</u>
Total Adjustments.....	<u>2,691,139</u>	<u>1,494,649</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	 <b><u>\$ 6,711,840</u></b>	 <b><u>\$ 5,068,830</u></b>

ACCOUNTING POLICY NOTE:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less.

**CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULES OF OPERATING AND MAINTENANCE EXPENSE  
For the Fiscal Years Ended June 30, 2012 and 2011**

<u>OPERATING EXPENSE</u>	<u>2012</u>	<u>2011</u>
<b>DISTRIBUTION:</b>		
Transmission .....	\$ 7,023	\$ -
Supervision and engineering .....	68,006	59,852
Station expense.....	45,047	55,363
Overhead line expense.....	468,550	424,200
Underground expense.....	39,518	44,503
Meter expense .....	123,017	134,902
Miscellaneous.....	335,252	282,074
Rents.....	<u>212,886</u>	<u>198,694</u>
Total Distribution Expense.....	<u>1,299,299</u>	<u>1,199,588</u>
<b>CUSTOMER ACCOUNTS EXPENSE:</b>		
Meter reading expense.....	361,855	420,742
Customer record and collection expense .....	765,676	748,050
Uncollectible accounts .....	<u>180,000</u>	<u>180,000</u>
Total Customer Accounts Expense.....	<u>1,307,531</u>	<u>1,348,792</u>
<b>SALES EXPENSE:</b>		
Demonstrating and selling expense .....	<u>117,430</u>	<u>66,893</u>
<b>ADMINISTRATIVE AND GENERAL EXPENSE:</b>		
Administrative and general salaries.....	457,404	647,598
Office supplies and expense .....	34,442	37,871
Outside service employed .....	60,264	45,824
Property insurance.....	107,407	102,784
Injuries and damages.....	164,310	156,768
Employee pensions and benefits .....	1,760,399	1,318,277
Duplicate charges – Credit .....	(1,764)	(5,133)
Rents - City cost recovery .....	84,480	95,700
Miscellaneous.....	<u>43,045</u>	<u>72,462</u>
Total Administrative and General Expense.....	<u>2,709,987</u>	<u>2,472,151</u>
Total Operating Expense .....	<u>5,434,247</u>	<u>5,087,424</u>
<b><u>MAINTENANCE EXPENSE</u></b>		
<b>DISTRIBUTION EXPENSE:</b>		
Transmission .....	49,968	-
Supervision and engineering .....	58,992	51,741
Maintenance of station equipment.....	102,876	110,287
Maintenance of overhead and underground lines.....	1,730,750	1,545,690
Maintenance of line transformers .....	8,217	32,430
Street lighting and signal systems .....	38,774	36,829
Maintenance of meters/miscellaneous distribution plant.....	<u>86,655</u>	<u>76,492</u>
Total Distribution Expense.....	<u>2,076,232</u>	<u>1,853,469</u>
<b>ADMINISTRATIVE AND GENERAL EXPENSE:</b>		
Maintenance of general plant .....	<u>18,680</u>	<u>25,292</u>
Total Maintenance Expense .....	<u>2,094,912</u>	<u>1,878,761</u>
<b>Total Operating and Maintenance Expense.....</b>	<b><u>\$ 7,529,159</u></b>	<b><u>\$ 6,966,185</u></b>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE  
ELECTRIC FUND  
Alcoa, Tennessee  
SCHEDULE OF ELECTRIC PLANT IN SERVICE  
June 30, 2012

	Balance <u>7-01-11</u>	Additions	Retirements	Reclassify		Balance <u>6-30-12</u>
				<u>DR</u>	<u>CR</u>	
<b>TRANSMISSION:</b>						
Station equipment.....	\$ 11,468,383	\$ -	\$ -	\$ -	\$ -	\$ 11,468,383
<b>DISTRIBUTION:</b>						
Land and land rights .....	6,853	-	-	-	-	6,853
Station equipment.....	2,005,536	-	-	-	-	2,005,536
Poles, towers and fixtures.....	9,696,780	683,740	139,061	-	-	10,241,459
Overhead conductors and devices .....	9,771,907	409,228	26,374	-	-	10,154,761
Underground conduit.....	658,680	6,309	-	-	-	664,989
Underground conductors and devices.....	2,851,572	62,596	2,278	-	-	2,911,890
Line transformers .....	10,530,451	133,436	45,094	-	-	10,618,793
Services .....	1,987,415	59,089	694	-	-	2,045,810
Meters.....	4,648,813	142,786	27,399	-	-	4,764,200
Street lighting and signal systems .....	3,231,406	226,029	15,623	-	432,318	3,009,494
Outdoor lighting on customer premises...	702,922	76,569	1,328	432,318	-	1,210,481
<b>GENERAL:</b>						
Land and land rights .....	329,628	-	-	-	-	329,628
Structures and improvements .....	7,583,663	-	-	-	-	7,583,663
Office furniture and equipment .....	516,251	15,847	-	-	-	532,098
Transportation equipment.....	2,716,133	111,148	27,340	-	-	2,799,941
Stores equipment .....	51,647	-	-	-	-	51,647
Tools, shop and garage equipment .....	90,229	-	-	-	-	90,229
Laboratory equipment .....	30,456	-	-	-	-	30,456
Communication equipment .....	588,033	1,853	-	-	-	589,886
Miscellaneous equipment .....	<u>14,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,972</u>
Totals .....	69,481,730	1,928,630	285,191	432,318	432,318	71,125,169
CONSTRUCTION WORK IN PROGRESS	<u>812,914</u>	<u>(260,106)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,808</u>
<b>Total Electric Plant in Service ...</b>	<b><u>\$ 70,294,644</u></b>	<b><u>\$ 1,668,524</u></b>	<b><u>\$ 285,191</u></b>	<b><u>\$ 432,318</u></b>	<b><u>\$ 432,318</u></b>	<b><u>\$ 71,677,977</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**ELECTRIC FUND**  
**Alcoa, Tennessee**  
**SCHEDULE OF ACCUMULATED PROVISION FOR DEPRECIATION**  
**June 30, 2012**

	<b>Balance 7-01-11</b>	<b>Depreciation Expense</b>	<b>Retirement</b>	<b>Removal Cost and Other</b>	<b>Reclassify</b>		<b>Balance 6/30/12</b>	<b>Depreciation Rate</b>
					<b>DR</b>	<b>CR</b>		
<b>TRANSMISSION:</b>								
Station equipment.....	\$ 5,639,165	\$ 347,359	\$ -	\$ -	\$ -	\$ -	\$ 5,986,524	4.09%
<b>DISTRIBUTION PLANT:</b>								
Station equipment.....	893,177	69,648	-	-	-	-	962,825	
Poles, towers, and fixtures.....	3,459,811	421,332	139,060	31,647	-	-	3,710,436	4.25%
Overhead conductors and devices	1,296,173	300,757	26,374	1,412	-	-	1,569,144	3.00%
Underground conduit.....	300,226	19,860	-	-	-	-	320,086	3.00%
Underground conductors and devices.....	916,739	86,442	2,278	751	-	-	1,000,152	3.00%
Line transformers .....	4,127,376	263,302	45,093	341	-	-	4,345,244	2.50%
Services .....	963,908	64,899	694	57	-	-	1,028,056	3.25%
Meters .....	969,744	266,675	27,400	-	-	-	1,209,019	2.00%
Street lighting and signal systems	2,095,760	78,599	15,623	1,418	-	239,589	1,917,729	12.00%
Outdoor lighting on customer premises .....	<u>382,122</u>	<u>48,265</u>	<u>1,328</u>	<u>235</u>	<u>239,589</u>	<u>-</u>	<u>668,413</u>	8.00%
Total Distribution Plant.....	<u>15,405,036</u>	<u>1,619,779</u>	<u>257,850</u>	<u>35,861</u>	<u>239,589</u>	<u>239,589</u>	<u>16,731,104</u>	
<b>GENERAL PLANT:</b>								
Structures and improvements .....	808,069	156,928	-	-	-	-	964,997	2.00%
Office furniture and equipment ....	348,945	26,307	-	-	-	-	375,252	various
Transportation equipment.....	1,697,047	166,787	27,340	(6,352)	-	-	1,842,846	various
Tools, shop and garage equipment.....	77,241	2,442	-	-	-	-	79,683	8.00%
Laboratory equipment .....	30,457	-	-	-	-	-	30,457	5.00%
Communication equipment .....	380,137	49,722	-	-	-	-	429,859	10.00%
Miscellaneous equipment .....	<u>3,858</u>	<u>997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,855</u>	8.00%
Total General Plant.....	<u>3,345,754</u>	<u>403,183</u>	<u>27,340</u>	<u>(6,352)</u>	<u>-</u>	<u>-</u>	<u>3,727,949</u>	
<b>Totals .....</b>	<b><u>\$ 24,389,955</u></b>	<b><u>\$ 2,370,321</u></b>	<b><u>\$ 285,190</u></b>	<b><u>\$ 29,509</u></b>	<b><u>\$ 239,589</u></b>	<b><u>\$ 239,589</u></b>	<b><u>\$ 26,445,577</u></b>	

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS**  
**June 30, 2012 and 2011**

<u>ASSETS</u>	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Cash .....	\$ 500	\$ 500
Cash in bank .....	2,563,038	2,281,597
Accounts receivable.....	<u>318,754</u>	<u>350,259</u>
Total Current Assets.....	<u>2,882,292</u>	<u>2,632,356</u>
<b>Capital Assets:</b>		
Non-depreciable Capital Assets:		
Land.....	640,851	640,851
Construction in Progress.....	<u>-</u>	<u>5,839,312</u>
	640,851	6,480,163
<b>Depreciable Capital Assets:</b>		
Structures, improvements, and equipment.....	13,472,292	7,242,949
Less: Allowance for depreciation .....	<u>(6,839,060)</u>	<u>(6,069,157)</u>
	<u>6,633,232</u>	<u>1,173,792</u>
Net Capital Assets .....	<u>7,274,083</u>	<u>7,653,955</u>
<b>Non-Current Assets:</b>		
Cash in banks – Restricted.....	4,020,327	3,497,212
Investments – Certificate of deposit – Restricted .....	3,183,345	3,166,129
Unamortized debt expense.....	55,797	63,079
Unamortized discount on long-term debt .....	<u>57,600</u>	<u>65,362</u>
Total Non-Current Assets.....	<u>7,317,069</u>	<u>6,791,782</u>
<b>Total Assets.....</b>	<b><u>\$ 17,473,444</u></b>	<b><u>\$ 17,078,093</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accounts payable .....	\$ 48,487	\$ -
Accrued salaries .....	14,759	28,086
Bonds payable – Due within one (1) year .....	570,000	540,000
Compensated absences .....	84,907	91,602
Capital lease payable .....	<u>76,145</u>	<u>94,028</u>
Total Current Liabilities .....	<u>794,298</u>	<u>753,716</u>
<b>Long-Term Liabilities:</b>		
Capital lease payable .....	53,523	129,668
Bonds payable .....	6,365,000	6,935,000
Compensated absences .....	21,227	22,901
Estimated liability for landfill closure and Postclosure care costs .....	<u>7,203,672</u>	<u>6,663,341</u>
Total Long-Term Liabilities.....	<u>13,643,422</u>	<u>13,750,910</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	209,415	(44,741)
Restricted for property acquisition .....	1,269,617	1,200,538
Unrestricted .....	<u>1,556,692</u>	<u>1,417,670</u>
Total Net Assets .....	<u>3,035,724</u>	<u>2,573,467</u>
<b>Total Liabilities and Net Assets.....</b>	<b><u>\$ 17,473,444</u></b>	<b><u>\$ 17,078,093</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Operating Revenue:</b>		
Fees and permits.....	\$ 4,142,464	\$ 3,539,323
Grants .....	85,166	69,490
Miscellaneous.....	<u>256</u>	<u>612</u>
Total Operating Revenue .....	4,227,886	3,609,425
<b>Operating Expenses:</b>		
Administrative and General.....	298,295	287,126
Landfill operations .....	871,549	704,642
Scales and security operations.....	256,191	208,157
Facilities Maintenance.....	828,498	864,074
Vehicle and equipment maintenance.....	200,719	182,517
Solid Waste Authority.....	95,930	92,942
Environmental compliance.....	<u>120,854</u>	<u>101,420</u>
Total Operating Expenses .....	<u>2,672,036</u>	<u>2,440,878</u>
Operating Income Before Depreciation.....	1,555,850	1,168,547
Depreciation .....	<u>(831,403)</u>	<u>(560,151)</u>
Operating Income After Depreciation.....	<u>724,447</u>	<u>608,396</u>
<b>Other Income (Expense):</b>		
Other income .....	14,443	14,400
Amortization of bond discount.....	(15,045)	(15,045)
Interest income .....	7,309	7,511
Interest expense.....	(259,845)	(277,490)
Insurance refunds .....	1,098	-
Service fees .....	<u>(10,150)</u>	<u>(640)</u>
Total Other Income (Expense).....	<u>(262,190)</u>	<u>(271,264)</u>
Change In Net Assets .....	462,257	337,132
Net Assets – Beginning of Year.....	<u>2,573,467</u>	<u>2,236,335</u>
<b>Net Assets – End of Year .....</b>	<b><u>\$ 3,035,724</u></b>	<b><u>\$ 2,573,467</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Year Ended June 30, 2011**

	<b>Business-Type Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received .....	\$ 4,259,391	\$ 3,598,401
Cash payments to suppliers for goods and services.....	(1,817,766)	(1,882,630)
Cash payments to employees for services .....	(827,479)	(739,427)
Net Cash Flows From Operating Activities .....	1,614,146	976,344
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Restricted cash transfer .....	-	(5,849,092)
Closure/Postclosure payments.....	526,500	526,500
Net Cash Flows From Non-Capital Financing Activities .....	526,500	(5,322,592)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Interest paid on capital leases/bonds .....	(259,845)	(277,490)
Payments for landfill plant acquisitions .....	(451,531)	(205,061)
Principal paid on bonds/notes.....	(634,028)	(361,787)
Service fees .....	(10,150)	-
Other revenues.....	15,541	-
Net Cash Flows From Capital and Related Financing Activities.....	(1,340,013)	(844,338)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments .....	7,309	7,511
Purchase of investments .....	(4,792,926)	(4,993,924)
Proceeds from sale of investments .....	4,266,425	10,418,971
Net Cash Flows From Investing Activities .....	(519,192)	5,432,558
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	281,441	241,972
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR .....	2,282,097	2,040,125
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 2,563,538</b>	<b>\$ 2,282,097</b>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Year Ended June 30, 2011**

	<b>Business-Type Activities</b>	
	<b>2012</b>	<b>2011</b>
Operating Income .....	\$ 724,447	\$ 608,396
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation .....	831,403	560,151
Amortization of bond expense.....	15,045	15,045
Changes in assets and liabilities:		
Accounts receivable .....	31,505	(11,024)
Accounts payable .....	48,487	(217,000)
Accrued salaries .....	(13,327)	590
Accrued compensated absences .....	(23,414)	20,186
Total Adjustments .....	889,699	367,948
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	 <b>\$ 1,614,146</b>	 <b>\$ 976,344</b>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less.

Schedule of Noncash Financing Activities:

During the year ended June 30, 2011, the Landfill Fund acquired \$205,600 in capital assets that were funded through vendor financing recorded as capital leases payable.

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Administrative and General:</b>		
Wages .....	126,437	119,809
Overtime .....	3	9
F.I.C.A. ....	10,001	9,236
Retirement.....	29,827	27,304
Hospitalization insurance.....	19,712	15,427
Life/Accidental death insurance.....	497	495
Dental insurance .....	1,962	1,821
Workmen’s compensation .....	509	534
Retiree insurance.....	10	-
Other personnel services .....	79	4,702
Drug/alcohol test.....	419	308
Employee education and training.....	3,104	1,545
Professional services.....	-	3,567
Postage.....	1,469	1,317
Dues .....	1,227	1,434
Regulatory fees and license .....	30,248	29,190
Accounting and auditing .....	5,000	4,700
Advertising.....	134	61
Travel.....	57	-
Business/public relations .....	114	151
Improvement teams.....	670	266
Printing .....	2,971	3,320
Maintenance contract.....	225	244
Utilities .....	28,034	28,569
Other contracted services .....	3,652	2,645
Office supply.....	1,133	4,651
Other operating supplies .....	3,608	1,894
Small tools .....	56	-
Uniforms .....	2,548	2,130
Safety .....	8,073	2,832
Construction materials .....	310	508
Insurance.....	3,309	4,692
Repairs and maintenance .....	145	3,635
Cost recovery .....	11,274	8,340
Equipment lease.....	331	331
Communication equipment.....	752	364
Computer equipment.....	395	1,095
Total Administrative and General.....	<u>298,295</u>	<u>287,126</u>
<b>Landfill Operations:</b>		
Wages .....	247,981	203,938
Overtime .....	6,101	7,936
F.I.C.A. ....	19,780	16,107
Retirement.....	71,289	55,276
Hospitalization insurance.....	65,600	42,000

See accompanying independent auditors’ report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Landfill Operations (Continued):</b>		
Life/Accidental death insurance.....	1,237	1,058
Dental insurance .....	5,899	4,436
Workmen’s compensation .....	11,135	10,962
Retiree insurance.....	4,440	4,620
Other personnel services.....	10,169	28,729
Professional services.....	477	433
Waste tire recovery .....	107,472	91,972
Recycling .....	-	39
Gas .....	173,088	51,385
Construction materials .....	135,995	81,003
Alter daily cover liners.....	10,223	4,147
Insurance.....	663	601
Total Landfill Operations.....	<u>871,549</u>	<u>704,642</u>
<b>Scales and Security Operations:</b>		
Wages .....	129,440	87,568
Overtime .....	11,561	29,837
F.I.C.A. ....	10,930	9,059
Retirement.....	36,683	25,165
Hospitalization insurance.....	42,500	25,200
Life/Accidental death insurance.....	748	578
Dental insurance .....	4,341	3,079
Workmen’s compensation .....	286	278
Retiree insurance.....	2,460	2,460
Other personnel services.....	33	5,685
Regulatory fees and license .....	-	336
Printing .....	2,951	3,387
Utilities .....	2,142	1,848
Other contracted services.....	2,400	2,050
Office supplies .....	2,931	786
Insurance.....	183	176
Repair and maintenance.....	5,672	6,881
Computer equipment.....	930	3,784
Total Scales and Security Operations.....	<u>256,191</u>	<u>208,157</u>
<b>Facility Maintenance:</b>		
Wages .....	162,031	193,550
Overtime .....	4,796	13,408
F.I.C.A. ....	12,931	15,870
Retirement.....	41,611	38,349
Hospitalization insurance.....	42,400	42,700
Life/Accidental death insurance.....	838	1,034
Dental insurance .....	4,433	5,217
Workmen’s compensation .....	7,936	10,407
Retiree insurance.....	4,260	4,920
Other personnel services.....	7,506	2,856

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Facility Maintenance (Continued):</b>		
Professional services.....	399	362
Utilities .....	2,255	4,075
Small tools .....	245	518
Construction materials .....	405	780
Slope stabilization.....	9,072	2,576
Insurance.....	880	952
Closure and postclosure expense .....	526,500	526,500
Total Facilities Maintenance.....	<u>828,498</u>	<u>864,074</u>
<b>Vehicle and Equipment Maintenance:</b>		
Wages .....	35,943	34,715
Overtime .....	64	400
F.I.C.A. ....	2,640	2,543
Retirement.....	9,884	9,698
Hospitalization insurance.....	10,800	8,400
Life/Accidental death insurance.....	197	197
Dental insurance .....	358	910
Workmen’s compensation .....	1,229	1,279
Other personnel services.....	366	1,095
Heavy equipment maintenance .....	55,502	61,806
Maintenance contract.....	5,064	-
Utilities .....	2,655	2,581
Other contracted services.....	1,326	954
Fluids .....	10,399	11,254
Small tools .....	725	1,787
Auto parts.....	20,100	14,695
Heavy equipment parts .....	18,953	21,502
Gasoline .....	1,446	1,096
Construction materials .....	2,645	-
Insurance.....	3,160	3,130
Equipment lease.....	17,263	4,475
Total Vehicle and Equipment Maintenance.....	<u>200,719</u>	<u>182,517</u>
<b>Solid Waste Authority:</b>		
Wages .....	39,220	37,889
F.I.C.A. ....	3,131	2,951
Retirement.....	6,524	6,149
Hospitalization insurance.....	5,400	4,200
Life/Accidental death insurance.....	148	148
Dental insurance .....	554	513
Workmen’s compensation .....	214	234
Other personnel services.....	627	786
Advertising.....	38,550	38,550
Travel.....	278	323
Printing .....	-	216
Other contracted services.....	1,200	900
Insurance.....	84	83
Total Solid Waste Authority .....	<u>95,930</u>	<u>92,942</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**LANDFILL FUND – ENTERPRISE FUND**  
**SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES**  
**For the Fiscal Year Ended June 30, 2012**  
**With Comparative Totals for the Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Environmental Compliance:</b>		
Wages .....	50,575	48,846
F.I.C.A. ....	3,774	3,522
Retirement.....	8,237	7,812
Hospitalization insurance.....	10,800	8,400
Life/Accidental death insurance.....	231	231
Dental insurance .....	1,108	1,026
Workmen’s compensation .....	117	116
Other personnel services .....	-	1,595
Professional services .....	39,961	29,357
Regulatory fees and licenses	-	430
Insurance .....	94	85
Machinery and equipment.....	<u>5,957</u>	<u>-</u>
Total Environmental Compliance .....	<u>120,854</u>	<u>101,420</u>
 <b>Total Operating and Maintenance.....</b>	 <b><u>\$ 2,672,036</u></b>	 <b><u>\$ 2,440,878</u></b>

**CITY OF ALCOA, TENNESSEE  
LANDFILL FUND – ENTERPRISE FUND  
SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION  
For the Fiscal Year Ended June 30, 2012**

<b>Fixed Assets</b>				
	<b>Balance 7-1-11</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6-30-12</b>
Land.....	\$ 640,851	\$ -	\$ -	\$ 640,851
Office Buildings and Improvements .....	<u>4,735,975</u>	<u>6,243,148</u>	<u>-</u>	<u>10,979,123</u>
Machinery and Equipment:				
Office equipment.....	28,737	-	-	28,737
Landfill – working equipment .....	1,620,675	-	-	1,620,675
Tools and small equipment .....	554,619	-	-	554,619
Trucks.....	<u>302,943</u>	<u>47,695</u>	<u>61,500</u>	<u>289,138</u>
Total Machinery and Equipment.....	<u>2,506,974</u>	<u>47,695</u>	<u>61,500</u>	<u>2,493,169</u>
Construction Work in Progress.....	<u>5,839,312</u>	<u>-</u>	<u>5,839,312</u>	<u>-</u>
<b>Totals.....</b>	<b><u>\$13,723,112</u></b>	<b><u>\$ 6,290,843</u></b>	<b><u>\$ 5,900,812</u></b>	<b><u>\$ 14,113,143</u></b>

<b>ALLOWANCE FOR DEPRECIATION</b>					
	<b>Balance 7-1-11</b>	<b>Depreciation Expense</b>	<b>Other Additions (Deductions)</b>	<b>Balance 6-30-12</b>	<b>Depreciation Rates</b>
Land .....	\$ -	\$ -	\$ -	\$ -	
Office Building and Improvements .....	<u>4,362,174</u>	<u>619,195</u>	<u>-</u>	<u>4,981,369</u>	3-7%
Machinery and Equipment:					
Office equipment.....	28,737	-	-	28,737	10-20%
Landfill working equipment.....	888,655	195,718	-	1,084,373	17%
Tools and small equipment.....	495,394	9,898	-	505,292	8-20%
Trucks .....	<u>294,197</u>	<u>6,592</u>	<u>(61,500)</u>	<u>239,289</u>	20%
Total Machinery and Equipment .....	<u>1,706,983</u>	<u>212,208</u>	<u>(61,500)</u>	<u>1,857,691</u>	
<b>Totals.....</b>	<b><u>\$ 6,069,157</u></b>	<b><u>\$ 831,403</u></b>	<b><u>\$ (61,500)</u></b>	<b><u>\$ 6,839,060</u></b>	

See accompanying independent auditors' report and notes.

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# FIDUCIARY FUND

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Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for another party. Fiduciary Funds include Pension Trust Funds.

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## PENSION TRUST FUNDS

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Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other employee benefit plans. Pension Trust Funds are accounted for in essentially the same manner as governmental funds – accrual basis of accounting.

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**Employees' Retirement System Fund** – The Employees' Retirement System Fund is used to account for assets held by the City in a fiduciary capacity for employees or former employees of the City. The Employees' Retirement System Fund uses the accrual method of accounting.

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**CITY OF ALCOA, TENNESSEE**  
**EMPLOYEES' RETIREMENT SYSTEM FUND – FIDUCIARY FUND**  
**SCHEDULE OF FIDUCIARY ASSETS, LIABILITIES AND NET ASSETS**  
**June 30, 2012 and 2011**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Accrued interest and dividends .....	\$ 96,986	\$ 108,856
Investments, at fair value:		
Cash and cash equivalents.....	892,390	266,472
U.S. Treasury obligations.....	3,114,586	3,599,939
Domestic corporate and foreign bonds.....	4,960,797	5,534,022
Common equity securities.....	11,035,811	11,564,678
Municipal obligations.....	<u>1,083,300</u>	<u>616,958</u>
 Total Investments.....	 <u>21,086,884</u>	 <u>21,582,069</u>
 <b>Total Assets.....</b>	 <b><u>\$ 21,183,870</u></b>	 <b><u>\$ 21,690,925</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities	\$ -	\$ -
Net assets held in trust for pension benefits .....	<u>21,183,870</u>	<u>21,690,925</u>
 <b>Total Liabilities and Net Assets .....</b>	 <b><u>\$ 21,183,870</u></b>	 <b><u>\$ 21,690,925</u></b>

Note: Cash equivalents consist of certificates of deposit with original maturities of three (3) months or less.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**EMPLOYEES' RETIREMENT SYSTEM FUND – FIDUCIARY FUND**  
**SCHEDULE OF CHANGES IN FIDUCIARY PLAN NET ASSETS**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Additions:</b>		
Employer contributions .....	\$ 1,182,060	\$ 860,778
Interest/Dividend income .....	668,066	713,601
Net appreciation in fair value of investments .....	170,110	1,240,269
Net gain on investments sold and matured .....	<u>563</u>	<u>847,074</u>
Total Additions .....	<u>2,020,799</u>	<u>3,661,722</u>
<b>Deductions:</b>		
Administrative expenses .....	73,157	63,436
Benefit payments .....	<u>2,454,697</u>	<u>2,423,338</u>
Total Deductions .....	<u>2,527,854</u>	<u>2,486,774</u>
Change in Net Assets .....	(507,055)	1,174,948
Net Assets – Beginning of Year .....	<u>21,690,925</u>	<u>20,515,977</u>
<b>Net Assets – End of Year .....</b>	<b><u>\$ 21,183,870</u></b>	<b><u>\$ 21,690,925</u></b>

See accompanying independent auditors' report and notes.

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# **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES**

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Fixed assets used in Governmental Fund type operations (capital assets used in the operation of governmental activities) are presented in the government-wide financial statements. However, they are presented in the fund financial statements as expenditures when purchased.

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**CITY OF ALCOA, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**Schedule of Changes by Function and Activity**  
**For the Fiscal Year Ended June 30, 2012**

**CAPITAL ASSETS**

<u>Program</u>	<u>Balance 7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/12</u>
Construction in Progress.....	\$ 1,757,234	\$ 236,928	\$ 1,540,241	\$ -	\$ 453,921
General Government – Building and Grounds .....	20,564	-	-	-	20,564
General Government – Bridges .....	5,367,656	-	-	-	5,367,656
General Government – Cemetery .....	4,400	-	-	-	4,400
Fire .....	3,900,537	168,395	45,389	-	4,023,543
General Government.....	4,632,670	32,949	15,749	-	4,649,870
General Government – Codes.....	62,393	-	-	-	62,393
General Government – Finance .....	149,640	18,949	-	-	168,589
Police.....	4,922,557	397,129	245,737	-	5,073,949
Recreation.....	6,233,898	551,878	-	-	6,785,776
Sanitation.....	1,712,165	23,400	73,905	-	1,661,660
Schools .....	30,454,888	161,483	-	-	30,616,371
Service Center.....	5,457,354	-	-	-	5,457,354
Streets .....	19,322,083	614,614	-	-	19,936,697
	<u>82,240,805</u>	<u>1,968,797</u>	<u>380,780</u>	<u>-</u>	<u>83,828,822</u>
<b>Totals.....</b>	<b><u>\$ 83,998,039</u></b>	<b><u>\$ 2,205,725</u></b>	<b><u>\$ 1,921,021</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 84,282,743</u></b>

**ACCUMULATED DEPRECIATION**

<u>Program</u>	<u>Balance 7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/12</u>	<u>Net Book Value</u>
Construction in Progress.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 453,921
General Government – Building and Grounds .....	20,564	-	-	-	20,564	-
General Government – Bridges .....	2,637,793	106,859	-	-	2,744,652	2,623,004
General Government – Cemetery .....	-	-	-	-	-	4,400
Fire .....	1,506,592	136,622	45,389	-	1,597,825	2,425,718
General Government.....	1,498,003	92,140	6,038	-	1,584,105	3,065,765
General Government – Codes.....	62,393	-	-	-	62,393	-
General Government – Finance .....	142,186	11,736	-	-	153,922	14,667
Police.....	2,048,060	274,710	245,737	-	2,077,033	2,996,916
Recreation.....	1,660,101	245,160	-	-	1,905,261	4,880,515
Sanitation.....	1,215,406	88,959	73,904	-	1,230,461	431,199
Schools .....	9,180,612	1,022,128	-	-	10,202,740	20,413,631
Service center .....	430,800	147,702	-	-	578,502	4,878,852
Streets .....	12,973,202	746,393	-	-	13,719,595	6,217,102
	<u>33,375,712</u>	<u>2,872,409</u>	<u>371,068</u>	<u>-</u>	<u>35,877,053</u>	<u>47,951,769</u>
<b>Totals.....</b>	<b><u>\$ 33,375,712</u></b>	<b><u>\$ 2,872,409</u></b>	<b><u>\$ 371,068</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 35,877,053</u></b>	<b><u>\$ 48,405,690</u></b>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**Schedule of Capital Assets by Function and Activity**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
General Government – Building and Grounds .....	\$ -	\$ -	\$ -	\$ -	\$ 20,564	\$ -	\$ 20,564
General Government – Bridges ....	-	-	5,367,656	-	-	-	5,367,656
General Government – Cemetery .	4,400	-	-	-	-	-	4,400
Construction in Progress.....	-	-	-	-	-	453,921	453,921
Service Center .....	-	5,057,120	-	114,919	285,315	-	5,457,354
Fire .....	146,731	1,631,122	-	90,000	2,155,690	-	4,023,543
General Government .....	994,496	2,866,928	-	671,372	117,074	-	4,649,870
General Government – Codes.....	-	-	-	-	62,393	-	62,393
General Government – Finance ....	-	-	-	-	168,589	-	168,589
Police.....	-	3,394,528	-	-	1,679,421	-	5,073,949
Recreation.....	567,105	1,132,794	4,632,027	374,763	79,087	-	6,785,776
Sanitation.....	-	-	-	-	1,661,660	-	1,661,660
Schools .....	53,000	15,539,191	-	13,603,968	1,420,212	-	30,616,371
Streets.....	-	51,223	19,107,535	-	777,939	-	19,936,697
Total Capital Assets .....	<u>1,765,732</u>	<u>29,672,906</u>	<u>29,107,218</u>	<u>14,855,022</u>	<u>8,427,944</u>	<u>453,921</u>	<u>84,282,743</u>
Accumulated Depreciation..	<u>-</u>	<u>(9,802,842)</u>	<u>(17,016,677)</u>	<u>(3,871,407)</u>	<u>(5,186,127)</u>	<u>-</u>	<u>(35,877,053)</u>
<b>Net Capital Assets .....</b>	<b><u>\$ 1,765,732</u></b>	<b><u>\$19,870,064</u></b>	<b><u>\$12,090,541</u></b>	<b><u>\$ 10,983,615</u></b>	<b><u>\$ 3,241,817</u></b>	<b><u>\$ 453,921</u></b>	<b><u>\$ 48,405,690</u></b>

See accompanying independent auditors' report and notes.

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**CITY OF ALCOA, TENNESSEE**  
**MISCELLANEOUS SCHEDULES**  
**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF INTERFUND TRANSFERS – ALL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

**TRANSFERS TO:**

	<b><u>General Fund</u></b>	<b><u>City OPEB Insurance Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>General Obligation Public Works Construction Fund</u></b>	<b><u>Equipment Replacement Fund</u></b>	<b><u>Internal Service Fund - Schools OPEB Insurance Fund</u></b>	<b><u>School Construction and Improvement Fund</u></b>	<b><u>Total</u></b>
<b>TRANSFERS FROM:</b>								
Employee Insurance Fund ..	\$ -	\$ 63,000 (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,000
Education Fund .....	-	-	-	-	-	68,500 (1)	963,950 (4)	1,032,450
General Fund .....	-	-	2,486,856 (2)	2,000,000 (4)	200,000 (3)	-	-	4,686,856
School Construction Fund ..	<u>250,000 (2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
<b>Totals.....</b>	<b><u>\$ 250,000</u></b>	<b><u>\$ 63,000</u></b>	<b><u>\$2,486,856</u></b>	<b><u>\$2,000,000</u></b>	<b><u>\$ 200,000</u></b>	<b><u>\$ 68,500</u></b>	<b><u>\$ 963,950</u></b>	<b><u>\$ 6,032,306</u></b>

- (1) To provide monies for annual OPEB liability.
- (2) To provide monies for debt retirement.
- (3) To provide monies for equipment replacements
- (4) To provide monies for Public Projects

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Balance July 1, <u>2011</u></b>	<b>Levy/ Pick-up/ (Releases)</b>	<b>Write- offs</b>	<b><u>Collections</u></b>	<b>Balance June 30, <u>2012</u></b>
Estimated Levy – January 2012	\$ -	\$ 8,907,792	\$ -	\$ -	\$ 8,907,792
Current Year – 2011	8,219,575	725,694	-	(8,641,271)	303,998
Prior Years:					
2010	267,886	-	-	(105,944)	161,942
2009	590,235	(134,240)	-	(88,024)	367,971
2008	765,931	(281,937)	-	(1,471)	482,523
2007	12,598	-	-	-	12,598
2006	8,152	-	-	-	8,152
2005	16,030	-	-	-	16,030
2004	25,623	-	-	-	25,623
2003	13,031	-	-	-	13,031
2002	17,439	-	-	-	17,439
2001	<u>16,659</u>	<u>-</u>	<u>16,659</u>	<u>-</u>	<u>-</u>
Total Taxes Receivable	9,953,159	9,217,309	(16,659)	(8,836,710)	10,317,099
Less: Allowance for Estimated Uncollectible accounts	<u>(30,709)</u>	<u>-</u>	<u>(1,084)</u>	<u>-</u>	<u>(31,793)</u>
<b>Net Taxes Receivable</b>	<b><u>\$ 9,922,450</u></b>	<b><u>\$ 9,217,309</u></b>	<b><u>\$ (17,743)</u></b>	<b><u>\$ (8,836,710)</u></b>	<b><u>\$ 10,285,306</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF INSURANCE IN FORCE – ELECTRIC UTILITY**  
**June 30, 2012**

<u>Name of Company</u>	<u>Policy Number</u>	<u>Term of Policy</u>		<u>Annual Premium</u>	<u>Coverage and Liability Limits</u>
		<u>From</u>	<u>To</u>		
Great Northern Insurance Company	(11)78389459	6-30-12	6-30-13	\$ 30,468	<u>AUTOMOBILES AND TRUCKS</u> \$1,000,000 combined single limit for all damages because of bodily injury or property damage Medical payments – \$2,000 Uninsured motorist – \$100,000 Physical Damage – actual cash value less deductible
Travelers Casualty Insurance Company	103189899	6-30-12	6-30-13	3,359	<u>CRIME</u> Theft and embezzlement – \$500,000 each loss Deductible – \$5,000
Distributors Self Insurance Fund	WC-014-2011	6-30-12	6-30-13	89,245	<u>WORKMEN’S COMPENSATION</u> Legal – Statutory requirements \$1,000,000 Employer’s Liability Limit
Affiliated FM Insurance Company	GK-763	6-30-12	6-30-13	43,901	<u>REAL AND PERSONAL PROPERTY DAMAGE</u> Substations – \$19,602,015 Automotive – \$1,159,129 Contractor’s Equipment – \$1,160,733
North River Insurance Company	5530943313	6-30-12	6-30-13	31,098	<u>COMMERCIAL UMBRELLA</u> Commercial catastrophe liability – \$5,000,000
Distributors Insurance Company	CL-G048-2011	6-30-12	6-30-13	41,130	<u>GENERAL LIABILITY</u> General aggregate – \$750,000 Property damage – \$250,000 Bodily injury – \$250,000 Fire damage limit – \$250,000 Medical expense – \$50,000 Each occurrence limit – \$250,000
Federal Insurance Co.	7987-48-45	6-30-12	6-30-13	12,875	<u>EXCESS GENERAL LIABILITY</u> Each occurrence – \$750,000 Aggregate – \$2,250,000
Public Officials Liability Coverage	TML-0247-12	7-28-12	7-28-13	9,103	<u>DIRECTORS AND OFFICERS</u> Liability – \$1,000,000 per occurrence Deductible – \$5,000
The Hartford Steam Boiler Inspection and Ins. Co.	FBP9450255	6-30-12	6-30-13	48,906	<u>BOILER &amp; MACHINERY</u> Insurance Limits – \$3,000,000
Illinois Union Insurance	PPLG24878685003	6-30-12	6-30-13	2,767	<u>POLLUTION LIABILITY</u> Liability - \$1,000,000

**SCHEDULE OF INSURANCE ON REAL PERSONAL PROPERTY:**

	<b>Replacement Cost</b>	<b>90% Coverage</b>
Buildings .....	\$ 7,988,854	\$ 7,189,969
Personal property .....	869,000	782,100
<b>Total .....</b>	<b><u>\$ 8,857,854</u></b>	<b><u>\$ 7,972,069</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF INSURANCE IN FORCE – GENERAL/ WATER AND SEWER UTILITY**  
**June 30, 2012**

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Number</u>		<u>Detail of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
		<u>From</u>	<u>To</u>			
TML Risk Management Pool	TML 0247-15	7-28-12	7-28-13	<p>COMPREHENSIVE GENERAL LIABILITY</p> <p>Covers all operations of the City and all officials and employees</p> <p>AUTOMOBILE LIABILITY &amp; PHYSICAL DAMAGE Deductible: Comprehensive - \$1,000 Collision - \$1,000</p> <p>PUBLIC OFFICIALS' PERSONAL ERRORS AND OMISSIONS LIABILITY Deductible: \$5,000</p>	<p>\$300,000 per Person as limited by the Tort Liability Act \$700,000 per Occurrence \$100,000 Property Damage \$1,000,000 per Occurrence Each other loss Non-Tort Acts</p>	\$ 61,018
						\$ 57,807
TML Risk Management Pool	TWC-0251-13	7-28-12	7-28-13	<p>WORKER'S COMPENSATION State requirements employer's Liability</p>	<p>\$300,000 – each accident \$700,000 – policy limit \$300,000 – each employee</p>	\$ 242,175
TML Risk Management Pool	TMP-5296-13	1-20-12	1-20-13	<p>PROPERTY DAMAGE - Caterpillar compactor, scraper, bulldozer, tractor, and backhoes.</p> <p>CRIME COVERAGE</p>	<p>\$1,810,794 - value</p> <p>\$150,000 per occurrence</p>	\$ 1,858
TML Risk Management Pool	TMP-5296-13	1-20-12	1-20-13	<p>PROPERTY COVERAGE Physical Damage to Public Safety Building, fire stations, garage and storage, municipal building, service center, landfill buildings, water treatment plant, pump stations, and other small structures – 90% co-insurance - see schedule</p>	<p>\$71,869,520 limit per occurrence</p>	\$ 55,267

**SCHEDULE OF INSURANCE ON REAL AND PERSONAL PROPERTY:**

	<u>General</u>	Blount County <u>Landfill</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
Building and Contents	<u>\$ 21,213,537</u>	<u>\$ 513,698</u>	<u>\$ 38,468,878</u>	<u>\$ 9,212,613</u>	<u>\$ 69,408,726</u>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF INSURANCE IN FORCE – SCHOOLS**  
**June 30, 2012**

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
TML Risk Management Pool	TML 0604-12	07/28/11-07/28/12	Comprehensive General Liability	\$300,000 per person as limited by the Tort Liability Act; \$700,000 per occurrence; \$100,000 property damage; \$1,000,000 per occurrence each other loss non-tort acts	\$ 3,634
			Errors & Omissions Liability Deductible - \$5,000	\$1,000,000	\$ 19,485
			Comprehensive Auto Liability Deductible: Comprehensive - \$250 Collision - \$500		\$ 1,810 * 635 **
TML Risk Management Pool	TWC 0581-12	07/28/11-07/28/12	Worker's Compensation	\$ 300,000	\$ 56,784
TML Risk Management Pool	TMP 0317-12	01/20/12-01/20/13	Physical damage to real and personal property Values - \$47,344,819		\$ 61,824
			Copiers and small office equipment Values - \$227,000		\$ 296
			Mobile equipment Values - \$126,050		\$ 165

\* Automobile liability  
\*\* Auto physical damage

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -**  
**PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR**  
**June 30, 2012**

Fiscal Year Ending June 30,	Total Bond Principal/ Interest Requirements	Bond Total		1997 State Revolving Funds Project	
		Bond	Interest	Bond	Interest
2013	\$ 8,982,689	\$ 3,673,354	\$ 5,309,335	\$ 15,790	\$ 240
2014	9,174,663	3,932,532	5,242,131	-	-
2015	9,382,556	4,320,662	5,061,894	-	-
2016	9,434,742	4,575,865	4,858,877	-	-
2017	<u>9,988,667</u>	<u>4,991,248</u>	<u>4,997,419</u>	-	-
Subtotal	<u>46,963,317</u>	<u>21,493,661</u>	<u>25,469,656</u>	<u>15,790</u>	<u>240</u>
2018	9,971,042	5,206,816	4,764,226	-	-
2019	9,997,729	5,477,577	4,520,152	-	-
2020	10,012,940	5,753,537	4,259,403	-	-
2021	10,013,324	6,029,703	3,983,621	-	-
2022	<u>9,803,824</u>	<u>6,111,082</u>	<u>3,692,742</u>	-	-
Subtotal	<u>49,798,859</u>	<u>28,578,715</u>	<u>21,220,144</u>	-	-
2023	7,507,410	4,107,681	3,399,729	-	-
2024	7,476,508	4,279,507	3,197,001	-	-
2025	7,430,160	4,446,570	2,983,590	-	-
2026	7,395,610	4,633,877	2,761,733	-	-
2027	<u>6,686,772</u>	<u>4,156,436</u>	<u>2,530,336</u>	-	-
Subtotal	<u>36,496,460</u>	<u>21,624,071</u>	<u>14,872,389</u>	-	-
2028	6,638,771	4,309,255	2,329,516	-	-
2029	6,698,596	4,577,345	2,121,251	-	-
2030	6,733,911	4,830,715	1,903,196	-	-
2031	5,722,371	4,049,373	1,672,998	-	-
2032	<u>4,624,222</u>	<u>3,143,331</u>	<u>1,480,891</u>	-	-
Subtotal	<u>30,417,871</u>	<u>20,910,019</u>	<u>9,507,852</u>	-	-
2033	4,550,310	3,217,313	1,332,997	-	-
2034	4,379,600	3,195,000	1,184,600	-	-
2035	4,342,525	3,310,000	1,032,525	-	-
2036	4,390,050	3,515,000	875,050	-	-
2037	<u>2,862,825</u>	<u>2,155,000</u>	<u>707,825</u>	-	-
Subtotal	<u>20,525,310</u>	<u>15,392,313</u>	<u>5,132,997</u>	-	-
2038	2,864,575	2,260,000	604,575	-	-
2039	2,866,375	2,370,000	496,375	-	-
2040	2,872,500	2,490,000	382,500	-	-
2041	2,872,750	2,610,000	262,750	-	-
2042	<u>2,874,675</u>	<u>2,740,175</u>	<u>134,500</u>	-	-
Subtotal	<u>14,350,875</u>	<u>12,470,175</u>	<u>1,880,700</u>	-	-
Less: Unfunded Commitment	<u>(530,386)</u>	<u>(512,946)</u>	<u>(17,440)</u>	-	-
<b>TOTALS</b>	<b><u>\$ 198,022,306</u></b>	<b><u>\$ 119,956,008</u></b>	<b><u>\$ 78,066,298</u></b>	<b><u>\$ 15,790</u></b>	<b><u>\$ 240</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -**  
**PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR**  
**June 30, 2012**

Fiscal Year Ending June 30,	1997 State Revolving Funds Project		General Obligation Refunding Bonds Series 2011		Local Government Public Improvement Bonds Series IV-B-10	
	Bond	Interest	Bond	Interest	Bonds	Interest
2013	\$ 81,922	\$ 2,536	\$ 260,000	\$ 33,600	\$ 130,000	\$ 87,384
2014	41,900	641	275,000	25,800	135,000	79,972
2015	-	-	285,000	17,550	145,000	72,278
2016	-	-	300,000	9,000	150,000	63,940
2017	-	-	-	-	160,000	55,240
Subtotal	<u>123,822</u>	<u>3,177</u>	<u>1,120,000</u>	<u>85,950</u>	<u>720,000</u>	<u>358,814</u>
2018	-	-	-	-	170,000	45,880
2019	-	-	-	-	180,000	35,340
2020	-	-	-	-	190,000	24,180
2021	-	-	-	-	200,000	12,400
2022	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,000</u>	<u>117,800</u>
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Unfunded Commitment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$ 123,822</u></b>	<b><u>\$ 3,177</u></b>	<b><u>\$ 1,120,000</u></b>	<b><u>\$ 85,950</u></b>	<b><u>\$ 1,460,000</u></b>	<b><u>\$ 476,614</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -**  
**PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)**  
**June 30, 2012**

Fiscal Year Ending June 30,	General Obligation Refunding Bonds Series 2006 (Taxable)		Water and Sewer General Obligation Bonds Series 2008		General Obligation Bonds Series 2008	
	Bonds	Interest	Bonds	Interest	Bonds	Interest
2013	\$ 425,000	\$ 488,288	\$ -	\$ 244,375	\$ 50,000	\$ 106,362
2014	450,000	465,762	50,000	244,375	50,000	104,362
2015	475,000	441,913	50,000	242,375	50,000	102,363
2016	500,000	416,738	50,000	240,375	50,000	100,362
2017	<u>525,000</u>	<u>390,238</u>	<u>150,000</u>	<u>238,375</u>	-	<u>98,362</u>
Subtotal	<u>2,375,000</u>	<u>2,202,939</u>	<u>300,000</u>	<u>1,209,875</u>	<u>200,000</u>	<u>511,811</u>
2018	550,000	361,624	150,000	232,375	-	98,362
2019	575,000	331,650	100,000	226,375	-	98,363
2020	625,000	299,738	-	221,375	-	98,363
2021	650,000	265,050	-	221,375	-	98,362
2022	<u>700,000</u>	<u>228,000</u>	-	<u>221,375</u>	-	<u>98,362</u>
Subtotal	<u>3,100,000</u>	<u>1,486,062</u>	<u>250,000</u>	<u>1,122,875</u>	-	<u>491,812</u>
2023	750,000	188,100	-	221,375	50,000	98,363
2024	800,000	145,350	-	221,375	50,000	96,237
2025	850,000	99,750	-	221,375	50,000	94,088
2026	900,000	51,300	-	221,375	50,000	91,938
2027	-	-	-	221,375	75,000	89,750
Subtotal	<u>3,300,000</u>	<u>484,500</u>	-	<u>1,106,875</u>	<u>275,000</u>	<u>470,376</u>
2028	-	-	-	221,375	75,000	86,450
2029	-	-	-	221,375	75,000	83,075
2030	-	-	-	221,375	75,000	79,700
2031	-	-	200,000	221,375	200,000	76,250
2032	-	-	<u>250,000</u>	<u>212,125</u>	<u>200,000</u>	<u>67,000</u>
Subtotal	-	-	<u>450,000</u>	<u>1,097,625</u>	<u>625,000</u>	<u>392,475</u>
2033	-	-	300,000	199,625	200,000	57,000
2034	-	-	200,000	184,625	300,000	47,000
2035	-	-	200,000	175,225	300,000	32,900
2036	-	-	250,000	165,825	400,000	18,800
2037	-	-	<u>250,000</u>	<u>154,075</u>	-	-
Subtotal	-	-	<u>1,200,000</u>	<u>879,375</u>	<u>1,200,000</u>	<u>155,700</u>
2038	-	-	350,000	142,325	-	-
2039	-	-	350,000	125,875	-	-
2040	-	-	400,000	109,250	-	-
2041	-	-	900,000	90,250	-	-
2042	-	-	<u>1,000,000</u>	<u>47,500</u>	-	-
Subtotal	-	-	<u>3,000,000</u>	<u>515,200</u>	-	-
Less: Unfunded Commitment	-	-	-	-	-	-
<b>TOTALS</b>	<b><u>\$ 8,775,000</u></b>	<b><u>\$ 4,173,501</u></b>	<b><u>\$ 5,200,000</u></b>	<b><u>\$ 5,931,825</u></b>	<b><u>\$ 2,300,000</u></b>	<b><u>\$ 2,022,174</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -**  
**PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)**  
**June 30, 2012**

Fiscal Year Ending June 30,	Local Government Public Improvement Bonds Series B-17-A		General Obligation Bonds Series E-5-B		Local Government Public Improvement Bonds Series E-3-E	
	<u>Bonds</u>	<u>Interest</u>	<u>Bonds</u>	<u>Interest</u>	<u>Bonds</u>	<u>Interest</u>
	2013	\$ 110,000	\$ 109,825	\$ 930,000	\$ 3,712,500	\$ 1,375,000
2014	115,000	105,975	955,000	3,666,000	1,445,000	244,500
2015	120,000	101,950	1,130,000	3,618,250	1,665,000	172,250
2016	125,000	97,450	1,250,000	3,561,750	1,745,000	89,000
2017	<u>135,000</u>	<u>92,450</u>	<u>2,900,000</u>	<u>3,499,250</u>	<u>35,000</u>	<u>1,750</u>
Subtotal	<u>605,000</u>	<u>507,650</u>	<u>7,165,000</u>	<u>18,057,750</u>	<u>6,265,000</u>	<u>820,750</u>
2018	140,000	87,050	3,070,000	3,354,250	-	-
2019	145,000	81,450	3,290,000	3,200,750	-	-
2020	155,000	75,288	3,550,000	3,036,250	-	-
2021	160,000	68,700	3,735,000	2,858,750	-	-
2022	<u>170,000</u>	<u>61,900</u>	<u>3,925,000</u>	<u>2,672,000</u>	-	-
Subtotal	<u>770,000</u>	<u>374,388</u>	<u>17,570,000</u>	<u>15,122,000</u>	-	-
2023	180,000	54,675	2,605,000	2,476,000	-	-
2024	190,000	47,025	2,695,000	2,347,250	-	-
2025	200,000	38,475	2,775,000	2,212,500	-	-
2026	205,000	29,475	2,885,000	2,073,750	-	-
2027	<u>220,000</u>	<u>20,250</u>	<u>3,245,000</u>	<u>1,929,500</u>	-	-
Subtotal	<u>995,000</u>	<u>189,900</u>	<u>14,205,000</u>	<u>11,039,000</u>	-	-
2028	230,000	10,350	3,360,000	1,767,250	-	-
2029	-	-	3,835,000	1,599,250	-	-
2030	-	-	4,060,000	1,412,064	-	-
2031	-	-	2,920,000	1,214,000	-	-
2032	-	-	<u>1,940,000</u>	<u>1,070,500</u>	-	-
Subtotal	<u>230,000</u>	<u>10,350</u>	<u>16,115,000</u>	<u>7,063,064</u>	-	-
2033	-	-	2,000,000	976,000	-	-
2034	-	-	2,160,000	878,500	-	-
2035	-	-	2,255,000	774,000	-	-
2036	-	-	2,300,000	665,000	-	-
2037	-	-	<u>1,905,000</u>	<u>553,750</u>	-	-
Subtotal	-	-	<u>10,620,000</u>	<u>3,847,250</u>	-	-
2038	-	-	1,910,000	462,250	-	-
2039	-	-	2,020,000	370,500	-	-
2040	-	-	2,090,000	273,250	-	-
2041	-	-	1,710,000	172,500	-	-
2042	-	-	<u>1,740,175</u>	<u>87,000</u>	-	-
Subtotal	-	-	<u>9,470,175</u>	<u>1,365,500</u>	-	-
Less: Unfunded Commitment	-	-	-	-	-	-
<b>TOTALS</b>	<b><u>\$ 2,600,000</u></b>	<b><u>\$ 1,082,288</u></b>	<b><u>\$ 75,145,175</u></b>	<b><u>\$ 56,494,564</u></b>	<b><u>\$ 6,265,000</u></b>	<b><u>\$ 820,750</u></b>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -**  
**PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)**  
**June 30, 2012**

Fiscal Year Ending June 30,	The Industrial Board of Blount County, TN Series 2009		General Obligation Bonds – Landfill Series 2009		2011 State Revolving Fund Project	
	Bonds	Interest	Bond	Interest	Bond	Interest
2013	\$ -	\$ -	\$ 260,000	\$ 176,530	\$ 35,642	\$ 34,445
2014	-	-	270,000	170,030	145,632	134,714
2015	-	-	250,000	163,280	150,662	129,685
2016	-	-	250,000	155,780	155,865	124,482
2017	<u>250,000</u>	<u>354,375</u>	<u>675,000</u>	<u>148,280</u>	<u>161,248</u>	<u>119,099</u>
Subtotal	<u>250,000</u>	<u>354,375</u>	<u>1,705,000</u>	<u>813,900</u>	<u>649,049</u>	<u>542,425</u>
2018	260,000	343,125	700,000	128,030	166,816	113,530
2019	275,000	331,425	740,000	107,030	172,577	107,769
2020	290,000	319,050	765,000	83,350	178,537	101,809
2021	300,000	306,000	800,000	57,340	184,703	95,644
2022	<u>310,000</u>	<u>292,500</u>	<u>815,000</u>	<u>29,340</u>	<u>191,082</u>	<u>89,265</u>
Subtotal	<u>1,435,000</u>	<u>1,592,100</u>	<u>3,820,000</u>	<u>405,090</u>	<u>893,715</u>	<u>508,017</u>
2023	325,000	278,550	-	-	197,681	82,666
2024	340,000	263,925	-	-	204,507	75,839
2025	360,000	248,625	-	-	211,570	68,777
2026	375,000	232,425	-	-	218,877	61,470
2027	<u>390,000</u>	<u>215,550</u>	<u>-</u>	<u>-</u>	<u>226,436</u>	<u>53,911</u>
Subtotal	<u>1,790,000</u>	<u>1,239,075</u>	<u>-</u>	<u>-</u>	<u>1,059,071</u>	<u>342,663</u>
2028	410,000	198,000	-	-	234,255	46,091
2029	425,000	179,550	-	-	242,345	38,001
2030	445,000	160,425	-	-	250,715	29,632
2031	470,000	140,400	-	-	259,373	20,973
2032	<u>485,000</u>	<u>119,250</u>	<u>-</u>	<u>-</u>	<u>268,331</u>	<u>12,016</u>
Subtotal	<u>2,235,000</u>	<u>797,625</u>	<u>-</u>	<u>-</u>	<u>1,255,019</u>	<u>146,713</u>
2033	510,000	97,425	-	-	207,313	2,947
2034	535,000	74,475	-	-	-	-
2035	555,000	50,400	-	-	-	-
2036	565,000	25,425	-	-	-	-
2037	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,165,000</u>	<u>247,725</u>	<u>-</u>	<u>-</u>	<u>207,313</u>	<u>2,947</u>
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Unfunded Commitment					(512,946)	(17,440)
<b>TOTALS</b>	<b><u>\$ 7,875,000</u></b>	<b><u>\$ 4,230,900</u></b>	<b><u>\$ 5,525,000</u></b>	<b><u>\$ 1,218,990</u></b>	<b><u>\$ 3,551,221</u></b>	<b><u>\$ 1,525,325</u></b>

**CITY OF ALCOA, TENNESSEE  
ELECTRIC UTILITY  
SCHEDULE OF UTILITY RATES IN FORCE  
For the Fiscal Year Ended June 30, 2012**

The basic utility rates in force as of June 30, 2012, are as follows:

Base Residential Rate – Schedule RS

Customer Charge: \$11.25 per month  
Energy Charge: 9.409 cents per kWh per month

Base General Power Rate – Schedule GSA

**Part 1**

Customer Charge: \$18.54 per delivery point per month  
Energy Charge: 10.473 cents per kWh per month

**Part 2**

Customer Charge: \$93.00 per delivery point per month  
Demand Charge: First 50 kWh of billing demand per month, no demand charge  
\$12.65/kw for 51 – 1,000 kWh  
Energy Charge: First 15,000 kWh per month at 10.241 cents per kWh  
Additional kWh per month at 6.416 cents per kWh

**Part 3**

Customer Charge: \$232.00 per delivery point per month  
Demand Charge: First 1,000 kW of billing demand per month at \$12.02 per kWh  
Excess over 1,000 kW of billing demand per month at \$12.02 per  
KWh, plus an additional \$12.77 per month for each kW, if  
any, of the amount by which the customer's billing demand  
Exceeds the higher of 1,000 kW or its contract demand  
Energy Charge: 6.413 cents per kWh per month

(Continued)

**CITY OF ALCOA, TENNESSEE  
ELECTRIC UTILITY  
SCHEDULE OF UTILITY RATES IN FORCE (Continued)  
For the Fiscal Year Ended June 30, 2012**

**ADJUSTMENTS**

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

**MINIMUM MONTHLY BILL**

The monthly bill under this rate schedule shall not be less than the sum of (a) the base customer charge, (b) the base demand charge, as adjusted, applied to the customer's billing demand, and (c) the base energy charge, as adjusted, applied to the customer's energy takings; provided, however, that under Part 2 of the base charge, the monthly bill shall in no event be less than the sum of (a) the base customer charge and (b) 20 percent of the portion of the base demand charge, as adjusted, applicable to the second block (excess over 50 kW) of billing demand, multiplied by the higher of the customer's currently effective contract demand or its highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

**PAYMENT**

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charge under Distributor's standard policy.

**CUSTOMERS**

The class and number of customers served by the Electric Utility is as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Residential.....	23,595	23,519
General Power – under 50 kW .....	3,689	3,547
General Power – 50 kW and over .....	320	339
Street and athletics .....	28	29
Outdoor lighting – code 78 .....	8	9
	<u>27,640</u>	<u>27,443</u>

**CITY OF ALCOA, TENNESSEE  
 WATER AND SEWER UTILITY  
 SCHEDULE OF UTILITY RATES IN FORCE  
 For the Fiscal Year Ended June 30, 2012**

The basic utility rates in force as of June 30, 2012 are as follows:

**WATER UTILITY RATES:**

Rates per 1,000 gallons for all water used, and minimum charge for water service according to the size of meter employed, except as otherwise provided:

	One Monthly Billing	Inside City Total Charges/Mo.	Meter Size	Outside City Total Charges/Mo.
First	2,000 Gallons	\$ 11.40 per mo.	5/8" to 1"	\$ 17.10 per mo.
		\$ 28.50 per mo.	1-1/2 to 3"	42.75 per mo.
		\$208.75 per mo.	4" to 6"	313.15 per mo.
		\$569.40 per mo.	Greater than 6"	854.10 per mo.
	<u>One Monthly Billing</u>	<u>Inside City Price Per 1,000 Gals.</u>		<u>Outside City Price Per 1,000 Gals.</u>
Over	2,000 Gallons	\$ 3.35	All sizes	5.10

A 5% penalty will be imposed on bills not paid within fifteen (15) days from their date.

**CITY OF ALCOA, TENNESSEE  
WATER AND SEWER UTILITY  
SCHEDULE OF SANITARY SEWER SERVICE RATES IN FORCE  
For the Fiscal Year Ended June 30, 2012**

The following are the rates charged by the City of Alcoa for the different classes of service listed below:

**SEWER UTILITY RATES:**

**RATE A. Residential – Inside City**

Each and every residential water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$7.85 per month. In addition to the base charge there shall be a charge of \$4.55 per thousand gallons of water consumption.

**RATE A –1. Residential – Outside City**

Each and every residential water user connected with the sanitary sewer system of the City be, and is, hereby required to pay sanitary sewerage disposal charge each month. The base charge for said service shall be \$13.40 per month. In addition to the base charge there shall be a charge of \$7.75 per thousand gallons of water consumption.

**RATE B. Commercial – Inside City**

Each and every commercial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage charge each month. The base charge for said service shall be \$7.85 per month. In addition to the base charge there shall be a charge of \$4.55 per thousand gallons of water consumption.

**RATE B –1. Commercial – Outside City**

Each and every commercial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$13.40 per month. In addition to the charge there shall be a charge of \$7.75 per thousand gallons of water consumption.

**RATE C. Industrial – Inside City**

Each and every inside industrial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$7.85 per month. In addition to the base charge there shall be a charge of \$4.55 per thousand gallons of water consumption.

**RATE C –1. Industrial – Outside City**

Each and every outside industrial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$13.40 per month. In addition to the base charge there shall be a charge of \$7.75 per thousand gallons of water consumption.

(Continued)

**CITY OF ALCOA, TENNESSEE  
WATER AND SEWER UTILITY  
SCHEDULE OF SANITARY SEWER SERVICE RATES IN FORCE  
For the Fiscal Year Ended June 30, 2012**

RATE C -1. Industrial – Outside City (Continued)

When a consumer under Rates B, B-1, C, or C-1 operates a private sanitary sewerage system or by other means does not discharge all of this waste into the sanitary sewerage system of the City, a separate agreement may be approved by the sewerage actually discharged into the sanitary sewerage system.

A 5% penalty will be imposed on all sewer billings not paid within fifteen (15) days from their date.

Consumers under rates A and A-1 shall be subject to a maximum monthly billing of 15,000 gallons.

**CITY OF ALCOA, TENNESSEE  
WATER AND SEWER UTILITY  
SCHEDULE OF CUSTOMERS SERVED  
For the Fiscal Year Ended June 30, 2012**

**CUSTOMERS**

The class and number of customers served by the Water and Sewer Utility are as follows:

	<u>Water</u>		<u>Sewer</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Residential – inside city .....	3,195	3,185	2,895	2,905
Residential – outside city .....	5,017	5,043	2,083	2,103
Commercial – inside city.....	995	950	777	720
Commercial – outside city.....	488	451	231	206
Industrial – inside city .....	12	13	3	3
Industrial – outside city .....	<u>3</u>	<u>3</u>	<u>1</u>	<u>1</u>
<b>Totals .....</b>	<b><u>9,710</u></b>	<b><u>9,645</u></b>	<b><u>5,990</u></b>	<b><u>5,938</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
**June 30, 2012**

*(All amounts in gallons)*

<b>A</b>	<b>Water Treated and Purchased:</b>		
<b>B</b>	Water Pumped (potable)	2,331,559,000	
<b>C</b>	Water Purchased	0	
<b>D</b>	<b>Total Water Treated and Purchased</b>		2,331,559,000
	(Sum Lines B and C)		
<b>E</b>	<b>Accounted for Water:</b>		
<b>F</b>	Water Sold	1,937,308,300	
<b>G</b>	Metered for Consumption (in house usage)	0	
<b>H</b>	Fire Department(s) Usage	828,286	
<b>I</b>	Flushing	10,596,755	
<b>J</b>	Tank Cleaning/Filling	19,415,211	
<b>K</b>	Street Cleaning	205,825	
<b>L</b>	Bulk Sales	0	
<b>M</b>	Water Bill Adjustments/plus or (minus)	5,825,100	
<b>N</b>	<b>Total Accounted for Water</b>		1,974,179,477
	(Sum Lines F thru M)		
<b>O</b>	<b>Unaccounted for Water</b>		357,379,523
	(Line D minus Line N)		
<b>P</b>	<b>Percent Unaccounted for Water</b>		15.33%
	(Line ) divided by Line D times 100)		
<b>Q</b>	<b>Other (explain)</b>	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 the line item is not applicable, a "0" is shown.

CITY OF ALCOA, TENNESSEE

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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Water Audit Report for:   
 Reporting Year:

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

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

**WATER SUPPLIED**

<< Enter grading in column 'E'

Volume from own sources:	<input type="text" value="8"/>	<input type="text" value="2,331.559"/>	Million gallons (US)/yr (MG/yr)
Master meter error adjustment (enter positive value):	<input type="text" value="6"/>	<input type="text"/>	MG/yr
Water imported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/yr
Water exported:	<input type="text" value="8"/>	<input type="text" value="443.223"/>	MG/yr
<b>WATER SUPPLIED:</b>		<input type="text" value="1,888.336"/>	MG/yr

**AUTHORIZED CONSUMPTION**

Billed metered:	<input type="text" value="10"/>	<input type="text" value="1,494.086"/>	MG/yr
Billed unmetered:	<input type="text" value="10"/>	<input type="text" value="0.000"/>	MG/yr
Unbilled metered:	<input type="text" value="8"/>	<input type="text" value="0.000"/>	MG/yr
Unbilled unmetered:	<input type="text" value="8"/>	<input type="text" value="31.041"/>	MG/yr
<b>AUTHORIZED CONSUMPTION:</b>		<input type="text" value="1,525.127"/>	MG/yr

Click here:  for help using option buttons below

Value:

Use buttons to select percentage of water supplied OR value

**WATER LOSSES (Water Supplied - Authorized Consumption)**  MG/yr

**Apparent Losses**

Unauthorized consumption:	<input type="text" value="8"/>	<input type="text" value="0.500"/>	MG/yr
Customer metering inaccuracies:	<input type="text" value="8"/>	<input type="text" value="5.825"/>	MG/yr
Systematic data handling errors:	<input type="text" value="7"/>	<input type="text" value="1.000"/>	MG/yr
<b>Apparent Losses:</b>		<input type="text" value="7.325"/>	

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

Value:

Value:

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:  MG/yr

**WATER LOSSES:**  MG/yr

**NON-REVENUE WATER**

NON-REVENUE WATER:  MG/yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:	<input type="text" value="9"/>	<input type="text" value="246.5"/>	miles
Number of active AND inactive service connections:	<input type="text" value="9"/>	<input type="text" value="12,431"/>	
Connection density:		<input type="text" value="50"/>	conn./mile main
Average length of customer service line:	<input type="text" value="8"/>	<input type="text" value="20.0"/>	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	<input type="text" value="8"/>	<input type="text" value="80.0"/>	psi

**COST DATA**

Total annual cost of operating water system:	<input type="text" value="9"/>	<input type="text" value="\$8,596,036"/>	\$/year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="9"/>	<input type="text" value="\$3.35"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="8"/>	<input type="text" value="\$592.24"/>	\$/Million gallons

**PERFORMANCE INDICATORS**

**Financial Indicators**

Non-revenue water as percent by volume of Water Supplied:	<input text"="" type="text" value="\$24,539"/>
Annual cost of Real Losses:	<input type="text" value="\$210,769"/>

**Operational Efficiency Indicators**

Apparent Losses per service connection per day:	<input type="text" value="1.61"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="78.43"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
Real Losses per service connection per day per psi pressure:	<input type="text" value="0.98"/>	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	<input type="text" value="103.70"/>	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="355.88"/>	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="3.43"/>	

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

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 84 out of 100 \*\*\***

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

**PRIORITY AREAS FOR ATTENTION:**

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

- 1: Volume from own sources
- 2: Water exported
- 3: Customer metering inaccuracies

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

**CITY OF ALCOA, TENNESSEE  
 STORMWATER UTILITY  
 SCHEDULE OF STORMWATER UTILITY RATES IN FORCE  
 For the Fiscal Year Ended June 30, 2012**

The median Equivalent Residential Unit (ERU) of 2,696 square feet has been established for the calculation of Stormwater Fees within the corporate limits of the City of Alcoa. As outlined in Title 18, Chapter 8, of the Alcoa Municipal Code, the following rates and charges shall apply:

- A. For billings calculated on or after January 1, 2010:
  - a. Detached Dwelling Unit - \$4.00 per month.
  - b. Other Developed Land – Prorated at \$5.00 per ERU per month with a minimum charge of one (1) ERU per month.
  
- B. For billings calculated on or after January 1, 2011:
  - a. Detached Dwelling Unit - \$4.00 per ERU per month according to the following schedule:
 

i.	Class I	0 – 1.0 ERU	\$ 4.00 / month
ii.	Class II	>1.0 – 1.5 ERU	6.00 / month
iii.	Class III	>1.5 – 2.0 ERU	8.00 / month
iv.	Class IV	>2.0 – 2.5 ERU	10.00 / month
v.	Class V	>2.5 ERU	12.00 / month
  - b. Other Developed Land – Prorated at \$6.00 per ERU per month with a minimum charge of one (1) ERU per month.

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Utilities And Personal Property</b>		<b>Total</b>		<b>Ratio Of Total Assessed to Total Estimated Actual Value</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Assessed to Total Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	
2002	\$ 182,582,445	\$ 573,157,900	\$ 114,558,476	\$ 386,034,745	\$ 297,140,921	\$ 959,192,645	31.0
2003	189,969,640	595,289,900	109,450,690	367,337,151	299,420,330	962,627,051	31.1
2004	195,911,200	611,612,300	109,833,495	395,449,529	305,744,695	1,007,061,829	30.4
2005	237,762,945	750,638,900	125,969,481	399,938,360	363,732,426	1,150,577,260	31.6
2006	247,243,080	794,939,100	125,409,074	397,258,006	372,652,154	1,192,197,106	31.3
2007	261,683,945	828,322,800	184,269,568	445,953,513	445,953,513	1,274,276,313	35.0
2008	272,106,130	862,357,800	127,729,625	399,835,755	399,835,755	1,262,193,555	31.7
2009	299,141,245	950,991,200	152,824,814	489,183,401	451,966,059	1,440,174,601	31.5
2010	298,353,980	949,602,400	142,874,963	456,023,662	441,228,943	1,405,626,062	31.4
2011	297,910,805	955,798,600	156,568,384	498,713,548	454,479,189	1,454,512,148	31.2

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collection</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2002	2.15	\$ 7,096,601	\$ 6,547,909	92.3	\$ 531,253	\$ 7,079,162	99.8	\$ 17,439	0.24%
2003	2.15	6,781,878	6,431,746	94.8	337,101	6,768,847	99.8	13,031	0.19%
2004	2.20	7,128,473	6,739,198	94.5	363,652	7,102,850	99.8	25,623	0.36%
2005	2.20	6,769,424	6,489,243	95.9	264,151	6,753,394	99.8	16,030	0.24%
2006	1.92	7,457,538	6,865,745	97.3	583,641	7,449,386	99.9	8,152	0.11%
2007	2.10	8,166,570	7,838,879	96.0	315,093	8,153,972	99.8	12,598	0.15%
2008	2.10	11,063,469	8,126,633	73.5	2,170,905	10,297,538	93.1	765,931	6.92%
2009	2.10	9,067,939	8,173,154	90.1	3304,550	8,477,704	93.5	590,235	6.50%
2010	1.96	9,132,861	8,864,975	97.1	-	8,864,975	97.1	267,886	2.93%
2011		8,945,269	8,641,271	96.6	195,439	8,836,710	98.8	303,998	3.40%

**CITY OF ALCOA, TENNESSEE  
 SCHEDULE OF UNCOLLECTED DELINQUENT  
 TAXES FILED IN BLOUNT COUNTY, TENNESSEE  
 CIRCUIT COURT  
 June 30, 2012**

<u>Property Tax Year</u>	<u>Uncollected Delinquent Taxes</u>	<u>Penalty</u>	<u>Total</u>
2010	\$ 97,318	\$ 36,982	\$ 134,300
2009	108,826	39,142	147,968
2008	82,781	29,800	112,581
2007	65,844	23,690	89,534
2006	49,081	13,157	62,238
2005	84,014	20,200	104,214
2004	56,827	14,875	71,702
2003	74,857	19,277	94,134
2002	133,141	33,997	167,138
2001	<u>110,714</u>	<u>31,095</u>	<u>141,809</u>
<b>Totals</b>	<b><u>\$ 863,403</u></b>	<b><u>\$ 262,215</u></b>	<b><u>\$ 1,125,618</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF MISCELLANEOUS DATA -**  
**EDUCATION FUND**  
**June 30, 2012**

Education:

Number of Schools.....	3
Number of Administrative Personnel.....	13
Number of Instructional Personnel .....	134
Number of Other Personnel (includes 20 lunchroom) .....	85
Number of Students enrolled.....	1,775

**Other Ten-Year Statistics:**

<u>School Year</u>	<u>Average Daily Attendance</u>	<u>No. of Teachers</u>	<u>Annual Appropriation</u>	<u>Debt Service</u>
2002-03	1,181	105	9,839,330	-
2003-04	1,223	108	11,273,200	-
2004-05	1,354	119	11,028,110	-
2005-06	1,414	120	12,114,252	-
2006-07	1,520	121	13,275,000	-
2007-08	1,540	121	14,062,050	-
2008-09	1,569	129	14,697,150	-
2009-10	2,051	132	14,934,400	-
2010-11	1,624	134	15,498,000	-
2011-2012	2,135	134	16,056,000	-

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**CITY OF ALCOA, TENNESSEE**

**SECTION FOUR**

**STATISTICAL SECTION**

**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE  
STATISTICAL SECTION  
June 30, 2012**

This part of the City of Alcoa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**CONTENTS**

**SCHEDULES**

**FINANCIAL TRENDS**

1 through 4

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**REVENUE CAPACITY**

5 through 8

These schedules contain information to help the reader assess the City's most significant local revenue source.

**DEBT CAPACITY**

9 through 13

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

14 through 15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**OPERATING INFORMATION**

16 through 18

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting governmental-wide information include information beginning in that year.

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 1**  
**NET ASSETS BY COMPONENT**  
(Prepared Using the Accrual Basis of Accounting)  
Last Nine Fiscal Years\*

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>GOVERNMENTAL ACTIVITIES:</b>									
Invested in capital assets, net of related debt .....	\$ 17,131,555	\$ 19,139,028	\$ 16,394,858	\$ 15,621,176	\$ 12,958,427	\$ 15,507,157	\$ 15,573,164	\$ 14,011,825	\$ 16,865,890
Restricted .....	5,656,633	5,182,983	4,557,091	7,554,419	2,058,850	2,551,554	3,081,114	3,562,716	4,175,046
Unrestricted (deficit) .....	<u>(12,888,310)</u>	<u>(11,817,361)</u>	<u>(12,398,197)</u>	<u>(14,296,838)</u>	<u>4,417,981</u>	<u>10,082,758</u>	<u>9,204,097</u>	<u>8,941,155</u>	<u>8,394,178</u>
<b>Total Governmental Activities Net Assets .....</b>	<b><u>\$ 9,899,878</u></b>	<b><u>\$ 12,504,650</u></b>	<b><u>\$ 8,553,752</u></b>	<b><u>\$ 8,878,757</u></b>	<b><u>\$ 19,435,258</u></b>	<b><u>\$ 28,141,469</u></b>	<b><u>\$ 27,858,375</u></b>	<b><u>\$ 26,515,696</u></b>	<b><u>\$ 29,435,114</u></b>
<b>BUSINESS-TYPE ACTIVITIES:</b>									
Invested in capital assets, net of related debt .....	\$ 37,278,343	\$ 37,476,104	\$ 36,064,484	\$ 36,535,491	\$ 33,482,220	\$ 37,975,646	\$ 35,636,261	\$ 39,715,302	\$ 40,637,583
Restricted .....	1,269,617	1,200,538	1,131,873	1,056,919	1,056,919	956,943	849,413	770,800	700,800
Unrestricted .....	<u>18,844,587</u>	<u>14,497,846</u>	<u>11,978,142</u>	<u>10,172,283</u>	<u>15,033,590</u>	<u>12,933,442</u>	<u>14,721,108</u>	<u>9,386,939</u>	<u>7,002,882</u>
<b>Total Business-Type Activities Net Assets .....</b>	<b><u>\$ 57,392,547</u></b>	<b><u>\$ 53,174,488</u></b>	<b><u>\$ 49,174,499</u></b>	<b><u>\$ 47,764,693</u></b>	<b><u>\$ 49,572,729</u></b>	<b><u>\$ 51,866,031</u></b>	<b><u>\$ 51,206,782</u></b>	<b><u>\$ 49,873,041</u></b>	<b><u>\$ 48,341,265</u></b>
<b>PRIMARY GOVERNMENT:</b>									
Invested in capital assets, net of related debt .....	\$ 54,409,898	\$ 56,615,132	\$ 52,459,342	\$ 52,156,667	\$ 46,440,647	\$ 53,482,803	\$ 51,209,425	\$ 53,727,127	\$ 57,503,473
Restricted .....	6,926,250	6,383,521	5,688,964	8,611,338	3,115,769	3,508,497	3,930,527	4,333,516	4,875,846
Unrestricted (deficit) .....	<u>5,956,277</u>	<u>2,680,485</u>	<u>(420,055)</u>	<u>(4,124,555)</u>	<u>19,451,571</u>	<u>23,016,200</u>	<u>23,925,205</u>	<u>18,328,094</u>	<u>15,397,060</u>
<b>Total Primary Government Net Assets .....</b>	<b><u>\$ 67,292,425</u></b>	<b><u>\$ 65,679,138</u></b>	<b><u>\$ 57,728,251</u></b>	<b><u>\$ 56,643,450</u></b>	<b><u>\$ 69,007,987</u></b>	<b><u>\$ 80,007,500</u></b>	<b><u>\$ 79,065,157</u></b>	<b><u>\$ 76,388,737</u></b>	<b><u>\$ 77,776,379</u></b>

\*The requirements for this schedule are effective prospectively. Thus, the schedule will be expanded each year to accumulate ten years of data.

**CITY OF ALCOA TENNESSEE**  
**SCHEDULE 2**  
**CHANGES IN NET ASSETS**  
(Prepared Using the Accrual Basis of Accounting)  
Last Nine Fiscal Years\*

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Expenses:</b>									
Governmental Activities:									
General Government .....	\$ 2,431,591	\$ 1,897,624	\$ 1,522,712	\$ 1,731,014	\$ 2,159,519	\$ 5,623,401	\$ 4,673,272	\$ 6,256,070	\$ 1,207,747
Public Safety .....	8,242,524	7,095,684	7,016,544	7,410,445	7,686,688	7,783,149	7,019,372	6,280,067	5,825,586
Public Works.....	5,484,274	4,453,578	4,522,688	4,844,146	13,880,225	5,337,366	3,898,648	3,797,348	3,664,140
Culture and Recreation.....	1,342,132	1,058,816	1,140,865	582,776	699,307	690,163	751,194	248,131	617,760
Other .....	-	-	-	-	1,026,510	633,967	523,900	509,841	395,104
Education .....	18,980,713	18,327,823	16,451,592	16,342,500	16,158,628	14,517,438	12,942,843	14,554,687	16,956,274
Economic Development.....	690,939	746,932	2,167,843	2,593,283	1,294,182	1,556,297	1,332,990	1,216,316	1,246,024
Interest on Long-term debt.....	<u>2,675,165</u>	<u>3,447,121</u>	<u>5,644,637</u>	<u>4,664,560</u>	<u>5,192,439</u>	<u>1,600,989</u>	<u>797,014</u>	<u>1,017,636</u>	<u>972,465</u>
Total Governmental Activities Expenses .....	<u>39,847,338</u>	<u>37,027,578</u>	<u>38,466,881</u>	<u>38,168,724</u>	<u>48,097,498</u>	<u>37,742,770</u>	<u>31,939,233</u>	<u>33,880,096</u>	<u>30,885,100</u>
<b>Business-type Activities:</b>									
Stormwater Utility .....	1,008,510	856,813	684,311	407,413	-	-	-	-	-
Water and Sewer.....	10,513,127	10,871,063	10,757,815	11,500,028	12,085,753	9,547,906	7,625,736	7,191,330	6,493,311
Electric.....	57,423,290	59,534,420	52,772,944	59,545,482	50,868,625	47,297,957	43,868,951	38,430,174	37,352,976
Landfill .....	<u>3,788,479</u>	<u>3,294,204</u>	<u>3,291,294</u>	<u>3,147,097</u>	<u>3,176,499</u>	<u>3,349,762</u>	<u>3,103,979</u>	<u>2,944,893</u>	<u>2,946,065</u>
Total Business- type Activities Expenses .....	<u>72,733,406</u>	<u>74,556,500</u>	<u>67,506,364</u>	<u>74,600,020</u>	<u>66,130,877</u>	<u>60,195,625</u>	<u>54,598,666</u>	<u>48,566,397</u>	<u>46,792,352</u>
Total Primary Government Expenses .....	<u>112,580,744</u>	<u>111,584,078</u>	<u>105,973,245</u>	<u>112,768,744</u>	<u>114,228,375</u>	<u>97,938,395</u>	<u>86,537,899</u>	<u>82,446,493</u>	<u>77,677,452</u>
<b>Program Revenues:</b>									
Governmental Activities:									
Charges for services:									
General Government .....	1,023,162	1,028,807	421,735	549,297	6,512,649	5,732,909	4,577,541	4,010,856	3,163,856
Police and Fire .....	29,985	-	-	-	-	45,140	65,478	53,502	534,645
Public Works.....	627,425	34,351	402,569	356,588	12,797,643	-	235,430	270,432	254,259
Culture and Recreation.....	-	41,737	20,948	52,364	-	-	9,033	-	-
Education .....	782,537	754,043	736,025	583,548	605,749	778,208	865,193	697,206	672,424
Solid Waste.....	-	-	-	-	407,610	408,454	1,262,596	1,076,701	1,131,905
Operating grants and contributions .....	3,577,873	3,526,523	2,285,592	1,591,445	7,161,923	8,667,042	5,773,597	5,294,863	4,909,596
Capital grants and contributions .....	<u>328,348</u>	<u>3,238,754</u>	<u>665,927</u>	<u>-</u>	<u>27,240</u>	<u>27,240</u>	<u>800,061</u>	<u>737,330</u>	<u>1,156,809</u>
Total Governmental Activities Program Revenues .....	<u>6,369,330</u>	<u>8,624,215</u>	<u>4,532,796</u>	<u>3,133,242</u>	<u>27,512,814</u>	<u>15,658,993</u>	<u>13,588,929</u>	<u>12,140,890</u>	<u>11,823,494</u>

(Continued)

**CITY OF ALCOA TENNESSEE**  
**SCHEDULE 2**  
**CHANGES IN NET ASSETS (Continued)**  
**(Prepared Using the Accrual Basis of Accounting)**  
**Last Nine Fiscal Years\***

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Business-type Activities:</b>									
Charges for services:									
Stormwater Utility .....	1,032,697	997,509	907,020	806,057	194,292	-	-	-	-
Water and Sewer .....	11,121,466	10,127,771	10,354,502	9,606,210	9,108,586	8,709,566	7,812,764	6,995,619	8,548,463
Electric .....	61,180,133	62,679,266	53,854,543	59,706,962	52,196,811	49,367,529	45,816,670	40,961,706	40,282,250
Landfill .....	4,158,261	3,554,335	3,276,464	2,791,841	3,070,331	3,121,903	2,800,106	2,754,395	2,750,208
Operating grants and contributions .....	85,166	69,490	75,926	74,113	75,000	60,776	-	-	-
Capital grants and contributions .....	942,024	2,667,043	1,814,111	565,229	531,038	92,556	174,010	445,110	73,756
Total Business-type Activities									
Program Revenues .....	78,519,747	80,095,414	70,282,566	73,550,412	65,176,058	61,352,330	56,603,550	51,156,830	51,654,677
Total Primary Government									
Program Revenues .....	84,889,077	88,719,629	74,815,362	76,683,654	92,688,872	77,011,323	70,192,479	63,297,720	63,478,171
<b>Net (Expense) / Revenue:</b>									
Governmental Activities .....	(33,478,008)	(28,403,363)	(33,934,085)	(35,035,482)	(20,584,684)	(22,083,777)	(18,350,304)	(21,739,206)	(19,061,606)
Business-type Activities .....	5,786,341	5,538,914	2,776,202	(1,049,608)	(954,819)	1,156,705	2,004,884	2,590,433	4,862,235
Total primary government									
(expense) / revenue .....	(27,691,667)	(22,864,449)	(31,157,883)	(36,085,090)	(21,539,503)	(20,927,072)	(16,345,420)	(19,148,773)	(14,199,371)
General Revenues and Other Changes									
In Net Assets									
<b>Governmental Activities:</b>									
Sales Taxes .....	15,002,875	15,808,462	18,667,876	13,950,671	8,500,325	9,469,854	8,546,111	7,607,958	6,410,707
State income taxes and excise taxes .....	145,229	69,431	101,659	-	145,505	111,169	85,713	62,171	81,616
Property taxes .....	12,211,321	13,797,967	11,768,876	10,680,581	10,693,312	9,465,400	7,868,047	8,196,455	8,468,790
Business taxes .....	1,361,561	817,279	684,788	-	760,459	797,007	762,792	799,659	763,599
Miscellaneous taxes .....	512,818	265,316	684,577	4,012,543	418,471	929,532	900,332	721,189	544,511
In lieu of taxes .....	-	-	140,979	-	(199,079)	(112,977)	(82,692)	(138,787)	(75,248)
Interest earned .....	17,931	19,370	11,828	173,239	521,908	641,745	454,700	219,843	114,553
Other general revenue .....	-	-	-	2,128,485	-	-	-	166,038	155,971
Gain/loss on sale of capital assets .....	-	-	-	-	-	-	-	-	-
Payment to Maryville College .....	-	-	-	(7,875,000)	-	-	-	-	-
Bond proceeds from Blount County ..	-	-	-	490,595	-	-	-	-	-
Transfers .....	1,621,501	1,576,436	1,548,497	857,428	1,562,572	1,290,141	1,157,980	1,185,262	1,064,213
Extraordinary/Special items .....	-	-	-	-	-	(10,750,000)	-	-	-
Total governmental activities .....	30,873,236	32,354,261	33,609,080	24,418,542	22,403,473	11,841,871	19,692,983	18,819,788	17,528,712
<b>Business-type Activities:</b>									
Extraordinary item .....	-	-	-	(67,465)	(304,413)	-	-	-	-
Interest earned .....	53,219	37,511	182,101	166,465	528,502	792,685	486,837	-	-
Transfers .....	(1,621,501)	(1,576,436)	(1,548,497)	(857,428)	(1,562,572)	(1,290,141)	(1,157,980)	(1,185,262)	(1,064,213)
Total Business-type Activities .....	(1,568,282)	(1,538,925)	(1,366,396)	(758,428)	(1,338,483)	(497,456)	(671,143)	(1,185,262)	(1,064,213)
Total Primary Government .....	29,304,954	30,815,336	32,242,684	23,660,114	21,064,990	11,344,415	19,021,840	17,634,526	16,464,499
<b>Change in net assets:</b>									
Governmental Activities .....	(2,604,772)	3,950,898	(325,005)	(10,616,940)	1,818,789	(10,241,906)	1,342,679	(2,919,418)	(1,532,894)
Business-type Activities .....	4,218,059	3,999,989	1,409,806	(1,808,036)	(2,293,302)	659,249	1,333,741	1,405,171	3,798,112
Total primary government .....	<u>\$ 1,613,287</u>	<u>\$ 7,950,887</u>	<u>\$ 1,084,801</u>	<u>\$ (12,424,976)</u>	<u>\$ (474,513)</u>	<u>\$ (9,582,657)</u>	<u>\$ 2,676,420</u>	<u>\$ (1,514,247)</u>	<u>\$ 2,265,218</u>

\* The requirements for this schedule are effective prospectively. Thus, the schedule will be expanded each year to accumulate ten years of data.

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 3**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**(Prepared Using the Modified Accrual Basis of Accounting)**  
**Last Ten Fiscal Years\***

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>GENERAL FUND</b>										
Assigned.....	\$ -	\$ 1,135,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted .....	180,786	990	16,495	19,619	24,851	17,555	47,115	28,717	50,036	62,777
Unassigned.....	<u>2,336,761</u>	<u>3,993,720</u>	<u>2,392,524</u>	<u>2,482,343</u>	<u>3,312,439</u>	<u>3,643,328</u>	<u>3,741,452</u>	<u>4,514,173</u>	<u>4,828,252</u>	<u>4,409,638</u>
<b>Total General Fund.....</b>	<b><u>\$ 2,517,547</u></b>	<b><u>\$ 5,130,428</u></b>	<b><u>\$ 2,409,019</u></b>	<b><u>\$ 2,501,962</u></b>	<b><u>\$ 3,337,290</u></b>	<b><u>\$ 3,660,883</u></b>	<b><u>\$ 3,788,567</u></b>	<b><u>\$ 4,542,890</u></b>	<b><u>\$ 4,878,288</u></b>	<b><u>\$ 4,472,415</u></b>
<b>All Other Governmental Funds</b>										
Nonspendable.....	\$ 72	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted .....	2,533,986	41,988	1,168,915	1,590,226	2,033,999	2,533,999	3,033,999	3,533,999	4,125,010	\$ 4,609,347
Assigned, reported in:										
Debt Service Fund.....	94,697	95,232	95,766	95,766	95,766	95,766	-	-	-	-
Special Revenue Funds .....	1,265,943	2,685,827	2,576,815	2,395,866	4,289,608	3,721,722	3,090,180	2,347,356	1,280,041	2,237,023
Capital Projects Funds.....	1,081,149	1,004,074	715,595	4,036,277	6,789,139	2,644,107	2,519,805	2,277,689	2,798,762	<u>3,480,043</u>
Committed.....	500,000	-	-	-	-	-	-	-	-	-
Unassigned.....	<u>(76,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total All Other</b>										
<b>Governmental Funds .....</b>	<b><u>\$ 5,399,273</u></b>	<b><u>\$ 3,827,121</u></b>	<b><u>\$ 4,557,091</u></b>	<b><u>\$ 8,118,135</u></b>	<b><u>\$13,208,512</u></b>	<b><u>\$ 8,995,594</u></b>	<b><u>\$ 8,643,984</u></b>	<b><u>\$ 8,159,044</u></b>	<b><u>\$ 8,203,813</u></b>	<b><u>\$ 10,326,413</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 4**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**(Prepared Using the Modified Accrual Basis of Accounting)**  
**Last Ten Fiscal Years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>REVENUES:</b>										
Taxes .....	\$ 18,847,900	\$ 20,758,394	\$ 19,241,999	\$ 19,304,370	\$ 20,372,567	\$ 18,150,924	\$ 15,597,853	\$ 16,095,222	\$ 14,093,881	\$ 13,674,056
Licenses, permits and fees .....	387,426	362,880	418,004	107,733	205,155	142,779	116,748	70,249	107,348	112,345
Rent .....	136,533	154,944	154,744	162,663	158,314	139,200	139,200	139,200	-	-
Intergovernmental .....	19,660,547	19,471,744	15,452,554	14,641,516	11,361,713	9,353,782	6,238,740	5,604,951	5,203,130	5,077,136
American Recovery and Reinvestment Act (ARRA)....	-	2,796,361	1,432,448	-	-	-	-	-	-	-
Fines, forfeitures and costs .....	504,571	833,623	580,522	507,517	982,593	756,482	706,697	713,899	646,098	704,572
Interest earned .....	14,301	15,381	11,828	173,241	521,908	589,814	435,944	219,063	114,392	172,183
Other revenue .....	1,022,837	235,338	144,164	427,025	1,820,655	1,151,066	2,696,928	803,748	2,218,595	2,972,189
Grants .....	-	-	-	-	1,575,424	2,111,315	953,434	2,319,282	1,175,464	1,095,758
Charges for service .....	<u>1,104,516</u>	<u>901,811</u>	<u>1,033,120</u>	<u>1,071,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues.....	<u>41,678,631</u>	<u>45,530,476</u>	<u>38,469,383</u>	<u>36,395,227</u>	<u>36,998,329</u>	<u>32,395,362</u>	<u>26,885,544</u>	<u>25,965,614</u>	<u>23,558,908</u>	<u>23,808,239</u>
<b>EXPENDITURES:</b>										
General government.....	1,725,782	1,703,547	1,585,698	1,647,465	1,872,986	1,318,684	1,060,638	1,402,171	1,242,544	1,137,377
Public safety .....	7,831,192	7,381,046	7,145,375	7,410,445	7,296,684	7,397,238	3,811,738	6,024,656	4,883,506	5,365,106
Public Works.....	5,277,899	6,206,920	4,330,871	4,844,146	17,322,578	7,400,825	4,300,074	3,796,771	4,032,130	1,093,202
Recreation and Arts.....	1,096,972	583,044	1,140,865	582,776	703,805	1,628,659	620,830	104,504	567,674	462,641
Other Appropriations .....	-	-	-	-	972,937	633,967	523,900	509,841	395,104	441,209
Education .....	17,958,585	17,303,597	16,451,592	16,299,972	15,586,138	14,527,226	12,464,318	10,650,033	14,591,165	1,701,743
Capital Projects .....	-	-	-	-	53,575	129,573	67,649	228,060	42,674	85,403
Debt service:										
Principal retirement.....	3,497,476	3,022,318	2,462,276	2,407,416	2,202,688	1,558,116	1,193,676	1,656,590	1,797,390	2,048,358
Interest and fiscal fees.....	5,421,897	5,625,452	5,644,637	4,664,560	5,192,439	3,888,231	1,867,191	1,976,097	1,935,218	1,574,392
Capital Outlay .....	1,174,219	3,383,297	3,673,344	5,161,078	1,670,554	1,785,216	7,893,326	3,748,260	1,018,104	13,958,862
Community development/ Culture.....	<u>690,939</u>	<u>790,263</u>	<u>2,167,843</u>	<u>10,189,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures .....	<u>44,674,961</u>	<u>45,999,484</u>	<u>44,602,501</u>	<u>53,207,707</u>	<u>52,874,384</u>	<u>40,267,735</u>	<u>33,803,340</u>	<u>30,096,983</u>	<u>30,505,509</u>	<u>27,868,293</u>
Deficiency of Revenue Over Expenditures Before Financing Sources (Uses) .....	<u>(2,996,330)</u>	<u>(469,008)</u>	<u>(6,133,118)</u>	<u>(16,812,480)</u>	<u>(15,876,055)</u>	<u>(7,872,373)</u>	<u>(6,917,796)</u>	<u>(4,131,369)</u>	<u>(6,946,601)</u>	<u>(4,060,054)</u>

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 4**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**(Prepared Using the Modified Accrual Basis of Accounting)**  
**Last Ten Fiscal Years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Operating Transfers .....	(68,500)	(68,500)	(94,000)	-	17,806,049	2,941,558	2,690,422	2,080,051	3,065,055	2,670,298
Issuance of debt/capital lease .....	402,528	952,511	-	-	396,759	4,137,293	3,081,104	761,395	1,003,107	2,390,678
In lieu of taxes .....	1,621,501	1,576,436	1,548,497	1,411,774	1,562,572	1,112,984	1,157,980	991,703	1,064,213	1,166,929
Proceeds-from bonds .....	-	470,000	1,024,635	34,000,000	-	-	-	-	-	-
Paid to debt escrow agent .....	-	(470,000)	-	(24,525,000)	-	-	-	-	-	-
Debt Service to Blount Co.....	-	-	-	-	-	(95,536)	(281,093)	(81,947)	-	-
 Total Other Financing Sources.....	<u>1,955,529</u>	<u>2,460,447</u>	<u>2,479,132</u>	<u>10,886,774</u>	<u>19,765,380</u>	<u>8,096,299</u>	<u>6,648,413</u>	<u>3,751,202</u>	<u>5,132,375</u>	<u>6,227,905</u>
 Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses .....	<u>\$ (1,040,801)</u>	<u>\$ 1,991,439</u>	<u>\$ (3,653,986)</u>	<u>\$ (5,925,706)</u>	<u>\$ 3,889,325</u>	<u>\$ 223,926</u>	<u>\$ (269,383)</u>	<u>\$ (380,167)</u>	<u>\$ (1,814,226)</u>	<u>\$ 2,167,851</u>
 Debt service as a percentage of non-capital expenditures .....	<u>20.80%</u>	<u>20.75%</u>	<u>22.21%</u>	<u>15.33%</u>	<u>16.26%</u>	<u>15.64%</u>	<u>9.96%</u>	<u>13.73%</u>	<u>13.94%</u>	<u>14.94%</u>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 5**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ending 30-Jun</b>	<b>Tax Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2003	2002	\$ 182,582,445	\$ 74,597,741	\$ 39,960,735	\$297,140,921	2.15	\$ 977,530,445	30%
2004	2003	189,969,640	67,310,832	42,139,858	299,420,330	2.15	980,369,051	31%
2005	2004	195,911,200	70,254,921	39,578,574	305,744,695	2.20	1,025,070,629	30%
2006	2005	237,762,945	82,828,042	43,141,439	363,732,426	2.20	1,189,271,660	31%
2007	2006	247,243,080	90,081,440	35,327,634	372,652,154	1.92	1,230,266,706	30%
2008	2007	261,683,945	161,502,514	22,767,054	445,953,513	2.10	1,477,865,826	30%
2009	2008	272,106,130	107,305,226	20,424,399	399,835,755	2.10	1,359,312,773	29%
2010	2009	299,141,245	131,234,268	21,590,546	451,966,059	1.96	1,492,090,101	30%
2011	2010	298,353,980	121,632,050	21,242,913	441,228,943	1.96	1,468,493,462	30%
2012	2011	297,910,805	136,969,733	19,598,651	454,479,189	1.96	1,522,336,648	30%

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 6**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
(Rate per \$100 of Assessed Value)  
Last Ten Calendar Years

<b>Fiscal Year Ending 30-Jun</b>	<b>Tax Year</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>General Purpose School Fund</b>	<b>Total Direct Tax Rate</b>	<b>Overlapping Tax Rate - Blount County</b>
2003	2002	\$ 0.31	\$ 0.74	\$ 1.10	\$ 2.15	\$ 2.15
2004	2003	0.31	0.67	1.17	2.15	2.15
2005	2004	0.43	0.58	1.19	2.20	2.43
2006	2005	0.41	0.55	1.24	2.20	2.43
2007	2006	0.22	0.62	1.08	1.92	2.23
2008	2007	0.42	0.63	1.05	2.10	2.23
2009	2008	0.34	0.71	1.05	2.10	2.23
2010	2009	0.48	0.55	0.93	1.96	2.04
2011	2010	0.48	0.55	0.93	1.96	2.15
2012	2011	0.48	0.55	0.93	1.96	2.15

**CITY OF ALCOA, TENNESSEE  
SCHEDULE 7  
PRINCIPAL TAXPAYERS  
June 30, 2012**

**FOR TAX YEAR 2012**

**FOR TAX YEAR 2003**

	<u>ASSESSMENT</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>		<u>ASSESSMENT</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
ALCOA	\$ 117,363,212	1	25.82%	ALCOA	\$ 115,654,492	1	38.92%
CMH MANAGEMENT	15,579,749	2	3.43%	BELLSOUTH	8,414,747	2	2.83%
HAMILTON CROSSING, LLC	7,357,640	3	1.62%	CMH SERVICES	4,777,002	3	1.61%
FAULKNER PROPERTIES	6,391,400	4	1.41%	FAULKNER PROPERTIES	4,690,360	4	1.58%
ETMG INVESTMENTS, LLC	5,506,120	5	1.21%	MIDEB NOMINEES, INC. #672	4,356,560	5	1.47%
MIDEB NOMINEES INC #672	4,536,200	6	1.00%	ALCOA POWER GENERATING	3,029,480	6	1.02%
MIDEB NOMINEES INC	3,302,440	7	.73%	REHOLD ALCOA, LLC	2,753,230	7	.93%
STOCK CREEK, LLC	3,202,000	8	.70%	MIDEB NOMINEES, INC.	2,741,200	8	.92%
REHOLD ALCOA, LLC	<u>2,616,680</u>	9	<u>.58%</u>	WEST PROPERTIES, LLC	2,601,712	9	.88%
				MIDLAND PLAZA ASSOC.	<u>2,303,640</u>	10	<u>.78%</u>
	<u>\$ 165,855,441</u>		<u>36.93%</u>		<u>\$ 151,322,423</u>		<u>50.94%</u>
Total City Assessment	<u>\$ 454,479,189</u>			Total City Assessment	<u>\$ 297,140,921</u>		

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 8**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2003	\$ 7,096,601	\$ 6,547,909	92.3%	\$ 531,253	\$ 7,079,162	99.8%
2004	6,781,878	6,431,746	94.8%	337,101	6,768,847	99.8%
2005	7,128,473	6,739,198	94.5%	363,652	7,102,850	99.6%
2006	6,769,424	6,489,243	95.9%	264,151	6,753,394	99.8%
2007	7,457,538	6,865,745	92.1%	583,641	7,449,386	99.9%
2008	8,166,570	7,838,879	96.0%	315,093	8,153,972	99.8%
2009	11,063,469	8,126,633	73.5%	2,170,905	10,297,538	93.1%
2010	9,067,939	8,173,154	90.1%	304,550	8,477,704	93.5%
2011	9,132,861	8,864,975	97.1%	-	8,864,975	97.1%
2012	8,945,269	8,641,271	96.6%	195,439	8,836,710	98.8%

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 9**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business Type Activities							Percentage of Personal Income	Per Capita
	General Obligation/Revenue Bonds	Capital Outlay Notes	Capital Leases	Water & Sewer Bonds	Landfill Bonds	Electric Bonds	Electric Capital Outlay Notes	Water & Sewer Capital Outlay Notes	Capital Leases	Total		
2003	\$23,025,000	\$ -	\$ 51,728	\$ 4,707,027	\$ 3,327,963	\$ 8,249,309	\$ 160,000	\$ 144,444	\$ 128,145	\$ 39,793,616	19.88%	\$ 4,816
2004	22,475,000	-	124,854	9,504,983	3,102,963	10,291,591	-	72,222	72,711	45,644,324	21.53%	5,459
2005	21,940,000	-	303,049	12,273,919	2,867,963	10,483,872	-	-	14,855	47,883,658	21.72%	5,702
2006	23,365,000	-	271,382	28,347,687	2,622,963	13,772,231	-	-	-	68,379,263	27.07%	8,079
2007	36,260,309	-	439,670	37,723,554	2,516,000	13,822,290	-	-	-	90,761,823	33.96%	10,564
2008	41,085,000	-	9,389,160	46,228,098	2,316,000	21,075,000	-	-	-	120,093,258	43.30%	13,907
2009	48,695,000	-	9,447,676	46,541,857	2,135,000	21,105,000	-	-	-	127,924,533	42.01%	13,685
2010	48,285,000	-	9,341,120	46,034,581	8,000,000	20,870,000	-	-	295,718	132,826,419	67.85%	15,720
2011	46,625,000	-	10,192,449	45,507,263	7,475,000	20,295,000	-	-	409,718	130,504,430	(1)	(1)
2012	44,865,000	-	10,443,284	48,491,008	6,935,000	19,665,000	-	-	264,777	130,664,069	(1)	(1)

Notes:

Details regarding the City's outstanding debt may be found in the Notes to the Financial Statements.

See Schedule 14 for personal income and population data for the City. These ratios are calculated using personal income and population for the prior calendar year.

(1) Data not available

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 10**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Calendar Years**

<b><u>Fiscal Year</u></b>	<b><u>General Obligation/ Revenue Bonds</u></b>	<b><u>Capital Outlay Notes</u></b>	<b><u>Total</u></b>	<b><u>Taxable Value of Property</u></b>	<b><u>Percentage of Actual Taxable Value of Property</u></b>	<b><u>Per Capita</u></b>
2002	\$ 22,107,528	\$ 100,000	\$ 22,207,528	\$ 298,359,154	7.44%	\$ 2,712
2003	23,025,000	-	23,025,000	297,140,921	7.75%	2,787
2004	22,475,000	-	22,475,000	299,420,330	7.51%	2,688
2005	21,940,000	-	21,940,000	305,744,695	7.18%	2,612
2006	23,365,000	-	23,365,000	363,732,426	6.42%	2,761
2007	36,260,309	-	36,260,309	372,652,154	9.73%	4,220
2008	41,085,000	-	41,085,000	445,953,513	9.21%	4,758
2009	48,695,000	-	48,695,000	399,835,755	12.18%	5,610
2010	46,625,000	-	46,625,000	451,966,059	10.32%	5,518
2011	44,865,000	-	44,865,000	441,228,943	10.17%	5,387

NOTES:

Gross Bonded Debt includes a long-term general obligation debt and loan agreements. Business-Type Activities Debt is not included.

Actual Taxable Value of Property data can be found on Schedule 5.

Population data can be found on Schedule 14.

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 11**  
**DIRECT AND OVERLAPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of June 30, 2012**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Direct Debt:			
General Obligation Bonds	\$ 44,865,000		
Capital Outlay Notes	-		
Less: Debt Service Funds	<u>(94,697)</u>		
Total Direct Debt	44,770,303	100.00%	44,770,303
Overlapping Debt:			
Blount County General Government	210,219,948	15.00%	<u>31,532,992</u>
<b>Total Direct and Overlapping Debt</b>			<b><u>\$ 76,303,295</u></b>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding indebtedness of those overlapping governments that is borne by the residents and business of the City of Alcoa. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of Blount County, Tennessee's taxable assessed value within the City's boundaries and dividing it by Blount County, Tennessee's total taxable assessed value.

Source: Blount County, Tennessee government

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 12**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**

Not applicable to the City of Alcoa, Tennessee, as neither the City Charter nor the State of Tennessee has placed any restrictions on the amount of debt that may be issued by the City.

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 13**  
**PLEDGED – REVENUE COVERAGE**  
**Last Ten Fiscal Years\***

<b>Fiscal Year Ending 30-Jun</b>	<b>Landfill Revenue Debt</b>					
	<b>Landfill Service Charges</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2003	\$ 2,850,097	\$ 2,065,614	\$ 784,483	\$ 215,000	\$ 169,954	\$ 2.04
2004	2,750,208	2,105,432	644,776	225,000	168,493	1.64
2005	2,754,395	2,146,297	608,098	235,000	147,552	1.59
2006	2,885,350	2,275,684	609,666	245,000	132,957	1.61
2007	3,182,679	2,564,082	618,597	106,963	133,131	2.58
2008	3,145,331	2,532,914	612,417	210,000	158,106	1.66
2009	2,865,954	2,555,229	310,725	210,000	110,745	0.97
2010	3,333,601	2,565,827	767,774	525,000	188,265	1.08
2011	3,609,425	2,440,878	1,168,547	525,000	277,490	1.46
2012	4,227,886	3,503,439	724,447	634,028	259,845	0.81

	<b>Electric Revenue Debt</b>					
	<b>Utility Service Charges</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2003	\$ 37,667,503	\$ 34,214,651	\$ 3,452,852	\$ 688,000	\$ 231,043	\$ 3.76
2004	40,273,723	36,771,189	3,502,534	375,000	188,069	6.22
2005	40,961,706	37,856,576	3,105,130	215,000	234,463	6.91
2006	45,816,670	42,676,590	3,140,080	70,000	456,088	5.97
2007	49,366,956	45,144,687	4,222,269	75,000	645,166	5.86
2008	52,194,112	48,450,521	3,743,591	225,000	838,000	3.52
2009	59,696,972	55,973,384	3,723,588	235,000	486,155	5.16
2010	53,833,208	52,416,557	1,416,651	575,000	330,000	1.57
2011	62,677,214	59,103,033	3,574,181	575,000	405,000	3.65
2012	61,177,604	57,156,903	2,020,701	630,000	277,575	2.23

(Continued)

CITY OF ALCOA, TENNESSEE  
SCHEDULE 13  
PLEDGED – REVENUE COVERAGE (Continued)  
Last Ten Fiscal Years\*

<b>Water and Sewer Revenue Debt</b>						
	<b><u>Utility Service Charges</u></b>	<b><u>Less: Operating Expenses</u></b>	<b><u>Net Available Revenue</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Coverage</u></b>
2003	\$ 8,564,302	\$ 5,229,576	\$ 3,334,726	\$ 613,358	\$ 288,216	3.70
2004	8,548,463	5,488,590	3,059,873	647,390	295,543	3.25
2005	7,390,812	5,956,921	1,433,891	671,592	564,133	1.16
2006	7,812,764	6,222,615	1,590,149	303,664	599,954	1.76
2007	8,709,566	6,598,365	2,111,201	366,153	1,340,686	1.24
2008	9,108,586	7,867,338	1,241,248	477,416	2,034,035	.49
2009	9,606,210	7,413,003	2,193,207	185,000	1,724,138	1.15
2010	10,354,502	7,223,718	3,130,784	190,000	1,414,681	1.95
2011	10,078,198	7,240,067	2,838,131	190,014	1,471,659	1.71
2012	11,981,772	6,884,584	5,097,188	567,486	1,433,809	2.55

<b>Stormwater Revenue Debt</b>						
	<b><u>Utility Service Charges</u></b>	<b><u>Less: Operating Expenses</u></b>	<b><u>Net Available Revenue</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Coverage</u></b>
2010	\$ -	\$ -	\$ -	\$ -	\$ -	-
2011	997,509	816,882	100,627	49,213	-	2.04
2012	1,032,697	958,598	74,099	50,913	-	1.46

Notes:

Operating expenses do not include interest, depreciation, transfers, or amortization expenses.

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 14**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Calendar Years**

<b>Tax Year Ended June 30,</b>	<b>(1) Population</b>	<b>Personal Income</b>	<b>(2) Per Capita Income</b>	<b>(3) School Enrollment</b>	<b>(4) Unemployment Rate</b>
2002	8,188	\$ 191,730,208	\$ 23,416	1,202	4.00%
2003	8,262	\$ 200,130,426	\$ 24,223	1,324	3.00%
2004	8,362	\$ 212,001,786	\$ 25,353	1,309	3.20%
2005	8,398	\$ 220,472,694	\$ 26,253	1,405	4.60%
2006	8,463	\$ 252,569,772	\$ 29,844	1,466	4.20%
2007	8,592	\$ 267,271,344	\$ 31,107	1,594	3.60%
2008	8,635	\$ 277,338,930	\$ 32,118	1,610	5.40%
2009	8,680	\$ (5)	\$ (5)	1,637	10.50%
2010	8,449	\$ 195,754,881	\$ 23,169	1,775	8.00%
2011	8,517	\$ 258,593,154	\$ 30,362	1,775	7.70%

- Sources:
- (1) 1998-1999 Population Forecast – UT Center for Business and Economic Research  
2000-2006 Bureau of the Census, Actual and Estimated  
2007 City of Alcoa statistical forecast bases on Census data  
2010 and 2011 U.S. Census Bureau
  - (2) 1997-2007 UT Center for Business and Economic Research; East TN Development District 2011
  - (3) City of Alcoa Schools
  - (4) Tennessee Department of Labor and Workforce Development
  - (5) Data not available

**CITY OF ALCOA, TENNESSEE  
SCHEDULE 15  
PRINCIPAL EMPLOYERS  
June 30, 2012**

<u>Employer</u>	2012			(3) 2003		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City/County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City/County Employment</u>
Clayton Homes (1)	2,354	1	3.82%	2,508	2	4.46%
Denso Manufacturing Tennessee, Inc. (1)	2,346	2	3.81%	2,930	1	5.21%
Blount Memorial Hospital, Inc. (1)	2,150	3	3.49%	1,950	4	3.47%
Blount County School System (1)	1,600	4	2.60%	1,090	5	1.94%
Alcoa, Inc. (1)	1,233	5	2.00%	2,000	3	3.56%
Ruby Tuesday (1)	1,088	6	1.77%	-	-	-
Blount County Government (1)	669	7	1.09%	613	7	1.09%
Marriott Business Services (1)	650	8	1.06%	-	-	-
Maryville City Schools (2)	644	9	1.05%	-	-	-
WalMart Super Center (2)	592	10	0.96%	-	-	-
TeamHealth Alcoa Billing Center (1)	411	11	0.67%	-	-	-
Newell Rubbermaid (1)	365	12	0.59%	-	-	-
City of Maryville (2)	304	13	0.49%	-	-	-
Rockford Manufacturing (1)	300	14	0.49%	325	9	0.58%
Standard Aero, Inc. (1)	275	15	0.45%	-	-	-
City of Alcoa (2)	261	16	0.42%	-	-	-
Massey Group	245	17	0.40%	-	-	-
U.S. Food Service (1)	237	18	0.38%	-	-	-
Maryville College (2)	234	19	0.38%	-	-	-
Alcoa City Schools (2)	231	20	0.38%	-	-	-
Reinhart Food Service (1)	225	21	0.37%	-	-	-
	<u>16,414</u>		<u>26.65%</u>	<u>11,416</u>		<u>20.31%</u>
Total Blount County Employment 2012 (as of 05/12) (4)	61,589					
Total Blount County Employment 2003 (as of 06/03) (4)	56,230					

\*Total employment for Blount County

Source: (1) The Knoxville News Sentinel "Book of Lists"  
(2) 2012 Responses from Employer  
(3) The Knoxville News Sentinel "Book of Lists" 2000-2005  
(4) U.S. Bureau of Labor Statistics

CITY OF ALCOA, TENNESSEE  
SCHEDULE 16  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
Last Ten Fiscal Years\*

	<u>Actual FY 2012</u>	<u>Actual FY 2011</u>	<u>Actual FY 2010</u>	<u>Actual FY 2009</u>	<u>Actual FY 2008</u>	<u>Actual FY 2007</u>	<u>Actual FY 2006</u>	<u>Actual FY 2005</u>	<u>Actual FY 2004</u>	<u>Actual FY 2003</u>
<b>General Government</b>										
Administration / Office	44.00	51.00	51.00	51.00	53.00	53.00	56.00	53.00	52.00	36.00
Police	42.00	42.00	41.00	43.00	41.00	41.00	42.00	42.00	40.00	40.00
Fire	30.00	30.00	28.00	29.00	29.00	29.00	29.00	29.00	29.00	28.00
Public Works and Streets	15.00	18.00	18.00	20.00	21.00	20.00	22.00	21.00	21.00	18.00
Other-support service and maintenance	6.00	7.00	7.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00
Education	231.00	228.00	227.00	227.00	218.00	214.00	189.00	185.00	180.00	182.00
Solid Waste	11.00	10.00	10.00	11.00	11.00	11.00	11.00	9.00	9.00	10.00
Other – inspectors	3.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00
<b>Total General Government</b>	<b><u>382.00</u></b>	<b><u>390.00</u></b>	<b><u>386.00</u></b>	<b><u>396.00</u></b>	<b><u>388.00</u></b>	<b><u>383.00</u></b>	<b><u>364.00</u></b>	<b><u>354.00</u></b>	<b><u>346.00</u></b>	<b><u>329.00</u></b>
<b>Utilities</b>										
Water and Sewer	34.00	33.00	33.00	34.00	34.00	36.00	36.00	36.00	36.00	34.00
Stormwater	8.00	8.00	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electric	62.00	61.00	61.00	63.00	67.00	67.00	65.00	65.00	61.00	60.00
Landfill	16.00	16.00	18.00	18.00	12.00	11.00	11.00	11.00	11.00	11.00
<b>Total Utilities</b>	<b><u>120.00</u></b>	<b><u>118.00</u></b>	<b><u>120.00</u></b>	<b><u>115.00</u></b>	<b><u>113.00</u></b>	<b><u>114.00</u></b>	<b><u>112.00</u></b>	<b><u>112.00</u></b>	<b><u>108.00</u></b>	<b><u>105.00</u></b>
<b>Total General Government and Utilities</b>	<b><u>502.00</u></b>	<b><u>508.00</u></b>	<b><u>506.00</u></b>	<b><u>511.00</u></b>	<b><u>501.00</u></b>	<b><u>497.00</u></b>	<b><u>476.00</u></b>	<b><u>466.00</u></b>	<b><u>454.00</u></b>	<b><u>434.00</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 17**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years\***

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b><u>Function/Program</u></b>										
Police										
Physical arrests	697	1,449	1,321	992	954	1,231	926	1,036	942	780
Traffic violations	7,550	8,067	6,403	7,838	9,282	9,933	5,776	6,165	5,782	5,137
Fire										
Emergency responses	1,669	1,591	1,518	1,510	1,400	1,159	1,126	1,060	1,052	1,056
Fires extinguished	75	99	63	119	132	130	90	89	74	65
Inspections	850	131	729	383	404	373	557	884	829	586
Public works/Streets										
Street resurfacing (miles)	1.5	3.3	0.81	0.50	2.03	1.08	0.303	1.83	1.71	3.01
Potholes repaired	83	38	203	116	70	163	105	99	114	73
Education										
Tuition students served	484	490	482	468	475	456	446	401	359	383
Parks and recreation										
Community pool admissions	40,510	44,506	47,474	53,627	46,097	47,586	41,506	38,517	34,413	32,290
Landfill										
Refuse collected (tons per day)	283.57	295.60	202.00	288.06	321.24	327.13	324.56	322.52	342.54	357.91
Recyclables collected (tons per day)	188.65	150.00	145.00	167.20	172.61	162.59	160.18	155.83	76.02	112.53
Water/Sewer										
New connections	117	81	79	29	263	275	400	259	322	316
Water mains breaks-leak repaired	208	194	116	171	249	415	394	268	237	517
Average daily consumption (thousands of gallons)	5,308	5,040	5,858	6,728	3,753	3,638	3,433	3,388	5,299	5,104
Peak daily consumption (thousands of gallons)	8,990	9,550	9,890	10,370	12,520	11,440	9,937	10,897	11,819	13,337
Average daily sewage treatment (thousands of gallons)	2,025	1,227	1,693	1,674	1,763	1,810	1,730	1,710	1,710	1,760
Electric Utility										
Average monthly kwh purchased	51,720,533	55,409,355	54,855,918	54,266,511	55,989,565	54,926,073	53,866,920	50,880,341	51,791,257	51,032,177

**Sources:** Various City departments.

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE 18**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years\***

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Function/Program</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	-	-	-	-	-	-	-	-	-	-
Patrol units	42	42	33	33	33	33	29	29	24	21
Police Adm./other vehicles	15	15	21	21	21	21	20	19	19	17
Fire stations	3	3	3	3	3	3	3	3	3	3
Landfill										
Collection trucks (customers)	71,500	71,500	80,784	83,283	80,573	74,890	74,498	75,689	76,760	74,651
Public works/Streets										
Highway (miles)	110.5	110.5	110	110	110	110	109	107.4	107.1	107.1
Streetlights										
Traffic signals	24	24	21	21	21	21	20	19	19	19
Education										
High School	1	1	1	1	1	1	1	1	1	1
Middle School	1	1	1	1	1	1	1	1	1	1
Elementary School	1	1	1	1	1	1	1	1	1	1
Parks and recreation										
Acreage	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8
Playgrounds	3	3	3	3	3	3	3	3	3	3
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	213.1	213.1	213.1	214.0	213.4	213.4	206	202.5	194.4	194
Storage capacity (thousands of gallons)	13,350	13,350	13,350	13,350	13,350	13,350	13,350	13,350	13,350	13,350
Treatment capacity (thousands of gallons)	16,000	16,000	16,000	16,000	16,000	16,000	24,000	24,000	24,000	24,000
Sewage										
Sanitary sewers (miles)	133.6	133.6	133.6	133.6	132.9	132.9	132	132	131.5	131.5
Storm sewers (miles)	47.3	47.3	47.3	49.8	48.8	48.8	48.7	48.7	48.4	48.4
Electric										
Number of Customers	27,640	27,443	27,431	27,364	27,557	27,276	26,717	26,196	25,734	25,311
Annual KWH sold	620,646,399	632,856,770	621,001,490	620,958,542	641,067,826	626,980,649	615,927,172	580,143,917	586,547,073	582,266,300
Sub Stations	12	12	12	12	12	12	12	12	12	12
Pole line (miles)	1,145	1,145	1,145	1,107	1,107	1,096	1,078	1,057	1,046	1,038
<b>Sources:</b> Various city departments.										

**CITY OF ALCOA, TENNESSEE**

**SECTION FIVE**

**SINGLE AUDIT SECTION**

**June 30, 2012**

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**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Program</u>	<u>Grantor</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2011</u>	<u>Cash Receipts</u>	<u>Other/ Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>
<b>FEDERAL ASSISTANCE AWARDS:</b>								
<b>General Fund:</b>								
COPS Hiring GHSO	U.S. Department of Justice	N/A	16.710	\$ (528)	\$ 2,395	\$ -	\$ 1,867	\$ -
COPS Hiring Recovery (ARRA)	U.S. Department of Justice	N/A	16.710	(29,217)	127,547	-	135,710	(37,380)
E.Bryne Memorial Justice Assistance	U.S. Department of Justice	N/A	16.738	-	2,775	-	2,775	-
Traffic Signal System Coordination and Communication	ARRA through TN Dept. of Transportation	050168	20.200	(18,725)	159,853	-	141,128	-
TIMING ATMS System	ARRA through TN Dept. of Transportation	N/A	20.200	(84,508)	242,422	-	187,220	(29,306)
FEMA – Hail Damage	Federal Emergency Management Agency	N/A	20.070	-	164,474	-	164,474	-
Total General Fund Federal Awards				<u>(132,978)</u>	<u>699,466</u>	<u>-</u>	<u>633,174</u>	<u>(66,686)</u>
<b>Capital Projects Funds:</b>								
Greenway Fund:								
Alcoa Pedestrian Bridge (HPP)	TN Dept. of Transportation	N/A	20.205	(40,084)	40,084	-	-	-
Equipment Replacement Fund:								
Justice Assistance (ARRA)	U.S. Department of Justice	N/A	16.738	-	-	-	-	-
Home Grant Fund:								
Home Investment Partnership (ARRA)	TN Housing Development	HM-09-03	14.239	<u>259</u>	<u>120,801</u>	<u>-</u>	<u>121,060</u>	<u>-</u>
Total Capital Projects Funds Federal Awards				<u>(39,825)</u>	<u>160,885</u>	<u>-</u>	<u>121,060</u>	<u>-</u>
<b>Federal Projects Funds:</b>								
Carl Perkins Program Improvement	TN Dept. of Education	2011-2012	84.048A	-	34,235	-	59,443	(25,208)
Title I – Stimulus (ARRA)	TN Dept. of Education	11-01	84.389A	(6,458)	6,458	-	-	-
Title IA – Stimulus (ARRA)	TN Dept. of Education	12-01	84.389A	-	21,161	-	21,161	-
Title III – ESL (Part A)	TN Dept. of Education	12-01	84.365A	(155)	2,747	-	2,592	-
Title I Part A Improving Basic Programs	TN Dept. of Education	12-01	84.010A	-	136,283	-	271,057	(134,774)
Title II Part A Teacher/Principal Training	TN Dept. of Education	12-21	84.367A	(40)	69,274	-	125,877	(56,643)
Title II Part D Technology	TN Dept. of Education	12-01	84.318X	-	354	-	340	14
Title II Part D Technology	TN Dept. of Education	12-01	84.318X	-	-	-	244	(244)
Title IV Part A Safe & Drug Free Schools	TN Dept. of Education	10-01	84.186A	981	-	(981)	-	-
Idea Preschool	TN Dept. of Education	12-01	84.173A	16,789	28,390	-	-	45,179
Idea Preschool	TN Dept. of Education	12-01	84.173	-	24,631	-	16,208	8,423
Idea Part B/Comp Plan	TN Dept. of Education	12-01	84.027A	74,133	220,667	-	401,717	(106,917)
Title I Part A Improving Basic Programs	TN Dept. of Education	12-01	84.010A	(74,419)	169,634	-	92,303	2,912
Education Jobs Program (ARRA)	TN Dept. of Education	12-01	84.410	-	-	-	5,007	(5,007)

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

<u>Program</u>	<u>Grantor</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2011</u>	<u>Cash Receipts</u>	<u>Other/ Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>
<b>FEDERAL ASSISTANCE AWARDS:</b>								
<b>Federal Projects Fund (Continued):</b>								
E-Rate Project Communications	TN Dept. of Education	12-01	84.151	-	27,109	-	25,629	1,480
Idea Stimulus	TN Dept. of Education	11-01	84.024	(45,957)	45,957	-	-	-
Preschool Stimulus	TN Dept. of Education	11-01	84.173A	(2,137)	2,137	-	-	-
Title 1 Part D Technology	TN Dept. of Education	11-01	84.318	(583)	583	-	-	-
Total Federal Projects Funds				<u>(37,846)</u>	<u>789,620</u>	<u>(981)</u>	<u>1,021,578</u>	<u>(270,785)</u>
<b>Education Fund:</b>								
Coordinated School Health	TN Dept. of Education	N/A	84.397	(31,716)	31,716	-	51,796	(51,796)
Career Ladder Extended Contract (ARRA)	TN Dept. of Education	N/A	84.394	(62,950)	62,950	-	-	-
Basic Education Stabilization	TN Dept. of Education	N/A	84.394	(159,725)	159,725	-	-	-
Total Education Funds				<u>(254,391)</u>	<u>254,391</u>	<u>-</u>	<u>51,796</u>	<u>(51,796)</u>
<b>TOTALS – FEDERAL FINANCIAL ASSISTANCE</b>				<b><u>(465,040)</u></b>	<b><u>1,904,362</u></b>	<b><u>(981)</u></b>	<b><u>1,827,608</u></b>	<b><u>(389,267)</u></b>
<b>STATE AWARDS:</b>								
<b>Greenway Capital Project Fund:</b>								
Greenway Extension TDOT	TN Dept. of Transportation	N/A	20.900	(90,543)	273,346	-	182,803	-
<b>General Fund:</b>								
ARRA from TDOT	TN Dept. of Transportation	N/A	20.900	-	3,366	-	3,366	-
<b>Proprietary Funds:</b>								
Landfill Fund	TN Dept. of Environment and Conservation	N/A	66.000	-	82,788	-	85,166	(2,378)
Water and Sewer Utility Fund	TN Dept. of Environment and Conservation	N/A	66.468	-	4,439,026	-	4,439,026	-
<b>Education Fund:</b>								
Family Resource Center	TN Dept. of Education		84.310A	(33,300)	33,300	-	29,612	(29,612)
Early Childhood (Lottery – Pre K)	TN Dept. of Education		94.349A	(54,004)	54,004	-	168,949	(168,949)
Driver Education	TN Dept. of Education		84.394	-	4,848	-	4,848	-
Total Education Fund				<u>(87,304)</u>	<u>92,152</u>	<u>-</u>	<u>203,409</u>	<u>(198,561)</u>
<b>TOTALS – STATE FINANCIAL ASSISTANCE</b>				<b><u>(177,847)</u></b>	<b><u>4,890,678</u></b>	<b><u>-</u></b>	<b><u>4,913,770</u></b>	<b><u>(200,939)</u></b>
<b>TOTALS – FEDERAL AND STATE FINANCIAL ASSISTANCE</b>				<b><u>\$ (642,887)</u></b>	<b><u>\$ 6,795,040</u></b>	<b><u>\$ (981)</u></b>	<b><u>\$ 6,741,378</u></b>	<b><u>\$ (590,206)</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF PERFORMANCE BASED ASSISTANCE, LOANS AND ENTITLEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Program</u>	<u>Grantor</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2011</u>	<u>Amount Earned</u>	<u>Receipts</u>	<u>Balance June 30, 2012</u>
National School Lunch Program	U.S. Dept. of Agriculture	N/A	10.555	\$ -	\$ 332,857	\$ 304,161	\$ (28,696)
National School Breakfast Program	U.S. Dept. of Agriculture	N/A	10.553	-	103,719	94,025	(9,694)
				<u>\$ -</u>	<u>\$ 436,576</u>	<u>\$ 398,186</u>	<u>\$ (38,390)</u>

Summary of Due from Grantors and Unapplied Grant Funds for the fiscal year ended June 30, 2012:

	<u>Due from Grantors</u>	<u>Unapplied Grant Funds</u>	<u>Total</u>
General Fund	\$ (66,686)	\$ -	\$ (66,686)
Federal Projects Funds	(332,299)	61,514	(270,785)
Landfill Fund	(2,378)	-	(2,378)
Education Fund	<u>(250,357)</u>	<u>-</u>	<u>(250,357)</u>
<b>Totals</b>	<b><u>\$ (651,720)</u></b>	<b><u>\$ 61,514</u></b>	<b><u>\$ (590,206)</u></b>

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF NON-CASH ASSISTANCE**  
**For the Fiscal Year Ended June 30, 2012**

<b>CFDA No.</b>	<b>Program Name</b>	<b>Grantor Agency</b>	<b>Balance July 1, 2011</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Balance June 30, 2012</b>
10.569	U.S. Department Of Agriculture Donated Commodities	Federal Pass Through Tennessee Department Of Agriculture	\$ <u>          -</u>	\$ <u>  31,102</u>	\$ <u>  31,102</u>	\$ <u>          -</u>

**CITY OF ALCOA, TENNESSEE**

**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***

**AND**

**SINGLE AUDIT REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**AND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2012**

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January 30, 2012

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

Honorable Mayor, Members of  
the Board of Commissioners  
and the City Manager  
City of Alcoa  
Alcoa, 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 Alcoa, Tennessee, as of and for the fiscal year ended June 30, 2012, which collectively comprise the City of Alcoa, Tennessee's basic financial statements and have issued our report thereon dated January 30, 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**

Management of the City of Alcoa, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The City of Alcoa, Tennessee'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 of Alcoa, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The City of Alcoa, Tennessee'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Alcoa, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing on internal controls over financial reporting and on compliance and other matters, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Alcoa, Tennessee's internal control over financial reporting or on compliance and other matters. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alcoa, Tennessee's internal control over financial reporting and on compliance and other matters. Accordingly, this report is not suitable for any other purpose.

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

*Ingram, Overholt & Bean, PC*



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January 30, 2012

**INDEPENDENT AUDITORS' 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**

Honorable Mayor, Members of  
the Board of Commissioners  
and City Manager  
City of Alcoa  
Alcoa, Tennessee

**Compliance**

We have audited the City of Alcoa, Tennessee's compliance with the types of compliance requirements described in the "*OMB Circular A-133 Compliance Supplement*" that could have a direct and material effect on each of the City of Alcoa, Tennessee's major federal programs for the year ended June 30, 2012. The City of Alcoa, Tennessee'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 of Alcoa, Tennessee's management. Our responsibility is to express an opinion on the City of Alcoa, Tennessee'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 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 occurred. An audit includes examining, on a test basis, evidence about the City of Alcoa, Tennessee'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 of the City of Alcoa, Tennessee's compliance with those requirements.

In our opinion, the City of Alcoa, Tennessee 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, 2012.

### **Internal Control Over Compliance**

Management of the City of Alcoa, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Alcoa, Tennessee's internal control over compliance with the 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 of Alcoa, Tennessee'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 will 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 purpose of this report is solely to describe the scope of our testing of compliance with the specific compliance requirements referred to above that are applicable to each of the City of Alcoa, Tennessee's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City of Alcoa, Tennessee's compliance but not to provide an opinion on the City of Alcoa, Tennessee's effectiveness of internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alcoa, Tennessee's compliance with the specific program compliance requirements applicable to its major programs and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

*Ingram, Overholt & Bean, PC*

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2012**

**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the Education Special Revenue Fund financial statements of the City of Alcoa, Tennessee.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance are reported in the audit of the financial statements of the City of Alcoa, Tennessee based on the Report of 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*.
4. No significant deficiencies in internal control over the major federal award programs are reported in the Report on Compliance with Requirements Applicable to the Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The independent auditors' report on compliance for the major federal award programs for the City of Alcoa, Tennessee expresses an unqualified opinion on all major federal programs.
6. Audit findings, if any, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The programs determined and tested as major programs include:

<u>Program</u>	<u>Grant CFDA No.</u>
Drinking Water State Revolving Fund .....	66.468
U.S. Department of Education:	
Idea Part B/Comp. Plan.....	84.027A
U.S. Department of Justice:	
COPS Hiring (Cluster).....	16.710
U.S. Department of Agriculture Cluster:	
National School Lunch Program.....	10.555
School Breakfast Program .....	10.553
Traffic Signal System (Cluster) .....	20.200

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Alcoa, Tennessee did not qualify as a low-risk auditee.

(Continued)

**CITY OF ALCOA, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

None.

**D. PRIOR YEAR FINDINGS**

None.