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CITY OF CROSSVILLE, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

(With Independent Auditor's Report Thereon)

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# **INTRODUCTORY SECTION**

**CITY OF CROSSVILLE, TENNESSEE**

**DIRECTORY OF OFFICIALS  
(UNAUDITED)**

**ELECTED OFFICIALS**

Mayor	J.H. Graham, III
Mayor Pro-Tem	Boyd Wyatt, Sr.
Council Member	Earl Dean
Council Member	Carl Duer, M.D.
Council Member	Jesse Kerley

**APPOINTED OFFICIALS**

City Attorney	Kenneth Chadwell
City Judge	Thomas L. Bean
City Manager	Ted Meadows
City Recorder	Sally Oglesby, MMC
Director of Finance	Fred C. Houston, CPA

**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

### HONORABLE MAYOR AND CITY COUNCIL

City of Crossville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and the capital projects fund of the City of Crossville, Tennessee as of and for the year ended June 30, 2008, 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 Crossville, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, Tennessee as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and the capital projects 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 December 31, 2008, on our consideration of the City of Crossville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**HONORABLE MAYOR AND CITY COUNCIL****Page Two**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crossville, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the other supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Work & Greer, PC*

December 31, 2008

## CITY OF CROSSVILLE, TENNESSEE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Crossville, Tennessee's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements, which begin on page 11.

#### FINANCIAL HIGHLIGHTS

The City of Crossville's governmental activity total assets increased by \$5,546,000 in 2008 or 12.0%, while business-type activity total assets decreased by \$224,000 or .4%, resulting in an increase in total primary government assets of \$5,322,000 or about 5.2%. Governmental activity total revenues for the City of Crossville decreased by \$1,271,000 or 8.6%, while business-type total revenues decreased by \$413,000 or 4.8%, resulting in a decrease in total primary government revenues of \$1,684,000, or 7.2%. The City's governmental activity total program costs for 2008 increased \$389,000 or 3.6%, while business-activity total program costs increased by \$171,000 or 2.4%, resulting in an increase in total primary government program costs of \$560,000 or 3.1%. With respect to the City of Crossville's governmental activities, while total revenues decreased, net assets increased by \$1,891,000. On a budgetary basis of accounting for the General Fund, there was a net excess of revenues and other income sources over expenditures and other uses of \$500,000. The City of Crossville General Fund- fund balance at fiscal year end was approximately \$15,297,000.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Crossville, Tennessee as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

#### REPORTING THE CITY AS A WHOLE

For an analysis of the City of Crossville's financial operation as a whole, we must examine the statement of net assets and the statement of activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most companies in the private sector. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In reviewing these financial statements, we must ask, "Is the City of Crossville as a whole financially better or worse as a result of this year's activities?"

One way to answer this question of the City's financial position and stability is to review the City's statements of net assets (the difference between assets and liabilities) and the changes in these net assets over time. Tables 1 and 2 of this discussion and analysis offer this information in a comparative format which provides an excellent opportunity to evaluate the City of Crossville's financial health. In reviewing these statements you will also need to consider other non-financial factors, such as, changes in the City's property and sales tax base and the condition of the City's infrastructure facilities and equipment.

As illustrated in Table 1, total assets of the City of Crossville's governmental activities were \$51,723,000 in 2008 versus \$46,177,000 in 2007, representing an increase of \$5,546,000 or 11.9%. Table 1 also shows that total assets of the City of Crossville's business-type activities were \$56,457,000 in 2008 versus \$56,681,000 in 2007, representing a decrease of \$224,000 or 0.4%.



**REPORTING THE CITY AS A WHOLE, continued**

**Table 1**  
**Net Assets**  
**(in Thousands)**

	Governmental Activities (Restated)			Business-Type Activities			Total Primary Government (Restated)		
	2008	2007	Change	2008	2007	Change	2008	2007	Change
Current and other assets	\$ 20,590	\$ 19,756	\$ 834	\$ 8,771	\$ 9,049	\$ (278)	\$ 29,361	\$ 28,805	\$ 556
Capital assets	31,133	26,421	4,712	47,686	47,632	54	78,819	74,053	4,766
Total assets	<u>\$ 51,723</u>	<u>\$ 46,177</u>	<u>\$ 5,546</u>	<u>\$ 56,457</u>	<u>\$ 56,681</u>	<u>\$ (224)</u>	<u>\$ 108,180</u>	<u>\$ 102,858</u>	<u>\$ 5,322</u>
Long-term liabilities	\$ 4,635	\$ 1,912	\$ 2,723	\$ 18,161	\$ 19,601	\$ (1,440)	\$ 22,796	\$ 21,513	\$ 1,283
Other liabilities	3,047	2,115	932	641	438	203	3,688	2,553	1,135
Total liabilities	<u>7,682</u>	<u>4,027</u>	<u>3,655</u>	<u>18,802</u>	<u>20,039</u>	<u>(1,237)</u>	<u>26,484</u>	<u>24,066</u>	<u>2,418</u>
Net assets:									
Invested in capital assets, net of related debt	26,489	24,753	1,736	29,757	28,387	1,370	56,246	53,140	3,106
Restricted	1,439	337	1,102	1,467	1,609	(142)	2,906	1,946	960
Unrestricted	16,113	17,060	(947)	6,431	6,646	(215)	22,544	23,706	(1,162)
Total net assets	<u>44,041</u>	<u>42,150</u>	<u>1,891</u>	<u>37,655</u>	<u>36,642</u>	<u>1,013</u>	<u>81,696</u>	<u>78,792</u>	<u>2,904</u>
Total liabilities and net assets	<u>\$ 51,723</u>	<u>\$ 46,177</u>	<u>\$ 5,546</u>	<u>\$ 56,457</u>	<u>\$ 56,681</u>	<u>\$ (224)</u>	<u>\$ 108,180</u>	<u>\$ 102,858</u>	<u>\$ 5,322</u>

The significant elements and causes for the changes in the City of Crossville's governmental activities total assets in 2008 were: (1) Current and other assets increased by \$834,000. (2) Capital assets, net increased by \$4,712,000 which was made up of the soccer complex, machinery and equipment, and infrastructure additions.

The significant aspect of the decrease in the City of Crossville's business-type activities total assets in 2008 was a decrease in current and other assets of \$278,000 and an increase in capital assets of \$54,000.

As shown in Table 1, total liabilities of the City of Crossville's governmental activities increased by \$3,655,000 or 54.0% to \$7,682,000 in 2008 from \$4,027,000 in 2007. Table 1 also shows total liabilities of the City of Crossville's business-type activities decreased by \$1,237,000 or 6.8% to \$18,802,000 in 2008 from \$20,039,000 in 2007.

The significant elements and causes for the changes in the City of Crossville's governmental activities total liabilities in 2008 were: (1) Other liabilities increased by \$932,000 due to an increase in accounts payable and retainage payable and (2) long-term liabilities increased by \$2,723,000 due mainly to additional borrowings of \$2,801,881 from the Public Building Authority of the City of Clarksville, Tennessee to finance the building of the soccer complex.

The most significant aspect of the decrease in the City of Crossville's business-type activities total liabilities in 2008 was the decrease in long-term debt primarily due to debt principal payments.

Therefore, total net assets of the City of Crossville's governmental activities increased to \$44,041,000 in 2008 from \$42,150,000 in 2007 representing an increase of \$1,891,000 or 6.69%, and total net assets of the City of Crossville's business-type activities increased to \$37,655,000 from \$36,642,000, representing an increase of \$1,013,000 or 2.76%.

## REPORTING THE CITY AS A WHOLE, continued

The significant elements and causes for the increase in the City of Crossville's governmental activities net assets are: (1) Net assets invested in capital assets, net of related debt, increased by \$1,736,000. (2) Restricted net assets increased by \$1,102,000 and unrestricted net assets decreased by \$947,000. The increase in the City of Crossville's business-type activities net assets of \$1,013,000 was due to an increase in net assets invested in capital assets, net of related debt of \$1,370,000, along with a decrease of \$142,00 in restricted net assets and a decrease of \$215,000 in unrestricted net assets.

Table 2 illustrates the changes in net assets. As stated earlier, the changes in net assets over time provide an excellent opportunity to evaluate the financial health of the City of Crossville. Total revenues for the City of Crossville's governmental activities decreased to \$13,494,000 in 2008 from \$14,765,000 in 2007, representing a decrease of \$1,271,000 or 8.6%. Total revenues for the City of Crossville's business-type activities decreased to \$8,177,000 in 2008 from \$8,590,000 in 2007, representing a decrease of \$413,000 or approximately 4.8%.

**Table 2**  
Changes in Net Assets  
(in Thousands)

	Governmental Activities (Restated)			Business-Type Activities			Total Primary Government (Restated)		
	2008	2007	Change	2008	2007	Change	2008	2007	Change
<b>Revenues</b>									
Program revenues:									
Charges for services	\$ 781	\$ 932	\$ (151)	\$ 7,405	\$ 7,374	\$ 31	\$ 8,186	\$ 8,306	\$ (120)
Grants and contributions:									
For operations	408	367	41	-	-	-	408	367	41
For capital projects	-	972	(972)	437	1,198	(761)	437	2,170	(1,733)
General revenues:									
Property taxes	1,827	1,893	(66)	-	-	-	1,827	1,893	(66)
Intergovernmental revenues	9,440	9,467	(27)	-	-	-	9,440	9,467	(27)
Interest earnings	614	690	(76)	308	429	(121)	922	1,119	(197)
Other revenue	406	444	(38)	27	-	27	433	444	(11)
Gain (loss) on disposal of assets	18	-	18	-	(411)	411	18	(411)	429
Total revenues	13,494	14,765	(1,271)	8,177	8,590	(413)	21,671	23,355	(1,684)
<b>Program expenses:</b>									
General government	2,435	2,284	151	-	-	-	2,435	2,284	151
City court	14	13	1	-	-	-	14	13	1
Airport	175	180	(5)	-	-	-	175	180	(5)
Industrial development	18	17	1	-	-	-	18	17	1
Cemetery	48	48	-	-	-	-	48	48	-
Parks and recreation	1,117	1,028	89	-	-	-	1,117	1,028	89
Planning and zoning	189	209	(20)	-	-	-	189	209	(20)
Public safety	4,889	4,892	(3)	-	-	-	4,889	4,892	(3)
Sanitation	393	343	50	-	-	-	393	343	50
Streets	1,899	1,792	107	-	-	-	1,899	1,792	107
Tourism development	47	70	(23)	-	-	-	47	70	(23)
Interest on long-term debt	83	42	41	-	-	-	83	42	41
Water and sewer department	-	-	-	7,164	6,993	171	7,164	6,993	171
Total expenses	11,307	10,918	389	7,164	6,993	171	18,471	17,911	560
Contributions to non-profits	(296)	(267)	(29)	-	-	-	(296)	(267)	(29)
<b>CHANGE IN NET ASSETS</b>	1,891	3,580	(1,689)	1,013	1,597	(584)	2,904	5,177	(2,273)
<b>NET ASSETS, Beginning</b>	42,150	38,570	3,580	36,642	35,045	1,597	78,792	73,615	5,177
<b>NET ASSETS, Ending</b>	\$44,041	\$42,150	\$1,891	\$37,655	\$36,642	\$1,013	\$81,696	\$78,792	\$2,904

**REPORTING THE CITY AS A WHOLE, continued**

The decrease in total revenues of the City of Crossville's governmental activities for 2008 as compared to 2007 was primarily due to: (1) Revenues for capital projects decreased by \$972,000, (2) Intergovernmental revenues decreased by \$27,000, and (3) Impact fees decreased by \$151,000 due to lesser development throughout the city.

The decrease in total revenues of the City of Crossville's business-type activities was primarily due to a decrease in contributions in aid of construction of \$761,000. There were additional revenues recognized in the previous year related to the sale of equipment and insurance recoveries that were not repeated in the current fiscal year. Revenues resulting from user fees and areas more closely related to operations remained flat.

Table 2 shows that total program expenses for the City of Crossville's governmental activities increased to \$11,307,000 in 2008 from \$10,918,000 in 2007, representing an increase of \$389,000 or 3.6%. Total program expenses for the City of Crossville's business-type activities increased to \$7,164,000 in 2008 from \$6,993,000 in 2007, representing an increase of \$171,000 or 2.4%.

The increase in total program expenses for the City of Crossville's governmental activities was primarily due to: (1) General government expenses increased by \$151,000, (2) street expenses also increased by \$107,000, (3) other departments' expenses increased by \$131,000.

The increase in total program expenses for the City of Crossville's business-type activities was primarily due to an increase in salaries and benefits and an increase in depreciation expense.

The increase in the net assets of the City of Crossville's governmental activities in 2008 was \$1,891,000 as compared to an increase in net assets in 2007 of \$3,580,000. This \$1,689,000 decrease is due to a decrease in program revenues over expenses.

**Governmental Activities**

The City's fiscal operating year is the twelve-month period beginning each July 1. An annual operating budget is submitted to Mayor and City Council members prior to the commencement of the related fiscal year, and a budget ordinance for the year is subsequently adopted. Any revisions or amendments require Board action. All annual appropriations not expended lapse at fiscal year-end. The budgetary appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the Mayor and City Council.

## CAPITAL ASSETS

Table 3 provides a comparative view of the capital assets of the City of Crossville's governmental and business-type activities in four major categories: land and construction in progress; buildings; machinery and equipment; and infrastructure. Also noted are the amounts of accumulated depreciation applicable to these capital assets.

**Table 3**  
**Capital Assets at Year-End**  
**(in Thousands)**

	Governmental Activities			Business-Type Activities			Total		
	2008	Restated 2007	Change	2008	2007	Change	2008	Restated 2007	Change
Land and construction in progress	\$ 7,042	\$ 4,738	\$ 2,304	\$ 1,973	\$ 1,721	\$ 252	\$ 9,015	\$ 6,459	\$ 2,556
Buildings and improvements	13,919	12,795	1,124	-	-	-	13,919	12,795	1,124
Machinery and equipment	5,644	5,353	291	3,406	3,413	(7)	9,050	8,766	284
Infrastructure	15,908	13,963	1,945	-	-	-	-	13,963	(13,963)
Utility plant in service	-	-	-	69,208	67,421	1,787	69,208	67,421	1,787
Total capital assets	42,513	36,849	5,664	74,587	72,555	2,032	101,192	109,404	(8,212)
Accumulated depreciation	(11,380)	(10,428)	(952)	(26,901)	(24,923)	(1,978)	(38,281)	(35,351)	(2,930)
Net capital assets	\$ 31,133	\$ 26,421	\$ 4,712	\$ 47,686	\$ 47,632	\$ 54	\$ 62,911	\$ 74,053	\$ (11,142)

### Governmental Activities

In June 2007, the City of Crossville's governmental activities had \$26,421,000 (net of accumulated depreciation) invested in a broad range of capital assets, including police and fire equipment, municipal buildings, park facilities, roads, and various other capital assets. In June 2008 capital assets were \$31,133,000 (net of accumulated depreciation), representing an increase of \$4,712,000 or 17.8%. The net increase in capital assets was due to the soccer complex and equipment additions.

### Business-type Activities

In June 2007, the City of Crossville's business-type activities, consisting of the Water and Sewer Department, had \$47,632,000 (net of accumulated depreciation) invested in land, machinery and equipment, and utility plant in service which is by far the most significant component of the Water and Sewer Department's capital assets. In June 2008 capital assets were \$47,686,000 (net of accumulated depreciation), representing an increase of \$54,000 or 1.13% over 2007. The net increase in capital assets included an increase in the utility plant in service of \$1,787,000 and an increase in land and construction in progress of approximately \$252,000.

## BUDGETARY HIGHLIGHTS

Table 4 illustrates the significant components of the City of Crossville's budget for the general fund for the year ended June 30, 2008. The original budget revenue estimates total \$15,718,000. Final budget revenues for the period amounted to \$15,911,000. Final actual revenues for the period amounted to \$13,074,000. The City's original budget estimated expenditures for the 2008 year-end were \$12,065,000. Final budget expenditures for the period amounted to \$12,225,000. Final actual expenditures for the period amounted to \$10,030,000. Therefore, the City realized an actual budget deficit of revenues over expenditures of \$642,000. This deficit was offset by other financing uses being under budget by \$2,309,000 and contributions to non-profit organizations being under budget by \$132,000. At the end of this period the City of Crossville's actual general fund - fund balance was \$15,297,000.

**BUDGETARY HIGHLIGHTS, continued**

**Table 4  
General Fund Budget Comparison  
(in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Over/(Under)</b>
<b>Revenues</b>				
Taxes	\$ 2,054	\$ 2,054	\$ 1,874	\$ (180)
Intergovernmental revenues	9,871	9,871	9,332	(539)
Federal and state grants	2,170	2,213	115	(2,098)
Other revenues	1,623	1,773	1,753	(20)
<b>Total revenues</b>	<b>15,718</b>	<b>15,911</b>	<b>13,074</b>	<b>(2,837)</b>
<b>Expenditures</b>				
General government	2,676	2,686	2,298	(388)
Parks and recreation	1,071	1,101	919	(182)
Public safety	4,948	4,968	4,551	(417)
Streets	1,470	1,470	1,230	(240)
Capital outlay	1,288	1,376	573	(803)
Other expenditures	612	624	459	(165)
<b>Total expenditures</b>	<b>12,065</b>	<b>12,225</b>	<b>10,030</b>	<b>(2,195)</b>
<b>Revenues Over (Under) Expenditures</b>	<b>3,653</b>	<b>3,686</b>	<b>3,044</b>	<b>(642)</b>
Other financing sources (uses)	(4,249)	(4,557)	(2,248)	2,309
Contributions to non-profit organizations	384	428	296	(132)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(980)</b>	<b>(1,299)</b>	<b>500</b>	<b>1,799</b>
<b>Fund Balance, Beginning, as restated</b>	<b>14,797</b>	<b>14,797</b>	<b>14,797</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ 13,817</b>	<b>\$ 13,498</b>	<b>\$ 15,297</b>	<b>\$ 1,799</b>

**Business-type Activities**

The Wastewater Department adopts an Operating Budget to assist in planning and forecasting for the fiscal year. The Budget is approved and is in effect for the entire fiscal year. Management uses the budget as a planning tool for the coming year.

**DEBT ADMINISTRATION**

**Governmental Activities**

At the end of the current fiscal year the City of Crossville's governmental activities had outstanding long-term debt of \$4,635,000 including accrued compensated absences. The prior year total of long-term liabilities amounted to \$1,912,000; consequently long-term liabilities increased during the year by \$2,723,000. This increase was due to the monies borrowed for the building of the soccer complex.

**Business-type Activities**

At the end of the current fiscal year the City of Crossville's business-type activities, comprised of the Water and Sewer Department, had outstanding long-term debt of \$18,161,000. The prior year total of long-term liabilities amounted to \$19,601,000; consequently long-term liabilities decreased during the year by \$1,440,000 or 7.3% due mainly to principal payments.

**DEBT ADMINISTRATION, continued**

The Water and Sewer Department has outstanding debt of \$18,161,000 payable to the State of Tennessee for TMBF loans, State Revolving Funds, RUD Funds and Refunding Bonds. As reflected in the statement of net assets for the proprietary fund, current liabilities at year end were \$652,226. In addition to this amount the current portion of long term debt is \$1,276,022.

**ECONOMIC FACTORS AND NEXT YEARS BUDGET**

The Annual Budget assures the efficient, effective and economic uses of the City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the Board of Mayor and Councilmen sets the direction of the City, allocates its resources and establishes its priorities.

In terms of the future, while we are in good financial shape at this time, with revenue streams limited and the large amount of growth the City is facing, we need to be alert to the public benefit versus the costs of the services we provide. In short, as the budget better reflects actual revenues and as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

The City is continuing to grow at a steady pace. To that end, it is important that the Board update its comprehensive plan and goals and maintain its communication efforts through the budgeting process. The housing development trend is decreasing, although new business development has continued to grow. This allows the City's sales tax revenue to continue on an upward trend. The City continues to face many challenges in maintaining a necessary level of infrastructure. As it relates to the Crossville Water and Sewer Department, an important goal is to incorporate the City's Master Plan priorities into the Five-Year Capital Improvement Budget as well as increase the level of service and customer satisfaction. The rate of infrastructure failures on aged equipment will determine many of the City's priorities for the upcoming years.

There were no significant changes in the budget revenues for the City of Crossville this year, although expectations of an increased sales tax base will have a significant impact on the City's revenues in the upcoming years. The City has been able to maintain services without a tax increase for the past few years, which will continue to be a major challenge with continued growth.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Crossville's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact the Director of Finance at the City of Crossville, 99 Municipal Avenue, Crossville, Tennessee 38555, (931) 456-5991 or [fchouston@crossvilletn.gov](mailto:fchouston@crossvilletn.gov).

**CITY OF CROSSVILLE, TENNESSEE**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,110,283	\$ 5,820,813	\$ 19,931,096
Net receivables	3,934,518	667,937	4,602,455
Unbilled revenues	-	285,562	285,562
Note receivable	858,000	-	858,000
Materials and supplies	128,108	260,244	388,352
Restricted cash and cash equivalents	1,529,655	1,366,911	2,896,566
Capital assets:			
Land and construction in progress	7,042,461	1,972,737	9,015,198
Other capital assets, net of depreciation	24,090,649	45,713,381	69,804,030
Other assets	-	179,030	179,030
Unamortized debt issuance costs	29,741	190,783	220,524
	<u>\$ 51,723,415</u>	<u>\$ 56,457,398</u>	<u>\$ 108,180,813</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 734,768	\$ 526,189	\$ 1,260,957
Retainage payable	127,720	-	127,720
Accrued payroll and payroll taxes	108,330	35,798	144,128
Other accrued liabilities	30,943	18,311	49,254
Deferred revenues	1,903,010	-	1,903,010
Liabilities payable from restricted assets			
Retainage payable	142,140	60,318	202,458
Noncurrent liabilities			
Due within one year	497,231	1,347,950	1,845,181
Due in more than one year	4,138,005	16,813,533	20,951,538
	<u>7,682,147</u>	<u>18,802,099</u>	<u>26,484,246</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	26,489,028	29,757,166	56,246,194
Restricted for:			
Capital projects and street maintenance	772,751	1,288,023	2,060,774
Debt service	-	179,030	179,030
Drug enforcement	99,990	-	99,990
Industrial development	542,179	-	542,179
Low income housing assistance	24,287	-	24,287
Unrestricted	16,113,033	6,431,080	22,544,113
Total net assets	<u>44,041,268</u>	<u>37,655,299</u>	<u>81,696,567</u>
	<u>\$ 51,723,415</u>	<u>\$ 56,457,398</u>	<u>\$ 108,180,813</u>

See notes to financial statements.

CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>					
General government	\$ 2,435,414	\$ 321,290	\$ 4,424	\$ -	\$ (2,109,700)
City court	14,255	142,340	-	-	128,085
Airport	174,649	68,720	29,324	-	(76,605)
Industrial development	18,146	-	-	-	(18,146)
Cemetery	48,186	31,550	-	-	(16,636)
Parks and recreation	1,117,462	189,636	-	-	(927,826)
Planning and zoning	189,426	-	-	-	(189,426)
Public safety	4,889,134	27,495	81,422	-	(4,780,217)
Sanitation	392,574	-	-	-	(392,574)
Streets	1,898,754	-	292,553	-	(1,606,201)
Tourism development	47,118	-	-	-	(47,118)
Interest on long-term debt	82,807	-	-	-	(82,807)
	<u>11,307,925</u>	<u>781,031</u>	<u>407,723</u>	<u>-</u>	<u>(10,119,171)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Water and sewer department	7,164,381	7,404,568	-	437,316	677,503
<b>TOTAL GOVERNMENT</b>	<u>\$ 18,472,306</u>	<u>\$ 8,185,599</u>	<u>\$ 407,723</u>	<u>\$ 437,316</u>	<u>\$ (9,441,668)</u>
			<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>NET (EXPENSE) / REVENUE</b>			\$ (10,119,171)	\$ 677,503	\$ (9,441,668)
<b>GENERAL REVENUES</b>					
Property taxes			1,827,495	-	1,827,495
Intergovernmental revenues			9,440,274	-	9,440,274
Interest earnings			613,891	308,595	922,486
Other revenue			406,133	27,247	433,380
Gain (loss) on disposition of capital assets			18,180	-	18,180
Total general revenues			<u>12,305,973</u>	<u>335,842</u>	<u>12,641,815</u>
<b>CONTRIBUTIONS TO NON-PROFIT ORGANIZATIONS</b>			<u>(295,810)</u>	<u>-</u>	<u>(295,810)</u>
<b>TOTAL GENERAL REVENUES AND CONTRIBUTIONS</b>			<u>12,010,163</u>	<u>335,842</u>	<u>12,346,005</u>
<b>CHANGE IN NET ASSETS</b>			<u>\$ 1,890,992</u>	<u>\$ 1,013,345</u>	<u>\$ 2,904,337</u>

See notes to financial statements.



**CITY OF CROSSVILLE, TENNESSEE**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET ASSETS, June 30, 2007, as previously reported	\$ 41,277,387	\$ 36,641,954	\$ 77,919,341
PRIOR PERIOD ADJUSTMENTS, as discussed in Note R	<u>872,889</u>	<u>-</u>	<u>872,889</u>
NET ASSETS, June 30, 2007, as restated	42,150,276	36,641,954	78,792,230
CHANGE IN NET ASSETS	<u>1,890,992</u>	<u>1,013,345</u>	<u>2,904,337</u>
NET ASSETS, June 30, 2008	<u>\$ 44,041,268</u>	<u>\$ 37,655,299</u>	<u>\$ 81,696,567</u>

See notes to financial statements.

**CITY OF CROSSVILLE, TENNESSEE**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

JUNE 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,110,283	\$ -	\$ -	\$ 14,110,283
Net receivables	3,885,505	-	49,013	3,934,518
Materials and supplies	120,588	-	7,520	128,108
Due from other funds	-	225,690	6,084	231,774
Restricted cash and cash equivalents	24,287	756,276	749,092	1,529,655
	<u>\$ 18,140,663</u>	<u>\$ 981,966</u>	<u>\$ 811,709</u>	<u>\$ 19,934,338</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 326,706	\$ 404,657	\$ 3,405	\$ 734,768
Retainage payable	-	127,720	-	127,720
Accrued payroll and payroll taxes	108,330	-	-	108,330
Other accrued liabilities	30,943	-	-	30,943
Due to other funds	231,774	-	-	231,774
Deferred revenues	2,146,147	-	-	2,146,147
Liabilities payable from restricted assets:				
Retainage payable	-	142,140	-	142,140
	<u>2,843,900</u>	<u>674,517</u>	<u>3,405</u>	<u>3,521,822</u>
<b>FUND BALANCES</b>				
Reserved for:				
Capital projects and street maintenance	-	614,136	158,615	772,751
Drug enforcement	-	-	99,990	99,990
Industrial development	-	-	542,179	542,179
Low income housing assistance	24,287	-	-	24,287
Unreserved:				
General fund	15,272,476	-	-	15,272,476
Capital projects	-	(306,687)	-	(306,687)
Solid waste	-	-	7,520	7,520
Total fund balances	<u>15,296,763</u>	<u>307,449</u>	<u>808,304</u>	<u>16,412,516</u>
	<u>\$ 18,140,663</u>	<u>\$ 981,966</u>	<u>\$ 811,709</u>	<u>\$ 19,934,338</u>

See notes to financial statements.

**CITY OF CROSSVILLE, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS - CONTINUED**

**JUNE 30, 2008**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS**

Total governmental fund balances above	\$ 16,412,516
Capital assets not reported above	31,133,110
Note receivable not reported above	858,000
Unamortized debt issuance costs not reported above	29,741
Notes payable not reported above	(4,403,963)
Compensated absence accrual not reported above	(231,273)
Deferred revenues from property taxes and intergovernmental revenues reported above, reported as revenues in the government-wide statement of net assets	243,137
Net assets of governmental activities in the statement of net assets	<u>\$ 44,041,268</u>

See notes to financial statements.

**CITY OF CROSSVILLE, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR END JUNE 30, 2008**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,874,307	\$ -	\$ -	\$ 1,874,307
Intergovernmental revenues	9,331,891	-	292,553	9,624,444
Federal and state grants	115,170	-	-	115,170
Charges for services	317,401	-	-	317,401
Licenses and permits	321,290	-	-	321,290
Fines and forfeitures	128,138	-	14,202	142,340
Interest revenue	552,919	12,063	48,909	613,891
Miscellaneous	432,628	-	36,832	469,460
Total revenues	13,073,744	12,063	392,496	13,478,303
<b>EXPENDITURES</b>				
Current operations:				
General government	2,298,474	7,118	-	2,305,592
City court	14,255	-	-	14,255
Airport	76,138	-	-	76,138
Industrial development	-	-	18,146	18,146
Cemetery	44,997	-	-	44,997
Parks and recreation	919,023	-	-	919,023
Planning and zoning	178,396	-	-	178,396
Public safety	4,551,250	-	15,299	4,566,549
Sanitation	-	-	391,078	391,078
Streets	1,230,117	-	227,499	1,457,616
Tourism development	47,118	-	-	47,118
Capital outlay	572,921	5,166,541	162,540	5,902,002
Debt service:				
Principal	66,000	31,500	-	97,500
Interest	31,865	50,942	-	82,807
Total expenditures	10,030,554	5,256,101	814,562	16,101,217
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	3,043,190	(5,244,038)	(422,066)	(2,622,914)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from loans payable	2,801,881	-	-	2,801,881
Transfer from other funds	-	4,661,690	388,166	5,049,856
Transfer to other funds	(5,049,856)	-	-	(5,049,856)
	(2,247,975)	4,661,690	388,166	2,801,881
<b>CONTRIBUTIONS TO NON-PROFIT ORGANIZATIONS</b>				
	295,810	-	-	295,810
<b>NET CHANGE IN FUND BALANCES</b>	499,405	(582,348)	(33,900)	(116,843)
<b>FUND BALANCE, June 30, 2007, as restated, as discussed in Note R</b>	14,797,358	889,797	842,204	16,529,359
<b>FUND BALANCE, June 30, 2008</b>	\$ 15,296,763	\$ 307,449	\$ 808,304	\$ 16,412,516

See notes to financial statements.

**CITY OF CROSSVILLE, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - CONTINUED**

**GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2008**

**RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET ASSETS OF**  
**GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES**

Net change in fund balances as reported in the governmental funds statements	\$ (116,843)
Property contributions not recorded in the governmental funds statements but recognized as revenue in the government-wide statements	21,243
Increase in deferred revenues for property taxes including allowance for doubtful accounts, in the governmental funds not recognized in the government-wide statements	61,571
Collections on note receivable recorded as revenue in the governmental funds statements but reflected as a reduction to the note receivable balance in the government-wide statements	(41,000)
Proceeds from capital asset dispositions recorded as revenue in the governmental funds statements but recorded as a component of gain on disposition of capital assets in the government-wide statements	(43,570)
Proceeds from loans payable recorded as revenue in the governmental funds statements but reflected as long-term debt in the government-wide statements	(2,801,881)
Amounts reported as expenditures in the governmental funds statements not included as expenses in the government-wide statements:	
Capital outlays	5,902,002
Payments on long-term debt	97,500
Expenses and revenues in the government-wide statements not included in the governmental fund statements:	
Depreciation expense	(1,184,315)
Amortization of debt issuance costs	(1,760)
Increase in accrued compensated absences	(18,562)
Other operating expenses	(1,573)
Gain on disposal of capital assets	18,180
Change in net assets of governmental activities in the statement of activities	<u>\$ 1,890,992</u>

See notes to financial statements.



<b>LIABILITIES AND NET ASSETS</b>	<b><u>Water and Sewer Department</u></b>
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 526,189
Accrued payroll and payroll taxes	35,798
Other accrued liabilities	18,311
Compensated absences	<u>71,928</u>
	652,226
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	
Retainage payable	60,318
Current maturities of long-term debt	<u>1,276,022</u>
	1,336,340
<b>ACCRUED COMPENSATED ABSENCES</b>	11,568
<b>LONG-TERM DEBT, less current maturities</b>	16,801,965
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	29,757,166
Restricted for:	
Capital projects	1,288,023
Debt service	179,030
Unrestricted	<u>6,431,080</u>
	<u>37,655,299</u>
	<u>\$ 56,457,398</u>

**CITY OF CROSSVILLE, TENNESSEE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

**PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2008**

	<u>Water and Sewer Department</u>	<u>Percent of Revenues</u>
<b>OPERATING REVENUES</b>		
Water revenues	\$ 4,531,172	61.20%
Sewer revenues	2,179,686	29.40%
	<u>6,710,858</u>	<u>90.60%</u>
Other operating revenues	693,710	9.40%
	<u>7,404,568</u>	<u>100.00%</u>
<b>OPERATING EXPENSES</b>		
Transmission and distribution	3,731,780	50.40%
Customer accounting and collection	620,776	8.40%
Administrative and general	145,691	2.00%
Depreciation and amortization	2,027,654	27.40%
	<u>6,525,901</u>	<u>88.20%</u>
<b>OPERATING INCOME</b>	878,667	11.80%
<b>NONOPERATING INCOME (EXPENSES)</b>		
Interest income	308,595	4.20%
Interest expense	(638,480)	-8.60%
Other income (expenses)	27,247	0.40%
	<u>(302,638)</u>	<u>-4.00%</u>
<b>INCOME BEFORE CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	576,029	7.80%
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	<u>437,316</u>	<u>5.90%</u>
<b>INCREASE IN NET ASSETS</b>	1,013,345	<u>13.70%</u>
<b>NET ASSETS, June 30, 2007</b>	<u>36,641,954</u>	
<b>NET ASSETS, June 30, 2008</b>	<u>\$ 37,655,299</u>	

See notes to financial statements.



**CITY OF CROSSVILLE, TENNESSEE**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2008**

	<b>Water and Sewer Department</b>
	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 7,404,725
Payments to suppliers for goods and services	(2,410,469)
Payments to or on behalf of employees for services	<u>(1,856,149)</u>
Net cash provided by operating activities	3,138,107
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Grants received in aid of construction	60,000
Acquisition of utility plant	(1,631,696)
Interest paid (net of interest capitalized to utility plant)	(627,991)
Principal payments on long-term debt	(1,533,041)
Other nonoperating income	<u>27,247</u>
Net cash used by capital and related financing activities	(3,705,481)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income received	<u>308,595</u>
Net cash provided by investing activities	<u>308,595</u>
 <b>NET DECREASE IN CASH</b>	(258,779)
 <b>CASH AND CASH EQUIVALENTS, June 30, 2007</b>	<u>7,446,503</u>
 <b>CASH AND CASH EQUIVALENTS, June 30, 2008</b>	<u><u>\$ 7,187,724</u></u>

See notes to financial statements.

**CITY OF CROSSVILLE, TENNESSEE**  
**STATEMENT OF CASH FLOWS - CONTINUED**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2008**

	<u>Water and Sewer Department</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 878,667
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,027,654
Changes in operating assets and liabilities	
Accounts receiv. ble	38,901
Unbilled revenue	(38,744)
Materials and supplies	5,851
Other current assets	-
Accounts payable	357,461
Accrued payroll and payroll taxes	27,963
Other accrued liabilities	(168,425)
Compensated absences	8,779
Total adjustments	<u>2,259,440</u>
Net cash provided by operating activities	<u>\$ 3,138,107</u>
 <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Utility plant contributed to the City by developers	\$ 377,316
Purchase of utility plant financed by retainage payable	60,318

See notes to financial statements.

**CITY OF CROSSVILLE, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**YEAR ENDED JUNE 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>			
Taxes	\$ 2,054,000	\$ 2,054,000	\$ 1,874,307
Intergovernmental revenues	9,870,700	9,870,700	9,331,891
Federal and state grants	2,169,525	2,212,901	115,170
Charges for services	329,930	329,930	317,401
Licenses and permits	333,000	333,000	321,290
Fines and forfeitures	148,650	148,650	128,138
Interest revenue	590,000	590,000	552,919
Miscellaneous	222,245	372,246	432,628
Total revenues	15,718,050	15,911,427	13,073,744
<b>EXPENDITURES</b>			
General government	2,676,210	2,685,810	2,298,474
City court	13,850	15,050	14,255
Airport	87,300	100,300	76,138
Cemetery	91,950	91,950	44,997
Parks and recreation	1,071,350	1,101,350	919,023
Planning and zoning	229,250	229,250	178,396
Public safety	4,947,717	4,967,893	4,551,250
Streets	1,469,805	1,469,805	1,230,117
Tourism development	87,250	84,965	47,118
Capital outlay	1,288,000	1,375,731	572,921
Debt service:			
Principal	66,000	66,000	66,000
Interest	36,465	36,465	31,865
Total expenditures	12,065,147	12,224,569	10,030,554
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	3,652,903	3,686,858	3,043,190
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from loans payable	3,780,900	3,780,900	2,801,881
Transfer to other funds	(8,030,050)	(8,338,160)	(5,049,856)
	(4,249,150)	(4,557,260)	(2,247,975)
<b>CONTRIBUTIONS TO NON-PROFIT ORGANIZATIONS</b>			
	383,540	428,375	295,810
<b>NET CHANGE IN FUND BALANCES</b>	(979,787)	(1,298,777)	499,405
<b>FUND BALANCE, June 30, 2007, as restated</b>	14,797,358	14,797,358	14,797,358
<b>FUND BALANCE, June 30, 2008</b>	\$ 13,817,571	\$ 13,498,581	\$ 15,296,763

See notes to financial statements.

**CITY OF CROSSVILLE, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUND**

**YEAR ENDED JUNE 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>			
Interest revenue	\$ -	\$ -	\$ 12,063
<b>EXPENDITURES</b>			
General government	-	2,500	7,118
Capital outlay	7,359,700	7,665,310	5,166,541
Debt service:			
Principal	31,500	31,500	31,500
Interest	217,500	217,500	50,942
Total expenditures	7,608,700	7,916,810	5,256,101
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(7,608,700)	(7,916,810)	(5,244,038)
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	7,608,700	7,916,810	4,661,690
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(582,348)
<b>FUND BALANCE, June 30, 2007, as restated, as discussed in Note R</b>	889,797	889,797	889,797
<b>FUND BALANCE, June 30, 2008</b>	\$ 889,797	\$ 889,797	\$ 307,449

See notes to financial statements.

## CITY OF CROSSVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crossville, Tennessee ("City") is a municipal corporation, incorporated under the laws of the State of Tennessee in 1901 under Chapter 362. The City provides planning and zoning, public safety, public works, parks and recreation, solid waste, and water and sewer services to residents and businesses of the City among other things. The City is governed by a mayor, mayor pro-tem and three council members.

The accounting and financial reporting policies of the City in its basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

1. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Crossville, Tennessee has no component units.

2. Basis of PresentationGovernment-wide financial statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, parks and recreation, planning and zoning, solid waste, and general administrative services, among other things, are classified as governmental activities. Services provided by the City's Water and Sewer Department are classified as business-type activities. In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full

## CITY OF CROSSVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations.

The City's net assets are reported in three categories – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Also, the City does not allocate indirect costs to functions.

The government-wide statement of activities reports both the gross and net cost of each of the City's governmental functions and business-type activities. The functions are also supported by general government revenues such as property taxes and intergovernmental revenues. The statement of activities reflects gross expenses (including depreciation) reduced by related charges for services, operating grants and contributions, and capital grants and contributions. Charges for services must be directly associated with the function or a business-type activity. Operating grants and contributions include operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The City uses the following fund types:

Governmental funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special revenue funds are used to account for the proceeds of specific revenue sources that

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basis of Presentation - continued**

are legally or administratively restricted to expenditures for specified purposes. The special revenue funds of the City consist of the Capital Projects Fund, Drug Fund, Industrial Development Fund, Solid Waste Fund and State Street Aid Fund.

**Proprietary funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The only proprietary fund of the City is an enterprise fund which is used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City's only enterprise fund consists of the Water and Sewer Department Fund, which accounts for the operation of the City's water and sewer service.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City's major governmental funds consist of the General Fund and the Capital Projects Fund, and the City's major proprietary fund is the Water and Sewer Department Fund. The City's non-major governmental funds are the Drug Fund, Industrial Development Fund, Solid Waste Fund and State Street Aid Fund.

**3. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days after the end of the year.

## CITY OF CROSSVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Accounting - continued

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Principal and interest on general obligation long-term debt, if any, is recognized when due.

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

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity such as charges to customers for the purchase of goods and services. Operating expenses are those that are incurred to provide those goods and services. Non-operating revenues and expenses are items related to financing and investing activities.

4. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments purchased with maturities of ninety days or less from the date of acquisition.

5. Restricted Assets and Reservations of Fund Balances

Restricted assets include cash and cash equivalents of the General Fund (governmental fund) for capital projects and to upgrade low income housing. Restricted assets also include cash and cash equivalents in the Capital Projects Fund and Nonmajor Governmental Funds (governmental funds) to be used for capital projects, street maintenance and improvements, drug enforcement and industrial development.

Reservations of fund balances consist of governmental fund balances that are legally segregated for specific usage or commitments to outside third parties.

6. Inventories

Inventories in the governmental funds represent supplies for the solid waste department and street department. Inventories in the proprietary fund consist of materials and supplies used in the water and sewer department. Materials and supplies in governmental and proprietary funds are stated at cost determined by the first-in, first-out (FIFO) method.



## CITY OF CROSSVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Internal Balances

If there are any residual receivable or payable balances outstanding between the governmental activities and business-type activities, they are reported in the governmental-wide financial statements as "internal balances".

8. Receivables

In the government-wide financial statements receivables consist of all revenues earned at June 30 and not yet received. Major receivable balances for the governmental activities include property taxes (\$1,939,393), intergovernmental revenues (\$1,748,478), and other receivables (\$197,634). Major receivable balances for the business-type activities consist of billed and unbilled charges to water and sewer customers. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts at June 30, 2008 totals \$91,493 for the governmental activities and \$11,018 for the business-type activities. Additionally, the City wrote off approximately \$64,700 of accounts receivable during the year which is included in revenues in the statement of revenues, expenses and changes in net assets of the proprietary fund.

In the governmental funds financial statements non-exchange transactions, such as assessed property taxes that are collectible but not available, are recorded as deferred revenues in accordance with the modified accrual basis of accounting.

The Water and Sewer Fund receivables consist of billed charges to customers and unbilled charges net of an allowance for doubtful accounts. Unbilled revenues represent the estimated receivable amount for services that have not been billed to customers at the balance sheet date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period).

9. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. All purchased capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair value on the date donated.

Assets capitalized, not including general government infrastructure assets, have an original cost of \$5,000 or more and an estimated useful life in excess of one year. General government infrastructure assets capitalized have an original cost of \$10,000 or more for streets, sidewalks, curbs and guttering

**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**9. Capital Assets and Depreciation - continued**

and an original cost of \$20,000 or more for traffic signals, street lighting, and drainage systems. Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance or other expense accounts. Depreciation of capital assets is computed and recorded in the statement of activities with accumulated depreciation reflected in the statement of net assets.

Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

	<u>Depreciable Life</u>
Governmental activities:	
Buildings and building improvements	40 years
Infrastructure assets	40 years
Machinery and equipment	3 – 7 years
Business-type activities:	
Water and sewer plant	20 – 40 years
Machinery and equipment	3 – 7 years

**10. Unpaid Compensated Absences**

The City's policies permit employees to accumulate earned but unused vacation leave up to a maximum of 240 hours, except fire department employees may accumulate up to a maximum of 318 hours. Any unused earned vacation leave in excess of the maximum is rolled over to accrued sick leave. Employees are paid their unused vacation hours upon termination. Also, all employees may accumulate sick leave without limitation. At retirement, employees are not paid for unused sick leave, but unused sick leave time is credited to service time for retirement purposes. Any employee who ceases employment, other than due to retirement, forfeits all unused earned sick leave. The liability for compensated absences (unused vacation time) is recorded as long-term debt in the government-wide statements for government activities and for business-type activities. The current portion of the compensated absences is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**11. Bond Discounts, Premiums and Issuance Costs**

Bond discounts and premiums are capitalized and amortized using the straight-line method over the term of the debt issues which does not differ significantly from the interest method. Also, debt issuance costs are capitalized and amortized using the straight-line method over the term of the debt issues.

**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**12. Use of Estimates**

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

**B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Control**

The City's fiscal operating year is the twelve-month period beginning each July 1<sup>st</sup>. An annual operating budget is submitted to the Mayor and Council Members prior to the commencement of the related fiscal year, and a budget resolution for the year is subsequently adopted. The City Manager is authorized to transfer budget amounts between line items within each department, but any other revisions or amendments require Council Members approval. All annual appropriations not expended lapse at fiscal year-end. The budgetary appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the Mayor and Council Members.

**2. Inter-fund Transactions**

Inter-fund receivable and payable balances at June 30, 2008 consist of the following:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects money received from the State of Tennessee recorded in the General Fund	Capital Projects	General	\$ 225,690
Drug fine revenues	Drug Fund	General	6,084
			<u>\$ 231,774</u>

Operating transfers by individual funds of the City for the fiscal year ended June 30, 2008 consist of the following:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b><u>Transfers:</u></b>			
Garbage collection costs	Solid Waste	General	\$ 388,166
Capital asset construction and acquisition costs	Capital Projects	General	4,661,690
			<u>\$ 5,049,856</u>

## CITY OF CROSSVILLE, TENNESSEE.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

**C. DEPOSITS AND INVESTMENTS**

The City is authorized by state statute to invest idle funds in obligations of the U.S. Government and nonconvertible debt securities of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation and other obligations that are guaranteed as to principal and interest by the U.S. Government or any of its agencies, provided that such securities are rated in the highest category by at least two nationally recognized rating services. The City also may invest in certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations if those deposits are insured or otherwise collateralized. The City also may invest in obligations of the U.S. Government or its agencies under a repurchase agreement, if the state director of local finance approves repurchase agreements as an authorized investment. Finally, the City may invest in the local government investment pool established by title 9, chapter 4, part 7 of *Tennessee Code Annotated*.

State statutes require the City's investments to have a final maturity date not to exceed forty-eight months, unless the state director of local finance approves an investment maturity in excess of forty-eight months. The City has no formal investment policies that further restrict interest rate risk, credit risk or custodial risk beyond the requirements of state statutes. Also, the City has no formal policy to limit the amount the City may invest in any one issuer.

At June 30, 2008, the City's only investment consists of the Tennessee Local Government Investment Pool (a cash equivalent), an unrated external investment pool that operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. Investments held by the Tennessee Local Government Investment Pool have a weighted average maturity of less than 90 days. The City's investment in the Tennessee Local Government Investment Pool totals \$21,248,573 (at fair value) at June 30, 2008.

The City's deposits subject to state law collateralization requirements include demand deposit accounts (restricted and unrestricted) and certificates of deposit. At June 30, 2008, the carrying amount of the City's deposits is \$1,575,217 and the respective bank balances total \$1,595,228. Of the total bank balances, \$200,000 is insured by the Federal Deposit Insurance Corporation, \$1,206,288 is collateralized with securities held by a third party agent in the City's name, and \$188,940 is uninsured or uncollateralized.

**D. PROPERTY TAX**

Property taxes include amounts levied against all real property and tangible personal property used in businesses located in the City. Property taxes are levied as of January 1 and become due and payable from August 1 through the end of November of each year. Taxes not paid by December 1 are considered delinquent. The lien for taxes levied each year attaches on the first day of January and continues until such taxes and any penalties, interest or other charges accruing thereon are paid. Assessed values are established by the State of Tennessee at the following rates of appraised value:

**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**D. PROPERTY TAX - CONTINUED**

Real property:	
Public utility property	55%
Industrial and commercial property	40%
Residential property	25%
Farming and agricultural property	25%
Personal property:	
Public utility property	55%
Industrial and commercial property	30%

A revaluation of all property is required to be completed every five years. The last revaluation was completed in 2007. The City's tax rate applicable to 2008 was \$0.55 on each \$100 of tax valuation.

**E. NOTE RECEIVABLE**

In November 2004, the City obtained a \$1,000,000 loan from the Tennessee Municipal League Bond Fund (see note H) for the benefit of the Cumberland County Emergency Communications District ("District"). These funds were used by the District to construct a facility to house a 911 Emergency Call Center, the Crossville and Cumberland County Central Communications Center, the 911 Addressing Office, the Crossville and Cumberland County Emergency Management Office and the Crossville and Cumberland County Emergency Operations Center. The District and Cumberland County have encumbered the property and the funds of the District to secure the indebtedness incurred by the City. Repayment of the loan is being made by the District maturing on May 25, 2024 at a variable interest rate (2.50% at June 30, 2008). The government-wide balance sheet includes the loan receivable from the District at June 30, 2008 and the obligation of the City to Tennessee Municipal League Bond Fund of \$858,000.

**F. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool ("the Pool"). The Pool operates as a common risk-sharing pool by which governments pool risks and funds and share in the costs of losses. The City pays annual premiums to the Pool for its general liability insurance coverage, law enforcement liability, errors and omissions liability, auto liability, workers' compensation and property coverage. The City's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate costs of the experience of the City. Claims arising are paid by the Pool. The Pool has the right to assess participants for loss experience in excess of premiums collected. The City's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2008**

**G. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for governmental activities for the year ended June 30, 2008 was as follows:

	<b>Balance June 30, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2008</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,690,163	\$ 5,119	\$ -	\$ 2,695,282
Construction in progress	2,047,565	2,301,187	(1,573)	4,347,179
Subtotal	4,737,728	2,306,306	(1,573)	7,042,461
Other capital assets:				
Buildings and improvements	5,505,066	327,396	-	5,832,462
Machinery and equipment	5,352,982	549,099	(257,638)	5,644,443
Other improvements	7,290,260	795,111	-	8,085,371
Infrastructure assets	13,962,746	1,945,333	-	15,908,079
Subtotal	32,111,054	3,616,939	(257,638)	35,470,355
Total capital assets	36,848,782	5,923,245	(259,211)	42,512,816
Less accumulated depreciation:				
Buildings, machinery and equipment and other improvements	(7,102,344)	(831,800)	232,248	(7,701,896)
Infrastructure assets	(3,325,295)	(352,515)	-	(3,677,810)
Subtotal	(10,427,639)	(1,184,315)	232,248	(11,379,706)
Net capital assets	\$ 26,421,143	\$ 4,738,930	\$ (26,963)	\$ 31,133,110

Depreciation was charged to governmental activities as follows:

General government	\$ 130,778
Public safety	300,444
Public works	441,341
Cemetery	2,776
Airport	100,666
Sanitation	1,496
Parks and recreation	196,160
Planning and zoning	10,654
	\$ 1,184,315

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

G. CAPITAL ASSETS AND DEPRECIATION - CONTINUED

Capital asset activity for business-type activities for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 424,236	\$ -	\$ -	\$ 424,236
Construction in progress	1,297,060	251,441	-	1,548,501
Subtotal	1,721,296	251,441	-	1,972,737
Other capital assets:				
Water and sewer plant	67,420,672	1,787,151	-	69,207,823
Machinery and equipment	3,412,852	30,738	(37,321)	3,406,269
Subtotal	70,833,524	1,817,889	(37,321)	72,614,092
Total capital assets	72,554,820	2,069,330	(37,321)	74,586,829
Less accumulated depreciation:				
Water and sewer plant	(22,268,273)	(1,775,670)	-	(24,043,943)
Machinery and equipment	(2,654,713)	(239,376)	37,321	(2,856,768)
Subtotal	(24,922,986)	(2,015,046)	37,321	(26,900,711)
Net capital assets	<u>\$ 47,631,834</u>	<u>\$ 54,284</u>	<u>\$ -</u>	<u>\$ 47,686,118</u>

Depreciation expense related to capital assets used in business-type activities for 2008 totaled \$2,015,046.

**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**H. LONG-TERM DEBT**

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The following table summarizes the City's governmental long-term debt at June 30, 2008:

**Governmental Activities**

Loan payable to the Public Building Authority of The City of Clarksville, Tennessee, dated June 7, 2007, maturing between May 25, 2009 and 2020 at a variable interest rate determined by the remarketing agent (1.54% at June 30, 2008), interest payable monthly, and principal payments ranging from \$230,000 to \$374,000 payable annually on May 25th of each year.	\$ 3,520,963
Loan payable to the Public Building Authority of The City of Clarksville, Tennessee, dated November 17, 2004, maturing between May 25, 2005 and 2024 at a variable interest rate determined by the remarketing agent (2.50% at June 30, 2008), interest payable monthly, and principal payments ranging from \$22,000 to \$66,000 payable annually on May 25th of each year.	858,000
Kelly Amber Property Capital Outlay Note, Series 2000, due in annual payments of \$25,000 with 0% interest, through June 2009, secured by the full faith and credit of the City.	25,000
	<hr/>
Accrued compensated absences	4,403,963
Total governmental activity debt	231,273
	<hr/>
Less amounts due within one year	4,635,236
	<hr/>
Long-term governmental activity debt	(497,231)
	<hr/>
	<u>\$ 4,138,005</u>

In June 2007, the City entered into a loan agreement with The Public Building Authority of The City of Clarksville, Tennessee (Authority). The agreement allows the City to draw up to a maximum \$4,500,000 towards the construction of a new soccer complex. At June 30, 2008, the City still has \$979,073 available to draw on the loan for construction costs. The note principal and related interest is a direct obligation of the City and is backed by the full faith and credit of the City. Also, the City pledges to levy and collect ad valorem taxes sufficient to pay the debt service obligations under this agreement.

In November 2004, the City entered into a loan agreement with The Public Building Authority of The City of Clarksville, Tennessee (Authority). The note principal and related interest is a direct obligation of the City and is backed by the full faith and credit of the City. Also, the City pledges to levy and collect ad valorem taxes sufficient to pay the debt service obligations under this agreement.



**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**H. LONG-TERM DEBT - CONTINUED**

The following table summarizes the City's business-type activity long-term debt at June 30, 2008:

**Business-Type Activities**

Loan payable to the Public Building Authority of The City of Crossville, Tennessee, Water System Refunding Bonds, Series 2005, maturing between July 1, 2005 and 2028 at fixed interest rates ranging from 3.85% to 5.00% payable semiannually on January 1 and July 1, and principal payments ranging from \$135,000 to \$350,000 are payable annually on July 1st of each year.	\$ 4,770,000
Note payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments of \$28,989, including interest at 1.77%, through September 2023.	4,646,273
Loan payable to the Public Building Authority of The City of Clarksville, Tennessee, Series 1997, maturing between May 25, 2001 and 2019 at a variable interest rate determined by the remarketing agent (1.29% at June 30, 2008) payable monthly and principal payments ranging from \$154,350 to \$371,450 are payable annually on May 25th of each year.	3,239,670
USDA Water and Sewer Revenue and Tax Bonds, Series 2003, due in monthly installments of \$11,518, including interest at 4.25%, through May 2031.	2,018,801
Note payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments of \$5,872, including interest at 1.47%, through May 2024.	999,388
Note payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments of \$14,224, including interest at 2.64%, through July 2014.	958,255
Note payable to State of Tennessee, Local Development Authority, due in monthly installments of \$9,991, plus variable interest (6.18% at June 30, 2008), through April 2015.	819,242
Loan payable to the Public Building Authority of The City of Clarksville, Tennessee, Series 1995, maturing between May 25, 1999 and 2010 at a variable interest rate determined by the remarketing agent (1.39% at June 30, 2008) payable monthly and principal payments ranging from \$229,700 to \$436,700 are payable annually on May 25th of each year.	442,900
Note payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments of \$2,284, including interest at 1.47%, through August 2024.	394,130
	<hr/>
Accrued compensated absences	18,288,659
Plus net premium on debt refunding	83,496
Less deferred loss on defeasance	16,544
Total business activity debt	<hr/> (227,216) <hr/> 18,161,483
Less amounts due within one year, net of current portion of net premium on debt refunding and deferred loss on defeasance	(1,347,950)
Long-term business-activity debt	<hr/> <u>\$ 16,813,533</u> <hr/>

## CITY OF CROSSVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

**H. LONG-TERM DEBT - CONTINUED**

The City entered into a loan agreement with The Public Building Authority of The City of Crossville, Tennessee (Authority) in connection with the Water System Refunding Bonds, Series 2005. As security for the payment of principal and interest on the bonds, the City has pledged the net revenues to be derived from the operation of the water system. In addition, the payment of principal and interest on the bonds is guaranteed by an insurance policy issued by MBIA Insurance Corporation. In accordance with the loan agreement, the City is required to maintain a Bond and Interest Sinking Fund. Monthly cash transfers to the Bond and Interest Sinking Fund must be sufficient to pay the interest due on the next succeeding interest payment date and the principal due on the next succeeding principal payment date. This fund is restricted for specific purposes and has no balance at June 30, 2008 because the bond principal and interest payment is made at the end of the fiscal year. Finally, the loan agreement also requires the City to establish rates to its customers in order to maintain a debt service coverage ratio of not less than 1.20 to 1. The City is in compliance with this debt covenant at June 30, 2008.

The four notes payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund, the two loans payable to the Public Building Authority of the City of Clarksville, Tennessee (Series 1997 and Series 1995), the USDA Series 2003 Bonds and the note payable to State of Tennessee Local Development Authority are direct obligations of the City, are backed by the full faith and credit of the City, and are secured by a lien upon and pledge of the net revenues of the water and sewer system. Also, the City pledges to levy and collect additional taxes, to the extent necessary, to meet the debt service obligations under these agreements. In addition, the City also pledges and assigns other additional available sources of revenues as necessary to secure the payment equal to the maximum annual debt service requirements.

In a prior year, the City issued refunding bonds (Series 2005) to defease certain outstanding bonds for the purpose of debt consolidation and to achieve debt service savings. The City has placed the proceeds from the refunding issue in an irrevocable escrow account with a trust agent to insure payment of all future debt service on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt will not actually be retired until the first call dates or until maturity if they are not callable issues. At June 30, 2008, \$4,770,000 of bonds outstanding is considered defeased.

**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**H. LONG-TERM DEBT - CONTINUED**

The annual debt service requirements to maturity, including principal and interest, for long-term debt (excluding accrued compensated absences) as of June 30, 2008, are as follows:

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 298,000	\$ 75,673	\$ 373,673	\$ 1,286,511	\$ 511,433	\$ 1,797,944
2010	285,000	71,056	356,056	1,128,422	477,838	1,606,260
2011	298,000	66,244	364,244	1,107,279	448,375	1,555,654
2012	312,000	61,223	373,223	1,137,657	418,965	1,556,622
2013	327,000	55,977	382,977	1,168,988	388,632	1,557,620
2014 - 2018	1,881,000	192,279	2,073,279	5,313,117	1,512,007	6,825,124
2019 - 2023	936,963	45,236	982,199	4,162,732	902,305	5,065,037
2024 - 2028	66,000	1,650	67,650	2,263,060	368,607	2,631,667
2029 - 2031	-	-	-	720,893	23,612	744,505
	<u>\$ 4,403,963</u>	<u>\$ 569,338</u>	<u>\$ 4,973,301</u>	<u>\$ 18,288,659</u>	<u>\$ 5,051,774</u>	<u>\$ 23,340,433</u>

**I. CHANGES IN LONG-TERM LIABILITIES**

Following is a summary of changes in governmental activity long-term debt for the year ended June 30, 2008:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008	Amounts Due Within One Year
<b>Governmental Activities</b>					
Loans payable to the Public Building Authority of The City of Clarksville, TN	\$ 1,649,582	\$ 2,801,881	\$ (72,500)	\$ 4,378,963	\$ 273,000
Capital Outlay Note	50,000	-	(25,000)	25,000	25,000
	<u>1,699,582</u>	<u>2,801,881</u>	<u>(97,500)</u>	<u>4,403,963</u>	<u>298,000</u>
Plus accrued compensated absences	212,711	211,254	(192,692)	231,273	199,231
	<u>\$ 1,912,293</u>	<u>\$ 3,013,135</u>	<u>\$ (290,192)</u>	<u>\$ 4,635,236</u>	<u>\$ 497,231</u>

The general fund has been used in prior years to liquidate long-term liabilities.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

I. CHANGES IN LONG-TERM LIABILITIES - CONTINUED

Following is a summary of changes in business-type activity long-term debt for the year ended June 30, 2008:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Loan payable to the Public Building Authority of The City of Crossville, TN	\$ 4,925,000	\$ -	\$ (155,000)	\$ 4,770,000	\$ -
Notes payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund	7,481,274	-	(483,228)	6,998,046	492,832
Loans payable to the Public Building Authority of The City of Clarksville, TN	4,271,650	-	(589,080)	3,682,570	620,340
USDA Water and Sewer Revenue and Tax Bonds, Series 2003	2,205,125	-	(186,324)	2,018,801	53,450
Notes payable to the State of Tennessee, Local Development Authority	938,651	-	(119,409)	819,242	119,889
	<u>19,821,700</u>	-	<u>(1,533,041)</u>	<u>18,288,659</u>	<u>1,286,511</u>
Plus net premium on debt refunding	17,368	-	(824)	16,544	824
Less deferred loss on defeasance	(238,529)	-	11,313	(227,216)	(11,313)
Plus accrued compensated absences	74,717	76,166	(67,387)	83,496	71,928
	<u>\$ 19,675,256</u>	<u>\$ 76,166</u>	<u>\$ (1,589,939)</u>	<u>\$ 18,161,483</u>	<u>\$ 1,347,950</u>

## CITY OF CROSSVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

**J. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary to future years subject to maximum deferral limitations provided in the plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust for the exclusive benefit of participating employees under the Small Business Job Protection Act of 1996. Also, the City has little administrative involvement and does not perform the investing function for the plan. As a result, the assets and liabilities associated with the plan are excluded from the City's balance sheets. The City does not contribute to the plan.

**K. PENSION PLAN****Plan Description**

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

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

**Funding Policy**

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

**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**K. PENSION PLAN - CONTINUED**

**Funding Policy – Continued**

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008 was 14.97% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2008, the City's annual pension cost of \$807,351 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of seven and one-half percent per year compounded annually, (b) projected salary increases of four and three-fourths percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected three and one-half percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 807,351	100.0%	\$ -
2007	780,837	100.0%	-
2006	796,141	100.0%	-

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 85.78% percent funded. The actuarial accrued liability for benefits was \$13.57 million, and the actuarial value of assets was \$11.64 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.93 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.29 million, and the ratio of the UAAL to the covered payroll was 36.44%.

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

**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**K. PENSION PLAN - CONTINUED**

**Funded Status and Funding Progress - Continued**

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

The following is a schedule of funding progress for the City:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2007	\$ 11,637,000	\$ 13,566,000	\$ 1,929,000	85.78%	\$ 5,294,000	36.44%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the schedule of funding progress using the entry age actuarial cost method. The requirement to present the schedule of funding progress using the entry age actuarial cost method was a change made during the year and, therefore, only the most current year is presented.

**L. OTHER POSTEMPLOYMENT BENEFITS**

The City provides post-employment medical coverage to all employees and their families until they are eligible for Medicare benefits who retire with at least 30 years of service and are not less than age 55 or with at least 20 years of service and are not less than age 60. Any cost related to family coverage to the retiree is deducted from their retirement check. Under the medical insurance plan, expenditures are recognized as monthly insurance premiums are paid. During 2008, \$15,393 was paid for postretirement medical coverage for two retired employees.

The Governmental Accounting Standards Board (GASB) has issued statement No. 45 titled "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASB Statement No. 45 requires the accrual of liabilities of other post-employment benefits (OPEB) generally over the working careers of plan members rather than on a pay-as-you-go basis which is the current practice. The City of Crossville must comply with GASB Statement No. 45 for the fiscal year ending June 30, 2009.

To begin to assess the magnitude of these requirements, the City of Crossville commissioned a valuation report as of July 1, 2007, covering postretirement medical insurance benefits provided by the City. The

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2008**

**L. OTHER POSTEMPLOYMENT BENEFITS - Continued**

purpose of the valuation was to estimate the Annual Required Contribution (ARC) under various actuarial assumptions. These ARC's varied from \$61,321 to \$161,896 based on various actuarial assumptions and, the unfunded actuarial accrued liability ranged from \$449,001 to \$1,435,230.

**M. WATER SALES AGREEMENTS**

In May 2007, the City entered into a water sales agreement with Fall Creek Falls Utility District ("FCFUD") as purchaser, and South Cumberland Utility District ("SCUD") as transporter. The term of the contract is for twenty-five years beginning from the date the transporter of the water begins delivering water to the purchaser. The contract stipulates that the City will sell potable treated water up to 10,000,000 gallons per month to FCFUD. The initial contract price of the water is \$2.77 for each 1,000 gallons which is subject to rate adjustment annually on January 1<sup>st</sup>. During the year ended June 30, 2008 no water was sold by the City to FCFUD under the terms of this contract.

In November 2006, the City entered into a water services contract with SCUD to provide all SCUD's potable water needs so long as SCUD's demands do not exceed the City's capacity to furnish potable water to all City's customers. The contract became effective January 1, 2007 and terminates on December 31, 2017, unless extended by mutual agreement by both parties. The initial contract price of the water is \$2.67 for each 1,000 gallons which is subject to rate adjustment annually on January 1<sup>st</sup>. The parties have agreed that any rate increase to SCUD will be the same percentage rate increase as established by the City for inside of City customers and shall become effective at the same time as the rate increase to the City's inside of City customers. During the year ended June 30, 2008, the City sold 211,174,800 gallons (20.4% of total gallons sold) totaling \$563,837 (11.7% of total water revenues) under the terms of this contract. Additionally, SCUD owes the City \$47,136 at June 30, 2008.

**N. RELATED ORGANIZATIONS**

The Mayor and City Council are responsible for appointing the board members of the Crossville Housing Authority and the Public Building Authority of City of Crossville, Tennessee. The City's accountability for these organizations does not extend beyond making the appointments.

**O. RELATED PARTY TRANSACTION**

The City of Crossville leases a building from two City employees who together own a 50% interest in the building. The lease is for a one year term expiring September 30, 2008 and requires the City to pay \$950 per month. The annual lease was renewed on October 1, 2008 at \$975 per month for twelve months.

**P. COMMITMENTS**

At June 30, 2008, the City is committed on future capital expenditures of approximately \$1,700,000. Also, the City has been approved for various capital grants totaling approximately \$2,533,000. Of the



**CITY OF CROSSVILLE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2008**

**P. COMMITMENTS - Continued**

\$2,533,000 of capital grants, \$1,376,000 represents federal grants and \$1,157,000 represents state grants. In connection with these grants the City has committed to spend \$367,000 of its own funds. These grants are for the construction costs related to a bridge on East Holiday Drive over the Obed River, security system upgrades, construction of a taxi lane at the Crossville Memorial Airport and for the construction costs of a sewer plant and collection system at Cumberland Mountain State Park.

**Q. SUBSEQUENT EVENTS**

Subsequent to June 30, 2008, the City was approved for a \$1,284,000 loan from the U.S. Department of Agriculture, Rural Development which is payable monthly over 38 years at an annual interest rate of 3.625% and an \$800,000 grant in connection with the estimated construction costs of \$5,300,000 for the Cumberland Cove water line extensions to provide water service to Cumberland Cove property owners. Additionally, the Cumberland Cove Property Owners Association ("Association") entered into a contract with the City in April 2008 which requires the Association to pay the City an infrastructure development fee of \$3,000,000 to be paid in annual payments of \$1,000,000 with the first payment due on the date of the commencement of the work. The contract also requires the Association to pay various tap fees which is estimated to be approximately \$216,000.

Additionally, in July 2008, the City entered into a construction contract with ECE Services for \$2,871,216 to perform work on the Lake Holiday Dam Improvement Project.

**R. PRIOR PERIOD ADJUSTMENTS**

The following discloses the restatement of the governmental fund balances and the government wide governmental activities net assets as of the beginning of the year:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>	<b>Government Wide -Govt. Activities</b>
Fund balance/net assets, beginning of year, as previously reported	\$14,818,946	(\$49,836)	\$15,611,314	\$41,277,387
Decrease due to errors in recording various tax receivables and tax revenues	(21,588)	-	(21,588)	(3,173)
Increase due to capital expenditures and accounts payable recorded in error	-	939,633	939,633	876,062
Fund balance/net assets, beginning of year, as Restated	<u>\$14,797,358</u>	<u>\$889,797</u>	<u>\$16,529,359</u>	<u>\$42,150,276</u>

The restatements decreased the previously reported changes in net assets of the governmental activities in the government wide financial statements for the year ended June 30, 2007 by \$3,173, decreased the previously reported net change in fund balance of the general fund by \$21,588 and increased the previously reported net change in fund balance of the capital projects fund by \$38,000.

**COMBINING AND INDIVIDUAL  
NONMAJOR FUND STATEMENTS  
AND SCHEDULES**

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2008**

GRANTOR	CFDA NO.	PASS THROUGH ENTITY	STATE CONTRACT NUMBER	FEDERAL /STATE	RECEIVABLE		CASH RECEIPTS	EXPENDITURES	RECEIVABLE ENDING BALANCE
					BEGINNING BALANCE				
U.S. Department of Transportation	20.601/ 20.600	State of Tennessee, Dept. of Transportation	Z-07035762-00	Federal	\$ 1,964	\$ 1,964	\$ -	\$ -	\$ -
U.S. Department of Transportation	20.605/ 20.600	State of Tennessee, Dept. of Transportation	Z-07035683-00	Federal	7,830	27,865	20,035	-	-
U.S. Department of Transportation	20.600/ 20.607	State of Tennessee, Dept. of Transportation	Z-08023668-00	Federal	-	7,304	7,304	-	-
U.S. Department of Justice	16.738	State of Tennessee, Dept. of Finance and Administration Office Criminal Justice	Z-06027546-00	Federal	-	18,000	18,000	-	-
U.S. Department of Transportation	20.106	State of Tennessee, Dept. of Transportation, Aeronautics Division	Z-08200754-00	Federal	-	-	20,824	20,824	20,824
U.S. Department of Agriculture	10-664	State of Tennessee, Dept. of Agriculture	Z-07033335-00	Federal	-	463	463	-	-
U.S. Department of Justice	16.607	N/A	N/A	Federal	-	272	3,828	3,556	3,556
			<b>Total Federal Awards</b>		<b>\$ 9,794</b>	<b>\$ 55,868</b>	<b>\$ 70,454</b>	<b>\$ 24,380</b>	<b>\$ 24,380</b>

See independent auditor's report.



**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE - CONTINUED**  
**YEAR ENDED JUNE 30, 2008**

GRANTOR	CFDA NO.	PASS THROUGH ENTITY	STATE CONTRACT NUMBER	FEDERAL /STATE	RECEIVABLE		CASH RECEIPTS	EXPENDITURES	RECEIVABLE ENDING BALANCE
					BEGINNING BALANCE				
State of Tennessee, Dept. of Transportation, Aeronautics Division	N/A	N/A	Z-07035582-00	State	\$ 4,566	\$ 4,566	\$ -	\$ -	\$ -
State of Tennessee, Dept. of Transportation, Aeronautics Division	N/A	N/A	Z-08021572-00	State	-	8,500	8,500	-	-
State of Tennessee, Dept. of Economic and Community Development	N/A	N/A	GG-0721392-00	State	-	1,461	1,461	-	-
State of Tennessee, Dept. of Economic and Community Development	N/A	N/A	GG 0823665-00	State	-	-	2,500	2,500	2,500
State of Tennessee, Wildlife Resources Agency	N/A	N/A	GG 0720405-00	State	-	60,000	60,000	-	-
			<b>Total State Awards</b>		<b>\$ 4,566</b>	<b>\$ 74,527</b>	<b>\$ 72,461</b>	<b>\$ 2,500</b>	<b>\$ 2,500</b>
			<b>Total Federal and State Awards</b>		<b>\$ 14,360</b>	<b>\$ 130,395</b>	<b>\$ 142,915</b>	<b>\$ 26,880</b>	<b>\$ 26,880</b>



CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

REVENUES	General Fund	Capital Projects Fund	Total Major Governmental Funds
Taxes			
Property taxes	\$ 1,856,700	\$ -	\$ 1,856,700
Special tax assessments	17,607	-	17,607
Intergovernmental revenues			
Business taxes	548,148	-	548,148
Local sales tax	6,913,050	-	6,913,050
Payments in lieu of taxes	163,582	-	163,582
State sales and income tax	954,292	-	954,292
Wholesale, state beer and liquor tax	671,848	-	671,848
Other taxes	80,971	-	80,971
Federal and state grants			
Federal grants	3,828	-	3,828
State grants	111,342	-	111,342
Charges for services			
Airport charges	68,720	-	68,720
Cemetery charges	31,550	-	31,550
Driver safety school charges	27,495	-	27,495
Park facility and concession charges	189,636	-	189,636
Licenses and permits			
Beer and liquor license fees	21,075	-	21,075
Building permits	157,621	-	157,621
Franchise fees	124,722	-	124,722
Other permits	17,872	-	17,872
Fines and forfeitures			
Court fines and costs	119,176	-	119,176
Other fines and costs	6,127	-	6,127
Drug related fines and forfeitures	2,835	-	2,835
Interest revenue	552,919	12,063	564,982
Miscellaneous			
Donations	155,000	-	155,000
Insurance recoveries	61,712	-	61,712
Sale of property and equipment	4,307	-	4,307
Other revenues	211,609	-	211,609
	<u>\$ 13,073,744</u>	<u>\$ 12,063</u>	<u>\$ 13,085,807</u>

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	General Fund	Capital Projects Fund	Total Major Governmental Funds
<b>EXPENDITURES</b>			
General government			
Payroll and payroll taxes	\$ 1,194,406	\$ -	\$ 1,194,406
Employee benefits	448,744	-	448,744
Supplies	118,142	-	118,142
Utilities	62,668	-	62,668
Repairs and maintenance	41,818	-	41,818
Other operating expenses	432,696	7,118	439,814
Capital outlay	171,285	-	171,285
City court			
Payroll and payroll taxes	13,200	-	13,200
Supplies	1,055	-	1,055
Airport			
Payroll and payroll taxes	11,714	-	11,714
Employee benefits	998	-	998
Supplies	2,492	-	2,492
Utilities	24,315	-	24,315
Repairs and maintenance	10,989	-	10,989
Other operating expenses	25,630	-	25,630
Capital outlay	32,584	-	32,584
Cemetery			
Payroll and payroll taxes	27,052	-	27,052
Employee benefits	11,837	-	11,837
Supplies	3,107	-	3,107
Utilities	1,680	-	1,680
Repairs and maintenance	1,321	-	1,321
Capital outlay	15,852	-	15,852
Parks and recreation			
Payroll and payroll taxes	354,040	-	354,040
Employee benefits	94,786	-	94,786
Supplies	137,237	-	137,237
Utilities	142,016	-	142,016
Repairs and maintenance	76,882	-	76,882
Other operating expenses	114,062	-	114,062
Capital outlay	21,827	-	21,827

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - CONTINUED

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

EXPENDITURES - CONTINUED	General Fund	Capital Projects Fund	Total Major Governmental Funds
Planning and zoning			
Payroll and payroll taxes	110,313	-	110,313
Employee benefits	41,370	-	41,370
Supplies	9,124	-	9,124
Utilities	2,106	-	2,106
Repairs and maintenance	567	-	567
Other operating expenses	14,916	-	14,916
Capital outlay	9,500	-	9,500
Public Safety			
Payroll and payroll taxes	2,656,765	-	2,656,765
Employee benefits	903,865	-	903,865
Supplies	377,768	-	377,768
Utilities	45,012	-	45,012
Repairs and maintenance	96,711	-	96,711
Other operating expenses	471,129	-	471,129
Capital outlay	321,873	-	321,873
Streets			
Payroll and payroll taxes	523,660	-	523,660
Employee benefits	204,884	-	204,884
Supplies	358,491	-	358,491
Utilities	32,495	-	32,495
Repairs and maintenance	75,920	-	75,920
Other operating expenses	34,667	-	34,667
Tourism development			
Supplies	134	-	134
Other operating expenses	46,984	-	46,984
Capital projects			
Capital outlay	-	5,166,541	5,166,541
Debt service			
Principal	66,000	31,500	97,500
Interest	31,865	50,942	82,807
	<u>\$ 10,030,554</u>	<u>\$ 5,256,101</u>	<u>\$ 15,286,655</u>

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	Drug Fund	Industrial Development Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Net receivables	-	-	-	49,013	49,013
Materials and supplies	-	-	7,520	-	7,520
Due from other funds	6,084	-	-	-	6,084
Restricted cash and cash equivalents	93,906	542,179	-	113,007	749,092
Total assets	<u>\$ 99,990</u>	<u>\$ 542,179</u>	<u>\$ 7,520</u>	<u>\$ 162,020</u>	<u>\$ 811,709</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,405	\$ 3,405
Total liabilities	-	-	-	3,405	3,405
<b>FUND BALANCES</b>					
Reserved	99,990	542,179	-	158,615	800,784
Unreserved	-	-	7,520	-	7,520
Total fund balances	<u>99,990</u>	<u>542,179</u>	<u>7,520</u>	<u>158,615</u>	<u>808,304</u>
Total liabilities an fund balances	<u>\$ 99,990</u>	<u>\$ 542,179</u>	<u>\$ 7,520</u>	<u>\$ 162,020</u>	<u>\$ 811,709</u>

See independent auditor's report.



CITY OF CROSSVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	Drug Fund	Industrial Development Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
<b>REVENUES</b>					
Intergovernmental revenues					
State gasoline and motor fuel tax	\$ -	\$ -	\$ -	\$ 292,553	\$ 292,553
Fines and forfeitures					
Drug related fines and forfeitures	14,202	-	-	-	14,202
Interest revenue	4,004	37,741	-	7,164	48,909
Miscellaneous					
Donations and contributions	18,663	18,169	-	-	36,832
Total revenues	36,869	55,910	-	299,717	392,496
<b>EXPENDITURES</b>					
Current operations:					
Industrial development					
Other operating expenses	-	18,146	-	-	18,146
Public safety					
Supplies	17	-	-	-	17
Other operating expenses	15,282	-	-	-	15,282
Sanitation					
Other operating expenses	-	-	391,078	-	391,078
Streets					
Supplies	-	-	-	1,061	1,061
Street lighting	-	-	-	226,438	226,438
Capital outlay	-	-	-	162,540	162,540
Total expenditures	15,299	18,146	391,078	390,039	814,562
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	21,570	37,764	(391,078)	(90,322)	(422,066)

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	Drug Fund	Industrial Development Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from other funds	-	-	388,166	-	388,166
	-	-	388,166	-	388,166
<b>NET CHANGE IN FUND BALANCE</b>	21,570	37,764	(2,912)	(90,322)	(33,900)
<b>FUND BALANCE, June 30, 2007</b>	78,420	504,415	10,432	248,937	842,204
<b>FUND BALANCE, June 30, 2008</b>	<u>\$ 99,990</u>	<u>\$ 542,179</u>	<u>\$ 7,520</u>	<u>\$ 158,615</u>	<u>\$ 808,304</u>

See independent auditor's report.

**CITY OF CROSSVILLE, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DRUG FUND**

**YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
<b>REVENUES</b>			
Fines and forfeitures	\$ 25,500	\$ 25,500	\$ 14,202
Interest revenue	5,000	5,000	4,004
Miscellaneous	30,000	30,000	18,663
Total revenues	<u>60,500</u>	<u>60,500</u>	<u>36,869</u>
<b>EXPENDITURES</b>			
Public safety	145,200	145,200	15,299
Capital outlay	6,800	6,800	-
Total expenditures	<u>152,000</u>	<u>152,000</u>	<u>15,299</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	(91,500)	(91,500)	21,570
<b>FUND BALANCE, June 30, 2007</b>	78,420	78,420	78,420
<b>FUND BALANCE, June 30, 2008</b>	<u>\$ (13,080)</u>	<u>\$ (13,080)</u>	<u>\$ 99,990</u>

See independent auditor's report.

**CITY OF CROSSVILLE, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**INDUSTRIAL DEVELOPMENT FUND**

**YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
<b>REVENUES</b>			
Interest revenue	\$ 70,000	\$ 70,000	\$ 37,741
Miscellaneous	720,000	720,000	18,169
Total revenues	<u>790,000</u>	<u>790,000</u>	<u>55,910</u>
<b>EXPENDITURES</b>			
Industrial development	40,000	40,000	18,146
Capital outlay	600,000	600,000	-
Total expenditures	<u>640,000</u>	<u>640,000</u>	<u>18,146</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>			
	150,000	150,000	37,764
<b>FUND BALANCE, June 30, 2007</b>	<u>504,415</u>	<u>504,415</u>	<u>504,415</u>
<b>FUND BALANCE, June 30, 2008</b>	<u>\$ 654,415</u>	<u>\$ 654,415</u>	<u>\$ 542,179</u>

See independent auditor's report.

**CITY OF CROSSVILLE, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**SOLID WASTE FUND**

**YEAR ENDED JUNE 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>			
Miscellaneous	\$ 150	\$ 150	\$ -
<b>EXPENDITURES</b>			
Sanitation	421,500	421,500	391,078
Total expenditures	421,500	421,500	391,078
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(421,350)	(421,350)	(391,078)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from other funds	421,350	421,350	388,166
	421,350	421,350	388,166
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(2,912)
<b>FUND BALANCE, June 30, 2007</b>	10,432	10,432	10,432
<b>FUND BALANCE, June 30, 2008</b>	\$ 10,432	\$ 10,432	\$ 7,520

See independent auditor's report.

**CITY OF CROSSVILLE, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**STATE STREET AID FUND**

**YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 307,455	\$ 307,455	\$ 292,553
Interest revenue	28,000	28,000	7,164
Total revenues	<u>335,455</u>	<u>335,455</u>	<u>299,717</u>
<b>EXPENDITURES</b>			
Street maintenance	330,000	330,000	227,499
Capital outlay	240,000	240,000	162,540
Total expenditures	<u>570,000</u>	<u>570,000</u>	<u>390,039</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>			
	(234,545)	(234,545)	(90,322)
<b>FUND BALANCE, June 30, 2007</b>	248,937	248,937	248,937
<b>FUND BALANCE, June 30, 2008</b>	<u>\$ 14,392</u>	<u>\$ 14,392</u>	<u>\$ 158,615</u>

See independent auditor's report.

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULES OF LONG-TERM DEBT**

**JUNE 30, 2008**

**Governmental Activities Long-Term Debt**

Year Ending June 30,	Loan Payable to Public Building Authority of the City of Clarksville, Tennessee, dated June 7, 2007		Loan Payable to Public Building Authority of the City of Clarksville, Tennessee, dated November 17, 2004		Kelly Amber Property Capital Outlay Note, Series 2000		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 230,000	\$ 54,223	\$ 43,000	\$ 21,450	\$ 25,000	\$ -	\$ 298,000	\$ 75,673
2010	241,000	50,681	44,000	20,375	-	-	285,000	71,056
2011	253,000	46,969	45,000	19,275	-	-	298,000	66,244
2012	266,000	43,073	46,000	18,150	-	-	312,000	61,223
2013	279,000	38,977	48,000	17,000	-	-	327,000	55,977
2014	293,000	34,680	49,000	15,800	-	-	342,000	50,480
2015	308,000	30,168	51,000	14,575	-	-	359,000	44,743
2016	323,000	25,425	52,000	13,300	-	-	375,000	38,725
2017	339,000	20,451	54,000	12,000	-	-	393,000	32,451
2018	356,000	15,230	56,000	10,650	-	-	412,000	25,880
2019	374,000	9,748	57,000	9,250	-	-	431,000	18,998
2020	258,963	3,988	59,000	7,825	-	-	317,963	11,813
2021	-	-	61,000	6,350	-	-	61,000	6,350
2022	-	-	63,000	4,825	-	-	63,000	4,825
2023	-	-	64,000	3,250	-	-	64,000	3,250
2024	-	-	66,000	1,650	-	-	66,000	1,650
	<b>\$ 3,520,963</b>	<b>\$ 373,613</b>	<b>\$ 858,000</b>	<b>\$ 195,725</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 4,403,963</b>	<b>\$ 569,338</b>
								<b>\$ 4,973,301</b>



CITY OF CROSSVILLE, TENNESSEE

SCHEDULES OF LONG-TERM DEBT - CONTINUED

JUNE 30, 2008

Business-Type Activities Long-Term Debt

Year Ending June 30,	Loan Payable to the Public Building Authority of the City of Clarksville,		Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan # 00-		Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee,		USDA Water and Sewer Revenue and Tax Bonds,	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ -	\$ 204,512	\$ 267,793	\$ 80,075	\$ 228,040	\$ 41,792	\$ 53,450	\$ 84,766
2010	160,000	198,912	272,573	75,295	239,440	38,850	55,767	82,449
2011	165,000	193,137	277,436	70,432	251,410	35,761	58,185	80,031
2012	170,000	187,187	282,388	65,480	263,980	32,518	60,704	77,512
2013	175,000	180,799	287,428	60,440	277,180	29,113	63,335	74,881
2014	185,000	173,861	292,554	55,314	291,040	25,537	66,081	72,135
2015	190,000	166,546	297,776	50,092	305,590	21,783	68,943	69,273
2016	200,000	158,546	303,089	44,779	320,870	17,841	71,931	66,285
2017	205,000	149,833	308,499	39,369	336,910	13,701	75,051	63,165
2018	215,000	140,695	314,003	33,865	353,760	9,355	78,301	59,915
2019	225,000	130,851	319,605	28,263	371,450	4,792	81,695	56,521
2020	235,000	120,276	325,310	22,558	-	-	85,236	52,980
2021	245,000	109,251	331,115	16,753	-	-	88,930	49,286
2022	255,000	97,776	337,023	10,845	-	-	92,784	45,432
2023	265,000	85,851	343,037	4,831	-	-	96,804	41,412
2024	280,000	73,251	86,644	256	-	-	101,001	37,215
2025	295,000	59,976	-	-	-	-	105,377	32,839
2026	305,000	46,251	-	-	-	-	109,945	28,271
2027	320,000	31,451	-	-	-	-	114,707	23,509
2028	330,000	16,188	-	-	-	-	119,681	18,535
2029	350,000	-	-	-	-	-	124,866	13,350
2030	-	-	-	-	-	-	130,278	7,938
2031	-	-	-	-	-	-	115,749	2,324
	\$ 4,770,000	\$ 2,525,150	\$ 4,646,273	\$ 658,647	\$ 3,239,670	\$ 271,043	\$ 2,018,801	\$ 1,140,024

See independent auditor's report.





CITY OF CROSSVILLE, TENNESSEE

SCHEDULES OF LONG-TERM DEBT - CONTINUED

JUNE 30, 2008

Business-Type Activities Long-Term Debt - (Continued)

Year Ending June 30,	Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan DWF # 00-033		Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan SRF # 92-043		Note Payable to the State of Tennessee, Local Development Authority Loan # 400-03		Loan Payable to Public Building Authority of the City of Clarksville, Tennessee, Series 1995	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 56,150	\$ 14,316	\$ 147,133	\$ 23,535	\$ 119,889	\$ 50,629	\$ 392,300	\$ 6,156
2010	56,981	13,485	151,092	19,596	119,889	43,220	50,600	703
2011	57,825	12,641	155,130	15,558	119,889	35,811	-	-
2012	58,681	11,785	159,275	11,413	119,889	28,402	-	-
2013	59,549	10,917	163,531	7,157	119,889	20,993	-	-
2014	60,430	10,036	167,901	2,787	119,889	13,583	-	-
2015	61,325	9,141	14,193	31	99,908	6,174	-	-
2016	62,232	8,234	-	-	-	-	-	-
2017	63,153	7,313	-	-	-	-	-	-
2018	64,088	6,378	-	-	-	-	-	-
2019	65,036	5,430	-	-	-	-	-	-
2020	65,999	4,467	-	-	-	-	-	-
2021	66,976	3,490	-	-	-	-	-	-
2022	67,967	2,499	-	-	-	-	-	-
2023	68,973	1,493	-	-	-	-	-	-
2024	64,023	571	-	-	-	-	-	-
	\$ 999,388	\$ 122,196	\$ 958,255	\$ 80,077	\$ 819,242	\$ 198,812	\$ 442,900	\$ 6,859



**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULES OF LONG-TERM DEBT - CONTINUED**

**JUNE 30, 2008**

		<b>Business-Type Activities Long-Term Debt - (Continued)</b>			
<b>Note Payable to the State of</b>					
<b>Tennessee, Wastewater Facility</b>					
<b>Year Ending June 30,</b>	<b>Revolving Loan SRF # 01-156</b>		<b>Total</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2009	\$ 21,756	\$ 5,652	\$ 1,286,511	\$ 511,433	\$ 1,797,944
2010	22,080	5,328	1,128,422	477,838	1,606,260
2011	22,404	5,004	1,107,279	448,375	1,555,654
2012	22,740	4,668	1,137,657	418,965	1,556,622
2013	23,076	4,332	1,168,988	388,632	1,557,620
2014	23,412	3,996	1,206,307	357,249	1,563,556
2015	23,760	3,648	1,061,495	326,688	1,388,183
2016	24,120	3,288	982,242	298,973	1,281,215
2017	24,468	2,940	1,013,081	276,321	1,289,402
2018	24,840	2,568	1,049,992	252,776	1,302,768
2019	25,200	2,208	1,087,986	228,065	1,316,051
2020	25,572	1,836	737,117	202,117	939,234
2021	25,956	1,452	757,977	180,232	938,209
2022	26,340	1,068	779,114	157,620	936,734
2023	26,724	684	800,538	134,271	934,809
2024	27,120	288	558,788	111,581	670,369
2025	4,562	6	404,939	92,821	497,760
2026	-	-	414,945	74,522	489,467
2027	-	-	434,707	54,960	489,667
2028	-	-	449,681	34,723	484,404
2029	-	-	474,866	13,350	488,216
2030	-	-	130,278	7,938	138,216
2031	-	-	115,749	2,324	118,073
	<b>\$ 394,130</b>	<b>\$ 48,966</b>	<b>\$ 18,288,659</b>	<b>\$ 5,051,774</b>	<b>\$ 23,340,433</b>

See independent auditor's report.  
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**CITY OF CROSSVILLE, TENNESSEE**

**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**

**JUNE 30, 2008**

<u>Tax Year</u>	<u>Balance June 30, 2007</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Exemptions and Abatements</u>	<u>Balance June 30, 2008</u>
2007	\$ -	\$ 1,844,424	\$ 1,796,540	\$ (10,980)	\$ 36,904
2006	28,856	-	8,426	-	20,430
2005	15,795	-	7,250	-	8,545
2004	20,598	-	316	-	20,282
2003	6,379	-	742	-	5,637
2002	2,062	-	-	588	2,650
2001	42	-	-	-	42
2000	48	-	-	-	48
1999	58	-	-	-	58
1998	42	-	-	-	42
1997	67	-	-	-	67
1996	42	-	-	-	42
1995	376	-	-	-	376
	<u>\$ 74,365</u>	<u>\$ 1,844,424</u>	<u>\$ 1,813,274</u>	<u>\$ (10,392)</u>	<u>95,123</u>
Penalty and interest					<u>32,753</u>
Subtotal					<u>127,876</u>
Deferred property tax revenues for 2008 accrued					<u>1,903,010</u>
					<u>2,030,886</u>
Less estimated uncollectible accounts					<u>(91,493)</u>
					<u>\$ 1,939,393</u>

As of June 30, 2007 the City has certified with the Cumberland County Clerk and Master delinquent taxes for the tax years from 1995 to 2005. In the fiscal year ended June 30, 2008 the City certified with the Cumberland County Clerk and Master delinquent taxes for the tax year 2006.

**OTHER SUPPLEMENTARY  
INFORMATION**

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF TAX RATES AND ASSESSMENTS**  
**(UNAUDITED)**

**JUNE 30, 2008**

<u>Year of Levy</u>	<u>Rate</u>	<u>Assessment</u>	<u>Amount of Tax Assessed</u>
1999	0.70	175,403,000	1,227,821
2000	0.70	188,252,571	1,317,768
2001	0.70	188,585,615	1,321,018
2002	0.60	228,255,500	1,361,574
2003	0.70	236,291,000	1,654,037
2004	0.70	242,689,143	1,688,791
2005	0.70	243,531,287	1,704,184
2006	0.70	254,353,428	1,780,474
2007	0.55	335,349,818	1,844,424
2008	0.55	346,001,818	1,903,010

**See independent auditor's report.**

**CITY OF CROSSVILLE, TENNESSEE**

**SCHEDULE OF WATER AND SEWER RATES AND NUMBER OF CUSTOMERS  
(UNAUDITED)**

**YEAR ENDED JUNE 30, 2008**

**WATER AND SEWER CUSTOMER RATES**

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 2,000 gallons		
Water	\$7.38 minimum bill	\$11.08 minimum bill
Sewer	9.00 minimum bill	13.50 minimum bill
All over 2,000 gallons		
Water	3.69 per 1,000 gallons	5.54 per 1,000 gallons
Sewer	4.50 per 1,000 gallons	6.75 per 1,000 gallons
Utility districts		2.67 per 1,000 gallons

**NUMBER OF CUSTOMERS**

	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Total</u>
Water customers			
Residential	3,646	6,694	10,340
Commercial	1,192	166	1,358
Industrial	32	6	38
Utility district taps	-	9	9
Total water customers	<u>4,870</u>	<u>6,875</u>	<u>11,745</u>
Total sewer customers	<u>4,653</u>	<u>17</u>	<u>4,670</u>

See independent auditor's report.

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
**(UNAUDITED)**

**YEAR ENDED JUNE 30, 2008**

	<b>Gallons</b>
<b>Water Treated and Purchased</b>	
Water produced by the City's water plant	1,358,778,000
<b>Accounted for Water Sales</b>	
Retail/wholesale billed water volume	1,036,109,900
<b>Accounted for Non-Revenue Water</b>	
Fire department and fire hydrant usage	22,000
Flushing	2,392,351
Documented repaired leaks	15,380,870
	17,795,221
<b>Total Accounted for Water</b>	1,053,905,121
<b>Total Unaccounted for Water</b>	304,872,879
<b>Percent Unaccounted for Water</b>	22.4%

See independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**HONORABLE MAYOR AND CITY COUNCIL**

Crossville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and the capital projects fund of City of Crossville, Tennessee, (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described below as items 08-01 to 08-05 to be significant deficiencies in internal control over financial reporting.

08-01 **Reconciliation of accounts receivable and accounts payable**

During our audit we noted the accounts receivable and accounts payable subsidiary ledgers were not reconciled to the general ledger control accounts. The practice of reconciling the subsidiary ledger balances to the general ledger account balances serves as a check on the accuracy of the record keeping process and helps to insure any accounting errors are detected and corrected prior to preparing financial statements.



**HONORABLE MAYOR AND CITY COUNCIL**  
Crossville, Tennessee  
Page Two

Recommendation

We recommend that City personnel not involved in posting transactions to the accounts receivable and accounts payable subsidiary ledgers reconcile the subsidiary ledger balances to the general ledger accounts at the end of each month and investigate and correct any errors detected prior to the preparation of financial statements.

Management's Response

We concur. This recommendation has been implemented as of January 1, 2009.

08-02 Inventory Control

During our audit we noted the City does not presently have a perpetual inventory system in place to control and properly account for the cost of materials and supplies inventory for the City. Also, the City does not have a work order system in place for the Water and Sewer Department to properly account for materials and supplies and labor used on repair orders and on capital projects.

Recommendation

We recommend management develop a perpetual inventory system to control and properly account for the cost of materials and supplies. Additionally, we recommend the City implement a work order system in order to properly account for materials and supplies inventory and labor used on Water and Sewer Department repair orders and capital projects. Also, the general ledger balances should be reconciled to the perpetual inventory system balances on a monthly basis and any discrepancies investigated and corrected prior to the preparation of financial statements.

Management's Response

We concur. Your recommendation for a perpetual inventory system and work order system is being implemented.

08-03 Tap Fees

During our audit we observed the City does not reconcile the monies received for the installation of taps to actual taps installed. It is our understanding the cashier at the City prepares the order and receives the money from the customer for the tap installation and then faxes the order to the Water and Sewer Department to install the tap. There is no review of the process to insure that all tap fees are collected (and deposited into City accounts) before the taps are installed.

**HONORABLE MAYOR AND CITY COUNCIL**

Crossville, Tennessee

Page Three

Recommendation

We recommend management have City personnel not involved with the collection of tap fees reconcile the monies collected for tap fees with the work orders and receipts issued for tap installations. Also, we recommend the City develop a policy that taps are not to be installed until a copy of the receipt is provided to the Water and Sewer Department personnel installing the taps.

Management's Response

We concur. This recommendation has been implemented as of January 1, 2009.

08-04 Adjustments to Accounting Records

State law requires the City to maintain its records in order to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). During our audit we noted that general ledger account balances for requisition payables, unbilled revenues, inventory and several governmental receivables had to be adjusted to conform to (GAAP). The accrual basis of accounting is required for the Water and Sewer Department in order to present financial statements in accordance with GAAP, and the modified-accrual basis of accounting is required for all other governmental funds in order to present financial statements in accordance with GAAP. The failure to properly maintain these general ledger accounts on the accrual and modified-accrual basis during the year caused significant audit adjustments to be made.

Recommendation

We recommend the City maintain the accounting records of the Water and Sewer Department on the accrual basis of accounting and the governmental funds on the modified-accrual basis in order to properly prepare financial statements in accordance with generally accepted accounting principles as required by state law.

Management's Response

These account balances are adjusted at year-end. It usually takes at least sixty days to get some of this information. Some of the adjustments were made because of timing differences.

08-05 Infrastructure Assets

During our audit we noted the City recorded infrastructure assets in prior years before they were actually constructed and before the assets were considered City property. Additionally, in prior years the City recorded capital expenditures in the capital projects fund statements and related liability when the City had not incurred an expenditure or liability related to infrastructure asset projects being conducted by the Tennessee Department of Transportation (TDOT). Due to these errors, the City recorded a prior period adjustment in the current year to correct the related balances as described in Note R to the financial statements.

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Recommendation

We recommend management develop a process to insure the City does not record infrastructure assets prior to assets being constructed and prior to assets becoming City property. In addition, we recommend management develop a process to insure expenditures and related liabilities to TDOT only be recorded when the expenditures and related liabilities are actually incurred.

Management's Response

We concur. This recommendation has been implemented as of January 1, 2009.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-04 and 08-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Disposition of Prior Year Audit Findings

In the prior year report, the predecessor auditor disclosed a material weakness (item 07-01) related to lack of documentation for hours worked by salaried personnel. The predecessor auditor recommended the City accurately and completely report actual hours worked by salaried employees. During the current year the City required all vacation and sick leave time taken by an employee to be documented and approved by the appropriate supervisor. Additionally, any time a salaried employee is working on a capital project,

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the salaried employee is required to complete a time sheet to document any time they spent on a capital project. The remaining time a salaried employee works is undocumented, but is monitored by appropriate supervisors.

In the prior year report, the predecessor auditor disclosed a noncompliance item (item 07-02) related to nepotism. The predecessor auditor recommended the City follow the City's personnel rules and regulations. This item has been included in a separate report dated December 31, 2008 issued to management of City of Crossville, Tennessee.

In the prior year report, the predecessor auditor disclosed a material weakness (item 07-03) related to an unauthorized new position and a lack of notification and advertising for the position. The predecessor auditor recommended the City advertise all new positions and document policy and approval for all hiring, advancement and salary increases. During the current year, the City advertised new positions and the City Council approved all hiring, advancement and salary increases.

In the prior year report, the predecessor auditor disclosed a noncompliance item (item 07-04) related to unauthorized salary increases. The predecessor auditor recommended the City Council approve all salary increases. During the current year, the City Council approved all salary increases.

In the prior year report, the predecessor auditor disclosed a material weakness (item 07-05) related to unauthorized payment of sick hours. The predecessor auditor recommended the City not pay any unauthorized sick hours and to require employees to report all instances of policy violations, fraud, abuse, errors or irregularities. During the current year, the unauthorized payment of sick hours was reimbursed to the City by the former employee.

In the prior year report, the predecessor auditor disclosed a significant deficiency (item 07-06) related to an undocumented customer count for garbage collection. The predecessor auditor recommended the City require an accurate methodology be established for the charges it pays its vendor for garbage collection. During the current year, the City compared the number of customers in the City for which the City is paying garbage collection fees with the number of customers recorded by the E-911 communications district to determine the customer count is reasonable.

In the prior year report, the predecessor auditor disclosed a noncompliance item (item 07-07) related to airport operations. The predecessor auditor recommended the City advertise a bid request for the fixed base operator of the airport and also establish credentials for the operator as well as the required minimum rental charges by the City. During 2008, the City advertised a bid request for the fixed base operator of the airport, established credentials for the operator and also established rental charges by the City. A new contract with the operator was approved by the City Council and executed in March 2008.

In the prior year report, the predecessor auditor disclosed a noncompliance item (item 07-08) related to the City not obtaining competitive bids. The predecessor auditor recommended the City competitively bid all purchases equal to or exceeding \$5,000. During the current year we noted no items equal to or exceeding \$5,000 that were not competitively bid.

In the prior year report, the predecessor auditor disclosed a significant deficiency (item 07-09) related to city records do not show the status of cases and allow verification of fine revenues. The predecessor auditor recommended the City maintain a list of cases that are open and closed based on court proceedings and verify that all fine revenues due from the county court is received. During the current year, the City police

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department maintains a control listing of all cases and their status. The police department regularly communicates with the county court to insure the current status, disposition of cases, and fines due the City.

In the prior year report, the predecessor auditor disclosed a noncompliance item (item 07-10) related to violation of section 39-17-428(c)(1) Tennessee Code Annotated. The predecessor auditor recommended the City deposit 50% of the drug related fines into the general fund as required by state law. During the current year, the City deposited 50% of the drug related fines into the general fund as required by state law.

In the prior year report, the predecessor auditor disclosed a noncompliance item (item 07-11) related to destruction of evidence not in accordance with state law. The predecessor auditor recommended the City update the status of the City cases and destroy the related evidence for cases that are closed and have been approved for destruction. During the current year, the City destroyed evidence when approved by judges presiding over the various cases.

In the prior year report, the predecessor auditor disclosed a material weakness (item 07-12) related to a weakness in segregation of duties over cash collections and related record keeping. The predecessor auditor recommended the City segregate duties so that the person who collects cash should not also post collections to customer accounts. In addition, the person making the deposit should not have access to make changes in the computer system for items previously posted to customer accounts. This item has been included in a separate report dated December 31, 2008 issued to management of City of Crossville, Tennessee

In the prior year report, the predecessor auditor disclosed a material weakness (item 07-13) related to incomplete accounting records. The predecessor auditor recommended the City record year-end adjustments to comply with generally accepted governmental accounting principles. The same material weakness condition was noted during the current year audit and is referred to in item 08-04 above.

In the prior year report, the predecessor auditor disclosed a material weakness (item 07-14) related to details of contracts not being followed. The predecessor auditor recommended the City not allow contract changes related to performance, specifications or pricing without City Council approval. In addition job specifications should be met with required approval by the City's engineers before the work is accepted and payment is made. During the current year, the City engineer reviewed all requested change orders and the City Council approved all contract amendments.

We also noted certain matters that we reported to management of City of Crossville, Tennessee, in a separate letter dated December 31, 2008.

City of Crossville, Tennessee's responses to the findings identified in our audit are described above. We did not audit City of Crossville, Tennessee's responses and, accordingly, we express no opinion on them.

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

*Work & Green, PC*

December 31, 2008