

CITY OF LAWRENCEBURG, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2012

CITY OF LAWRENCEBURG, TENNESSEE

Table of Contents

Page Number

INTRODUCTORY SECTION

Directory of Elected Officials i

FINANCIAL SECTION

Independent Auditor’s Report 1-2

Management’s Discussion and Analysis.....3-11

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets 12

Statement of Activities..... 13

Fund Financial Statements:

Balance Sheet - Governmental Funds..... 14

Reconciliation of Balance Sheet to Statement of Net Assets of Governmental Activities 15

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds 16

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities 17

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund 18-22

Statement of Net Assets - Proprietary Funds 23

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund 24

Statement of Cash Flows - Proprietary Funds.....25

Notes to the Financial Statements.....26 - 52

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

Combining Balance Sheet - Nonmajor Governmental Funds..... 53

Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Governmental Funds..... 54

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Nonmajor Governmental Funds:

State Street Aid Fund 55

Federal Disaster Relief Fund..... 56

Drug Fund 57

Sanitation..... 58 ..

CITY OF LAWRENCEBURG, TENNESSEE

Table of Contents, Continued

FINANCIAL SCHEDULES

Capital Assets Used in the Operation of Governmental Funds:

Schedule of Changes in Capital Assets	59
Schedule of Changes in Capital Assets by Function and Activity	60
Schedule of Changes in Property Taxes Receivable	61
Schedule of Debt Service Requirements - Governmental Activities	62
Schedule of Debt Service Requirements - Business - Type Activities	63-65
Schedule of Federal and State Financial Assistance	66
Schedule of Insurance Coverage - Unaudited.....	67-69
Schedule of Property Tax Levies and Collections - Unaudited	70
Schedule of Property Tax Rates and Assessments - Unaudited	71
Schedule of Utility Statistical Data - Unaudited	72-74
Schedule of Unaccounted for Water - Unaudited	75

OTHER REPORTS SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based Upon an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	76-77
Schedule of Findings and Recommendations	78

INTRODUCTORY SECTION

CITY OF LAWRENCEBURG, TENNESSEE

List of Elected and Appointed Officials

June 30, 2012

Elected Officials

Mayor
Council Member
Council Member
Council Member
Council Member

Keith Durham
Ronald Fox
Robin Williams
Jamie Sevier
Chad Moore

Appointed Officials

City Administrator
Finance Administrator
Human Resource & Safety Director
Safety Director
Administrative Assistant
Emergency Management
Chief of Police
Fire Chief
Parks and Recreation Manager
Sanitation Manager
Public Works

William McLain
Linda Adair
Doug Edwards
Tina Sowell
Joyce DiCapo
Joe Baxter
Judy Moore
Don Kelley
Beth Campbell
Gary Wayne Hyde
Jerry Smith

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

Independent Auditor's Report

To the Mayor and Board of Commissioners
City of Lawrenceburg, Tennessee:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lawrenceburg, 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 Table of Contents. These financial statements are the responsibility of the City of Lawrenceburg's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Business - Type Activities (Proprietary Funds). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Business - Type Activities (Proprietary Funds) is based solely on the report of the other auditors.

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

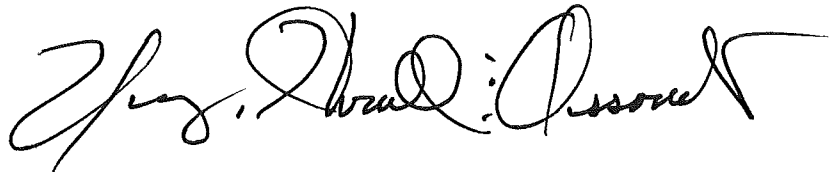
The financial statements of the Crockett Theater Board Component Unit have not been audited, and we were not engaged to audit the financial statements of the Board as part of our audit of the City's basic financial statements. The Board's financial statements are included in the City's basic financial statements as a discretely presented component unit. Because the Crockett Theater Board's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the City of Lawrenceburg as of, and for the year ended June 30, 2012.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, each major fund, and the aggregate remaining fund information of the City of Lawrenceburg, Tennessee at June 30, 2012 and the respective changes in financial position and, cash flows where applicable and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of the City of Lawrenceburg's internal control structure 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 considered 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 on pages 3 – 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 managements responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did 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 of Lawrenceburg's financial statements as a whole. The Combining and Individual Nonmajor Fund financial statement and schedules and Financial Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information, except for those Financial Schedules marked as unaudited on which we express no opinion, has been subjected to the auditing procedures applied by us, and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based upon our audit and the report of the other auditors, the information is stated fairly, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.



November 15, 2012

CITY OF LAWRENCEBURG

Management's Discussion and Analysis

As management of the City of Lawrenceburg, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012.

This analysis focuses on significant variances in financial position, budget changes and variances from the budget and specific issues related to the funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. It also contains explanations and discussion relative to significant variances from similar amounts in the prior year.

Financial Highlights:

- The assets of the City of Lawrenceburg exceeded its liabilities at the close of the most recent fiscal year by \$72,738,138 as compared to \$71,407,282 in 2011. Of this amount, \$8,538,430 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and
- The governments total net assets increased by \$2,386,228 in 2012 as compared to \$3,233,722 in 2011.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,248,302, an increase of \$157,686 in comparison with the the prior year. Of that amount, \$2,246,333 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,946,333 as compared to 2,295,121 in 2011 or 27% and 22% in 2012 and 2011, respectively of total general fund expenditures.
- The City's total bonded debt increased by \$1,895,608 (3.4%) during the current fiscal year as a result of scheduled debt repayments of \$4,425,608 and new debt issued of \$3,030,000.

Overview of the Financial Statements:

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

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. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Overview of the Financial Statements (Continued):

Both of the government-wide financial 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 of Lawrenceburg include general government, public safety, highways and streets, sanitation, recreation, and building inspection. The business-type activities of the City include Water and Sewer services, Natural Gas services, and Electric Power services.

The government - wide financial statements include all funds of the City of Lawrenceburg (known as the primary government).

The government - wide financial statements can be found on pages 12 - 13 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lawrenceburg, 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 two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government - wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government - wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Lawrenceburg, Tennessee adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 - 22 of this report.

Proprietary Funds. The City of Lawrenceburg has only one type of proprietary fund. 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 Water and Sewer, Natural Gas and Electric Power.

Proprietary funds provide the same type of information as the government - wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Natural gas and Electric Power distribution operations, each of which is considered to be a major fund of the City of Lawrenceburg.

Overview of the Financial Statements (Continued):

The basic proprietary fund financial statements can be found on pages 23 - 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government - wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 52 of this report.

The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 53 - 76 of this report.

Financial Analysis of the Financial Statements

Government - wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lawrenceburg, assets exceeded liabilities by \$72,738,138 at the close of the most recent fiscal year, as compared to \$71,407,282 in 2011.

By far the largest portion of the City's assets (86%) reflects its investment in capital assets (e.g., land , buildings, machinery, and equipment), less any related debt used to acquire those assets that is 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 used to liquidate these liabilities.

City of Lawrenceburg's Net Assets

	Governmental Activities		Business -type Activities	
	2012	2011	2012	2011
Current and other assets	\$ 7,879,559	7,646,704	25,555,379	22,821,124
Capital assets	14,492,729	14,284,780	101,214,800	101,408,452
Total assets	<u>22,372,288</u>	<u>21,931,484</u>	<u>126,770,179</u>	<u>124,229,576</u>
Long-term liabilities outstanding	12,526,710	10,914,527	43,323,517	42,146,350
Other liabilities	5,000,231	5,009,438	15,553,871	16,683,463
Total liabilities	<u>17,526,941</u>	<u>15,923,965</u>	<u>58,877,388</u>	<u>58,829,813</u>
Net assets:				
Invested in capital assets, net	5,834,391	6,006,676	57,100,975	55,880,174
Restricted	1,264,342	918,283	-	-
Unrestricted	<u>(2,253,386)</u>	<u>(917,440)</u>	<u>10,791,816</u>	<u>9,519,589</u>
Total net assets	<u>\$ 4,845,347</u>	<u>6,007,519</u>	<u>67,892,791</u>	<u>65,399,763</u>

An additional portion of the City's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,538,430) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business - type.

The government's net assets increased by \$2,386,228 during the current fiscal year. Approximately 104% of this increase represents net increases in ongoing revenues over expenses of the Proprietary Funds. Governmental Funds experienced a decrease of revenues over expenditures of \$106,800.

Financial Analysis of the Financial Statements (Continued)

Governmental Activities

Governmental activities decreased the City's net assets by \$106,800 (increase of \$298,336 in 2011). Key elements of this decrease are as follows:

City of Lawrenceburg's Changes in Net Assets

	Governmental Activities		Business -type Activities	
	2012	2011	2012	2011
Revenues:				
Program revenues:				
Charges for services	\$ 1,572,124	1,668,790	59,635,388	63,218,330
Operating grants and contributions	494,131	453,433	-	-
Capital grants and contributions	8,956	293,285	227,132	607,771
General revenues:				
Property taxes	6,765,339	6,529,342	-	-
Sales taxes	705,697	714,350	-	-
Other taxes	1,117,165	1,100,543	-	-
Other	183,122	216,996	149,968	229,021
Total revenues	<u>10,846,534</u>	<u>10,976,739</u>	<u>60,012,488</u>	<u>64,055,122</u>
Expenses:				
General government	2,488,202	1,493,866	-	-
Judicial	35,088	35,793	-	-
Executive	155,171	158,880	-	-
Planning and development	65,383	70,411	-	-
Administrative	687,925	762,683	-	-
Special Projects	5,780	3,217	-	-
Police Department	2,637,950	2,843,469	-	-
Fire prevention and control	1,906,829	1,911,856	-	-
Civil Defense	60,345	424,265	-	-
Highways and streets	2,328,618	1,617,107	-	-
Parks	765,704	1,274,202	-	-
Sanitation	997,721	1,163,714	-	-
Interest on long-term debt	334,224	386,751	-	-
Water and Sewer	-	-	5,522,010	6,491,174
Natural gas	-	-	5,053,308	5,924,492
Electric	-	-	45,428,536	47,236,260
Total expenses	<u>12,468,940</u>	<u>12,146,213</u>	<u>56,003,854</u>	<u>59,651,926</u>
Increases (decrease) in net assets before transfers	(1,622,406)	(1,169,474)	4,008,634	4,403,196
Transfers	1,515,606	1,467,810	(1,515,606)	(1,467,810)
Increases (decrease) in net assets	(106,800)	298,336	2,493,028	2,935,386
Net assets, beginning of year	4,952,147 *	5,709,183	65,399,763	62,464,377
Net assets, end of year	\$ <u>4,845,347</u>	<u>6,007,519</u>	<u>67,892,791</u>	<u>65,399,763</u>

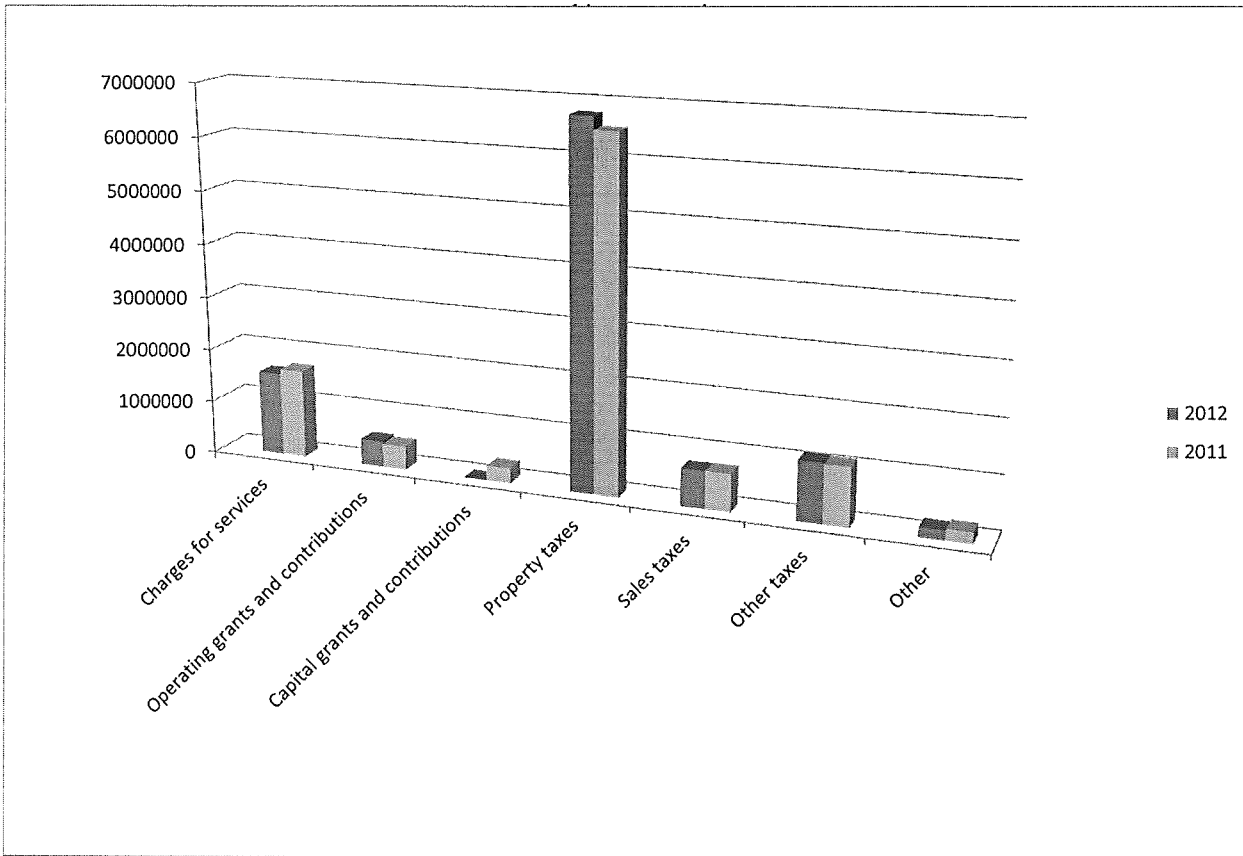
* As restated in the amount of \$(1,055,372) which relates to the OPEB obligation at June 30, 2011 as determined in the actuarial valuation performed as of July 1, 2011.

For the most part, expenses for 2012 closely paralleled inflation and growth in the demand for services increasing 2.6% demand for services.

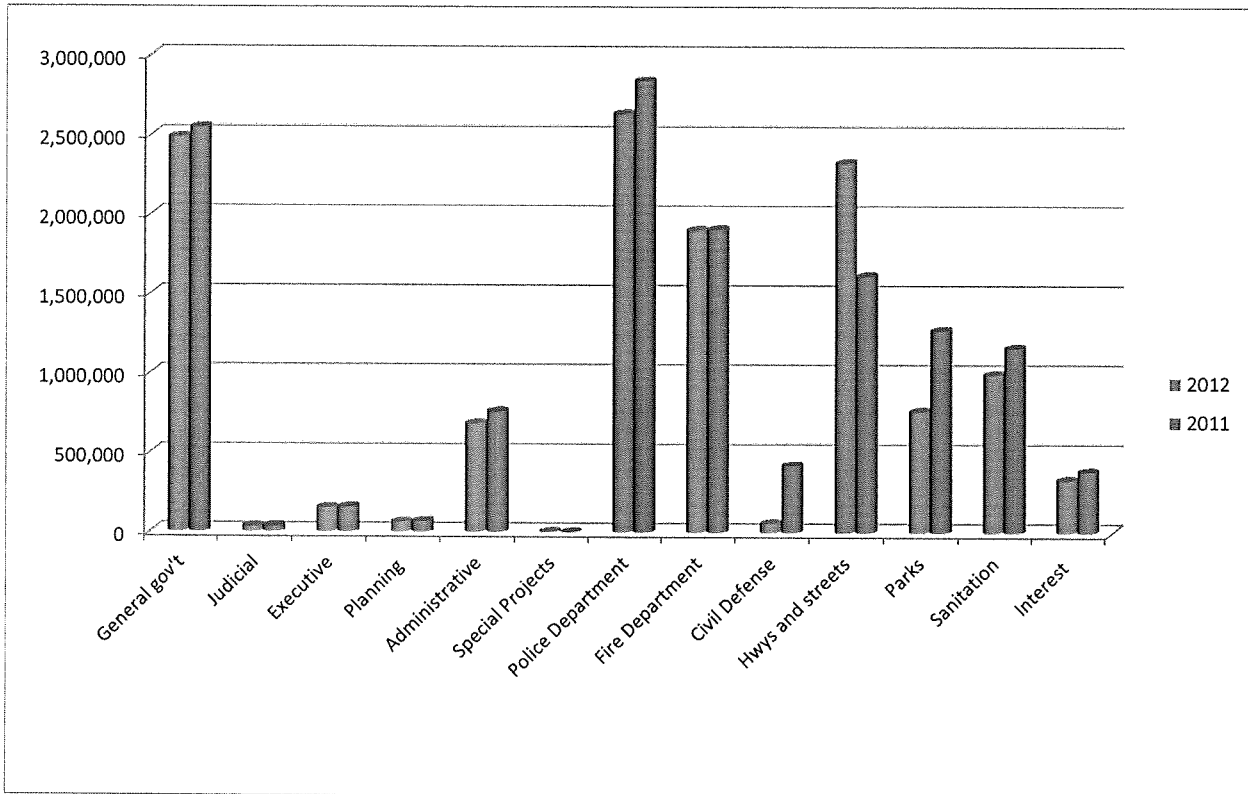
Revenues for 2012 remained relatively consistent with those of the prior year with an overall decrease of approximately \$130,000 or 1%.

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain federal and state sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity and efficiency in local revenue systems to better accommodate future growth.

Revenues by Source - Governmental Activities



Expenditures - Governmental Activities



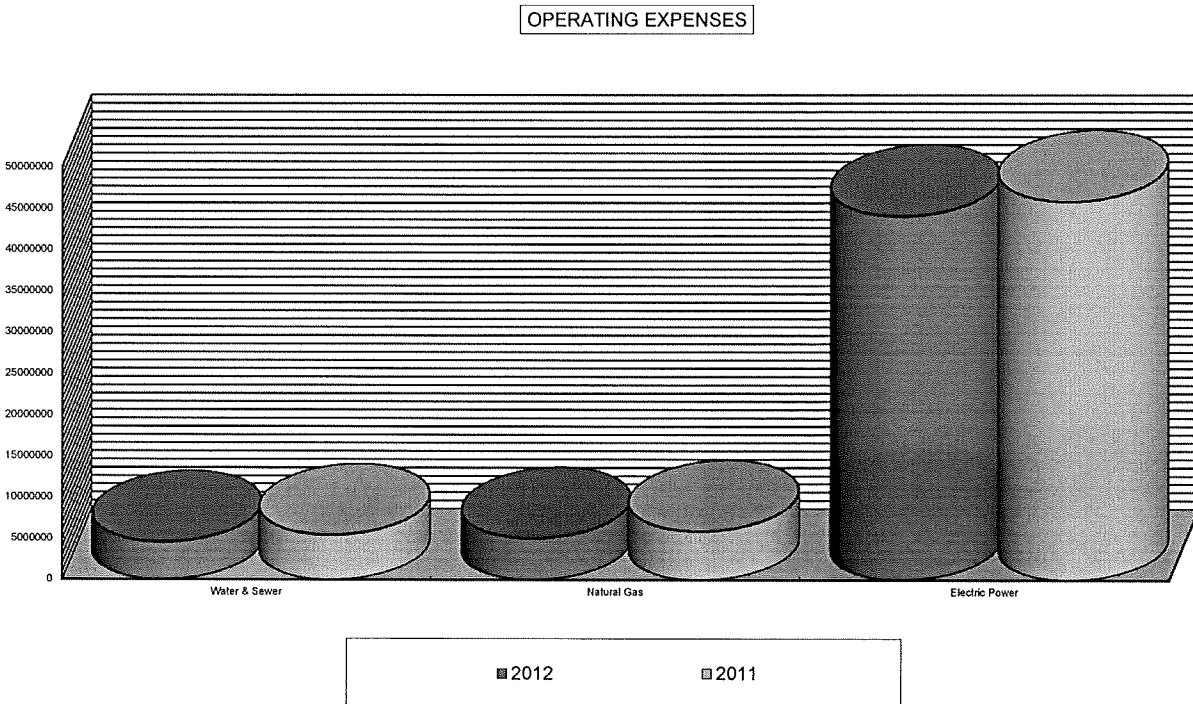
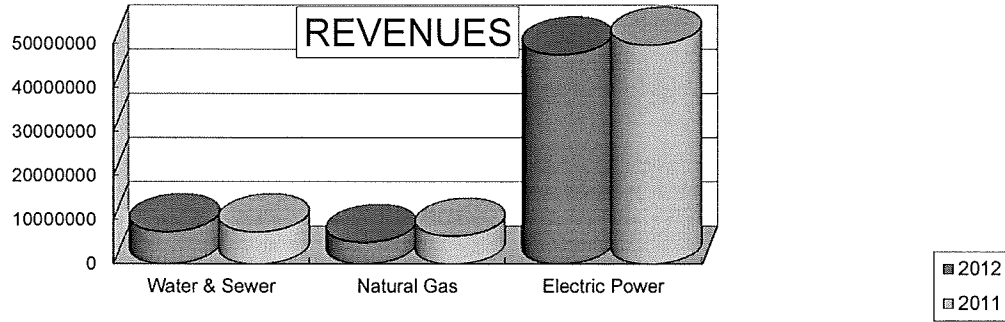
Financial Analysis of the Financial Statements (Continued)

Business - type activities

Business - type activities increased the City's net assets by \$2,493,028 as compared to \$2,935,386 in 2011, accounting for 91% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Total charges for services for business - type activities increased by approximately 6%.
- Water & Sewer operations resulted in an increase in net assets of \$1,483,698.
- Natural gas operations resulted in a decrease in net assets of \$242,861.
- Electric power operations resulted in an increase in net assets of \$1,252,191.
- A more detailed analysis of the business-type activities may be found in the individual financial reports of the Water & Sewer, Natural Gas and Electric Power Funds.

Business - type activities



Financial Analysis of the Financial Statements (Continued)

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 of Lawrenceburg's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements in particular, unreserved fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,248,302, an increase of \$157,686 in comparison with the prior year. Of this amount, \$2,946,333 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operation fund of the City of Lawrenceburg, Tennessee. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,946,333 (\$2,295,121 at the prior year end). As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 27% (21% in 2011) of total general fund expenditures.

The fund balance of the City's general fund decreased by \$188,373 during the current fiscal year. Key factors in this increase and other changes in the fund balance of the General Fund are as follows:

- Total revenues of the general fund increased by approximately \$117,000 or 1%. Increases in tax revenue of approximately \$195,000 or 2.6% offset by decreases in grant revenues of approximately \$80,000 accounted for the net increase.
- General fund expenditures increased by approximately \$271,000 or 2.5%, debt service expenditures increased by approximately \$203,000 or 25% accounting for a significant portion of the increase.

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

Unrestricted net assets of the Water and Sewer Fund, Natural Gas Fund and Electric Power Fund amounted to \$(610,989), \$ 3,204,622, and \$8,198,183 for each fund, respectively as of June 30, 2012. The growth in net assets of the above funds was \$1,483,698, \$(242,861), and \$1,252,191, respectively.

Each of the above enterprise funds issue separate financial statements, along with Management's Discussion and Analysis. For additional information, please contact the Board of Public Utilities of the City of Lawrenceburg, Chief Financial Officer.

General Fund Budgetary Highlights

During 2012, there were amendments to General Fund appropriations in the amount of \$72,569. Original and Final budget for these individual General Fund departments are as follows for 2012.

	Original Budget	Final Budget
Administrative	\$ 675,503	676,503
Police Department	2,712,338	2,725,116
Fire Department	2,361,216	2,382,007
Highways & Streets	2,007,084	2,030,084
Appropriations and Other	1,236,454	1,251,454
Total Expenditures	\$ <u>8,992,595</u>	<u>9,065,164</u>

Capital Asset and Debt Administration

Capital Assets

The City of Lawrenceburg's investment in capital assets from its governmental and business - type activities as of June 30, 2012, amounts to \$115,707,529 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1% with the governmental activities accounting for substantially all the increase.

Capital Asset and Debt Administration

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

Government-Type Activities:

- The Fire Department purchased a fire pumper for approximately \$450,000.

Business-Type Activities:

- Water and Sewer utility plant increased by approximately \$2,940,080.
- Natural gas plant increased by approximately \$732,274.
- Electric power system utility plant increased by approximately \$3,641,760.

City of Lawrenceburg's Capital Assets

	<u>Governmental Activities</u>	<u>Business -type Activities</u>	<u>Total</u>
Land	\$ 3,323,504	2,149,232	5,472,736
Buildings and utility plant	5,344,678	132,353,348	137,698,026
Equipment and furniture	6,057,763	8,838,294	14,896,057
Construction in progress	-	888,968	888,968
Infrastructure	10,105,009	-	10,105,009
	<u>24,830,954</u>	<u>144,229,842</u>	<u>169,060,796</u>
Less accumulated depreciation	<u>10,338,225</u>	<u>43,015,042</u>	<u>53,353,267</u>
Net Capital Assets	<u>\$ 14,492,729</u>	<u>101,214,800</u>	<u>115,707,529</u>

Additional information on the City of Lawrenceburg's capital assets can be found in the notes to the financial statement section of this report.

Long - Term Debt

At the end of the current year, the City of Lawrenceburg had bonded debt outstanding of \$53,463,378. Of this amount, \$8,745,000 comprises debt backed by the full faith and credit of the government and with the remainder of the City's debt represented by bonds secured by both the taxing power of the City and specific revenue sources (i.e., revenue and tax bonds) of the various enterprise funds.

City of Lawrenceburg's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business -type Activities</u>	<u>Total</u>
General obligation bonds and capital outlay notes	\$ 8,745,000	-	8,745,000
Revenue bonds	-	34,025,000	34,025,000
Notes payable	-	10,693,378	10,693,378
	<u>\$ 8,745,000</u>	<u>44,718,378</u>	<u>53,463,378</u>

The City's total bonded debt increased by \$1,895,608 (3.4%) during the current fiscal year as a result of scheduled debt repayments of \$4,925,608 and new debt issued of \$3,030,000.

State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue.

Additional information on the City of Lawrenceburg's debt can be found in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the City of Lawrenceburg is currently 11.3%, which is a decrease from a rate of 12.% a year ago. This compares to the State's average unemployment rate of 8.4% and the national average rate of 8.5%. All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

At June 30, 2012, unassigned fund balance in the general fund amounted to \$2,946,333. The City needed unassigned fund balance to balance the 2013 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Lawrenceburg Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, 232 West Gaines Lawrenceburg, TN 38464.

CITY OF LAWRENCEBURG, TENNESSEE

Statement of Net Assets

June 30, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Crocket Theater Board Governmental
Assets				
Cash and cash equivalents:				
Unrestricted	\$ 3,209,400	15,060,109	18,269,509	12,379
Restricted - construction	-	798,142	798,142	-
Total cash	<u>3,209,400</u>	<u>15,858,251</u>	<u>19,067,651</u>	<u>12,379</u>
Accounts receivable:				
Property taxes	3,341,119	-	3,341,119	-
Other governments	1,058,979	-	1,058,979	-
Customers	-	6,743,007	6,743,007	-
Others	52,431	7,311	59,742	-
Less allowance for doubtful accounts	(48,978)	(955,032)	(1,004,010)	-
Total accounts receivable	<u>4,403,551</u>	<u>5,795,286</u>	<u>10,198,837</u>	<u>-</u>
Inventory of supplies	-	1,075,231	1,075,231	-
Prepaid expenses	-	49,673	49,673	-
Internal balances	120,344	(120,344)	-	-
Other assets:				
Net investment in direct financing capital lease	-	1,276,246	1,276,246	-
Conservation loans receivable	-	719,784	719,784	-
Debt issuance costs	-	628,750	628,750	-
Other	146,264	272,502	418,766	-
Depreciable capital assets, net of accumulated depreciation	11,169,225	98,176,600	109,345,825	-
Non depreciable capital assets	3,323,504	3,038,200	6,361,704	-
Total Assets	<u>\$ 22,372,288</u>	<u>126,770,179</u>	<u>149,142,467</u>	<u>12,379</u>
Liabilities				
Accounts payable	\$ 13,384	7,489,645	7,503,029	-
Accrued liabilities	233,199	848,997	1,082,196	-
Deferred revenue	3,130,188	-	3,130,188	-
Customer deposits	-	750,168	750,168	-
Other liabilities	-	5,649,071	5,649,071	-
Accrued interest	-	25,682	25,682	-
Noncurrent liabilities:				
Due within one year	1,623,460	790,308	2,413,768	-
Due in more than one year	12,526,710	43,323,517	55,850,227	-
Total Liabilities	<u>17,526,941</u>	<u>58,877,388</u>	<u>76,404,329</u>	<u>-</u>
Net Assets				
Invested in capital assets, net of related debt	5,834,391	57,100,975	62,935,366	-
Restricted for:				
Roads	251,141	-	251,141	-
Public Safety	41,046	-	41,046	-
Capital projects	124,072	-	124,072	-
Solid waste disposal	748,613	-	748,613	-
Cemetery maintenance	99,470	-	99,470	-
Unrestricted	(2,253,386)	10,791,816	8,538,430	12,379
Total Net Assets	<u>\$ 4,845,347</u>	<u>67,892,791</u>	<u>72,738,138</u>	<u>12,379</u>

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2012

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type		
				Governmental Activities	Governmental Activities	
Functions/Programs						
Primary Government:						
Governmental activities:						
General government	\$ 2,488,202	-	8,956	(2,479,246)	-	(2,479,246)
Judicial	35,088	-	-	(35,088)	-	(35,088)
Executive	155,171	-	-	(155,171)	-	(155,171)
Planning and development	65,383	26,344	-	(39,039)	-	(39,039)
Administrative	687,925	-	-	(687,925)	-	(687,925)
Human resources	5,780	-	-	(5,780)	-	(5,780)
Police Department	2,637,950	133,909	-	(2,235,682)	-	(2,235,682)
Fire prevention and control	1,906,829	671	-	(1,906,158)	-	(1,906,158)
Civil Defense	60,345	45,102	-	(15,243)	-	(15,243)
Highways and streets	2,328,618	315,120	-	(2,013,498)	-	(2,013,498)
Parks & Recreation	765,704	63,744	-	(701,960)	-	(701,960)
Sanitation	997,721	1,213,006	-	215,285	-	215,285
Interest on long-term debt	334,224	-	-	(334,224)	-	(334,224)
Total government activities	12,468,940	494,131	8,956	(10,393,729)	-	(10,393,729)
Business-type activities:						
Water and Sewer	5,522,011	7,303,771	-	-	1,781,760	1,781,760
Natural Gas	5,053,308	4,927,819	-	-	(125,489)	(125,489)
Electric	45,428,556	47,403,798	227,132	-	2,202,394	2,202,394
Total business-type activities	56,003,855	59,635,388	227,132	-	3,858,665	3,858,665
Total primary government	68,472,795	61,207,512	236,088	(10,393,729)	3,858,665	(6,535,064)
Component Unit:						
Crockett Theater Board	\$ 33,953	25,057	-	-	-	(8,896)
General Revenues:						
Property taxes				\$ 6,765,339	-	6,765,339
Sales taxes				705,697	-	705,697
Business tax				263,878	-	263,878
Local beer tax				396,377	-	396,377
Local beer tax				124,721	-	124,721
Cable TV				101,363	-	101,363
State income and excise				93,824	-	93,824
Gross receipts - TVA				120,481	-	120,481
Other taxes				16,521	-	16,521
Unrestricted investment earnings				2,636	149,969	152,605
Gain (loss) on sale of capital assets				8,016	-	8,016
Other				172,470	-	172,470
Transfers				1,515,606	(1,515,606)	-
Total general revenues and transfers				10,286,929	(1,365,637)	8,921,292
Change in net assets				(106,800)	2,493,028	2,386,228
Net assets - beginning of year, as restated				4,952,147	65,399,763	70,351,910
Net assets - end of year				\$ 4,845,347	67,892,791	72,738,138

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents-unrestricted	\$ 2,095,641	1,113,759	3,209,400
Total cash and cash equivalents	<u>2,095,641</u>	<u>1,113,759</u>	<u>3,209,400</u>
Accounts and notes receivable			
Property taxes	3,341,119	-	3,341,119
Other governments	1,058,979	-	1,058,979
Others	-	52,431	52,431
Total accounts and notes receivable	<u>4,400,098</u>	<u>52,431</u>	<u>4,452,529</u>
Due from other funds	-	120,344	120,344
Total Assets	\$ <u><u>6,495,739</u></u>	<u><u>1,286,534</u></u>	<u><u>7,782,273</u></u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 12,733	650	13,383
Accrued liabilities	161,067	21,542	182,609
Deferred revenue	3,337,979	-	3,337,979
Total Liabilities	<u>3,511,779</u>	<u>22,192</u>	<u>3,533,971</u>
Fund Balances:			
Restricted for:			
Roads	-	251,141	251,141
Public Safety	-	41,046	41,046
Capital projects	-	124,072	124,072
Solid waste disposal	-	748,613	748,613
Cemetery maintenance	-	99,470	99,470
Assigned for:			
Subsequent years budget	24,505	-	24,505
Fire department	13,122	-	13,122
Unassigned	2,946,333	-	2,946,333
Total Fund Balances	<u>2,983,960</u>	<u>1,264,342</u>	<u>4,248,302</u>
Total Liabilities and Fund Balances	\$ <u><u>6,495,739</u></u>	<u><u>1,286,534</u></u>	<u><u>7,782,273</u></u>

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

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

June 30, 2012

Total Governmental Funds Fund Balances		\$	4,248,302
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds as follows:			
Capital assets		\$ 24,830,954	
Accumulated Depreciation		<u>(10,338,225)</u>	14,492,729
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds for:			
Property tax			158,813
Liabilities not due and payable currently and not recorded in the governmental funds for:			
Accrued interest			(50,590)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds as follows:			
Bonds payable		(8,822,304)	
Deferred amount arising from refunding		163,966	
Landfill Closure Costs		(124,268)	
Compensated absences		(695,124)	
OPEB Obligation		<u>(4,672,440)</u>	(14,150,170)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities for:			
Bond issue cost, net of amortization			146,263
Net assets of governmental activities		\$	<u><u>4,845,347</u></u>

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 7,648,083	-	7,648,083
Intergovernmental	1,150,785	269,007	1,419,792
Licenses and permits	26,344	-	26,344
Fines and costs	194,812	-	194,812
Charges for services	127,971	1,105,595	1,233,566
Miscellaneous	152,962	175,396	328,358
Total Revenues	<u>9,300,957</u>	<u>1,549,998</u>	<u>10,850,955</u>
Expenditures:			
Current:			
Judicial	35,088	-	35,088
Executive	156,432	-	156,432
Planning and development	60,639	-	60,639
Administrative	645,409	-	645,409
Human resources	5,780	-	5,780
Police Department	2,566,310	-	2,566,310
Fire prevention and control	1,879,963	-	1,879,963
Civil Defense	104,261	-	104,261
Highways and streets	1,761,922	328,095	2,090,017
Parks & Recreation	672,592	-	672,592
Appropriations and other	1,252,313	-	1,252,313
Sanitation	-	1,027,206	1,027,206
Program costs	-	43,844	43,844
Capital outlay	634,656	314,479	949,135
Debt service	1,029,571	90,315	1,119,886
Total Expenditures	<u>10,804,936</u>	<u>1,803,939</u>	<u>12,608,875</u>
Excess (deficiency) of revenues over expenditures	<u>(1,503,979)</u>	<u>(253,941)</u>	<u>(1,757,920)</u>
Other Financing Sources (Uses):			
Capital outlay note proceeds	-	400,000	400,000
Transfers in	1,515,606	200,000	1,715,606
Transfers out	(200,000)	-	(200,000)
Total Other Financing Sources (Uses)	<u>1,315,606</u>	<u>600,000</u>	<u>1,915,606</u>
Net change in fund balance	(188,373)	346,059	157,686
Fund Balance, Beginning of Year	<u>3,172,333</u>	<u>918,283</u>	<u>4,090,616</u>
Fund Balance, End of Year	\$ <u>2,983,960</u>	<u>1,264,342</u>	<u>4,248,302</u>

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

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

For the Year Ended June 30, 2012

Amounts reported for net change in fund balance - total governmental funds \$ 157,686

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities. Also, gains and losses from disposals of capital assets are not presented in the fund financial statements. Such amounts are as follows:

Acquisition of capital assets	\$ 851,011	
Depreciation expense	(635,045)	
Gain on disposal of assets	<u>(8,016)</u>	207,950

Revenues for governmental activities that do not provide current financial resources are not reported as revenues in the governmental funds as follows:

Property tax		3,595
--------------	--	-------

Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds as follows:

Change in other post employment benefits	(1,066,537)	
Changes in the accrual for compensated absences	147,463	
Changes in the accrual for interest	<u>(256)</u>	(919,330)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities, likewise proceeds from debt issuance is presented as revenue in the governmental funds, but increases long-term liabilities for governmental activities. Bond costs are presented as expenses in the governmental funds, however they are presented as amortizable assets for governmental activities.

Such amounts are as follows:

Proceeds from debt issuance	(400,000)	
Reduction of debt	877,994	
Amortization of bond issue costs	(16,085)	
Amortization of deferred loss and bond premium	<u>(18,610)</u>	<u>443,299</u>

Change in net assets of governmental activities \$ (106,800)

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues:				
Taxes:				
Real estate tax	\$ 3,085,000	3,085,000	3,126,761	41,761
Local sales tax	3,437,000	3,437,000	3,628,047	191,047
Tax equivalents payments	13,500	13,500	6,936	(6,564)
Business tax	275,000	275,000	263,878	(11,122)
Wholesale beer tax	370,000	370,000	396,377	26,377
Wholesale liquor tax	130,000	130,000	124,721	(5,279)
Cable TV	100,000	100,000	101,363	1,363
Total Taxes	<u>7,410,500</u>	<u>7,410,500</u>	<u>7,648,083</u>	<u>237,583</u>
Intergovernmental:				
Streets and transportation	21,250	21,250	21,406	156
State sales tax	715,000	715,000	705,697	(9,303)
State beer tax	5,500	5,500	5,119	(381)
State income and excise	85,000	85,000	93,824	8,824
State and Federal grant programs	150,473	161,251	192,856	31,605
Gross receipts - TVA	121,496	121,496	120,481	(1,015)
Mixed drink tax	4,900	4,900	11,402	6,502
Total Intergovernmental	<u>1,103,619</u>	<u>1,114,397</u>	<u>1,150,785</u>	<u>36,388</u>
Licenses and Permits	<u>15,600</u>	<u>15,600</u>	<u>26,344</u>	<u>10,744</u>
Fines and Fees	<u>250,000</u>	<u>250,000</u>	<u>194,812</u>	<u>(55,188)</u>
Charges for Services:				
Special police services	66,228	73,418	35,315	(38,103)
Special fire services	-	-	671	671
Recreation account - concession and fees	80,670	80,670	63,744	(16,926)
Other	25,000	25,000	28,241	3,241
Total Charges for Services	<u>171,898</u>	<u>179,088</u>	<u>127,971</u>	<u>(51,117)</u>
Miscellaneous:				
Rental income	9,600	9,600	6,673	(2,927)
Proceeds - sale of property	55,000	55,000	48,046	(6,954)
Donations and contributions	28,450	28,450	50,003	21,553
Interest revenue	3,000	3,000	2,146	(854)
Miscellaneous revenue	15,590	31,191	46,094	14,903
Total Miscellaneous	<u>111,640</u>	<u>127,241</u>	<u>152,962</u>	<u>25,721</u>
Total Revenues	<u>9,063,257</u>	<u>9,096,826</u>	<u>9,300,957</u>	<u>204,131</u>

Continued on next page.

CITY OF LAWRENCEBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Positive (Negative)
Revenues, continued:				
Other Sources				
Transfer from Other Funds	\$ 1,467,810	1,467,810	1,515,606	47,796
Total Other Financing Sources	<u>1,467,810</u>	<u>1,467,810</u>	<u>1,515,606</u>	<u>47,796</u>
Total Revenues and Other Financing Sources	<u>10,531,067</u>	<u>10,564,636</u>	<u>10,816,563</u>	<u>251,927</u>
Expenditures:				
Judicial:				
Current:				
Salaries and employee benefits	34,294	34,294	34,267	27
Contractual services	225	225	129	96
Miscellaneous	530	530	692	(162)
Total Current	<u>35,049</u>	<u>35,049</u>	<u>35,088</u>	<u>(39)</u>
Capital outlay	-	-	-	-
Total Judicial	<u>35,049</u>	<u>35,049</u>	<u>35,088</u>	<u>(39)</u>
Executive:				
Current:				
Salaries and employee benefits	135,825	135,825	134,345	1,480
Contractual services	19,250	19,250	17,739	1,511
Supplies	600	600	1,223	(623)
Insurance	2,646	2,646	3,125	(479)
Total Current	<u>158,321</u>	<u>158,321</u>	<u>156,432</u>	<u>1,889</u>
Capital outlay	-	-	-	-
Total Executive	<u>158,321</u>	<u>158,321</u>	<u>156,432</u>	<u>1,889</u>
Planning and Development:				
Current:				
Salaries and employee benefits	49,547	49,547	50,032	(485)
Contractual services	8,050	8,050	4,523	3,527
Supplies	1,525	1,525	1,945	(420)
Insurance	3,827	3,827	4,139	(312)
Miscellaneous	-	-	-	-
Total Current	<u>62,949</u>	<u>62,949</u>	<u>60,639</u>	<u>2,310</u>
Capital outlay	-	-	-	-
Total Planning And Development	<u>62,949</u>	<u>62,949</u>	<u>60,639</u>	<u>2,310</u>

Continued on next page.

CITY OF LAWRENCEBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Expenditures, continued				
Administrative:				
Current:				
Salaries and employee benefits	\$ 375,167	375,167	368,965	6,202
Contractual services	245,043	245,043	234,636	10,407
Supplies	18,650	19,650	15,167	4,483
Insurance	10,436	10,436	10,002	434
Miscellaneous	13,000	13,000	16,639	(3,639)
Total Current	<u>662,296</u>	<u>663,296</u>	<u>645,409</u>	<u>17,887</u>
Capital outlay	13,207	13,207	-	13,207
Total Administrative	<u>675,503</u>	<u>676,503</u>	<u>645,409</u>	<u>31,094</u>
 Human Resources				
Current:				
Salaries and employee benefits	750	750	1,558	(808)
Contractual services	1,650	1,650	1,277	373
Supplies	3,625	3,625	2,945	680
Total Human Resources	<u>6,025</u>	<u>6,025</u>	<u>5,780</u>	<u>245</u>
 Public Safety:				
Police Department:				
Current:				
Salaries and employee benefits	2,260,395	2,260,395	2,185,804	74,591
Services	143,800	143,800	125,660	18,140
Supplies	162,000	164,000	182,440	(18,440)
Insurance	29,862	29,862	39,580	(9,718)
Miscellaneous	45,000	45,000	32,826	12,174
Total Current	<u>2,641,057</u>	<u>2,643,057</u>	<u>2,566,310</u>	<u>76,747</u>
Capital outlay	71,281	82,059	74,859	7,200
Total Police Department	<u>2,712,338</u>	<u>2,725,116</u>	<u>2,641,169</u>	<u>83,947</u>
 Fire Prevention and Control:				
Current:				
Salaries and employee benefits	1,747,022	1,748,462	1,701,770	46,692
Services	51,894	51,894	46,225	5,669
Supplies	64,950	84,301	110,467	(26,166)
Insurance	17,350	17,350	21,501	(4,151)
Miscellaneous	-	-	-	-
Total Current	<u>1,881,216</u>	<u>1,902,007</u>	<u>1,879,963</u>	<u>22,044</u>
Capital outlay	480,000	480,000	479,991	9
Total Fire Department	<u>2,361,216</u>	<u>2,382,007</u>	<u>2,359,954</u>	<u>22,053</u>
Total Public Safety	<u>5,073,554</u>	<u>5,107,123</u>	<u>5,001,123</u>	<u>106,000</u>

Continued on next page.

CITY OF LAWRENCEBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Expenditures, continued				
Civil Defense:				
Current:				
Salaries and employee benefits	\$ 77,937	77,937	70,961	6,976
Services	22,959	22,959	20,605	2,354
Supplies	6,275	6,275	4,596	1,679
Insurance	7,679	7,679	8,099	(420)
Total Current	<u>114,850</u>	<u>114,850</u>	<u>104,261</u>	<u>10,589</u>
Capital outlay	-	-	-	-
Total Civil Defense	<u>114,850</u>	<u>114,850</u>	<u>104,261</u>	<u>10,589</u>
Highways and Streets:				
Current:				
Salaries and employee benefits	1,295,722	1,295,722	1,260,557	35,165
Services	263,263	286,263	275,311	10,952
Supplies	217,236	217,236	215,203	2,033
Insurance	8,527	8,527	10,851	(2,324)
Total Current	<u>1,784,748</u>	<u>1,807,748</u>	<u>1,761,922</u>	<u>45,826</u>
Capital outlay	222,336	222,336	62,528	159,808
Total Highways and Streets	<u>2,007,084</u>	<u>2,030,084</u>	<u>1,824,450</u>	<u>205,634</u>
Parks and Recreation:				
Current:				
Salaries and employee benefits	400,847	400,847	330,187	70,660
Services	243,430	243,430	223,102	20,328
Supplies	27,983	27,983	34,254	(6,271)
Insurance	33,794	33,794	34,630	(836)
Miscellaneous	54,345	54,345	50,419	3,926
Total Current	<u>760,399</u>	<u>760,399</u>	<u>672,592</u>	<u>87,807</u>
Capital Outlay	28,400	28,400	17,278	11,122
Total Parks	<u>788,799</u>	<u>788,799</u>	<u>689,870</u>	<u>98,929</u>
Appropriations and Other:				
Current:				
E 911	285,333	285,333	285,332	1
Industrial Promotion	78,000	93,000	93,000	-
Lawrence County Schools	400,000	400,000	400,000	-
Lawrence County Library	67,341	67,341	67,341	-
City / County Airport	40,000	40,000	40,000	-
Other appropriations	20,340	20,340	20,299	41
Retiree benefits	345,440	345,440	346,341	(901)
Total Appropriations and other	<u>1,236,454</u>	<u>1,251,454</u>	<u>1,252,313</u>	<u>(859)</u>

Continued on next page.

CITY OF LAWRENCEBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Positive (Negative)
Expenditures, continued:				
Debt Service:				
Retirement of principle and interest	\$ 1,036,569	1,036,569	1,029,571	6,998
Total Debt Service	<u>1,036,569</u>	<u>1,036,569</u>	<u>1,029,571</u>	<u>6,998</u>
 Total Expenditures	 <u>11,195,157</u>	 <u>11,267,726</u>	 <u>10,804,936</u>	 <u>462,790</u>
Excess Revenues over Expenditures and Other Sources	<u>(664,090)</u>	<u>(703,090)</u>	<u>11,627</u>	<u>714,717</u>
Other Financing Uses:				
Transfer to Other Funds	(200,000)	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Excess Revenues over Expenditures and Other Sources and Uses	<u>(864,090)</u>	<u>(903,090)</u>	<u>(188,373)</u>	<u>714,717</u>
Fund Balance, Beginning of Year	<u>3,172,333</u>	<u>3,172,333</u>	<u>3,172,333</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>2,308,243</u></u>	<u><u>2,269,243</u></u>	<u><u>2,983,960</u></u>	<u><u>714,717</u></u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2012

<u>Assets</u>	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Electric Power Fund</u>	<u>Total</u>
Current Assets:				
Cash and cash equivalents	\$ 633,597	3,716,252	10,710,260	15,060,109
Accrued interest receivable	-	-	7,311	7,311
Accounts receivable, net of allowance for doubtful accounts	788,753	217,694	4,781,528	5,787,975
Inventory, materials	307,355	175,241	592,635	1,075,231
Prepaid expenses	7,466	-	42,207	49,673
Due from other funds	-	-	639,000	639,000
Net investment in direct financing capital lease-current portion	-	-	45,536	45,536
Total Current Assets	1,737,171	4,109,187	16,818,477	22,664,835
Restricted Assets:				
Cash and cash equivalents	93,329	158,515	546,298	798,142
Total Restricted Assets	93,329	158,515	546,298	798,142
Capital Assets:				
Capital assets not being depreciated:				
Land	1,017,068	251,397	880,767	2,149,232
Construction in Progress	12,089	84,065	792,814	888,968
Capital assets, net of accumulated depreciation	41,356,280	6,808,294	50,012,026	98,176,600
Total Capital Assets	42,385,437	7,143,756	51,685,607	101,214,800
Other assets:				
Conservation loans receivable	-	-	719,784	719,784
Nonutility property-at cost	-	-	218,184	218,184
Debt issuance costs, less accumulated amortization	339,780	4,951	284,019	628,750
Net investment in direct financing capital lease, less current portion	-	-	1,230,710	1,230,710
Due from other municipalities	-	-	54,318	54,318
Total Other Assets	339,780	4,951	2,507,015	2,851,746
Total Assets	\$ 44,555,717	11,416,409	71,557,397	127,529,523
<u>Liabilities and Net Assets</u>				
Current Liabilities:				
Accounts payable	\$ 139,285	191,927	7,158,433	7,489,645
Due to other funds	759,344	-	-	759,344
Payable from restricted assets - customer deposits	92,747	145,113	512,308	750,168
Accrued expenses and other current liabilities	334,996	171,295	342,706	848,997
Accrued interest	17,234	329	8,119	25,682
Current portion of long-term debt and other obligations payable	715,308	25,000	50,000	790,308
Post retirement obligation	1,437,663	559,367	2,908,271	4,905,301
Total Current Liabilities	3,496,577	1,093,031	10,979,837	15,569,445
Long-term debt, net of current portion	25,223,558	148,961	17,950,998	43,323,517
Other Liabilities:				
Construction advances-refundable	-	-	8,668	8,668
Conservation advances-TVA	-	-	729,831	729,831
Other	-	-	5,271	5,271
	-	-	743,770	743,770
Total liabilities	28,720,135	1,241,992	29,674,605	59,636,732
Net Assets:				
Invested in capital assets, net of related debt	16,446,571	6,969,795	33,684,609	57,100,975
Unrestricted	(610,989)	3,204,622	8,198,183	10,791,816
	15,835,582	10,174,417	41,882,792	67,892,791
Total Liabilities and Net Assets	\$ 44,555,717	11,416,409	71,557,397	127,529,523

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

Statement of Revenue, Expenses and Changes
in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2012

	Water and Sewer Fund	Gas Fund	Electric Power Fund	Total
Operating Revenues:				
Services	\$ 6,861,081	4,720,251	46,361,434	57,942,766
Other	442,690	207,568	1,042,364	1,692,622
Total Operating Revenues	<u>7,303,771</u>	<u>4,927,819</u>	<u>47,403,798</u>	<u>59,635,388</u>
Operating Expenses:				
Cost of sales and service	-	3,581,899	35,205,718	38,787,617
Operating and maintenance	3,466,209	1,244,211	6,556,850	11,267,270
Provision for depreciation	1,107,332	222,613	2,078,947	3,408,892
Taxes	-	-	541,980	541,980
Total Operating Expenses	<u>4,573,541</u>	<u>5,048,723</u>	<u>44,383,495</u>	<u>54,005,759</u>
Operating Income (Loss)	<u>2,730,230</u>	<u>(120,904)</u>	<u>3,020,303</u>	<u>5,629,629</u>
Nonoperating Revenues (Expenses):				
Interest income	4,157	16,100	129,712	149,969
Amortization expense	(16,864)	(141)	(74,550)	(91,555)
Interest expense	(931,606)	(4,444)	(970,491)	(1,906,541)
Total Nonoperating Revenues (Expenses)	<u>(944,313)</u>	<u>11,515</u>	<u>(915,329)</u>	<u>(1,848,127)</u>
Net Income (Loss) Before Transfers and Contributions	1,785,917	(109,389)	2,104,974	3,781,502
Transfers and Contributions:				
Transfers out-payments in lieu of taxes-City of Lawrenceburg	(302,219)	(133,472)	(1,079,915)	(1,515,606)
Capital contributions-utility plant	-	-	227,132	227,132
Total Transfers and Contributions	<u>(302,219)</u>	<u>(133,472)</u>	<u>(852,783)</u>	<u>(1,288,474)</u>
Change in Net Assets	1,483,698	(242,861)	1,252,191	2,493,028
Net Assets , Beginning of Year	<u>14,351,884</u>	<u>10,417,278</u>	<u>40,630,601</u>	<u>65,399,763</u>
Net Assets, End of Year	<u>\$ 15,835,582</u>	<u>10,174,417</u>	<u>41,882,792</u>	<u>67,892,791</u>

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2012

	Water and Sewer Fund	Gas Fund	Electric Power Fund	Total
<u>Cash Flows from Operations</u>				
Cash received from customers	\$ 6,887,706	4,804,642	46,899,179	58,591,527
Cash paid to employees for services	(1,391,290)	(852,774)	(3,631,305)	(5,875,369)
Cash paid to suppliers of goods and services	(1,736,358)	(3,697,359)	(37,209,784)	(42,643,501)
Other receipts	465,311	216,285	1,087,017	1,768,613
Net Cash Provided (Used) by Operating Activities	<u>4,225,369</u>	<u>470,794</u>	<u>7,145,107</u>	<u>11,841,270</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Construction and acquisition of plant	(196,761)	(616,579)	(1,417,383)	(2,230,723)
Payment received on direct financing lease	-	-	41,975	41,975
Plant removal costs	-	-	(757,385)	(757,385)
Interest paid on bonds and notes payable	(930,562)	(4,114)	(971,599)	(1,906,275)
Principal payments on long-term debt	(3,235,608)	(25,000)	(930,000)	(4,190,608)
Proceeds from the issuance of debt	2,630,000	-	-	2,630,000
Bond issuance costs	37,423	-	-	37,423
Net Cash Used by Capital and Related Financing Activities	<u>(1,695,508)</u>	<u>(645,693)</u>	<u>(4,034,392)</u>	<u>(6,375,593)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Payments in lieu of taxes	(302,219)	(133,472)	(1,400,846)	(1,836,537)
Net decrease in TVA advances for conservation loans	-	-	(40,012)	(40,012)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(302,219)</u>	<u>(133,472)</u>	<u>(1,440,858)</u>	<u>(1,876,549)</u>
<u>Cash Flows from Investing Activities</u>				
(Increase) Decrease in conservation loans receivable	-	-	34,762	34,762
Advance to Water and Sewer Fund	(2,556,000)	-	2,556,000	-
Proceeds from sale and maturities of investments	-	-	-	-
Interest income received	4,157	16,100	130,198	150,455
Net Cash Provided (Used) by Investing Activities	<u>(2,551,843)</u>	<u>16,100</u>	<u>2,720,960</u>	<u>185,217</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(324,201)	(292,271)	4,390,817	3,774,345
Cash and Cash Equivalents, Beginning of Year	1,051,127	4,167,038	6,865,741	12,083,906
Cash and Cash Equivalents, End of Year	\$ <u>726,926</u>	\$ <u>3,874,767</u>	\$ <u>11,256,558</u>	\$ <u>15,858,251</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operations</u>				
Operating income (loss)	\$ 2,730,230	(120,904)	3,341,234	5,950,560
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,107,332	222,613	2,078,947	3,408,892
(Increase) decrease in:				
Accounts receivable	9,403	67,169	340,499	417,071
Accrued utility revenue	17,222	26,739	197,246	241,207
Inventory	10,555	4,539	(82,925)	(67,831)
Prepaid expenses	121,342	40,615	231,565	393,522
Increase (decrease) in:				
Accounts payable	28,004	42,303	681,909	752,216
Due to other funds	(3,926)	-	-	(3,926)
Customer deposits	22,621	8,717	44,653	75,991
Accrued expenses	182,586	179,003	311,979	673,568
Net Cash Provided (Used) By Operating Activities	\$ <u>4,225,369</u>	\$ <u>470,794</u>	\$ <u>7,145,107</u>	\$ <u>11,841,270</u>
<u>Supplemental Schedule of Non-Cash Capital and Related Financing Activities and Other Disclosures</u>				
Utility plant contributed by developers	\$ -	-	227,132	227,132
Depreciation capitalized as part of costs to construct electric plant	\$ -	-	214,637	214,637
Amortization of bond discount and debt issue costs included in interest	\$ 16,864	141	74,550	91,555

See accompanying notes to the financial statements.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The City of Lawrenceburg, Tennessee (the City), in Lawrence County was incorporated in 1901. The City operates under a Mayor-Commissioner form of government and provides the following services as authorized by its charter: police, fire, recreation, public works, industrial development and utilities.

The financial statements of the City of Lawrenceburg, Tennessee, have been prepared in conformity with accounting principles generally accepted in the United States of America, applied to governmental units as promulgated by the Governmental Auditing Standards Board (GASB). The following is a summary of the more significant accounting policies.

Reporting Entity

As required by accounting standards generally accepted in the United States of America, the accompanying financial statements of the City present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit, if any, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The Water and Sewer System, the Gas System and the Electric System are governed by the Board of Public Utilities whose members are appointed by the City Commission, further all long-term debt is in the City's name. Accordingly, the related financial statements are presented as enterprise funds of the primary government.

Discretely Presented Component Unit

The Component Unit column in the combined financial statements includes the financial data of the City's Component Unit. It is reported in a separate column to emphasize that it is legally separate from the City. The following Component Unit is included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization.

Crockett Theater Board:

The Crockett Theater Board is chartered as a non-profit corporation under Tennessee State Statutes. Its primary function is to sponsor and organize various charitable and civic events held at the Crockett Theater. The Mayor and Board of Commissioners appoint members of the Theater Board.

The unaudited financial statements of the Crockett Theater Board are presented in the comprehensive annual financial report of the City. Complete compiled financial information may be obtained from the City Administrator of the City of Lawrenceburg.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The following separately administered organizations do not meet the prescribed criteria and thus are excluded from the City's financial statements.

Lawrence County Airport

The City of Lawrenceburg and Lawrence County entered into an agreement providing for the joint acquisition, construction and operation of an airport facility. The agreement provides that all costs are to be shared equally by the City and the County. The Airport Board is composed of six members, three appointed by the City and three appointed by the County. The City subsidized Airport operations in the amount \$40,000.

As of June 30, 2012, the Airport's total assets were \$4,876,205 with total liabilities of \$242,619 and net assets of \$4,633,586. For the year ended June 30, 2012, operating revenues of \$228,881, operating expenses of \$481,886, non-operating revenues of \$116,753 (including transfers from the City and County governments of \$40,000 and \$60,000, respectively) and capital contributions of \$97,450 resulted in a net change of (\$38,802).

Complete financial statements for this entity may be obtained from the City Administrator.

Lawrence County Emergency Communications District

The Lawrence County Emergency Communications District (E911) is operated under a consolidation agreement between Lawrence County and the City of Lawrenceburg. The City subsidized E911 operations in the amount of \$285,332.

As of June 30, 2012, E911's total assets were \$1,013,774 with total liabilities of \$409,351, and net assets of \$604,423. For the year ended June 30, 2012 revenues (including subsidies from the City and Lawrence County) of \$1,200,421, operating and other expenses of \$1,242,685 resulted in a net change in assets of \$(42,264).

Complete financial statements for this entity may be obtained from the City Administrator.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Lawrenceburg Housing Authority

The Lawrenceburg Housing Authority (the Housing Authority) was chartered for the purpose of developing and administering low-income housing. Other than appointment of members of the governing board, the City has no oversight responsibility with respect to management and operation of the Housing Authority. Housing Authority operations are funded by rental income and subsidies from the federal government. Debt of the Housing Authority is guaranteed and subsidized by the federal government. The only financial benefit to the City is an in-lieu-of-tax agreement, which is not material to either the City or the Housing Authority.

Lawrenceburg Industrial Development Board

The Lawrenceburg Industrial Development Board (the Industrial Development Board) is appointed by the Mayor and approved by the City Commissioners. The Industrial Development Board issues industrial development bonds for private enterprises after approval by the City Board. The bonds do not constitute debt of the City and are secured solely by revenues received from the commercial organizations on whose behalf the bonds are issued. The City assumes no responsibility for the operating expenses of the Industrial Development Board.

Presentation

The City's financial statements include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement for all funds. The fund financial statements present information for individual major funds rather than by fund type. Non-major funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, the preparation of cash flow statements using the direct method and the inclusion of management's discussion and analysis.

Government-Wide and Fund Financial Statements

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

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Property tax revenues are recognized in the fiscal year they are levied. The City considers property taxes as available if they are collected within sixty days after year-end. Revenues that do not meet the recognition criteria are deferred and reported in the balance sheet as liabilities. Expenditures are recorded when the related fund liability is incurred, except for matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

In addition to property taxes, derived tax revenues such as sales taxes and income taxes are subject to accrual. The City accrues sales tax and income tax revenue and receivables in the period when the underlying exchange occurs. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except interest income on cash deposits) are recorded as revenues when received because they are generally not measurable prior to receipt. Interest income is recognized when it becomes measurable and available.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the City's major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Crockett Theater, the Component Unit, is classified as a governmental fund because of the nature of the activities accounted for in this entity.

The City reports the following major proprietary funds:

- *Water and Sewer System* - established to account for sewer and water service charges and related expenditures
- *Gas System* - established to account for natural gas service charges and related expenditures
- *Lawrence Electric System* - established to account for electric service charges and related expenditures

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The principal operating revenues of the City's proprietary fund (water & sewer, gas, and power systems) are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments (both restricted and unrestricted) that have an original maturity date when acquired of three months or less. The City's investments, which include certificates of deposit, are reported at amortized cost.

Statutes authorize the City to invest in: 1) U.S. government securities and obligations guaranteed by the U.S. government; 2) deposit accounts at state and federal chartered banks and savings and loan associations; 3) the Local Government Investment Pool of the State of Tennessee; and 4) obligations of the United States or its agencies under repurchase agreements with certain restrictions.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum fair value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Financial institutions that participate in the bank collateral pool, as administered by the Treasurer of the State of Tennessee, determine the aggregate balance of their deposits for the City. Securities are pledged to the State Treasurer on behalf of the bank collateral pool as collateral for the participating institution's public deposits. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Investments

Investments of the governmental and proprietary fund types consist primarily of certificates of deposit and money market funds and are stated at costs which approximates fair value.

Receivables

Accounts receivable are presented, when considered necessary, net of an allowance for uncollectible accounts.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables/Payables

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

Inventory

The Gas System, Water and Sewer System and Electric System inventories are stated at the lower of average cost or market using first-in/first-out (FIFO) method.

Restricted assets

Restricted assets, consisting of cash and investments, include funds limited by bond indentures or otherwise legally restricted for future construction projects and debt service requirements.

Proprietary Fund Equity Classification

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints, primarily for debt service and capital purchases.
- c. Unrestricted net assets - All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Capital Assets

Capital assets used in governmental fund operations include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items). Capital assets, exclusive of the Proprietary Funds are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 50 years
Improvements other than buildings	10 - 20 years
Utility plant in service	33 - 50 years
Machinery, equipment and vehicles	5 - 20 years
Road system infrastructure	10 - 60 years

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

For capital assets of the Proprietary Funds plant in service is reported at cost and includes improvements that significantly add to productive capacity or extend useful life. Costs of maintenance and repairs are charged to expense. Interest costs on funds borrowed to finance the construction of utility plant are capitalized, net of any interest income earned on the temporary investment of the proceeds of tax-exempt borrowings that are restricted for acquisition of utility. A capitalization threshold of \$500 and an estimated useful life of one year or longer is utilized as criteria for capitalization. Depreciation is determined on the straight-line basis, computed over asset estimated useful lives.

Compensated Absences

General Government (exclusive of Proprietary Funds):

Employees may accrue vacation time up to a specified maximum of 160 hours. City policy specifies that only employees with a minimum of 25 years effective March 2003 have the option of receiving payment for accumulated sick leave up to a maximum of 960 hours.

Proprietary Funds:

Employees accumulate vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave. Upon retirement, an employee is paid accumulated sick leave, generally, in excess of 800 hours at a rate of 50%. The total balance of earned but unused vacation and sick leave benefits is reported in accrued expenses and other current liabilities.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

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

Grants

The City receives grant revenues from various federal and state agencies. Grant revenues and certain related program revenues are recognized when qualifying expenditures are incurred and other grant requirements are met. Grant revenues collected in advance of the period they are intended to finance are reported as deferred revenue.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Equity

Financial Policy:

Fund balance of the governmental funds as reported in the fund financial statements is categorized under the following categories.

Nonspendable fund balance represents amounts that are required to be maintained intact, such as inventories and prepaid expenses.

Restricted fund balance is that portion of fund balance that can be spent only for the specific purposes stipulated by external resource or through enabling legislation.

Committed fund balance includes amounts constrained to specific purposes as established by ordinance approved action of the City Council. Conversely, to rescind or modify a fund balance commitment, action by ordinance of the City Council is also required.

Assigned fund balance amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent must be stipulated by the Council. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year's budget are presented as assignments of fund balance

Unassigned fund balance is the residual classification of the General Fund.

Generally, when costs are incurred for purposes for which both restricted and unrestricted funds are available it is the City's policy to spend the most restricted dollars before less restricted dollars. Further, when expenditures are incurred for which committed, assigned, or unassigned amounts may be used, committed amounts are first used followed by assigned then unassigned.

Property Taxes

Property taxes are levied as of October 1 on property values assessed as of January 1 of the same year. Taxes are due and payable from the levy date on October 1 and are delinquent on March 1, at which time the applicable property is subject to lien and penalties and interest are assessed. Assessed values are established by the State of Tennessee at the following rates of appraised fair value:

Public Utility Property	55% (Railroads 40%)
Industrial and Commercial Property	
Real	40%
Personal	30%
Residential	25%

Property taxes were levied at a rate of \$1.42 per \$100 of the assessed value. Current tax collections for the year ended June 30, 2012, were approximately 95% of the tax levy.

In accordance with GASB 33, property taxes receivable includes the estimated 2012 net realizable tax levy in the amount of \$3,108,000. The related revenues are reported as deferred revenues until they become available.

CITY OF LAWRENCEBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

1. The City Administrator submits to the Board of Commissioners the proposed operating budget for the fiscal year. The operating budgets for the General and Special Revenue Funds include proposed expenditures and the means of financing them. All appropriations in the current operating budget lapse into fund balance of the respective funds at the end of the fiscal year.
2. The budgets passed on the first reading and each of the following readings, and was adopted by ordinance on the second reading. In no event shall total appropriations for any fund exceed the estimated revenues and fund balance.
3. The amounts in the adopted budgets for each fund constitute its total annual appropriation and no expenditure may be made which will result in the annual appropriation for the fund being exceeded, unless an additional appropriation is made.
The Mayor may transfer appropriations within the same department, other changes in appropriations require board approval. Budgetary control is considered established at the department level.
4. Budgeted amounts shown are those originally adopted and amended by the Mayor and Board of Commissioners. There were supplemental appropriations of \$72,569 to the General Fund for 2012. All balances of appropriations in the current operating budgets lapse into the fund balance of the fund from which appropriations were made at the end of the fiscal year.
5. Annual operating budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

(2) CASH, CASH EQUIVALENTS, CERTIFICATES OF DEPOSIT AND INVESTMENTS

The City is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During 2012, the City invested in short-term certificates of deposit and savings accounts.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% if the average daily balance of public deposits held. Investments with the Tennessee Local Government Investment Pool are not categorized as to custodial credit risk.

At June 30, 2012, all of the City's deposits were covered by federal depository insurance or by the bank collateral pool administered by the Treasurer of the State of Tennessee.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(3) ENERGY CONSERVATION PROGRAMS

The Electric Power System participates with TVA in its energy conservation loan program. Under this program eligible customers may obtain low interest loans to finance energy conservation improvements to their homes, including the installation of a heat pump and insulation improvements. Advances from TVA are reported under other liabilities. Conservation loans receivable from customers under the program are reported under other assets. Advances are to be repaid from customer loan collections. Any uncollectible loans are the responsibility of TVA.

(4) INTERFUND TRANSACTIONS

Operating transfers among individual funds of the City for the year ended June 30, 2012, were as follows:

	Transfers out				Total
	Electric Fund	Water & Sewer Fund	Gas Fund	General Fund	
<u>Transfers In:</u>					
General Fund	\$ 1,079,915	302,219	133,472	-	1,515,606
Federal Disaster Relief Fund	-	-	-	200,000	200,000
	<u>1,079,915</u>	<u>302,219</u>	<u>133,472</u>	<u>200,000</u>	<u>1,715,606</u>

Interfund receivables and payables at June 30, 2012, consisted of the following:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>
	<u>Water & Sewer Fund</u>
Sanitation Fund-Non major fund	\$ 120,344
Electric System	639,000
	<u>\$ 759,344</u>

Individual fund transfers of the City for the year ended June 30, 2012 are attributed to (i) transfer of of the City's portion of in-lieu of tax payments from the Electric, Water & Sewer and Gas Funds, and (ii) the budgeted allocation of resources from the General Fund to the Federal Disaster Relief Fund.

Individual fund receivable and payable are attributed in part to Sanitation revenues held by the Water & Sewer Fund that were remitted in the subsequent month. There is an interfund note between the Water and Sewer Fund and the Electric Fund for prior expenses and note payments that have been paid by the Electric Fund and not reimbursed. The note is for a term of 5 years at an interest rate of 1.45% with current principal due of \$639,000.

(5) CAPITAL ASSETS

Capital assets of the governmental activities for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
<u>Capital Assets, being depreciated:</u>				
Buildings and improvements	\$ 5,344,678	-	-	5,344,678
Machinery and equipment	5,757,137	545,502	(244,876)	6,057,763
Infrastructure	9,799,500	305,509	-	10,105,009
Total capital assets, being depreciated:	<u>20,901,315</u>	<u>851,011</u>	<u>(244,876)</u>	<u>21,507,450</u>
Less accumulated depreciation for:				
Buildings and improvements	2,552,706	127,772	-	2,680,478
Machinery and equipment	4,916,406	305,173	(236,859)	4,984,720
Infrastructure	2,470,927	202,100	-	2,673,027
Total accumulated depreciation:	<u>9,940,039</u>	<u>635,045</u>	<u>(236,859)</u>	<u>10,338,225</u>
Total capital assets being depreciated, net	<u>10,961,276</u>			<u>11,169,225</u>
<u>Capital assets, not being depreciated:</u>				
Land	3,323,504	-	-	3,323,504
Governmental activities capital assets, net	<u>\$14,284,780</u>			<u>14,492,729</u>

CITY OF LAWRENCEBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(5) CAPITAL ASSETS (CONTINUED)

Capital assets of the business-type activities for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Business-type activities:				
<u>Capital assets, being depreciated:</u>				
Plant systems in service	\$101,651,894	3,295,291	(800,769)	104,146,416
Buildings and improvements	28,077,310	129,622	-	28,206,932
Machinery and equipment	<u>8,754,530</u>	<u>83,764</u>	-	<u>8,838,294</u>
Total capital assets being depreciated	<u>138,483,734</u>	<u>3,508,677</u>	<u>(800,769)</u>	<u>141,191,642</u>
Less accumulated depreciation for:				
Plant systems in service	27,977,502	2,673,735	(1,392,558)	29,258,679
Buildings and improvements	6,261,731	530,966	-	6,792,697
Machinery and equipment	<u>6,544,822</u>	<u>418,844</u>	-	<u>6,963,666</u>
Total accumulated depreciation	<u>40,784,055</u>	<u>3,623,545</u>	<u>(1,392,558)</u>	<u>43,015,042</u>
 Total capital assets, being depreciated, net	 <u>97,699,679</u>			 <u>98,176,600</u>
<u>Capital assets, not being depreciated:</u>				
Land	2,154,307	-	(5,075)	2,149,232
Construction in progress	<u>1,554,466</u>	<u>-</u>	<u>(665,498)</u>	<u>888,968</u>
Total capital assets, not being depreciated:	<u>3,708,773</u>	<u>-</u>	<u>(670,573)</u>	<u>3,038,200</u>
 Business-type capital assets, net	 \$ <u>101,408,452</u>			 <u>101,214,800</u>

Depreciation expense charged to functions/programs as of June 30, 2012, follows:

Governmental activities:	
General government	\$ 45,333
Highway & Streets, including depreciation of general infrastructure assets	265,787
Police	96,114
Fire	76,285
Parks	79,644
Sanitation	62,305
Federal Disaster Relief	<u>9,577</u>
 Total depreciation expense - governmental activities	 \$ <u>635,045</u>
 Business-type activities:	
Water and Sewer Fund	\$ 1,107,332
Gas Fund	222,613
Electric Fund	<u>2,078,947</u>
 Total depreciation expense - business-type activities	 \$ <u>3,408,892</u>

CITY OF LAWRENCEBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(6) LONG-TERM DEBT

Changes in Long-Term Obligations

During the year ended June 30, 2012, the changes in general long-term obligations reported were as follows. Typically debt service payments are made by the General Fund.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Refunding Bonds - Series 2005, due in increasing annual installments commencing April 2013 through April 2020, at interest rates ranging from 3.375% to 4.00%	\$ 4,275,000	-	-	4,275,000	535,000
General Obligation Refunding Bonds - Series 2008, due in increasing annual installments commencing June 2010 through June 2025, at interest rates ranging from 3.850% to 4.25%	1,775,000	-	(5,000)	1,770,000	5,000
General Obligation Refunding Bonds - Series 2011, due in increasing annual installments commencing June 2012 through June 2021, at interest rates ranging from 2% to 3%	3,030,000	-	(730,000)	2,300,000	280,000
Capital Outlay Note – Series 2011, due in increasing annual installments commencing May 25, 2013 through May 2017, with interest at 1.86%	-	400,000	-	400,000	77,079
Lease Purchase Obligations, secured by equipment, due in 5 annual installments of \$90,311 including interest	85,613	-	(85,613)	-	-
Lease Purchase Obligations, secured by equipment, due in 36 monthly installments of \$3273 including interest	46,381	-	(36,707)	9,674	9,674
Lease Purchase Obligations, secured by equipment, due in 5 annual installments of \$24,551 including interest	88,304	-	(20,674)	67,630	21,582
Net Other Post Employment Retirement Benefit Obligation	3,605,903*	1,066,537	-	4,672,440	-
Accrued landfill closure costs and postclosure costs	124,268	-	-	124,268	-
Compensated absences	<u>842,588</u>	<u>-</u>	<u>(147,463)</u>	<u>695,125</u>	<u>695,125</u>
Total General Long-term Debt	\$13,873,057	<u>1,466,537</u>	<u>(1,025,457)</u>	14,314,137	<u>1,623,460</u>
Add: Bond Premium	50,165			45,148	
Less: Deferred amount arising from refunding	<u>(232,741)</u>			<u>(209,115)</u>	
Total General Long-term Debt, net	<u>\$13,690,481</u>			<u>14,150,170</u>	

- As restated, see notes 16 and 10.

CITY OF LAWRENCEBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINU

(6) LONG-TERM DEBT (CONTINUED)

Long-term debt at June 30, 2012 is comprised of the following:
Electric Department

Bonds payable

Series 1996 Revenue Bonds - interest rates 4.5% to 6.625%, maturing over a 20 year period with the next payment due 7/1/12 and the final payment due 7/1/18. Bonds are secured by future revenues \$ 3,675,000

Series 2002 Refunding Bonds - interest rates 3.5% to 5.0%, maturing over a 25 year period, with the first payment made 1/1/02, and the final payment due 1/1/26. Bonds are secured by the System's revenues and receipts and secondly by ad velorem taxes of the City. 7,660,000

Series 2005 Refunding Bonds - interest rates 3.0% to 4.5%, maturing over a 25 year period, with the first payment made 1/1/06, and the final payment due 1/1/26. Bonds are secured by the System's revenues and receipts and secondly by ad velorem taxes of the City. 7,075,000

Total bonds payable - Electric Department 18,410,000

Notes Payable

Series 2011 General Obligation Capital Outlay Note, Series 2011 - interest rate 4.73%, maturing over an 8 year period, with the first payment made 1/4/12, and the final payment due 1/4/19. Note was used for the purchase of land. 350,000

Total debt issued - Electric Department \$ 18,760,000

Water and Sewer Department

Bonds payable

Series 2005 Water and Sewer Revenue and Tax Refunding Bonds- interest rates from 3.00% to 5.00%, maturing over a 15 year period, with the first payment made 7/1/06, and the final payment due 7/1/19. 7,845,000

Series 2008 General Obligation Refunding Bonds - interest rates from 3.85% to 4.25%, maturing over a 20 year period, with the first payment made 6/1/09, and the final payment due 6/1/30. 4,220,000

Series 2011 General Obligation Refunding Bonds - interest rates from 2.00% to 3.00%, maturing over a 10 year period, with the first payment made 6/1/12, and the final payment due 6/1/21. 750,000

Series 2012 General Obligation Refunding Bonds - interest rates from 2.00% to 3.00%, maturing over a 12 year period, with the first payment made 6/1/14, and the final payment due 6/1/26. 2,630,000

Total bonds payable - Water and Sewer Department 15,445,000

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINU

(6) LONG-TERM DEBT (CONTINUED)
Water and Sewer Department (Continued)

Notes Payable

State Revolving Loan Fund - interest rate of 2.44%, maturing over a 20 year period, with the first payment made 11/1/06 and the final payment due 10/1/26.

10,343,378

Total debt issued - Water and Sewer Department

\$ 25,788,378

Gas Department

Bonds payable

Series 2011 General Obligation Refunding Bonds - interest rates from 2.00% to 3.00%, maturing over a 10 year period, with the first payment made 6/1/12, and the final payment due 6/1/21.

\$ 170,000

Total bonds payable - Gas Department

\$ 170,000

Bond premium and discounts and issuance costs are deferred and amortized over the term of the related bond issues using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable	\$34,940,000	2,630,000	3,545,000	34,025,000	130,000
Notes Payable	<u>11,338,986</u>	-	<u>645,608</u>	<u>10,693,378</u>	<u>660,308</u>
Total	46,278,986	<u>2,630,000</u>	<u>4,190,608</u>	44,718,378	790,308
Less bond discounts	(144,787)			(135,131)	-
Add bond premium	510,316			560,037	-
Less deferred loss from refunding	<u>(1,116,237)</u>			<u>(1,029,459)</u>	-
Total - net	<u>45,528,278</u>			<u>44,113,825</u>	<u>790,308</u>

Debt Service Requirements

The annual debt service requirements to maturity on outstanding long-term bonded debt as of June 30, 2012, are as follows:

<u>Fiscal Year</u>	<u>General Obligation Debt</u>		<u>Proprietary Fund Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 897,079	292,430	790,308	1,821,006
2014	918,513	267,148	2,870,368	1,700,491
2015	939,973	239,776	2,990,800	1,571,969
2016	961,460	212,372	3,126,604	1,436,702
2017	977,975	180,663	3,247,804	1,293,415
2018-2022	3,075,000	473,792	14,721,396	4,483,514
2023-2027	975,000	79,212	13,946,098	1,953,046
2028-2030	-	-	<u>3,025,000</u>	<u>249,684</u>
	<u>\$ 8,745,000</u>	<u>1,745,393</u>	<u>44,718,378</u>	<u>14,509,827</u>

CITY OF LAWRENCEBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(7) CAPITAL LEASES

Electric System-Net Investment in Direct Financing Capital Lease

A rental agreement provides for TVA to lease the transmission line, the Loretto Tapline, from the Utility for a period not to exceed thirty years. At any time during the term, TVA has the option to purchase the line at a price calculated to reflect the unamortized portion of the rental base, as determined by a cost recover formula. At the end of the lease term, ownership of the line transfers to TVA. The lease requires monthly rental payments in amounts necessary to service the debt. Accordingly, the lease is being accounted for as a direct financing capital lease using an imputed interest rate of 7.1%. Imputed interest income recognized by the Utility under this agreement amount to \$91,988 for 2012.

<u>Year end June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 45,536	\$ 88,874
2014	48,627	85,531
2015	52,194	81,942
2016	56,023	78,091
2017 – 2021	348,128	322,037
2022 - 2026	495,975	173,315
2027 – 2028	<u>229,763</u>	<u>14,547</u>
	<u>\$ 1,276,246</u>	<u>844,337</u>

General Government-Capital Lease Obligation

The City has entered into various lease purchase obligations for equipment. The assets acquired through these capital leases are as follows at June 30, 2012:

Machinery & equipment	\$ 622,812
Less accumulated depreciation	<u>(420,212)</u>
Total	\$ <u>202,600</u>

The future minimum lease obligations and the net present value of these lease payments at June 30, 2012 are as follows:

2013	\$ 34,372
2014	24,552
2015	<u>24,551</u>
Total lease payments	83,475
Less amount representing interest	<u>6,171</u>
Present value of lease obligation	\$ <u>77,304</u>

(8) OPERATING LEASES

The Electric System receives rental income from, and pays rent to, certain other utilities for sharing of utility poles. These leases, treated as operating leases, are negotiated annually. Minimum future lease commitments under all such leases are insignificant.

CITY OF LAWRENCEBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(9) RETIREMENT PLANS

City of Lawrenceburg Retirement Plans:

The City of Lawrenceburg provides the following plans for City employees:
Tennessee Consolidated Retirement System - all employees, other than those of the Water & Sewer, Natural Gas, and Electric Power systems.
Lawrenceburg Utility Systems Employees' Pension Plan - all employees of the Water & Sewer, Natural Gas, and Electric Power systems.

Information concerning each of these plans follows.

Tennessee Consolidated Retirement System

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit plan administered by the Tennessee Consolidated Retirement System (TCRS). The 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 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with 5 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 performance of duty. Members joining the retirement system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service.

Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy:

The City of Lawrenceburg requires employees to contribute 5.0% of earnable compensation.

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

Annual Pension Cost:

For the year ending June 30, 2012, the City's annual pension cost of \$651,897 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen initial liability 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% a year compounded annually, (b) projected 3% annual rate of inflation,

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(9) RETIREMENT PLANS (CONTINUED)

Tennessee Consolidated Retirement System (Continued)

(c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten-year period. Amortized book value was used for fixed income securities. The City'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 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information:

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>Obligation</u>
6/30/2012	\$ 651,897	100.00%	\$ -
6/30/2011	582,163	100.00%	\$ -
6/30/2010	660,531	100.00%	\$ -

Required Supplementary Information

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the the following Schedule of Funding Progress. This information presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL's for benefit.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets <u>(A)</u>	Actuarial Accrued Liability (AAL) <u>(B)</u>	Unfunded AAL (UAAL) <u>(B) - (A)</u>	Funded Ratio <u>(A/B)</u>	Covered Payroll <u>(C)</u>	UAAL as a Percentage Of Covered Payroll <u>((B-A)/C)</u>
7/01/11	\$11,625	\$17,338	\$ 5,713	67.05%	\$4,171	136.95%
7/01/09	\$9,977	\$16,460	\$ 6,483	60.61%	\$4,259	152.21%
7/01/07	\$9,683	\$10,833	\$ 1,150	89.38%	\$4,073	28.23%

Lawrenceburg Utility System Employees Pension Plan:

All full-time employees of the System, including members of the Board of Directors, are eligible to participate in the Lawrenceburg Utility Systems (LUS) Employees' Pension Plan (the Plan), a single-employer pension trust fund, accounted for as a separate entity from the System.

There are four distinct participant groups. These are referred to by letter - A, B, C, and D. Each group has a different benefit calculation and all groups except Group D are closed to new participants.

Group A participants become eligible after attaining age 21 and completing six months of service. This group is non-contributory. To be a member of this group, an employee must have worked for the System prior to November 1, 1997. This group is entitled to monthly pension benefits beginning at age 60 and completion of 10 years of credited service or an age where age plus credited service equals 80. Such monthly benefits are equal to 1.25% of the participants final earnings multiplied by the participants credited service, with a minimum monthly benefit of \$15 per year of credited service.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(9) RETIREMENT PLANS (CONTINUED)

Lawrenceburg Utility System Employees Pension Plan (Continued)

Group B participants become eligible after attaining age 21 and completing six months of service. This group is non-contributory. To be a member of this group, an employee must have worked for the System after October 31, 1997 and prior to July 1, 2002. This group is entitled to monthly pension benefits beginning at age 60 and completion of 10 years of credited service. Such benefits are equal to 60% of the participants final earnings, reduced for credited service less than 30 years at normal retirement date, with minimum monthly benefit of \$15 per year of credited service.

Group C's participants are those employees of the Gas, Water and Sewer Departments which were members of the Tennessee Consolidated Retirement System (TCRS) pension plan prior to July 1, 2002. Contributions of 5% of gross pay are required by participants of this group. The participants are entitled to monthly benefits beginning at the earlier of age 60 or 30 years of credited service. Monthly benefits are equal to 1.575% of average monthly compensation times years of credited service plus .2625% of excess of average monthly compensation over social security integration level, times years of credited service, with a minimum monthly benefit of \$15 per year of credited service. This benefit is offset by the frozen accrued benefit under the TCRS pension plan as of June 30, 2002.

Group D's participants are those employees hired on or after July 1, 2002. The participants are required to contribute 5% of their gross pay to the Plan. The participant is entitled to monthly pension benefits after reaching age 60. Monthly benefits are equal to 1.575% of average monthly compensation times years of credited service plus 0.2625% of excess of average monthly compensation over social security integration level, times years of credited service, with a minimum monthly benefit of \$15 per year of credited service.

Funding Policy

The employees of the System are not allowed to not make voluntary contributions. The System's contributions are based on an actuarially determined rate. The current rate is 12.4% of annual covered payroll. The System's contribution is established by the actuarial valuation.

Annual Pension Cost

For the year ended June 30, 2012, the System contributed \$536,958 to cover its required contribution. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the entry age normal frozen initial liability actuarial method. Significant actuarial assumptions used in the valuation include (a) rate of return on investments of present and future assets of 8% a year compounded annually, (b) projected salary increases of 5% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the social security wage base, and (d) projected post retirement increases of 3% 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 five-year period. The System's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2012 was 8 years. An actuarial valuation was performed as of July 1, 2012, which established contribution rates effective July 1, 2012.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(9) RETIREMENT PLANS (CONTINUED)

Lawrenceburg Utility System Employees Pension Plan (Continued):

Trend Information:

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage of APC Contribution
June 30, 2012	\$ 405,761	536,958	132.33%
June 30, 2011	\$ 622,525	536,854	86.24%
June 30, 2010	677,397	536,830	79.25%

As of July 1, 2012, the most recent actuarial valuation date, the plan was 79.1% funded. The actuarial accrued liability for benefits was \$14.40 million, and the actuarial value of assets was \$11.50 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.03million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.9 million and the ratio of the UAAL to the covered payroll was 61.9%.

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

The following schedule of funding progress for the Plan presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially Accrued Liab- -Frozen Entry Age* (b)	Unfunded Actuarial Accrued Liability (UALL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a % of Covered Payroll ((b-a)/c)
7/1/08	8,651,441	8,945,342	293,901	96.7%	4,849,097	6.1%
7/1/09	8,140,470	8,404,921	264,451	96.9%	5,077,925	5.2%
7/1/10	9,489,416	9,892,100	402,684	95.9%	5,096,529	7.9%
7/1/11	10,917,970	11,402,770	484,800	95.7%	4,663,770	10.4%
7/1/12	11,502,830	14,535,970	3,034,140	79.13%	4,900,287	61.92%

CITY OF LAWRENCEBURG, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(10) OTHER POST-EMPLOYMENT BENEFITS

City Government (Excluding Lawrenceburg Utility System Funds)

Plan Provisions

The City sponsors a single-employer post-retirement medical plan. The plan provides medical, prescription, and death benefits to all eligible employees. Eligible employees of the City can continue medical coverage at retirement as follows:

- With 10 plus years service, 50% of employee coverage and 100% of dependent care coverage paid by employee.
- With 15 plus years service, 25% of employee coverage and 50% of dependent care coverage paid by employee.
- with 20 plus years service, 0% of employee coverage and 30% of dependent care coverage paid by employee.

Disabled and Post 65 retiree coverage for Medicare Supplemental Plan F is fully paid by the City. If spousal coverage is elected, the retiree or the disabled must make a contribution of \$100 and the remainder is paid by the City. Surviving spousal coverage is fully paid by the City. Employees hired after June 30, 2008 are eligible for Post 65 benefits.

Funding Policy

The premium requirements of Plan members are established and may be amended by the insurance committee. The Plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the Plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plan develop their own contribution policy in terms of subsidizing active employee or retired employees' premiums since the committee is not prescriptive on that issue.

An actuarial valuation was performed as of July 1, 2011, which established annual required contribution amounts for 2011 and 2012.

Annual OPEB Cost and Net OPEB Obligation

The following information is for the year ended June 30, 2011 and 2012 and was taken from the most recent actuarial valuation performed as of July 1, 2011.

	<u>6-30-11</u>	<u>6-30-12</u>
Annual Required Contribution (ARC)	\$1,402,000	1,240,000
Interest		
Adjustments to ARC	<u>16,940</u>	<u>172,878</u>
Annual OPEB Cost	1,418,940	1,412,878
Amount of Contribution	<u>(363,568)</u>	<u>(346,341)</u>
Increase (decrease) in Net Pension		
Obligation (NPO)	1,055,372	1,066,537
Net OPEB Obligation, Beginning of year	<u>2,550,531</u>	<u>3,605,903</u>
Net OPEB Obligation, end of year	<u>\$3,605,903</u>	<u>4,672,440</u>

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(10) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

City Government (Excluding Lawrenceburg Utility System Funds (Continued))

Trend Information

<u>Year End*</u>	<u>Annual OPEB Cost</u>	<u>Percent of OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6-30-09	\$1,221,000	27.70%	882,806
6-30-10	2,012,984	17.15%	2,550,531
6-30-11	1,418,940	25.62%	3,605,903
6-30-12	1,412,878	24.51%	4,672,440

Lawrenceburg Utility Systems - Proprietary Funds

Plan Description

The System sponsors a single-employer post-retirement medical plan. The plan provides medical, prescription, and death benefits to all eligible employees.

Funding Policy

The System intends to continue its policy of funding OPEB liabilities on a pay-as-you-go basis and not to pre-fund any unfunded annual required contribution as determined under GASB 45.

Annual OPEB Cost and Net OPEB Obligation

The Utility's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Utility's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Utility's net OPEB Obligation for the year 2012.

Annual Required Contribution	\$ 2,608,974
Increase due to interest	150,606
Adjustment to Annual Required Contribution	<u>(151,807)</u>
Annual OPEB Cost (Expense)	2,607,773
Contributions Made	<u>(964,641)</u>
Increase in Net Obligation	1,643,132
Net OPEB Obligation - beginning of year	<u>3,346,789</u>
Net OPEB Obligation - end of year	\$ <u>4,989,921</u>

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(10) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)
Lawrenceburg Utility Systems - Proprietary Funds (Continued)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$36.48 million, and the actuarial value of assets was \$0 resulting in an unfunded accrued liability (UAAL) of \$36.48 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.59 million and the ratio of the UAAL to the covered payroll was 795.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods 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.

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date and an annual healthcare cost trend rate of 8% initially reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining amortizations period at July 1, 2010 was 30 years.

Year of Implementation

The Utility implemented GASB-45 during the year ended June 30, 2009 and in accordance with implementation guidance provided in the standard, has implemented GASB-45 prospectively.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(10) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)
Lawrenceburg Utility Systems - Proprietary Funds (Continued)

A schedule of funding progress for the Plan follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially Accrued Liab- ility (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a % of Covered Payroll ((b-a)/c)
7-1-08	\$ -	26,866,096	26,866,096	0%	4,849,097	554.0%
7-1-09	-	27,915,016	27,915,016	0%	5,077,925	549.7%
7-1-10	-	34,897,005	34,897,005	0%	4,476,679	779.5%
7-1-11	-	36,478,813	36,478,813	0%	4,588,596	795.9%

(11) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such risks of loss are addressed as follows:

City Government (Excluding Proprietary Funds)

The City maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of the above risks of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The City pays a premium, receives coverage, and can make claims against that coverage.

City Government (Excluding Proprietary Funds) (Continued)

The City meets the TML Pool's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. The City has also purchased commercial insurance for the surety bonds for principal management officials.

Management believes insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three years.

Proprietary Funds

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees, and natural disasters. The Utility has purchased commercial insurance for all the above risks. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years and there has been no significant reduction in the amount of coverage provided.

The Systems are self-insured for employee medical, vision, and dental claims. However the Systems have purchased commercial insurance to cover claims in excess of \$65,000 per person annually as well as an aggregate annual amount for all employees. The System recognizes claims actually filed as an expense.

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(11) RISK MANAGEMENT (CONTINUED)

Proprietary Funds (Continued)

Changes in the reported liability are as follows:

<u>Fiscal Year Ending</u>	<u>Beginning</u>	<u>Changes in</u>	<u>Claim</u>	<u>Ending</u>
	<u>Balance</u>	<u>Estimates</u>	<u>Payments</u>	<u>Balance</u>
June 30, 2012	\$ 409,633	2,347,816	2,363,528	393,921
June 30, 2011	\$ 429,905	2,437,528	2,457,800	409,633

(12) DEFERRED COMPENSATION PLAN

The Utility Systems offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Utility System employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The System has no claim to the assets held in this plan, and neither the assets nor the related deferred compensation liability are included in the System's Statements of Net Assets.

(13) COMMITMENTS AND CONTINGENCIES

The City is potentially liable in a number of legal and regulatory actions resulting from easement disagreements, environmental remediation issues, employment claims, public safety allegations, and property damage claims resulting from sewer blockages and water run-off problems. In most cases, the amount of damages is immaterial, is not ascertainable, or is covered by property and liability insurance carriers.

The Tennessee Department of Environment and Conservation issued a Notice and Assessment against the City of Lawrenceburg for violations of its National Pollutant Discharge Elimination System (NPDES) permit relating to problems associated with the Sewer System resulting from excess sludge handling capabilities and damages. The City of Lawrenceburg entered into an Agreed Order on March 21, 2002 setting forth deadlines and penalties for failure to meet deadlines. The City paid a penalty upon execution of the Order. The City is using a combination of Community Development Block Grant funds and matching local funds to make the necessary improvements to the Sewer System. No further liability resulting from penalties is anticipated.

Power Contract:

The Electric Power System purchases its electrical energy from the Tennessee Valley Authority (TVA) under terms of a standard electric contract between TVA and the City of Lawrenceburg. Under the contract the System is required to comply with certain restrictions relating to furnishing, advancing, lending, pledging or otherwise diverting electric system funds, revenues, credit, or property to other operations of the City of Lawrenceburg, as well as the payment of, or providing security for, indebtedness or other obligations applicable to such other operations

CITY OF LAWRENCEBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(14) CITY OWNED AND OPERATED LANDFILL

State and federal laws and regulations require the City to place a final cover on its construction landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care cost will be paid only near or after the date that the landfill stops accepting waste, the City has accrued a portion of these closure and postclosure care cost. The City will recognize the remaining estimated cost of closure and postclosure care as the remaining estimated capacity is filled. These amounts are based on what it would presently cost to perform all closure and postclosure care. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

(15) NATURAL GAS SUPPLY AND CAPACITY MANAGEMENT AGREEMENT AND NATURAL GAS TRANSPORTATION SERVICE AGREEMENT

On October 1, 2005, the Gas System entered into an out-of-state membership agreement with the Municipal Gas Authority of Georgia (MGAG). This membership agreement obligates MGAG to deliver at the System's receipt points (gate stations) all natural gas supplies the System needs both within and above the System's maximum contract entitlement under the Systems TETCO service agreement, limited solely by and only to the extent of a *force majeure* event. The System agrees to make payment to MGAG for such service at actual cost of the natural gas and capacity, plus a management fee. This contract provides the System access to long-term gas supply owned or contracted by MGAG.

The System has a service agreement with Texas Eastern Transmission Corporation (TETCO) which obligates TETCO to deliver any and all natural gas the System arranges and has deposited into the TETCO transmission line for the System's use. In turn, the System is obligated to make payment for such deliveries and to insure the correct amount of natural gas is deposited into the TETCO transmission system. Payment for these services is funneled through the MGAG supply and capacity management agreement. The TETCO service agreement is in force and effect until October 31, 2012, and renews year-to-year thereafter unless terminated by either TETCO or the System upon two years prior written notice.

(16) BUDGET OVERAGES AND DEFICIT FUND BALANCES

Funding of budget deficits and fund balance deficit would ultimately be the responsibility of the General Fund. For the year ended June 30, 2012 expenditures exceeded budgeted amounts as follows.

	<u>Budget Overage</u>
General Fund	
Judicial	\$ 39
Sanitation Fund	\$43,924

(17) RESTATEMENT

During 2012, the City had an actuarial study of its health benefits plan for retired employees for 2011 and 2012. As a result, the City's unfunded actuarial required contribution for its post-employment benefit plan at June 30, 2011 was increased by \$1,055,372 to \$3,605,903. Accordingly, net assets, in the Statement of Activities, as of July 1, 2011 have increased by \$1,055,372.

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

Federal Disaster Relief Fund - To account for the proceeds of various State and Federal grants the proceeds of which are to be used on various flood abatement projects.

Drug Fund - To account for drug fines and fees and the usage of these monies for drug related purposes.

Sanitation Fund - To account for the City's solid waste collection operations.

Permanent Fund:

Mimosa Cemetery Fund - To account for the sale of grave sites and related costs.

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

<u>Assets</u>	<u>Special Revenue Funds</u>				<u>Permanent</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>State</u> <u>Street</u> <u>Aid Fund</u>	<u>Federal</u> <u>Disaster</u> <u>Relief</u> <u>Fund</u>	<u>Drug</u> <u>Fund</u>	<u>Sanitation</u> <u>Fund</u>	<u>Fund</u> <u>Mimosa</u> <u>Cemetery</u> <u>Fund</u>	
Cash and cash equivalents	\$ 204,481	118,301	41,046	650,461	99,470	1,113,759
Due from other funds	-	-	-	120,344	-	120,344
Accounts receivable, net of allowance for doubtful accounts	<u>46,660</u>	<u>5,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,431</u>
Total Assets	\$ <u>251,141</u>	<u>124,072</u>	<u>41,046</u>	<u>770,805</u>	<u>99,470</u>	<u>1,286,534</u>
 <u>Liabilities and Fund Equity</u>						
Liabilities:						
Accounts payable	\$ -	-	-	650	-	650
Due to other funds	-	-	-	-	-	-
Accrued costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,542</u>	<u>-</u>	<u>21,542</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,192</u>	<u>-</u>	<u>22,192</u>
 Fund Balance (Deficit):						
Restricted for:						
Roads	251,141	-	-	-	-	251,141
Public Safety	-	-	41,046	-	-	41,046
Capital projects	-	124,072	-	-	-	124,072
Solid waste disposal	-	-	-	748,613	-	748,613
Cemetery maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,470</u>	<u>99,470</u>
Total Restricted Fund Balance	<u>251,141</u>	<u>124,072</u>	<u>41,046</u>	<u>748,613</u>	<u>99,470</u>	<u>1,264,342</u>
Total Liabilities and Fund Balance	\$ <u>251,141</u>	<u>124,072</u>	<u>41,046</u>	<u>770,805</u>	<u>99,470</u>	<u>1,286,534</u>

CITY OF LAWRENCEBURG, TENNESSEE

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2012

	Special Revenue Funds				Permanent Fund Mimosa Cemetery Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Federal Disaster Relief Fund	Drug Fund	Sanitation Fund		
Revenues:						
Intergovernmental:						
Gasoline tax - State of Tennessee	\$ 269,007	-	-	-	-	269,007
Charges for Services:						
Garbage fees	-	-	-	1,105,595	-	1,105,595
Miscellaneous:						
Other revenue	19,707	8,956	38,232	107,411	600	174,906
Interest income	197	-	32	130	131	490
Total Revenues	<u>288,911</u>	<u>8,956</u>	<u>38,264</u>	<u>1,213,136</u>	<u>731</u>	<u>1,549,998</u>
Expenditures:						
Highways and streets:						
Road and bridge repair	328,095	-	-	-	-	328,095
Sanitation:						
Salaries and employee benefits	-	-	-	790,511	-	790,511
Contractual services	-	-	-	47,971	16,000	63,971
Supplies	-	-	-	139,871	-	139,871
Insurance	-	-	-	8,429	-	8,429
Other	-	-	-	24,424	-	24,424
Program costs	-	-	43,844	-	-	43,844
Debt service	-	-	-	90,315	-	90,315
Capital outlay	-	305,509	8,970	-	-	314,479
Total Expenditures	<u>328,095</u>	<u>305,509</u>	<u>52,814</u>	<u>1,101,521</u>	<u>16,000</u>	<u>1,803,939</u>
Excess (deficiency) of revenues over expenditures	<u>(39,184)</u>	<u>(296,553)</u>	<u>(14,550)</u>	<u>111,615</u>	<u>(15,269)</u>	<u>(253,941)</u>
Other Financing Sources (Uses):						
Transfer from (to) other funds	-	200,000	-	-	-	200,000
Proceeds from note issuance	-	-	-	400,000	-	400,000
Total Other Financing Sources	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>600,000</u>
Net Change in Fund Balance	(39,184)	(96,553)	(14,550)	511,615	(15,269)	346,059
Fund Balance, Beginning of Year	<u>290,325</u>	<u>220,625</u>	<u>55,596</u>	<u>236,998</u>	<u>114,739</u>	<u>918,283</u>
Fund Balance, End of Year	\$ <u>251,141</u>	<u>124,072</u>	<u>41,046</u>	<u>748,613</u>	<u>99,470</u>	<u>1,264,342</u>

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP) and Actual

State Street Aid Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
State shared tax:				-
Gas 3 Cent	\$ 59,400	59,400	55,871	(3,529)
Gasoline and motor fuel tax	201,000	201,000	183,033	(17,967)
Gas 1989	33,000	33,000	30,103	(2,897)
Miscellaneous				
Reimbursement for street repair	<u>50,312</u>	<u>50,312</u>	<u>19,904</u>	<u>(30,408)</u>
Total Revenues	<u>343,712</u>	<u>343,712</u>	<u>288,911</u>	<u>(54,801)</u>
Expenditures:				
Current:				
Road and bridge repair	<u>351,416</u>	<u>451,416</u>	<u>328,095</u>	<u>123,321</u>
Total Expenditures	<u>351,416</u>	<u>451,416</u>	<u>328,095</u>	<u>123,321</u>
Excess (deficiency) of revenues over expenditures	(7,704)	(107,704)	(39,184)	68,520
Fund Balance, Beginning of Year	<u>290,325</u>	<u>290,325</u>	<u>290,325</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 282,621</u>	<u>182,621</u>	<u>251,141</u>	<u>68,520</u>

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP) and Actual

Federal Disaster Relief Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ -	-	8,956	8,956
Total Revenues	-	-	8,956	8,956
Expenditures:				
Capital outlay-infrastructure	322,449	382,449	305,509	76,940
Total Expenditures	322,449	382,449	305,509	76,940
Excess (deficiency) of revenues over expenditures	(322,449)	(382,449)	(296,553)	85,896
Other Financing Sources (Uses):				
Transfer from (to) other funds	200,000	200,000	200,000	-
Total Other Financing Sources	200,000	200,000	200,000	-
Net Change in Fund Balance	(122,449)	(182,449)	(96,553)	85,896
Fund Balance, Beginning of Year	220,625	220,625	220,625	-
Fund Balance, End of Year	\$ 98,176	38,176	124,072	85,896

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP) and Actual

Drug Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance from Variance Final Budget Positive (Negative)
Revenues:				
Fines and fees				
Drug fines, confiscated property	\$ 87,400	87,400	38,232	(49,168)
Miscellaneous - interest income	100	100	32	(68)
Total Revenues	<u>87,500</u>	<u>87,500</u>	<u>38,264</u>	<u>(49,236)</u>
Expenditures:				
Current:				
Program Costs	59,500	59,500	43,844	15,656
Capital outlay	28,000	28,000	8,970	19,030
Total Expenditures	<u>87,500</u>	<u>87,500</u>	<u>52,814</u>	<u>34,686</u>
Net Change in Fund Balance	-	-	(14,550)	(14,550)
Fund Balance, Beginning of Year	<u>55,596</u>	<u>55,596</u>	<u>55,596</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 55,596</u>	<u>55,596</u>	<u>41,046</u>	<u>(14,550)</u>

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP) and Actual

Sanitation Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues:				
Charges for Services:				
Garbage fees	\$ 1,048,745	1,005,000	1,105,595	100,595
Miscellaneous:				
Other revenue	108,711	73,480	107,541	34,061
Total Revenues	<u>1,157,456</u>	<u>1,078,480</u>	<u>1,213,136</u>	<u>134,656</u>
Expenditures:				
Current:				
Sanitation:				
Salaries and employee benefits	703,786	739,860	790,511	(50,651)
Contractual services	48,475	52,250	47,971	4,279
Supplies	104,175	115,750	139,871	(24,121)
Insurance	16,511	13,426	8,426	5,000
Other	180,000	36,000	24,426	11,574
Debt Service	-	90,311	90,316	(5)
Capital Outlay	97,686	10,000	-	10,000
Total Expenditures	<u>1,150,633</u>	<u>1,057,597</u>	<u>1,101,521</u>	<u>(43,924)</u>
Excess (deficiency) of revenues over expenditures	<u>6,823</u>	<u>20,883</u>	<u>111,615</u>	<u>90,732</u>
Other Financing Sources (Uses):				
Proceeds from debt issuance	-	-	400,000	400,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Net Change in Fund Balance	6,823	20,883	511,615	490,732
Fund Balance, Beginning of Year	<u>236,998</u>	<u>236,998</u>	<u>236,998</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 243,821</u>	<u>257,881</u>	<u>748,613</u>	<u>490,732</u>

FINANCIAL SCHEDULES

CITY OF LAWRENCEBURG, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds -

Schedule of Changes in Capital Assets

For the Year Ended June 30, 2012

	Balance			Balance
Cost / Estimated Cost:	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2012</u>
Land	\$ 3,323,504	-	-	3,323,504
Buildings and structures	5,344,678	-	-	5,344,678
Equipment	5,757,137	545,502	(244,876)	6,057,763
Infrastructure	9,799,500	305,509	-	10,105,009
Total Capital Assets	\$ <u>24,224,819</u>	<u>851,011</u>	<u>(244,876)</u>	<u>24,830,954</u>
	Balance			Balance
Accumulated Depreciation:	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2012</u>
Buildings and structures	\$ 2,552,706	127,772	-	2,680,478
Equipment	4,916,406	305,173	(236,859)	4,984,720
Infrastructure	2,470,927	202,100	-	2,673,027
Total Capital Assets	\$ <u>9,940,039</u>	<u>635,045</u>	<u>(236,859)</u>	<u>10,338,225</u>

CITY OF LAWRENCEBURG, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds -

Schedule of Changes in Capital Assets - By Function and Activity

For the Year Ended June 30, 2012

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
Cost / Estimated Cost:				
General Government:				
Administration	\$ 1,889,553	-	-	1,889,553
Emergency management	99,179	-	-	99,179
Planning and development	55,034	-	-	55,034
Federal disaster relief-flood control	6,755,666	305,509		7,061,175
Police	1,157,780	42,811	(55,301)	1,145,290
Fire	1,738,814	479,991	(153,719)	2,065,086
Street	7,082,600	22,700	-	7,105,300
Parks and recreation	4,339,728		(35,856)	4,303,872
Sanitation	1,106,465	-	-	1,106,465
 Total Capital Assets	 \$ <u>24,224,819</u>	 <u>851,011</u>	 <u>(244,876)</u>	 <u>24,830,954</u>
 Accumulated Depreciation:				
General Government:				
Administration	\$ 953,465	45,333	-	998,798
Emergency management	71,377	9,577	-	80,954
Police	879,735	96,114	(47,284)	928,565
Fire	1,513,542	76,285	(153,719)	1,436,108
Highways & Streets	3,851,548	265,787	-	4,117,335
Sanitation	919,548	62,305	-	981,853
Parks and recreation	1,750,824	79,644	(35,856)	1,794,612
 Total Capital Assets	 \$ <u>9,940,039</u>	 <u>635,045</u>	 <u>(236,859)</u>	 <u>10,338,225</u>

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2012

<u>Tax Year</u>	<u>Balance, June 30, 2011</u>	<u>Tax Levy and Adjustments</u>	<u>Collections and Adjustments</u>	<u>Balance, June 30, 2012</u>
2011	\$ -	3,108,295	(2,940,506)	167,789
2010	129,501		(93,149)	36,352
2009	37,937		(31,303)	6,634
2008	6,825		(4,603)	2,222
2007	2,158		(1,596)	562
2006	5,142		(334)	4,808
2005	2,265		(322)	1,943
2004	3,200		(322)	2,878
2003	1,901		-	1,901
2002	4,436		-	4,436
2001	3,594		-	3,594
2000	-			-
1999	-			-
1998	75		(75)	-
	<u>\$ 197,034</u>	<u>3,108,295</u>	<u>(3,072,210)</u>	233,119
		Add 2012 tax levy		<u>3,108,000</u>
		Total property tax receivable		3,341,119
		Less allowance for doubtful accounts		<u>(48,978)</u>
		Total property tax receivable, net	\$	<u><u>3,292,141</u></u>

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Debt Service Requirements

General Obligation Debt

June 30, 2012

Fiscal Year	General Obligation Refunding Bonds - Series 2011-City Portion		General Obligation Refunding Bonds - Series 2008		General Obligation Refunding Bonds - Series 2008		Capital Outlay Note - Series 2011		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2013	\$ 280,000	54,925	535,000	157,325	5,000	72,740	77,079	7,440	897,079
2014	280,000	49,325	555,000	139,269	5,000	72,548	78,513	6,006	918,513	267,148
2015	280,000	43,725	575,000	119,150	5,000	72,355	79,973	4,546	939,973	239,776
2016	275,000	38,125	600,000	99,025	5,000	72,163	81,460	3,059	961,460	212,372
2017	275,000	29,875	615,000	77,275	5,000	71,970	82,975	1,543	977,975	180,663
2018	270,000	21,625	635,000	54,212	5,000	71,778	-	-	910,000	147,615
2019	270,000	16,225	660,000	30,400	5,000	71,585	-	-	935,000	118,210
2020	190,000	10,150	100,000	4,000	180,000	71,393	-	-	470,000	85,543
2021	180,000	5,400	-	-	280,000	64,462	-	-	460,000	69,862
2022	-	-	-	-	300,000	52,562	-	-	300,000	52,562
2023	-	-	-	-	325,000	39,812	-	-	325,000	39,812
2024	-	-	-	-	315,000	26,000	-	-	315,000	26,000
2025	-	-	-	-	335,000	13,400	-	-	335,000	13,400
	\$ <u>2,300,000</u>	<u>269,375</u>	<u>4,275,000</u>	<u>680,656</u>	<u>1,770,000</u>	<u>772,768</u>	<u>400,000</u>	<u>22,594</u>	<u>8,745,000</u>	<u>1,745,393</u>

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Debt Service Requirements to Maturity

Business - Type Activities

Water and Sewer Fund

June 30, 2012

Fiscal Year	Series 2011 General Obligation Refunding Bonds		Series 2005 Revenue and Tax Refunding Bonds		Series 2008 General Obligation Refunding Bonds		State of Tennessee Revolving Loan		Series 2012 General Obligation Refunding Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 95,000	17,525	-	384,350	10,000	171,780	610,308	252,378	-	69,543	715,308	895,576
2014	95,000	15,625	1,040,000	332,350	10,000	171,395	625,368	237,487	100,000	69,350	1,870,368	826,207
2015	95,000	13,725	1,090,000	277,850	15,000	171,010	640,800	222,228	100,000	67,350	1,940,800	752,163
2016	100,000	11,825	1,150,000	220,350	15,000	170,432	656,604	206,592	100,000	65,350	2,021,604	674,549
2017	100,000	8,825	1,205,000	160,100	15,000	169,855	672,804	190,571	100,000	63,350	2,092,804	592,701
2018	105,000	5,825	1,275,000	96,350	15,000	169,278	689,412	174,155	100,000	61,350	2,184,412	506,958
2019	110,000	3,725	1,295,000	31,600	15,000	168,700	706,416	157,333	100,000	59,350	2,226,416	420,708
2020	50,000	1,250	790,000	-	15,000	168,123	723,852	140,097	100,000	57,350	1,678,852	366,820
2021	-	-	-	-	15,000	167,545	741,708	122,435	300,000	54,850	1,056,708	344,830
2022	-	-	-	-	15,000	166,908	760,008	104,337	310,000	47,350	1,085,008	318,595
2023	-	-	-	-	15,000	166,270	778,764	85,793	320,000	39,600	1,113,764	291,663
2024	-	-	-	-	20,000	165,633	797,976	66,791	325,000	30,000	1,142,976	262,424
2025	-	-	-	-	20,000	164,833	817,668	47,320	335,000	20,250	1,172,668	232,403
2026	-	-	-	-	-	164,033	837,852	27,369	340,000	10,200	1,177,852	201,602
2027	-	-	-	-	1,000,000	164,033	283,838	6,926	-	-	1,283,838	170,959
2028	-	-	-	-	1,000,000	124,033	-	-	-	-	1,000,000	124,033
2029	-	-	-	-	1,010,000	83,533	-	-	-	-	1,010,000	83,533
2030	-	-	-	-	1,015,000	42,118	-	-	-	-	1,015,000	42,118
	\$ 750,000	78,325	7,845,000	1,502,950	4,220,000	2,769,512	10,343,378	2,041,812	2,630,000	715,243	25,788,378	7,107,842

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Debt Service Requirements to Maturity

Business - Type Activities

Natural Gas Fund

June 30, 2012

Fiscal Year	Series 2011 General Obligation Refunding Bonds		Total Requirements	
	Principal	Interest	Principal	Interest
2013	\$ 25,000	3,950	25,000	3,950
2014	25,000	3,450	25,000	3,450
2015	25,000	2,950	25,000	2,950
2016	25,000	2,450	25,000	2,450
2017	25,000	1,700	25,000	1,700
2018	25,000	950	25,000	950
2019	20,000	450	20,000	450
	<u>\$ 170,000</u>	<u>15,900</u>	<u>170,000</u>	<u>15,900</u>

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Debt Service Requirements to Maturity

Business - Type Activities

Electric Power Fund

June 30, 2012

Fiscal Year	Series 1996 - Revenue Bonds		Series 2011 Capital Outlay Note		Series 2002 - Refunding Bonds		Series 2005 - Refunding Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ -	243,469	50,000	16,555	-	383,000	-	278,456	50,000	921,480
2014	515,000	209,350	50,000	14,190	20,000	382,000	390,000	265,294	975,000	870,834
2015	550,000	172,913	50,000	11,825	20,000	381,000	405,000	251,118	1,025,000	816,856
2016	590,000	133,825	50,000	9,460	20,000	380,000	420,000	236,418	1,080,000	759,703
2017	630,000	92,087	50,000	7,095	20,000	379,000	430,000	220,832	1,130,000	699,014
2018	670,000	47,700	50,000	4,730	20,000	378,000	450,000	203,956	1,190,000	634,386
2019	720,000	-	50,000	2,365	25,000	376,750	465,000	185,938	1,260,000	565,053
2020	-	-	-	-	785,000	337,500	485,000	166,538	1,270,000	504,038
2021	-	-	-	-	825,000	296,250	505,000	146,338	1,330,000	442,588
2022	-	-	-	-	865,000	253,000	530,000	125,138	1,395,000	378,138
2023	-	-	-	-	915,000	207,250	550,000	102,450	1,465,000	309,700
2024	-	-	-	-	960,000	159,250	575,000	78,732	1,535,000	237,982
2025	-	-	-	-	1,010,000	108,750	595,000	54,188	1,605,000	162,938
2026	-	-	-	-	1,060,000	55,750	625,000	27,625	1,685,000	83,375
2026	-	-	-	-	1,115,000	-	650,000	-	1,765,000	-
	\$ <u>3,675,000</u>	<u>899,344</u>	<u>350,000</u>	<u>66,220</u>	<u>7,660,000</u>	<u>4,077,500</u>	<u>7,075,000</u>	<u>2,343,021</u>	<u>18,760,000</u>	<u>7,386,085</u>

CITY OF LAWRENCEBURG, TENNESSE

SCHEDULE OF FEDERAL AND STATE ASSISTANCE

For the Year Ended June 30, 2012

CFDA Number	State Grant Number	Program Name	Grantor Agency	Deferred (Receivable) Balance 6-30-11	Adjustments	Receipts	Disbursements	Deferred (Receivable) Balance 6-30-12
66.202	XP-95-41-8509-0	Box culvert project	U.S. Environmental Protection Agency	(5,771)	-	5,771	-	-
97.042	Contract # 34101-51211	EMPG10 Grant program	Department of Homeland Security	(33,750)	-	45,000	(11,250)	-
97.042	Contract # 34101-03213	EMPG10 Grant program	Department of Homeland Security	-	-	-	(33,852)	(33,852)
97.036	FEMA-1909-DR-TN	Disaster assistance grant	Department of Homeland Security*	(8,808)	-	8,808	-	-
16.738	2011-DJ-BX-3841	Byrn JAG Program	U.S Department of Justice	-	-	10,779	(10,779)	-
16.710	2009-RKWX-0808	COPS grant	U.S Department of Justice	(22,493)	-	124,418	(123,131)	(21,206)
Total Federal Grants				<u>\$ (70,822)</u>	<u>-</u>	<u>194,776</u>	<u>(179,012)</u>	<u>(55,058)</u>

* Passed through to the Lawrenceburg Utility Systems

CITY OF LAWRENCEBURG, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE-UNAUDITED
(EXCLUSIVE OF POWER SYSTEM)
June 30, 2012

Company & Policy #	Coverage	Basic Coverage	Expiration Period
Blue Cross & Blue Shield of TN Local Agent-Judy Hartsfield HRA PLAN Group #126724	Employee Hospitalization	Major Medical	January 1, 2012 to December 31, 201
Fort Dearborn Life Insurance #F010452-0001	\$30,000 for all employees \$10,000 for spouses/\$4,000 for children	Life Insurance	July 1, 2011 to June 30, 2012
BLANKET BONDS:			
Allied Mutual #7900582655	Notary Bond-Dicapo, Joyce	\$10,000	March 1, 2010 thru March 1, 2014
Allied Mutual #14979845N	Notary Bond-Ryan, Kathy	\$10,000	April 25, 2011 thru May 26, 2015
TML Risk Management			
TML #419			
General Liability/Personal Injury Liability	\$300,000 per person \$700,000 per occurrence	\$1,000. deductible	July 1, 2011 to June 30, 2012
Law Enforcement Liability/Personal Injur	\$300,000 per person \$700,000 per occurrence \$700,000 per occurrence for each other loss \$700,000 per person or per occurrence for catastrophic medical \$1,000 per person & \$10,000 per accident for Medical Payments \$100,000 per occurrence for fire damage \$100,000 per occurrence for impounded property damage \$100,000 per occurrence for non-monetary defense costs	\$1,000. deductible	
TML - 419	Errors & Omissions \$100,000 per Occurrence for non-monetary defense costs	\$1,000,000 Deductible: \$5000.00	July 1, 2011 to June 30, 2012
TML Risk Management			
AutoLiability	\$300,000 per person bodily injury	\$1,000. deductible	July 1, 2011 to June 30, 2012
Physical Damage Liability TML - 419	\$700,000 per occurrence bodily injury \$100,000 per occurrence property damage \$700,000 per occurrence for each other loss \$700,000 per person or per occurrence for catastrophic medical Medical Payments: \$1,000 per person; \$10,000 per accident Uninsured Motorists: No coverage	Comp. \$500 Col. \$250	
TML Pool #406	Workmen's Compensation	Statutory \$5000. Deductible per claim	July 1, 2011 to June 30, 2012
TML Risk Management Pool TMP-7338	Buildings & Contents: Fire & Extended Coverage: 1 DPW Garage & Warehouse, incl fencing 2 DPW Sign Shop, incl canopy 3 Dog Pound Bldg, incl fencing 4 Skill Center 5 City Administration Bldg, incl flagpole, generator 6 Fire Station # 1, flagpole, 500 gal storage tank 7 Emergency Management Building 8 EOC Storage & Warehouse Bldg 9 Richardson Mini Park Picnic Pavilion 10 Simms St Mini Park Restroom/Pavilion	\$21,724,404 \$485,774.00 \$34,891.00 \$62,842.00 \$651,641.00 \$4,379,415.00 \$756,677.00 \$461,770.00 \$86,598.00 \$11,737.00 \$34,676.00	July 1, 2011 to June 30, 2012 \$1000. Deductible

CITY OF LAWRENCEBURG, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE-UNAUDITED
(EXCLUSIVE OF POWER SYSTEM)

June 30, 2012

Company & Policy #	Coverage	Basic Coverage	Expiration Period
	11 Rotary Park Community Center	\$2,349,734.00	
	12 Armory Community Center, incl fencing	\$1,284,348.00	
	13 City Art Center	\$237,883.00	
	14 Crockett Community Theater	\$1,997,066.00	
	15 Davey Crockett Log Cabin, flagpoles	\$41,122.00	
	16 Bobby Brewer Softball Field Lighting and Fencing	\$339,813.00	
	17 Old Timer's Club	\$111,335.00	
	18 Restroom Bldg	\$51,691.00	
	19 Parks & Recreation Recreation Bldg	\$571,710.00	
	20 NOAA Weather Station Bldg	\$11,438.00	
	21 Rotary Park Ticket Booth and Office Bldg	\$189,896.00	
	22 Rotary Park Loretto Eastern Star Concession Bldg	\$35,968.00	
	23 Rotary Park Pea Ridge Concession Bldg	\$35,106.00	
	24 Rotary Park Lawrenceburg Eastern Star Concession Bldg	\$39,306.00	
	25 Rotary Park Rescue Squad Concession Bldg	\$56,751.00	
	26 Rotary Park Lion's Club Concession Bldg	\$31,122.00	
	27 Rotary Park Information Booth	\$7,430.00	
	28 Rotary Park Ethridge Civic Club Concession Bldg	\$45,122.00	
	29 Rotary Park Ethridge Eastern Star Concession Bldg	\$31,875.00	
	30 Rotary Park Small Restroom Bldg	\$54,813.00	
	31 Rotary Park Gazebo	\$19,169.00	
	32 Rotary Park Picnic Shelter #1	\$34,891.00	
	33 Rotary Park Open Grandstand	\$120,933.00	
	34 Rotary Park Announcer Perch	\$51,152.00	
	35 Rotary Park Covered Grandstand	\$351,806.00	
	36 Rotary Park Large Restroom Bldg	\$117,935.00	
	37 Rotary Park Pavilion	\$276,848.00	
	38 Rotary Park Ticket Booth/Wash Rack , incl fencing	\$21,537.00	
	39 Rotary Park Adult Field Concession Stand/Restroom Bldg	\$24,768.00	
	40 Rotary Park Youth Field Concession Stand	\$19,922.00	
	41 Rotary Park Picnic Shelter #2	\$26,168.00	
	42 Bobby Brewer Little League Concession Stand	\$268,863.00	
	43 Parks Dept Service & Maintenance Bldg	\$390,812.00	
	44 Rotary Park (Flat Top) Lighting	\$24,553.00	
	45 Rotary Park Water Slide	\$127,930.00	
	46 Bobby Brewer Picnic Shelter	\$22,399.00	
	47 Bobby Brewer Softball Field Concession Stand	\$194,893.00	
	48 Rotary Park Fair Side Playground Equipment	\$274,849.00	
	49 Veterans Memorial Park, dwelling	\$91,643.00	
	50 Richardson Mini Park Fencing and Basketball Goals	\$17,446.00	
	51 Richardson Mini Park Playground Equipment	\$13,030.00	
	52 Simms St Mini Park Playground Equipment - DELETED 11/12	\$0.00	
	53 Rotary Park Swimming Pool Pump House	\$5,707.00	
	54 Rotary Park Swimming Pool Chlorine Storage Bldg	\$4,199.00	
	55 Rotary Park Swimming Pool	\$599,670.00	
	56 Bobby Brewer Memorial Park Softball Field Bleachers	\$30,045.00	
	57 Bobby Brewer Softball Field Scoreboards	\$46,091.00	
	58 Bobby Brewer Softball Field Dugouts	\$39,199.00	
	59 Bobby Brewer Soccer Field Lighting	\$224,876.00	
	60 Bobby Brewer Memorial Park Soccer Field Bleachers	\$26,276.00	

CITY OF LAWRENCEBURG, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE-UNAUDITED
(EXCLUSIVE OF POWER SYSTEM)
June 30, 2012

Company & Policy #	Coverage	Basic Coverage	Expiration Period
	61 Bobby Brewer Memorial Park Soccer Field Goals	\$15,830.00	
	62 Bobby Brewer Little League Baseball Lighting & Fencing	\$245,865.00	
	63 Bobby Brewer Memorial Park Little League Scoreboards	\$46,091.00	
	64 Bobby Brewer Memorial Park Little League Bleachers	\$28,537.00	
	65 Bobby Brewer Memorial Park Little League Dugouts	\$26,168.00	
	66 Park Lighting	\$50,183.00	
	67 Bobby Brewer Memorial Park Little League Pavilion	\$22,399.00	
	68 Bobby Brewer Memorial Park Playground Equipment	\$52,768.00	
	69 Rotary Park Adult Field Lighting and Fencing	\$98,643.00	
	70 Rotary Park Tractor Pull Field Lighting	\$73,013.00	
	71 Rotary Park Electrical Bldg	\$4,092.00	
	72 Rotary Park Youth Field Lighting	\$46,952.00	
	73 Auto Body Shop - DELETED 11/12	\$0.00	
	74 Scout Park House	\$189,896.00	
	75 Hicks Street Cabin	\$57,528.00	
	76 Hicks Street Pump Station	\$919,505.00	
	77 Fire Station #2	\$844,620.00	
	78 Bobby Brewer Babe Ruth Baseball Field Fencing, block wall	\$29,722.00	
	79 Bobby Brewer Park LCHS Baseball Field Lighting	\$139,923.00	
	80 Portable Storage Buildings	\$10,523.00	
	81 Portable Storage Building	\$10,523.00	
	82 Bobby Brewer Park Softball Field Pavilion	\$26,599.00	
	83 Playground Equipment	\$8,291.00	
	84 Bobby Brewer Park Football Field Goal Post	\$9,692.00	
	85 Bobby Brewer Babe Ruth Baseball Field Dugouts	\$12,922.00	
	86 Bobby Brewer Babe Ruth Baseball Field Bleachers	\$4,415.00	
	87 Radio Tower	\$24,983.00	
	88 EMA Storage Garage	\$87,983.00	
	89 Storage Building	\$8,231.00	
	90 Parking Shed	\$3,016.00	
	91 Crockett Theater Annex	\$353,805.00	
	92 BOBBY BREWER FOOTBALL FIELD BLEACHERS	\$26,266.00	
	93 BOBBY BREWER FOOTBALL SCOREBOARD	\$45,177.00	
	94 Old Jail Museum	\$152,916.00	
	95 Bobby Brewer Youth Football Field Concessions	\$70,702.00	
	96 Bobby Brewer Youth Football Field Announcer Perch	\$5,125.00	
	97 Bobby Brewer Practice Football Field Fencing	\$14,340.00	
TML Risk Management TMP-7338	Crime Coverage	\$150,000 Deductible \$ -0-	July 1, 2011 to June 30, 2012
TML Risk Management Pool TMP-7338	Non-Licensed & Mobile Equipment	\$1,834,163 Deductible \$250.	July 1, 2011 to June 30, 2012
TML Risk Management Pool TMP-7338	Electronic Data Processing Equipment	\$550,914 Deductible: \$250.00	July 1, 2011 to June 30, 2012
TML Risk Management Pool TMP-7338	Boiler & Machinery	Included in property \$1,000. deductible	July 1, 2011 to June 30, 2012

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Property Tax Levies and Collections - Unaudited

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent Of Delinquent Taxes To Levy</u>
2003	\$ 2,091,259	2,003,442	95.80%	95,732	2,099,174	100.38%	31,148	1.49%
2004	2,067,622	1,983,410	95.93%	80,412	2,063,822	99.82%	122,765	5.94%
2005	3,086,830	2,712,065	87.86%	87,452	2,799,517	90.69%	410,078	13.28%
2006	3,132,017	3,009,970	96.10%	363,180	3,373,150	107.70%	168,944	5.39%
2007	3,002,919	2,766,501	92.13%	105,212	2,871,713	95.63%	300,150	10.00%
2008	3,147,069	2,907,255	92.38%	193,919	3,101,174	98.54%	346,045	11.00%
2009	2,908,827	2,677,326	92.04%	108,650	2,785,976	95.78%	468,886	16.12%
2010	2,984,077	2,828,517	94.79%	405,353	3,233,870	108.37%	219,093	7.34%
2011	3,064,510	2,935,009	95.77%	153,560	3,088,569	100.79%	197,034	6.43%
2012	3,108,295	2,940,506	94.60%	131,704	3,072,210	98.84%	233,119	7.50%

CITY OF LAWRENCEBURG, TENNESSEE

Property Tax Rates and Assessments - Unaudited

Last Ten Fiscal Years

PROPERTY TAX ASSESSMENTS (000'S):*

2012	\$	218,700
2011		215,294
2010		210,554
2009		195,222
2008		211,806
2007		194,943
2006		203,166
2005		200,648
2004		191,462
2003		190,102

ASSESSMENT RATE:

Personal property	30%
Residential property	25%
Commercial property	40%
Public utilities	55%

TAX RATE*:

2012	\$	1.42
2011		1.42
2010		1.49
2009		1.49
2008		1.54
2007		1.54
2006		1.54
2005		1.54
2004		1.08
2003		1.08

* Per \$100 of assessed value

CITY OF LAWRENCEBURG, TENNESSEE

Utility Statistical Data - Unaudited

June 30, 2012

<u>Service</u>	<u>Number of Customers</u>
Water	6,946
Sewer	4,951
Gas	5,995
Electricity	22,675

Water Rates

	<u>Rate Per 1,000 Gallon</u>	
	<u>Inside City*</u>	<u>Outside City*</u>
All Residential:		
First 1,500 gallons or fraction thereof	\$ 14.25	24.75
Next 4,500 gallons	6.25160	7.55860
Next 5,000 gallons	5.68468	6.88462
Excess over 11,000 gallons	4.91309	5.94240
Commercial:		
First 2,500 gallons or fraction thereof	\$ 38.00	47.00
Next 7,500 gallons	6.25160	7.55860
Next 10,000 gallons	5.68468	6.88462
Excess over 20,000 gallons	4.91309	5.94924
Industrial:		
Minimum		\$103.00 plus
First 2,500 gallons or fraction thereof	\$ 94.00	\$2.8016 per
Next 7,500 gallons	6.2516	1,000 gallons
Next 10,000 gallons	5.68468	
Excess over 20,000 gallons	4.91309	

	<u>Rate Per 1,000 Gallon</u>	
	<u>Inside City*</u>	<u>Outside City*</u>
<u>Sewer Rates</u>		
Residential:		
First 1,500 gallons or fraction thereof	\$ 17.35	\$18.80
Next 4,500 gallons	8.14124	8.92860
Next 5,000 gallons	7.57435	8.33019
Excess over 11,000 gallons	4.70838	5.19654

(Continued on next page)

CITY OF LAWRENCEBURG, TENNESSEE

Utility Statistical Data - Unaudited - Continued

June 30, 2012

Sewer Rates (continued)

	<u>Rate Per 1,000 Gallon</u>	
	<u>Inside</u>	<u>Outside</u>
	<u>City*</u>	<u>City*</u>
Industrial and Commerical:		
First 2,500 gallons or fraction thereof	\$ 28.95	32.80
Next 7,500 gallons	8.14124	8.92860
Next 10,000 gallons	7.57435	8.33019
Excess over 20,000 gallons	4.70838	5.19654

* Rates are in 100 gallon units.

Natural Gas Rates

	<u>Rate Per MCF</u>	
	<u>Inside</u>	<u>Outside</u>
	<u>City*</u>	<u>City*</u>
<u>RESIDENTIAL</u>		
Customer Charge	\$ 5.19	5.39
Rate per MCF	0.78900	0.809800
<u>COMMERCIAL</u>		
Customer Charge	\$ 6.50	7.15
Rate per MCF	0.88388	0.891960
<u>INDUSTRIAL</u>		
Customer Charge		\$ 6.50
Rate per MCF		0.863880

Electric Rates - Electric Power System

<u>RESIDENTIAL (PER MONTH):</u>		
Customer charge: per delivery point	\$	15.11
First 800 kWh		0.08938
Additional kWh		0.08938

(Continued on next page)

CITY OF LAWRENCEBURG, TENNESSEE

Utility Statistical Data - Unaudited - Continued

June 30, 2012

Electric Rates - Electric Power System

Schedule GSA1:

Customer charge per delivery point	\$	28.50
All kWh		0.09845

Schedule GSA2

Customer charge per delivery point	\$	190.00
Demand:		No charge
First 50kW		
Additional kW	\$	14.44
Energy:		
First 15,000 kWh		0.09736
Additional kWh		0.06159

Schedule GSA3

Customer charge:per delivery point	\$	490.00
Demand:		
First 1,000 kW	\$	14.51
Additional kW up to 2,500 kW	\$	16.20
Over 2,500 kW or contract	\$	16.20
Energy:		
All kWh		0.06160

Schedule GSB:

Customer charge:per delivery point	\$	1,850.00
Demand:		
All kW	\$	21.63
Energy:		
First 620 kWh		0.04983
Additional kWh		0.04983

Schedule GSC

Customer charge per delivery point	\$	1,850.00
Demand:		
All kW	\$	21.12
Energy:		
First 620 kWh		0.04996
Additional kWh		0.04996

Schedule GSD

Customer charge per delivery point	\$	1,850.00
Demand:		
All kW	\$	24.58
Energy:		
All kWh		0.0429

OUTDOOR LIGHTING (PER MONTH):

Customer charge per delivery point	\$	2.50
Energy charge - cents per kWh		0.06628
Facility charge (part B)		9% of installed Cost

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Unaccounted for Water - Unaudited

For the Year Ended June 30, 2012

(All amounts in gallons)

A	Water Treated and Purchased:	752,237,000
B	Water Pumped (Potable)	0
C	Water purchased	0
D	Total Water Treated and Purchased	<u>752,237,000</u>
	(Sum of Lines B and C)	
E	Accounted for Water:	
F	Water sold	509,972,000
G	Metered for Consumption (in house usage)	17,818,000
H	Fire Department(s) Usage	2,136,000
I	Flushing	6,120,000
J	Tank Cleaning/Filling	602,000
K	Street Cleaning	1,778,000
L	Bulk Sales	0
M	Water Bill Adjustments	0
N	Total Accounted for Water	<u>538,426,000</u>
	(Sum of Lines F thru M)	
O	Unaccounted for Water	<u>213,811,000</u>
	(Line D minus Line N)	
P	Percent Unaccounted for Water	<u>28.42%</u>
	(Line O divided by Line D times 100)	
Q	Other	
	Leaks-Broken mains and service lines	1,361,000

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.

OTHER REPORT SECTION

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

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

To the Mayor and Board of Commissioners
of the City of Lawrenceburg
Lawrenceburg, Tennessee

We have audited the accompanying financial statements of the governmental activities, business-type activities,, each major fund and the aggregate remaining fund information of the City of Lawrenceburg (the City) as of and for the year ended June 30, 2012, which collectively comprise the City of Lawrenceburg's basic financial statements and have issued a report thereon dated November 15, 2012. We disclaimed an opinion on the financial statements of the discretely presented component unit of the City of Lawrenceburg because the Crocket Theater Board was not audited. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. . Other auditors audited the financial statements of the Business-Type Activities (Enterprise Funds) as described in our report on the City Lawrenceburg's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

Internal Control Over Financial Reporting

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

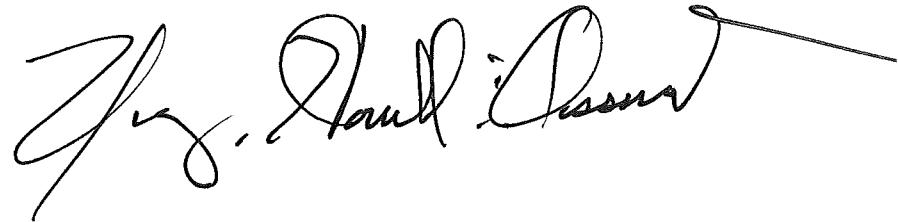
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lawrenceburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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 *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 15, 2012.

This report is intended solely for the information and use of management, City Council, State Comptroller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 15, 2012

A handwritten signature in black ink, appearing to read "J. Paul Davis". The signature is written in a cursive style with a long horizontal line extending to the right from the end of the name.

CITY OF LAWRENCEBURG, TENNESSEE

Schedule of Findings and Recommendations

June 30, 2012

Finding 2011-1 Other Post-Employment Benefits (OPEB) Financial Reporting

Condition

Generally accepted accounting principles requires the accrual of liabilities of other post-employment benefits generally over the working careers of plan members rather than as claims are incurred. This necessitates periodic actuarial valuations, biennially for plans of 200 or more or triennially for plans of under 200 participants. Actuarial valuations are necessary to determine the annual required contribution to actuarially fund the plan which is used to determine the unfunded portion of OPEB. GASB 45 does not require OPEB plans to be actuarially funded, only that certain information be made as to funding policy, unfunded OPEB and other funding information

Recommendation

We understand that the City chooses not to actuarially fund the OPEB liability, however, we do recommend that actuarial information as required under GASB 45 be developed in a timely manner.

Disposition

The City had an actuarial valuation for the year ending June 30, 2012.