



CITY OF CROSSVILLE, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009
(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	Earl Dean
Council Member	Boyd Wyatt, Sr.
Council Member	Carl Duer, M.D.
Council Member	Jesse Kerley

APPOINTED OFFICIALS

City Attorney	Kenneth Chadwell
City Judge	Thomas L. Bean
City Manager	Fed 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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, 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.

As described in Note L, the City of Crossville, Tennessee implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which changed its method of accounting for postemployment benefits other than pensions effective for the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2009, 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 should be considered in assessing the results of our audit.

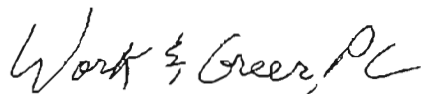
HONORABLE MAYOR AND CITY COUNCIL

Crossville, Tennessee

Page Two

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.

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 accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Crossville, Tennessee. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance 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.



November 23, 2009

CITY OF CROSSVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Crossville, Tennessee's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The City's governmental activity total assets decreased by \$2,619,000 in 2009 or 5.3%, while business-type activity total assets decreased by \$472,000 or 0.8%, resulting in a decrease in total primary government assets of \$3,091,000 or about 2.9%. Governmental activity total revenues for the City increased \$854,000 or 6.3%, while business-type total revenues increased by \$310,000 or 3.8%, resulting in an increase in total primary government revenues of \$1,164,000, or 5.1%. The City's governmental activity total program costs for 2009 increased \$931,000 or 8.2%, while business-activity total program costs decreased by \$130,000 or 1.8%, resulting in an increase in total primary government program costs of \$801,000 or 4.3%. With respect to the City's governmental activities, while total revenues increased, net assets increased by \$1,295,000. On a budgetary basis of accounting for the General Fund, there was a net excess of expenditures over revenues and other income sources and other uses of \$4,892,000. The City's General Fund balance at fiscal year-end was approximately \$10,405,000.

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 as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. 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'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'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's governmental activities were \$49,104,000 in 2009 versus \$51,723,000 in 2008, representing a decrease of \$2,619,000 or 5.3%. Table 1 also shows that total assets of the City's business-type activities were \$55,985,000 in 2009 versus \$56,457,000 in 2008, representing a decrease of \$472,000 or 0.8%.

REPORTING THE CITY AS A WHOLE, continued

Table 1
Net Assets
(in Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2009	2008	Change	2009	2008	Change	2009	2008	Change
Current and other assets	\$ 14,818	\$ 20,590	\$ (5,772)	\$ 5,635	\$ 8,771	\$ (3,136)	\$ 20,453	\$ 29,361	\$ (8,908)
Capital assets	34,286	31,133	3,153	50,350	47,686	2,664	84,636	78,819	5,817
Total assets	\$ 49,104	\$ 51,723	\$ (2,619)	\$ 55,985	\$ 56,457	\$ (472)	\$ 105,089	\$ 108,180	\$ (3,091)
Long-term liabilities	\$ 1,125	\$ 4,635	\$ (3,510)	\$ 16,592	\$ 18,161	\$ (1,569)	\$ 17,717	\$ 22,796	\$ (5,079)
Other liabilities	2,643	3,047	(404)	285	641	(356)	2,928	3,688	(760)
Total liabilities	3,768	7,682	(3,914)	16,877	18,802	(1,925)	20,645	26,484	(5,839)
Net assets:									
Invested in capital assets, net of related debt	33,471	26,489	6,982	33,697	29,757	3,940	67,168	56,246	10,922
Restricted	805	1,439	(634)	1,537	1,467	70	2,342	2,906	(564)
Unrestricted	11,069	16,113	(5,053)	3,874	6,431	(2,557)	14,934	22,544	(7,610)
Total net assets	45,336	44,041	1,295	39,108	37,655	1,453	84,444	81,696	2,748
Total liabilities and net assets	\$ 49,104	\$ 51,723	\$ (2,619)	\$ 55,985	\$ 56,457	\$ (472)	\$ 105,089	\$ 108,180	\$ (3,091)

The significant elements and causes for the changes in the City's governmental activities total assets in 2009 were: (1) Current and other assets decreased by \$5,772,000 which was attributed in part to a debt payoff of \$4,500,000 for the soccer complex. (2) Capital assets, net increased by \$3,153,000 which was made up of the Holiday Hills road and bridge, machinery and equipment, and infrastructure additions.

The significant aspect of the decrease in the City's business-type activities total assets in 2009 was a decrease in current and other assets of \$3,136,000 which was attributed in part to capital acquisitions and debt payoff and an increase in capital assets of \$2,664,000.

As shown in Table 1, total liabilities of the City's governmental activities decreased by \$3,914,000 or 51.0% to \$3,768,000 in 2009 from \$7,682,000 in 2008. Table 1 also shows total liabilities of the City's business-type activities decreased by \$1,925,000 or 10.2% to \$16,877,000 in 2009 from \$18,802,000 in 2008. The significant elements and causes for the changes in the City's total liabilities in 2009 were: (1) decrease of accounts payable and retainage payable by \$334,000 in the governmental activities and \$356,000 in the business activities and (2) long-term liabilities decreased by \$3,510,000 in the governmental activities and \$1,569,000 in the business activities mainly due to debt payments.

Therefore, total net assets of the City's governmental activities increased to \$45,336,000 in 2009 from \$44,041,000 in 2008 representing an increase of \$1,295,000 or 2.9%, and total net assets of the City's business-type activities increased to \$39,108,000 from \$37,655,000, representing an increase of \$1,453,000 or 3.9%.

The City's governmental activities net assets increased \$1,295,000 due to (1) net assets invested in capital assets, net of related debt, increased by \$6,982,000. (2) restricted net assets decreased by \$634,000 and (3) unrestricted net assets decreased by \$5,053,000. The City's business-type activities net assets increased \$1,453,000 due to (1) net assets invested in capital assets, net of related debt, increased by \$3,940,000. (2) restricted net assets increased by \$70,000 and (3) unrestricted net assets decreased by \$2,557,000.

REPORTING THE CITY AS A WHOLE, continued

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's governmental activities increased to \$14,348,000 in 2009 from \$13,494,000 in 2008, representing an increase of \$854,000 or 6.3%. Total revenues for the City's business-type activities increased to \$8,487,000 in 2009 from \$8,177,000 in 2008, representing an increase of \$310,000 or approximately 3.8%.

Table 2
Changes in Net Assets
(in Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2009	2008	Change	2009	2008	Change	2009	2008	Change
Revenues									
Program revenues:									
Charges for services	\$ 729	\$ 781	\$ (52)	\$ 6,910	\$ 7,405	\$ (495)	\$ 7,639	\$ 8,186	\$ (547)
Grants and contributions:									
For operations	364	408	(44)	-	-	-	364	408	(44)
For capital projects	2,225	-	2,225	1,485	437	1,048	3,710	437	3,273
General revenues:									
Property taxes	1,899	1,827	72	-	-	-	1,899	1,827	72
Intergovernmental revenues	8,671	9,410	(769)	-	-	-	8,671	9,440	(769)
Interest earnings	229	614	(385)	95	308	(213)	324	922	(598)
Other revenue	222	406	(184)	2	27	(25)	224	433	(209)
Gain (loss) on disposal of assets	9	18	(9)	(5)	-	(5)	4	18	(14)
Total revenues	14,348	13,494	854	8,487	8,177	310	22,835	21,671	1,164
Program expenses:									
General government	2,730	2,435	295	-	-	-	2,730	2,435	295
City court	16	14	2	-	-	-	16	14	2
Airport	220	175	45	-	-	-	220	175	45
Industrial development	-	18	(18)	-	-	-	-	18	(18)
Cemetery	51	48	3	-	-	-	51	48	3
Parks and recreation	1,257	1,117	140	-	-	-	1,257	1,117	140
Planning and zoning	188	189	(1)	-	-	-	188	189	(1)
Public safety	5,104	4,889	215	-	-	-	5,104	4,889	215
Sanitation	361	393	(32)	-	-	-	361	393	(32)
Streets	2,165	1,899	266	-	-	-	2,165	1,899	266
Tourism development	34	47	(13)	-	-	-	34	47	(13)
Interest on long-term debt	112	83	29	-	-	-	112	83	29
Water and sewer department	-	-	-	7,034	7,164	(130)	7,034	7,164	(130)
Total expenses	12,238	11,307	931	7,034	7,164	(130)	19,272	18,471	801
Contributions to non-profits	(815)	(296)	(519)	-	-	-	(815)	(296)	(519)
CHANGE IN NET ASSETS	1,295	1,891	(596)	1,453	1,013	440	2,748	2,964	(156)
NET ASSETS, Beginning	44,041	42,150	1,891	37,655	36,642	1,013	81,696	78,792	2,904
NET ASSETS, Ending	\$ 45,336	\$ 44,041	\$ 1,295	\$ 39,108	\$ 37,655	\$ 1,453	\$ 84,444	\$ 81,696	\$ 2,748

The increase in total revenues of the City's governmental activities for 2009 as compared to 2008 totaled \$854,000 or 6.3%. Revenues excluding grants and contributions were down in the current year \$351,000 due to the economy, however, revenues increased due to federal and state grants and contributions increased in 2009 by \$2,181,000 compared to 2008, which covered the losses of all the other income.

The increase in total revenues of the City's business-type activities for 2009 as compared to 2008 totaled \$310,000 or 3.8%. Water and sewer revenues excluding grants and contributions were down in the current year \$738,000 due to the economy, however, revenues increased due to federal and state grants and contributions increased in 2009 by \$1,048,000 compared to 2008, which covered the losses of all the water and sewer income.

REPORTING THE CITY AS A WHOLE, continued

Table 2 shows that total program expenses for the City's governmental activities increased to \$12,238,000 in 2009 from \$11,307,000 in 2008, representing an increase of \$931,000 or 8.2%. Total program expenses for the City's business-type activities decreased to \$7,034,000 in 2009 from \$7,164,000 in 2008, representing a decrease of \$130,000 or 1.8%.

The increase in total program expenses of \$931,000 or 8.2% for the City's governmental activities was primarily due to: (1) General government expenses increased by \$295,000, (2) street expenses also increased by \$266,000, (3) public safety expenses increased by \$215,000, (4) parks and recreation expenses increased by \$140,000 and (5) all other departments' expenses and interest expense on long-term debt increased by \$15,000.

The decrease in total program expenses of \$130,000 or 1.8% for the City's business-type activities was primarily due to a decrease in repairs and maintenance expense.

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 Mayor and City Council 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's governmental and business-type activities in six major categories: land and construction in progress; buildings and improvements; machinery and equipment, infrastructure, utility plant in service and accumulated depreciation.

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

	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Change	2009	2008	Change	2009	2008	Change
Land and construction in progress	\$ 7,106	\$ 7,042	\$ 64	\$ 3,613	\$ 1,973	\$ 1,640	\$ 10,719	\$ 9,015	\$ 1,704
Buildings and improvements	16,292	13,919	2,373	-	-	-	16,292	13,919	2,373
Machinery and equipment	6,241	5,644	597	3,436	3,406	30	9,677	9,050	627
Infrastructure	17,219	15,908	1,311	-	-	-	17,219	15,908	1,311
Utility plant in service	-	-	-	71,982	69,008	2,974	71,982	69,008	2,974
Total capital assets	46,858	42,513	4,345	79,031	74,387	4,644	125,889	116,900	8,989
Accumulated depreciation	(12,572)	(11,380)	(1,192)	(28,681)	(26,901)	(1,780)	(41,253)	(38,281)	(2,972)
Net capital assets	\$ 34,286	\$ 31,133	\$ 3,153	\$ 50,350	\$ 47,486	\$ 2,864	\$ 84,636	\$ 78,619	\$ 6,017

Governmental Activities

In June 2008, the City's governmental activities had \$31,133,000 (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 2009 capital assets were \$34,286,000 (net of accumulated depreciation), representing an increase of \$3,153,000 or 10.1%. The net increase in capital assets was primarily due to the Holiday Hills dam project and equipment additions.

Business-type Activities

In June 2008, the City's business-type activities, consisting of the Water and Sewer Department, had \$47,486,000 (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 2009 capital assets were \$50,350,000 (net of accumulated depreciation), representing an increase of \$2,864,000 or 6.0% over 2008. The net increase in capital assets was primarily due to the Holiday Hills dam project for the water and sewer lines and additional projects during the year.

BUDGETARY HIGHLIGHTS

Table 4 illustrates the significant components of the City's budget for the general fund for the year ended June 30, 2009. The original budget revenue estimates total \$15,178,000. Final budget revenues for the period amounted to \$15,291,000. Final actual revenues for the period amounted to \$13,119,000. The City's original budget estimated expenditures for the 2009 year-end were \$14,710,000. Final budget expenditures for the period amounted to \$19,395,000. Final actual expenditures for the period amounted to \$15,835,000. Therefore, the City realized an actual budget deficit of revenues over expenditures of \$2,716,000, which was \$1,388,000 better than the final budget. This deficit was increased by other financing uses and contributions to non-profit organizations which were under budget by \$1,650,000. At the end of this period the City's actual general fund - fund balance was \$10,432,000.

Table 4
General Fund Budget Comparison
 (in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Over/(Under)
Revenues				
Taxes	\$ 1,780	\$ 1,780	\$ 1,938	\$ 168
Intergovernmental revenues	9,416	9,416	8,711	(705)
Federal and state grants	2,442	2,556	1,338	(1,218)
Other revenues	1,540	1,539	1,122	(417)
Total revenues	15,178	15,291	13,119	(2,172)
Expenditures				
General government	2,796	2,766	2,517	(249)
Parks and recreation	1,223	1,257	1,021	(236)
Public safety	5,228	5,225	4,712	(513)
Streets	2,109	1,667	1,409	(258)
Capital outlay	2,236	2,913	1,106	(1,807)
Other expenditures	1,118	5,567	5,070	(497)
Total expenditures	14,710	19,395	15,835	(3,560)
Revenues Over (Under) Expenditures	468	(4,104)	(2,716)	1,388
Other financing sources (uses)	(2,872)	(2,943)	(1,334)	1,609
Contributions to non-profit organizations	492	856	815	(41)
NET CHANGE IN FUND BALANCES	(2,896)	(7,903)	(4,865)	3,058
Fund Balance, Beginning	15,297	15,297	15,297	-
Fund Balance, Ending	\$ 12,401	\$ 7,394	\$ 10,432	\$ 3,038

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's governmental activities had outstanding long-term debt of \$1,125,000 including accrued compensated absences and other post employment benefits. The prior year total of long-term liabilities amounted to \$4,635,000; consequently long-term liabilities decreased during the year by \$3,510,000 or 75.7%. This decrease was primarily due to the payoff of long-term debt for the soccer complex offset by increases in accrued compensated absences and other post employment benefit obligations.

Business-type Activities

At the end of the current fiscal year the City's business-type activities, comprised of the Water and Sewer Department, had outstanding long-term debt of \$16,592,000 including accrued compensated absences and other post employment benefits. The prior year total of long-term liabilities amounted to \$18,161,000; consequently long-term liabilities decreased during the year by \$1,569,000 or 8.6%. This decrease was primarily due to principal long-term debt payments.

The Water and Sewer Department has outstanding debt of \$16,495,000 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 \$305,656. In addition to this amount the current portion of long term debt is \$964,044.

ECONOMIC FACTORS AND NEXT YEAR'S 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 Council members 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 maintains 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 to be steady. The City continues to face many challenges in maintaining a necessary level of infrastructure. As it relates to the City's 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.

The significant changes in the economy decreased the revenues for the City this year. The federal and state grants that were received by the City kept the revenues of the City from falling lower than expected. This decrease has not affected the City's overall services to the community. The 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'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 fehouston@crossvilletn.gov.



CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,139,712	\$ 2,051,062	\$ 11,190,774
Net receivables	3,973,304	1,173,580	5,146,884
Unbilled revenues	-	294,820	294,820
Note receivable	815,000	-	815,000
Materials and supplies	136,814	399,845	536,659
Restricted cash and cash equivalents	753,402	1,357,625	2,111,027
Capital assets:			
Land and construction in progress	7,106,382	3,613,305	10,719,687
Other capital assets, net of depreciation	27,179,475	46,737,102	73,916,577
Other assets	-	179,030	179,030
Unamortized debt issuance costs	-	178,175	178,175
	<u>\$ 49,104,089</u>	<u>\$ 55,984,544</u>	<u>\$ 105,088,633</u>
LIABILITIES			
Accounts payable	\$ 486,867	\$ 230,615	\$ 717,482
Retainage payable	41,303	-	41,303
Accrued payroll and payroll taxes	116,451	27,155	143,606
Other accrued liabilities	56,741	27,010	83,751
Deferred revenues	1,942,121	-	1,942,121
Noncurrent liabilities			
Due within one year	109,389	984,920	1,094,309
Due in more than one year	1,015,241	15,606,944	16,622,185
	<u>3,768,113</u>	<u>16,876,644</u>	<u>20,644,757</u>
NET ASSETS			
Invested in capital assets, net of related debt	33,470,857	33,697,041	67,167,898
Restricted for:			
Capital projects and street maintenance	107,502	1,357,625	1,465,127
Debt service	-	179,030	179,030
Drug enforcement	122,132	-	122,132
Industrial development	550,979	-	550,979
Low income housing assistance	24,681	-	24,681
Unrestricted	11,059,825	3,874,204	14,934,029
Total net assets	<u>45,335,976</u>	<u>39,107,900</u>	<u>84,443,876</u>
	<u>\$ 49,104,089</u>	<u>\$ 55,984,544</u>	<u>\$ 105,088,633</u>

See notes to financial statements.

CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 2,730,255	\$ 239,861	10,047	\$ -	\$ (2,480,347)
City court	16,153	185,659	-	-	169,506
Airport	219,531	75,035	22,403	62,660	(59,433)
Cemetery	51,135	38,875	-	-	(12,260)
Parks and recreation	1,256,746	158,568	-	-	(1,098,178)
Planning and zoning	187,490	-	-	-	(187,490)
Public safety	5,104,375	30,680	56,955	-	(5,016,740)
Sanitation	360,958	-	-	-	(360,958)
Streets	2,165,183	-	275,055	2,162,136	272,008
Tourism development	34,195	-	-	-	(34,195)
Interest on long-term debt	111,508	-	-	-	(111,508)
	<u>12,237,529</u>	<u>728,678</u>	<u>364,460</u>	<u>2,224,796</u>	<u>(8,919,595)</u>
BUSINESS-TYPE ACTIVITIES					
Water and sewer department	7,034,439	6,909,590	-	1,485,268	1,360,419
TOTAL GOVERNMENT	<u>\$19,271,968</u>	<u>\$ 7,638,268</u>	<u>\$ 364,460</u>	<u>\$ 3,710,064</u>	<u>\$ (7,559,176)</u>
			Governmental Activities	Business-Type Activities	Total
NET (EXPENSE) / REVENUE			\$ (8,919,595)	\$ 1,360,419	\$ (7,559,176)
GENERAL REVENUES					
Property taxes			1,899,266	-	1,899,266
Intergovernmental revenues			8,670,830	-	8,670,830
Interest earnings			228,838	95,092	323,930
Other revenue			222,047	2,131	224,178
Gain (loss) on disposition of capital assets			8,525	(5,041)	3,484
Total general revenues			<u>11,029,506</u>	<u>92,182</u>	<u>11,121,688</u>
CONTRIBUTIONS TO NON-PROFIT ORGANIZATIONS			<u>(815,203)</u>	<u>-</u>	<u>(815,203)</u>
TOTAL GENERAL REVENUES AND CONTRIBUTIONS			<u>10,214,303</u>	<u>92,182</u>	<u>10,306,485</u>
CHANGE IN NET ASSETS			<u>1,294,708</u>	<u>1,452,601</u>	<u>2,747,309</u>
NET ASSETS JUNE 30, 2008			<u>44,041,268</u>	<u>37,655,299</u>	<u>81,696,567</u>
NET ASSETS JUNE 30, 2009			<u>\$ 45,335,976</u>	<u>\$ 39,107,900</u>	<u>\$ 84,443,876</u>

See notes to financial statements.



CITY OF CROSSVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,139,712	\$ -	\$ -	\$ 9,139,712
Net receivables	3,875,782	-	97,522	3,973,304
Materials and supplies	129,294	-	7,520	136,814
Restricted cash and cash equivalents	24,681	42,756	685,965	753,402
	<u>\$ 13,169,469</u>	<u>\$ 42,756</u>	<u>\$ 791,007</u>	<u>\$ 14,003,232</u>
LIABILITIES				
Accounts payable	\$ 467,982	\$ 14,558	\$ 4,327	\$ 486,867
Retainage payable	-	41,303	-	41,303
Accrued payroll and payroll taxes	116,451	-	-	116,451
Other accrued liabilities	56,741	-	-	56,741
Deferred revenues	2,096,462	-	-	2,096,462
	<u>2,737,636</u>	<u>55,861</u>	<u>4,327</u>	<u>2,797,824</u>
FUND BALANCES				
Reserved for:				
Capital projects and street maintenance	-	1,453	106,049	107,502
Drug enforcement	-	-	122,132	122,132
Industrial development	-	-	550,979	550,979
Low income housing assistance	24,681	-	-	24,681
Unreserved:				
General fund	10,407,152	-	-	10,407,152
Capital projects	-	(14,558)	-	(14,558)
Solid waste	-	-	7,520	7,520
Total fund balances	<u>10,431,833</u>	<u>(13,105)</u>	<u>786,680</u>	<u>11,205,408</u>
	<u>\$ 13,169,469</u>	<u>\$ 42,756</u>	<u>\$ 791,007</u>	<u>\$ 14,003,232</u>

See notes to financial statements.

CITY OF CROSSVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS - CONTINUED

JUNE 30, 2009

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

Total governmental fund balances above	\$ 11,205,408
Capital assets not reported above	34,285,857
Note receivable not reported above	815,000
Notes payable not reported above	(815,000)
Compensated absence accrual not reported above	(275,791)
Other postemployment benefits not reported above	(33,839)
Deferred revenues from property taxes and intergovernmental revenues reported above, reported as revenues in the government-wide statement of net assets	<u>154,341</u>
Net assets of governmental activities in the statement of net assets	<u><u>\$ 45,335,976</u></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, 2009

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,948,137	\$ -	\$ -	\$ 1,948,137
Intergovernmental revenues	8,710,755	-	275,055	8,985,810
Federal and state grants	1,338,157	-	-	1,338,157
Charges for services	303,158	-	-	303,158
Licenses and permits	239,861	-	-	239,861
Fines and forfeitures	109,318	-	76,311	185,659
Interest revenue	216,938	-	11,900	228,838
Miscellaneous	252,292	-	21,279	273,571
Total revenues	<u>13,118,616</u>	<u>-</u>	<u>384,575</u>	<u>13,503,191</u>
EXPENDITURES				
Current operations:				
General government	2,516,939	-	-	2,516,939
City court	16,153	-	-	16,153
Airport	116,649	-	-	116,649
Cemetery	47,532	-	-	47,532
Parks and recreation	1,021,147	-	-	1,021,147
Planning and zoning	176,941	-	-	176,941
Public safety	4,711,520	-	21,193	4,732,713
Sanitation	-	-	359,462	359,462
Streets	1,408,565	-	258,612	1,667,207
Tourism development	34,195	-	-	34,195
Capital outlay	1,105,855	2,273,468	126,364	3,505,687
Debt service:				
Principal	4,568,000	-	-	4,568,000
Interest	111,508	-	-	111,508
Total expenditures	<u>15,835,004</u>	<u>2,273,468</u>	<u>765,661</u>	<u>18,874,133</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,716,388)	(2,273,468)	(381,086)	(5,370,942)
OTHER FINANCING SOURCES (USES):				
Proceeds from loans payable	979,037	-	-	979,037
Transfer from other funds	-	1,952,914	359,462	2,312,376
Transfer to other funds	(2,312,376)	-	-	(2,312,376)
	<u>(1,333,339)</u>	<u>1,952,914</u>	<u>359,462</u>	<u>979,037</u>
CONTRIBUTIONS TO NON-PROFIT ORGANIZATIONS	815,203	-	-	815,203
NET CHANGE IN FUND BALANCES	(4,864,930)	(320,554)	(21,624)	(5,207,108)
FUND BALANCE, June 30, 2008	15,296,763	307,449	808,304	16,412,516
FUND BALANCE, June 30, 2009	\$ 10,431,833	\$ (13,105)	\$ 786,680	\$ 11,205,408

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, 2009

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	\$ (5,207,108)
Property contributions not recorded in the governmental funds statements but recognized as revenue in the government-wide statements	976,044
Decrease in deferred revenues for property taxes including allowance for doubtful accounts, in the governmental funds not recognized in the government-wide statements	(88,796)
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	(43,000)
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	(8,525)
Proceeds from loans payable recorded as revenue in the governmental funds statements but reflected as long-term debt in the government-wide statements	(979,037)
Amounts reported as expenditures in the governmental funds statements not included as expenses in the government-wide statements:	
Capital outlays	3,505,687
Payments on long-term debt	4,568,000
Expenses and revenues in the government-wide statements not included in the governmental fund statements:	
Depreciation expense	(1,328,984)
Amortization of debt issuance costs	(29,741)
Increase in accrued compensated absences	(44,518)
Increase in other postemployment benefits	(33,839)
Gain on disposal of capital assets	8,525
Change in net assets of governmental activities in the statement of activities	<u>\$ 1,294,708</u>

See notes to financial statements.



	<u>Water and Sewer Department</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 230,615
Accrued payroll and payroll taxes	27,155
Other accrued liabilities	27,010
Compensated absences	20,876
	<hr/> 305,656
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Current maturities of long-term debt	964,044
ACCRUED COMPENSATED ABSENCES	67,230
LONG-TERM DEBT, less current maturities	15,530,483
OTHER POST EMPLOYMENT BENEFITS OBLIGATION	9,231
NET ASSETS	
Invested in capital assets, net of related debt	33,697,041
Restricted for:	
Capital projects	1,357,625
Debt service	179,030
Unrestricted	3,874,204
	<hr/> 39,107,900
	<hr/> \$ 55,984,544 <hr/>



CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Department</u>	<u>Percent of Revenues</u>
OPERATING REVENUES		
Water revenues	\$ 4,611,228	66.8%
Sewer revenues	1,874,436	27.1%
	<u>6,485,664</u>	<u>93.9%</u>
Other operating revenues	123,926	6.1%
	<u>6,909,590</u>	<u>100.0%</u>
OPERATING EXPENSES		
Transmission and distribution	3,628,848	52.5%
Customer accounting and collection	600,861	8.7%
Administrative and general	181,349	2.6%
Depreciation and amortization	2,090,470	30.3%
	<u>6,501,528</u>	<u>94.1%</u>
OPERATING INCOME	408,062	5.9%
NONOPERATING INCOME (EXPENSES)		
Interest income	95,092	1.4%
Interest expense	(532,911)	-7.7%
Loss on disposal on capital assets	(5,041)	-0.1%
Other income (expenses)	2,131	0.0%
	<u>(440,729)</u>	<u>-6.4%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	(32,667)	-0.5%
CAPITAL CONTRIBUTIONS	<u>1,485,268</u>	<u>21.5%</u>
INCREASE IN NET ASSETS	1,452,601	<u>21.0%</u>
NET ASSETS, June 30, 2008	<u>37,655,299</u>	
NET ASSETS, June 30, 2009	<u>\$ 39,107,900</u>	

See notes to financial statements.



CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 6,986,182
Payments to suppliers for goods and services	(3,214,686)
Payments to or on behalf of employees for services	(1,776,489)
Net cash provided by operating activities	<u>1,995,007</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	264,511
Acquisition of utility plant	(3,963,094)
Proceeds from disposal of utility plant	4,005
Payments of short-term payable for prior year utility plant additions	(60,318)
Interest paid (net of interest capitalized to utility plant)	(522,420)
Principal payments on long-term debt	(1,593,951)
Other nonoperating income	2,131
Net cash used by capital and related financing activities	<u>(5,869,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	95,092
Net cash provided by investing activities	<u>95,092</u>
NET DECREASE IN CASH	(3,779,037)
CASH AND CASH EQUIVALENTS, June 30, 2008	<u>7,187,724</u>
CASH AND CASH EQUIVALENTS, June 30, 2009	<u><u>\$ 3,408,687</u></u>

See notes to financial statements.



CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF CASH FLOWS - CONTINUED

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2009

	<u>Water and Sewer Department</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 408,062
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,090,470
Changes in operating assets and liabilities	
Accounts receivable	85,850
Unbilled revenue	(9,258)
Materials and supplies	(139,601)
Other current assets	-
Accounts payable	(444,242)
Accrued payroll and payroll taxes	(8,643)
Other accrued liabilities	(1,472)
Accrued compensated absences	4,610
Other post employment benefits obligation	9,231
Total adjustments	<u>1,586,945</u>
Net cash provided by operating activities	<u>\$ 1,995,007</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Utility plant contributed to the City by developers	\$ 829,264
Purchase of utility plant financed by accounts payable	158,839

See notes to financial statements.

CITY OF CROSSVILLE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual Amounts
REVENUES			
Taxes	\$ 1,780,000	\$ 1,780,000	\$ 1,948,137
Intergovernmental revenues	9,415,775	9,415,775	8,710,755
Federal and state grants	2,442,346	2,555,646	1,338,157
Charges for services	331,430	331,430	303,158
Licenses and permits	321,000	321,000	239,861
Fines and forfeitures	147,600	147,600	109,318
Interest revenue	590,000	590,000	216,938
Miscellaneous	149,430	149,430	252,292
Total revenues	<u>15,177,581</u>	<u>15,290,881</u>	<u>13,118,616</u>
EXPENDITURES			
General government	2,796,035	2,766,344	2,516,939
City court	19,250	19,437	16,153
Airport	188,825	135,650	116,649
Cemetery	72,000	72,000	47,532
Parks and recreation	1,223,050	1,256,890	1,021,147
Planning and zoning	244,250	244,250	176,941
Public safety	5,228,317	5,225,217	4,711,520
Streets	2,108,900	1,667,482	1,408,565
Tourism development	40,900	42,400	34,195
Capital outlay	2,235,600	2,912,693	1,105,855
Debt service:			
Principal	298,000	4,798,000	4,568,000
Interest	255,030	255,030	111,508
Total expenditures	<u>14,710,157</u>	<u>19,395,393</u>	<u>15,835,004</u>
REVENUES OVER (UNDER) EXPENDITURES	467,424	(4,104,512)	(2,716,388)
OTHER FINANCING SOURCES (USES):			
Proceeds from loans payable	779,994	779,994	979,037
Transfer to other funds	(3,651,594)	(3,722,594)	(2,312,376)
	<u>(2,871,600)</u>	<u>(2,942,600)</u>	<u>(1,333,339)</u>
CONTRIBUTIONS TO NON-PROFIT ORGANIZATIONS			
	<u>491,416</u>	<u>856,186</u>	<u>815,203</u>
NET CHANGE IN FUND BALANCES	(2,895,592)	(7,903,298)	(4,864,930)
FUND BALANCE, June 30, 2008	<u>15,296,763</u>	<u>15,296,763</u>	<u>15,296,763</u>
FUND BALANCE, June 30, 2009	<u>\$ 12,401,171</u>	<u>\$ 7,393,465</u>	<u>\$ 10,431,833</u>

See notes to financial statements.

CITY OF CROSSVILLE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
EXPENDITURES			
Capital outlay	\$ 3,198,744	\$ 3,519,744	\$ 2,273,468
REVENUES OVER (UNDER) EXPENDITURES	(3,198,744)	(3,519,744)	(2,273,468)
OTHER FINANCING SOURCES			
Transfer from other funds	<u>3,198,744</u>	<u>3,519,744</u>	<u>1,952,914</u>
NET CHANGE IN FUND BALANCE	-	-	(320,554)
FUND BALANCE, June 30, 2008	<u>307,449</u>	<u>307,449</u>	<u>307,449</u>
FUND BALANCE, June 30, 2009	<u>\$ 307,449</u>	<u>\$ 307,449</u>	<u>\$ (13,105)</u>

See notes to financial statements.

CITY OF CROSSVILLE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009

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 Presentation

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

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

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 comprise 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 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.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continuedProprietary 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, 2009

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) 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, 2009

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 government-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 (\$1,967,642), intergovernmental revenues (\$1,499,394), and other receivables (\$506,268). 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, 2009 totals \$93,172 for the governmental activities and \$14,000 for the business-type activities. Additionally, the City wrote off approximately \$58,000 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,

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

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, 2009

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 1st. 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

Operating transfers by individual funds of the City for the fiscal year ended June 30, 2009 consist of the following:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Transfers:</u>			
Solid waste 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, 2009

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 also may invest in the local government investment pool established by title 9, chapter 4, part 7 of the *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, 2009, 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 \$12,825,388 (at fair value) at June 30, 2009.

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, 2009

D. PROPERTY TAX - CONTINUED

Real property:	
Public utility property	55%
Industrial and commercial property	40%
Residential property	25%
Farm property	25%
Personal property:	
Public utility property	55%
Business personal 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 2009 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 (0.39% at June 30, 2009). The government-wide balance sheet includes the loan receivable from the District at June 30, 2009 and the obligation of the City to Tennessee Municipal League Bond Fund of \$815,000.

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, 2009

G. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for governmental activities for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions and Transfers	Retirements	Balance June 30, 2009
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,695,282	\$2,603,190	\$ -	\$ 5,298,472
Construction in progress	4,347,179	(2,539,269)	-	1,807,910
Subtotal	7,042,461	63,921	-	7,106,382
Other capital assets:				
Buildings and improvements	5,832,462	563,774	-	6,396,236
Machinery and equipment	5,644,443	733,041	(136,826)	6,240,658
Other improvements	8,085,371	1,810,495	-	9,895,866
Infrastructure assets	15,908,079	1,310,500	-	17,218,579
Subtotal	35,470,355	4,417,810	(136,826)	39,751,339
Total capital assets	42,512,816	4,481,731	(136,826)	46,857,721
Less accumulated depreciation:				
Buildings, machinery and equipment and other improvements	(7,701,896)	(910,005)	136,826	(8,475,075)
Infrastructure assets	(3,677,810)	(418,979)	-	(4,096,789)
Subtotal	(11,379,706)	(1,328,984)	136,826	(12,571,864)
Net capital assets	\$31,133,110	\$3,152,747	\$ -	\$34,285,857

Depreciation was charged to governmental activities as follows:

General government	\$ 136,040
Public safety	348,919
Public works	495,048
Cemetery	3,603
Airport	102,882
Sanitation	1,496
Parks and recreation	230,452
Planning and zoning	10,544
	<u>\$ 1,328,984</u>

CITY OF CROSSVILLE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2009

G. CAPITAL ASSETS AND DEPRECIATION - CONTINUED

Capital asset activity for business-type activities for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions and Transfers	Retirements	Balance June 30, 2009
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 424,236	\$ -	\$ -	\$ 424,236
Construction in progress	1,548,501	1,640,568	-	3,189,069
Subtotal	1,972,737	1,640,568	-	3,613,305
Other capital assets:				
Water and sewer plant	69,007,823	2,986,758	(12,100)	71,982,481
Machinery and equipment	3,406,269	336,755	(307,926)	3,435,098
Subtotal	72,414,092	3,323,513	(320,026)	75,417,579
Total capital assets	74,386,829	4,964,081	(320,026)	79,030,884
Less accumulated depreciation:				
Water and sewer plant	(24,043,943)	(1,911,694)	3,054	(25,952,583)
Machinery and equipment	(2,856,768)	(166,168)	295,042	(2,727,894)
Subtotal	(26,900,711)	(2,077,862)	298,096	(28,680,477)
Net capital assets	<u>\$47,486,118</u>	<u>\$2,886,219</u>	<u>\$ (21,930)</u>	<u>\$50,350,407</u>

Depreciation expense related to capital assets used in business-type activities for 2009 totaled \$2,077,862.



CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

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, 2009:

Governmental Activities

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 (0.39% at June 30, 2009), interest payable monthly, and principal payments ranging from \$22,000 to \$66,000 payable annually on May 25th of each year.	\$ 815,000
Accrued compensated absences	275,791
Other post employment benefit obligation	33,839
Total governmental activity debt	<u>1,124,630</u>
Less amounts due within one year	<u>(109,389)</u>
Long-term governmental activity debt	<u><u>\$ 1,015,241</u></u>

In November 2004, the City entered into a loan agreement with The Public Building Authority of The City of Clarksville, Tennessee. 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, 2009

H. LONG-TERM DEBT – CONTINUED

The following table summarizes the City's business-type activity long-term debt at June 30, 2009:

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.	\$ 4,610,000
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.	4,378,457
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 (2.22% at June 30, 2009) payable monthly and principal payments ranging from \$154,350 to \$371,450 are payable annually on May 25th of each year.	3,011,630
USDA Water and Sewer Revenue and Tax Bonds, Series 2003, due in monthly installments of \$11,518, including interest at 4.25%, through November 2028.	1,824,402
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.	943,240
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.	811,099
Note payable to State of Tennessee, Local Development Authority, due in monthly installments of \$9,991, plus variable interest (6.16% at June 30, 2009), through April 2015	692,906
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 (2.22% at June 30, 2009) payable monthly and principal payments ranging from \$229,700 to \$436,700 are payable annually on May 25th of each year.	50,600
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.	372,374
	<u>16,694,708</u>
Accrued compensated absences	88,106
Other post employment benefit obligation	9,231
Plus net premium on debt refunding	15,721
Less deferred loss on defeasance	(215,902)
Total business activity debt	<u>16,591,864</u>
Less amounts due within one year, net of current portion of net premium on debt refunding and deferred loss on defeasance	(984,920)
Long-term business-activity debt	<u>\$ 15,606,944</u>

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

H. LONG-TERM DEBT - CONTINUED

The City entered into a loan agreement with The Public Building Authority of The City of Crossville, Tennessee 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. MBIA Insurance Corporation was rated BBB by Standard and Poor's and Ba3 by Moody's Investor Service at June 30, 2009 and was downgraded to BB+ by Standard and Poor's on September 28, 2009. 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, 2009 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, 2009.

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 fiscal year ended June 30, 2007, 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, 2009, \$4,610,000 of bonds outstanding is considered defeased.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

H. LONG-TERM DEBT - CONTINUED

The annual debt service requirements to maturity, including principal and interest, for long-term debt (excluding accrued compensated absences and other post employment benefit obligation) as of June 30, 2009, are as follows:

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 44,000	\$ 3,179	\$ 47,179	\$ 974,533	\$ 400,163	\$ 1,374,696
2011	45,000	3,007	48,007	1,113,654	467,272	1,580,926
2012	46,000	2,831	48,831	1,144,309	435,269	1,579,578
2013	48,000	2,652	50,652	1,175,931	402,214	1,578,145
2014	49,000	2,465	51,465	1,213,548	367,981	1,581,529
2015 - 2019	270,000	9,325	279,325	5,229,488	1,389,869	6,619,357
2020 - 2024	313,000	3,729	316,729	3,684,423	734,911	4,419,334
2025 - 2029	-	-	-	2,158,822	208,345	2,367,167
	<u>\$ 815,000</u>	<u>\$ 27,188</u>	<u>\$ 842,188</u>	<u>\$ 16,694,708</u>	<u>\$ 4,406,024</u>	<u>\$ 21,100,732</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, 2009:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year
Governmental Activities					
Loans payable to the Public Building Authority of The City of Clarksville, TN	\$ 4,378,963	\$ 979,037	\$ (4,543,000)	\$ 815,000	\$ 44,000
Capital Outlay Note	25,000	-	(25,000)	-	-
	<u>4,403,963</u>	<u>979,037</u>	<u>(4,568,000)</u>	<u>815,000</u>	<u>44,000</u>
Plus other post employment benefit obligation	-	52,091	(18,252)	33,839	-
Plus accrued compensated absences	231,273	112,456	(67,938)	275,791	65,389
	<u>\$ 4,635,236</u>	<u>\$ 1,143,584</u>	<u>\$ (4,654,190)</u>	<u>\$ 1,124,630</u>	<u>\$ 109,389</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, 2009

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, 2009:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year
Business-Type Activities					
Loan payable to the Public Building Authority of The City of Crossville, TN	\$ 4,770,000	\$ -	\$ (160,000)	\$ 4,610,000	\$ -
Notes payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund	6,998,046	-	(492,876)	6,505,170	502,726
Loans payable to the Public Building Authority of The City of Clarksville, TN	3,682,570	-	(620,340)	3,062,230	290,040
USDA Water and Sewer Revenue and Tax Bonds, Series 2003	2,018,801	-	(194,399)	1,824,402	61,875
Notes payable to the State of Tennessee, Local Development Authority	819,242	-	(126,336)	692,906	119,892
	<u>18,288,659</u>	<u>-</u>	<u>(1,593,951)</u>	<u>16,694,708</u>	<u>974,533</u>
Plus net premium on debt refunding	16,544	-	(823)	15,721	824
Less deferred loss on defeasance	(227,216)	-	11,314	(215,902)	(11,313)
Plus other post employment benefit obligation	-	9,231	-	9,231	-
Plus accrued compensated absences	83,496	35,903	(31,293)	88,106	20,876
	<u>\$ 18,161,483</u>	<u>\$ 45,134</u>	<u>\$ (1,614,753)</u>	<u>\$ 16,591,864</u>	<u>\$ 984,920</u>

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

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, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://treasury.tn.gov/tcrs>.

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, 2009

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, 2009 was 14.41% 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, 2009, the City's annual pension cost of \$803,119 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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, 2007 was eight 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>
2009	\$ 803,119	100.0%	\$ -
2008	807,351	100.0%	-
2007	780,837	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 \$13,566,000, and the actuarial value of assets was \$11,637,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,929,000. The covered payroll (annual payroll of active employees covered by the plan) was \$5,294,000, 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 the actuarial accrued liability for benefits.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

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:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
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 of the most recent actuarial valuation, therefore, only the most current year is presented.

L. OTHER POSTEMPLOYMENT BENEFITS

During the year ended June 30, 2009, the City implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The provisions of this Statement were applied prospectively with respect to the City's postemployment benefits other than pensions (OPEB). This statement requires the accrual of OPEB obligations over the working careers of plan members rather than as expenses for medical coverage are paid, which was the method of accounting prior to 2009.

Plan Description - 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. At July 1, 2007, the date of the last actuarial valuation, the plan had 130 participants not eligible for benefits, 6 participants eligible for benefits and 2 retirees receiving benefits. The Plan does not issue a financial report that includes financial statements and required supplementary information.

Funding Policy - The City currently pays for postemployment medical benefits on a pay-as-you-go basis. During 2009, the City paid \$18,252 for postemployment medical benefits for four retirees.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

L. OTHER POSTEMPLOYMENT BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefits (“OPEB”) cost (“expense”) is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) of each individual included in the actuarial valuation, over the average remaining working lives of the employees. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

	Governmental Activities	Business Activities	Total
Annual required contribution (ARC)	\$ 52,091	\$ 9,231	\$ 61,322
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB expense	52,091	9,231	61,322
Contributions made	(18,252)	-	(18,252)
Increase in net OPEB obligation	33,839	9,231	43,070
Net OPEB obligation - beginning of year	-	-	-
Net OPEB obligation - end of year	\$ 33,839	\$ 9,231	\$ 43,070

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Annual Employer Contribution	% of Annual OPEB Cost Contributed	Net Ending OPEB Obligation / (Asset)
2009	\$ 61,322	\$ 18,252	29.8%	\$ 43,070

Funded Status and Funding Progress – As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$679,970, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,294,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.8 percent.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

L. OTHER POSTEMPLOYMENT BENEFITS - Continued

The projection of future benefits payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and as new estimates are made about the future. The schedule of funding progress, presented below, presents trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits. Since the City implemented GASB Statement No. 45 in 2009 (prospectively), only one year is presented.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit method was used. Active plan members were assumed to retire between age 55 and 65. Group annuity mortality tables were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. The actuarial assumptions included a 3.0 percent investment rate of return (net of administrative expenses), based on the City's expected returns, and an annual healthcare cost trend rate of 8.5% percent reduced each year by 0.5% until 3.5% is reached. The rate of inflation (assumed rate of increase in payroll) was assumed at 3.0 percent. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty years. The remaining amortization period as of the July 1, 2007 actuarial valuation is thirty years.

Schedule of Funding Progress for the OPEB Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2007	\$ -	\$ 679,970	\$ 679,970	0.0%	\$ 5,294,000	12.8%

M. DEFICIT FUND BALANCE

At June 30, 2009, the Capital Projects Fund has a deficit fund balance in the amount of \$13,105. The City plans to fund the deficit with assets from the General Fund.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

N. 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 1st. During the year ended June 30, 2009 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 1st. 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, 2009, the City sold 222,765,900 gallons (21.2% of total gallons sold) totaling \$594,785 (12.9% of total water revenues) under the terms of this contract. Additionally, SCUD owes the City \$50,989 at June 30, 2009.

O. 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.

P. 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, 2009 and requires the City to pay \$975 per month.

Q. COMMITMENTS AND CONTINGENCIES

At June 30, 2009, the City is committed on future capital expenditures of approximately \$884,000. Also, the City has been approved for various capital grants totaling approximately \$1,653,000. Of the \$1,653,000 of capital grants, \$1,000,000 represents federal grants and \$653,000 represents state grants. In connection with these grants the City has committed to spend \$3,892,000 of its own funds. These grants are for the construction costs of sewer plant and collection system upgrades.

CITY OF CROSSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2009

Q. COMMITMENTS AND CONTINGENCIES - CONTINUED

The City also has been approved for a \$1,284,000 loan from the U.S. Department of Agriculture, Rural Development that 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 that 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 that are estimated to be approximately \$216,000. The City also has obtained a \$1,300,000 letter of credit from the Association that the City may draw upon if the Association is 30 days or more past due. As of June 30, 2009, no construction costs have been incurred related to this project.

The City has entered into a contract in lieu of a performance bond with the State of Tennessee, Department of Environment and Conservation for proper operation and closure or post closure of the Crossville Sanitary Landfill. The contract includes a provision allowing the Commissioner of the Department of Environment and Conservation to collect up to \$901,540 from the City from any funds being disbursed from the State of Tennessee to the City as financial assurance for proper operation, closure and post-closure of the Crossville Sanitary Landfill.

In September 2009, the City has received a notice of violation of the Tennessee Water Quality Act from the State of Tennessee, Department of Environment and Conservation, Division of Water Pollution Control (WPC) in connection with the breach of Caryonah Lake dam in August 2009 which allowed fugitive sediment into the creek below the dam. The notice requested the City to submit a plan to either restore impacts to the creek or provide compensatory mitigation for the impacts. The City responded to the notice that the breach of the dam was an unavoidable accident under the Water Quality Control Act and therefore the issuance of the notice of violation was unwarranted. WPC responded with a notice of deficiency indicating the City's response was inadequate and that civil penalties could follow if a mitigation plan was not submitted. Presently, the City is preparing a mitigation plan for submission to WPC to restore impacts to the creek. In connection with the breach of Caryonah Lake dam, the City accepted a bid totaling approximately \$468,000 from a contractor to repair the dam pending approval from WPC.

**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, 2009

GRANTOR	CFDA NO.	PASS THROUGH ENTITY	STATE CONTRACT NO.	FEDERAL / STATE	BEGINNING ACCRUED BALANCE	CASH RECEIPTS	EXPENDITURES	ENDING ACCRUED BALANCE
U.S. Department of Justice:								
<u>Direct programs:</u>								
Bulletproof Vest Partnership Program	16.607	N/A	N/A	Federal	\$ 3,556	\$ 3,556	\$ -	\$ -
Total U.S. Department of Justice					3,556	3,556	-	-
U.S. Department of Agriculture:								
<u>Pass-through programs:</u>								
Cooperative Forestry Assistance	10.664	State of Tennessee, Department of Agriculture	Z-09-213862-00	Federal	-	8,660	8,660	-
Total U.S. Department of Agriculture					-	8,660	8,660	-
U.S. Department of Transportation:								
<u>Pass-through programs:</u>								
Airport Improvement Program	20.106	State of Tennessee, Department of Transportation, Aeronautics Division	Z-08200754-00	Federal	20,824	-	-	20,824
Highway Planning and Construction	20.205	State of Tennessee, Department of Transportation	50135	Federal	-	1,020,048	1,186,092	166,044
Alcohol Open Container Requirements	20.607	State of Tennessee, Department of Transportation	Z-09-214306-00	Federal	-	8,098	10,243	2,145
State and Community Highway Safety	20.600 /	State of Tennessee, Department of Transportation						
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	State of Tennessee, Department of Transportation	Z-09-214592-00	Federal	-	16,491	23,242	6,751
State and Community Highway Safety	20.600 /	State of Tennessee, Department of Transportation						
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	State of Tennessee, Department of Transportation	Z-09-214305-00	Federal	-	4,765	4,765	-
State and Community Highway Safety	20.600 /	State of Tennessee, Department of Transportation						
Alcohol Open Container Requirements	20.607	State of Tennessee, Department of Transportation	Z-08-023668-00	Federal	-	7,231	7,231	-
Total U.S. Department of Transportation					20,824	1,056,633	1,231,573	195,764
Total Federal Awards					\$ 24,380	\$ 1,068,849	\$ 1,240,233	\$ 195,764



CITY OF CROSSVILLE, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2009

GRANTOR	CFDA NO.	PASS THROUGH ENTITY	STATE CONTRACT NO.	FEDERAL AGENCY STATE	BEGINNING ACCRUED BALANCE	CASH RECEIPTS	EXPENDITURES	ENDING ACCRUED BALANCE
State of Tennessee, Department of Transportation, Aeronautics Division	N/A	N/A	Z-09-21-3933-00	State	\$ -	\$ 6,215	\$ 6,215	\$ -
State of Tennessee, Department of Transportation, Aeronautics Division	N/A	N/A	Z-09-21-3980-00	State	-	-	5,910	5,910
State of Tennessee, Department of Transportation, Aeronautics Division	N/A	N/A	Z-09-213943-00	State	-	-	50,535	50,535
State of Tennessee, Department of Transportation, Aeronautics Division	N/A	N/A	Z-09-21-3371	State	-	7,611	22,403	14,792
State of Tennessee Department of Economic and Community Development	N/A	N/A	Z-09-217117-00	State	-	-	1,387	1,387
State of Tennessee Department of Economic and Community Development	N/A	N/A	GG-0823665-00	State	2,500	2,500	-	-
State of Tennessee, Department of Finance and Administration	N/A	N/A	BC-7782	State	-	-	391,493	391,493
State of Tennessee, Department of Highway Safety	N/A	N/A	N/A	State	-	11,474	11,474	-
Total State Awards					\$ 2,500	\$ 27,800	\$ 489,417	\$ 464,117
Total Federal and State Awards					\$ 26,880	\$ 1,096,649	\$ 1,729,650	\$ 659,881

Note 1: The outstanding balance on the loan obtained in previous years through the Tennessee State Revolving Loan Fund (SRLF) totaled \$811,099 at June 30, 2009. Additionally, the City has an outstanding loan balance on a United States Development Agency (USDA) loan obtained in previous years which totals \$1,824,402 at June 30, 2009. The SRLF loan was 80% federally funded and the USDA loan was 100% federally funded. Principal payments made on the SRF loan during the current year totaled \$147,156 and principal payments made on the USDA loan during the current year totaled \$194,399.

Note 2: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of City of Crossville, Tennessee under programs of federal and state governments for the fiscal year ended June 30, 2009. The schedule is presented using the modified accrual basis of accounting.





CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects Fund	Total Major Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 1,904,160	\$ -	\$ 1,904,160
Special tax assessments	43,977	-	43,977
Intergovernmental revenues			
Business taxes	510,290	-	510,290
Local sales tax	6,380,623	-	6,380,623
Payments in lieu of taxes	165,337	-	165,337
State sales and income tax	813,011	-	813,011
Wholesale, state beer and liquor tax	729,619	-	729,619
Other taxes	111,875	-	111,875
Federal and state grants			
Federal grants	1,240,233	-	1,240,233
State grants	97,924	-	97,924
Charges for services			
Airport charges	75,035	-	75,035
Cemetery charges	38,875	-	38,875
Driver safety school charges	30,680	-	30,680
Park facility and concession charges	158,568	-	158,568
Licenses and permits			
Beer and liquor license fees	32,488	-	32,488
Building permits	78,884	-	78,884
Franchise fees	113,301	-	113,301
Other permits	15,188	-	15,188
Fines and forfeitures			
Court fines and costs	93,630	-	93,630
Other fines and costs	11,081	-	11,081
Drug related fines and forfeitures	4,607	-	4,607
Interest revenue	216,938	-	216,938
Miscellaneous			
Donations and contributions	5,000	-	5,000
Insurance recoveries	24,285	-	24,285
Sale of property and equipment	20,150	-	20,150
Other revenues	202,857	-	202,857
	<u>\$ 13,118,616</u>	<u>\$ -</u>	<u>\$ 13,118,616</u>

See independent auditor's report.



CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects Fund	Total Major Governmental Funds
EXPENDITURES			
General government			
Payroll and payroll taxes	\$ 1,304,663	\$ -	\$ 1,304,663
Employee benefits	433,232	-	433,232
Supplies	158,119	-	158,119
Utilities	67,173	-	67,173
Repairs and maintenance	50,124	-	50,124
Other operating expenses	503,628	-	503,628
Capital outlay	170,302	-	170,302
City court			
Payroll and payroll taxes	14,400	-	14,400
Supplies	1,391	-	1,391
Other operating expenses	362	-	362
Airport			
Supplies	1,729	-	1,729
Utilities	28,727	-	28,727
Repairs and maintenance	26,716	-	26,716
Other operating expenses	59,477	-	59,477
Capital outlay	145,951	-	145,951
Cemetery			
Payroll and payroll taxes	30,752	-	30,752
Employee benefits	10,603	-	10,603
Supplies	3,441	-	3,441
Utilities	1,605	-	1,605
Repairs and maintenance	1,131	-	1,131
Parks and recreation			
Payroll and payroll taxes	418,155	-	418,155
Employee benefits	99,233	-	99,233
Supplies	143,590	-	143,590
Utilities	233,757	-	233,757
Repairs and maintenance	66,947	-	66,947
Other operating expenses	59,465	-	59,465
Capital outlay	172,405	-	172,405

See independent auditor's report.



CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - CONTINUED

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects Fund	Total Major Governmental Funds
EXPENDITURES - CONTINUED			
Planning and zoning			
Payroll and payroll taxes	109,770	-	109,770
Employee benefits	38,122	-	38,122
Supplies	10,512	-	10,512
Utilities	2,173	-	2,173
Repairs and maintenance	1,632	-	1,632
Other operating expenses	14,732	-	14,732
Public Safety			
Payroll and payroll taxes	2,872,117	-	2,872,117
Employee benefits	878,656	-	878,656
Supplies	343,294	-	343,294
Utilities	48,731	-	48,731
Repairs and maintenance	101,568	-	101,568
Other operating expenses	467,154	-	467,154
Capital outlay	218,675	-	218,675
Streets			
Payroll and payroll taxes	476,952	-	476,952
Employee benefits	194,419	-	194,419
Supplies	552,132	-	552,132
Utilities	32,746	-	32,746
Repairs and maintenance	127,682	-	127,682
Other operating expenses	24,634	-	24,634
Capital outlay	398,522	-	398,522
Tourism development			
Supplies	929	-	929
Other operating expenses	33,266	-	33,266
Capital projects			
Capital outlay	-	2,273,468	2,273,468
Debt service			
Principal	4,568,000	-	4,568,000
Interest	111,508	-	111,508
	<u>\$ 15,835,004</u>	<u>\$ 2,273,468</u>	<u>\$ 18,108,472</u>

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009

	Drug Fund	Industrial Development Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Net receivables	47,606	-	-	49,916	97,522
Materials and supplies	-	-	7,520	-	7,520
Restricted cash and cash equivalents	74,526	550,979	-	60,460	685,965
Total assets	<u>\$122,132</u>	<u>\$ 550,979</u>	<u>\$ 7,520</u>	<u>\$ 110,376</u>	<u>\$ 791,007</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,327	\$ 4,327
Total liabilities	-	-	-	4,327	4,327
FUND BALANCES					
Reserved	122,132	550,979	-	106,049	779,160
Unreserved	-	-	7,520	-	7,520
Total fund balances	<u>122,132</u>	<u>550,979</u>	<u>7,520</u>	<u>106,049</u>	<u>786,680</u>
Total liabilities and fund balances	<u>\$122,132</u>	<u>\$ 550,979</u>	<u>\$ 7,520</u>	<u>\$ 110,376</u>	<u>\$ 791,007</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, 2009

	Drug Fund	Industrial Development Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
REVENUES					
Intergovernmental revenues					
State gasoline and motor fuel tax	\$ -	\$ -	\$ -	\$ 275,055	\$ 275,055
Fines and forfeitures					
Drug related fines and forfeitures	76,341	-	-	-	76,341
Interest revenue	1,429	8,800	-	1,671	11,900
Miscellaneous					
Donations and contributions	13,354	-	-	-	13,354
Sale of property and equipment	7,925	-	-	-	7,925
Total revenues	99,049	8,800	-	276,726	384,575
EXPENDITURES					
Current operations:					
Public safety					
Supplies	633	-	-	-	633
Other operating expenses	20,560	-	-	-	20,560
Sanitation					
Repairs and maintenance	-	-	469	-	469
Other operating expenses	-	-	358,993	-	358,993
Streets					
Supplies	-	-	-	4,652	4,652
Street lighting	-	-	-	253,990	253,990
Capital outlay	55,714	-	-	70,650	126,364
Total expenditures	76,907	-	359,462	329,292	765,661
REVENUES OVER (UNDER) EXPENDITURES	22,142	8,800	(359,462)	(52,566)	(381,086)
OTHER FINANCING SOURCES (USES):					
Transfer from other funds	-	-	359,462	-	359,462
	-	-	359,462	-	359,462
NET CHANGE IN FUND BALANCE	22,142	8,800	-	(52,566)	(21,624)
FUND BALANCE, June 30, 2008	99,990	542,179	7,520	158,615	808,304
FUND BALANCE, June 30, 2009	\$122,132	\$ 550,979	\$ 7,520	\$ 106,049	\$ 786,680

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 DRUG FUND

YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual Amounts
REVENUES			
Fines and forfeitures	\$ 8,000	\$ 8,000	\$ 76,341
Interest revenue	3,500	3,500	1,429
Miscellaneous	18,000	18,000	21,279
Total revenues	<u>29,500</u>	<u>29,500</u>	<u>99,049</u>
EXPENDITURES			
Public safety	33,000	26,800	21,193
Capital outlay	56,800	63,000	55,714
Total expenditures	<u>89,800</u>	<u>89,800</u>	<u>76,907</u>
REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE			
	(60,300)	(60,300)	22,142
FUND BALANCE, June 30, 2008	99,990	99,990	99,990
FUND BALANCE, June 30, 2009	<u>\$ 39,690</u>	<u>\$ 39,690</u>	<u>\$ 122,132</u>

See independent auditor's report.



CITY OF CROSSVILLE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL DEVELOPMENT FUND

YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Interest revenue	\$ 42,000	\$ 42,000	\$ 8,800
EXPENDITURES			
Industrial development	-	5,000	-
REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	42,000	37,000	8,800
FUND BALANCE, June 30, 2008	<u>542,179</u>	<u>542,179</u>	<u>542,179</u>
FUND BALANCE, June 30, 2009	<u>\$ 584,179</u>	<u>\$ 579,179</u>	<u>\$ 550,979</u>

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE FUND

YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Miscellaneous	\$ 150	\$ 150	\$ -
EXPENDITURES			
Sanitation	453,000	453,000	359,462
Total expenditures	<u>453,000</u>	<u>453,000</u>	<u>359,462</u>
REVENUES OVER (UNDER) EXPENDITURES	(452,850)	(452,850)	(359,462)
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	452,850	452,850	359,462
	<u>452,850</u>	<u>452,850</u>	<u>359,462</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, June 30, 2008	7,520	7,520	7,520
FUND BALANCE, June 30, 2009	<u>\$ 7,520</u>	<u>\$ 7,520</u>	<u>\$ 7,520</u>

See independent auditor's report.



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

YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Intergovernmental revenues	\$ 300,000	\$ 300,000	\$ 275,055
Interest revenue	8,000	8,000	1,671
Total revenues	<u>308,000</u>	<u>308,000</u>	<u>276,726</u>
EXPENDITURES			
Street maintenance	255,000	255,000	258,642
Capital outlay	150,000	150,000	70,650
Total expenditures	<u>405,000</u>	<u>405,000</u>	<u>329,292</u>
REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(97,000)	(97,000)	(52,566)
FUND BALANCE, June 30, 2008	158,615	158,615	158,615
FUND BALANCE, June 30, 2009	<u>\$ 61,615</u>	<u>\$ 61,615</u>	<u>\$ 106,049</u>

See independent auditor's report.

CITY OF CROSSVILLE, TENNESSEE



SCHEDULES OF LONG-TERM DEBT

JUNE 30, 2009

Governmental Activities Long-Term Debt

Year Ending June 30,	Loan Payable to Public Building Authority of the City of Clarksville, Tennessee, dated November 17, 2004		
	Principal	Interest	Total
2010	\$ 44,000	\$ 3,179	\$ 47,179
2011	45,000	3,007	48,007
2012	46,000	2,831	48,831
2013	48,000	2,652	50,652
2014	49,000	2,465	51,465
2015	51,000	2,274	53,274
2016	52,000	2,075	54,075
2017	54,000	1,872	55,872
2018	56,000	1,661	57,661
2019	57,000	1,443	58,443
2020	59,000	1,221	60,221
2021	61,000	991	61,991
2022	63,000	753	63,753
2023	64,000	507	64,507
2024	66,000	257	66,257
	<u>\$ 815,000</u>	<u>\$ 27,188</u>	<u>\$ 842,188</u>

See independent auditor's report.

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

JUNE 30, 2009

Year Ending June 30,	Business-Type Activities Long-Term Debt									
	Loan Payable to the Public					Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan # 00-0020				
	Building Authority of the City of Clarksville, Tennessee, Water System Refunding Bonds, Series 2005	Interest	Principal	Interest	Principal	Building Authority of the City of Clarksville, Tennessee, Series 1997	Interest	Principal	Interest	Principal
2010	\$ -	\$ 99,454	\$ 272,573	\$ 75,295	\$ 239,440	\$ -	\$ 66,858	\$ -	\$ 61,875	\$ 76,341
2011	165,000	195,137	277,436	70,432	251,410	-	61,543	-	64,557	73,659
2012	170,000	187,187	282,388	65,480	263,980	-	55,961	-	67,353	70,863
2013	175,000	180,799	287,428	60,440	277,180	-	50,101	-	70,275	67,941
2014	185,000	173,861	292,554	55,314	291,040	-	43,948	-	73,319	64,897
2015	190,000	166,546	297,776	50,092	305,590	-	37,486	-	76,495	61,721
2016	200,000	158,546	303,089	44,779	320,870	-	30,702	-	79,810	58,406
2017	205,000	149,833	308,499	39,369	336,910	-	23,579	-	83,270	54,946
2018	215,000	140,695	314,003	33,865	353,760	-	16,100	-	86,880	51,336
2019	225,000	130,851	319,605	28,263	371,450	-	8,246	-	90,643	47,573
2020	235,000	120,276	325,310	22,558	-	-	-	-	94,573	43,643
2021	245,000	109,251	331,115	16,753	-	-	-	-	98,671	39,545
2022	255,000	97,776	337,023	10,845	-	-	-	-	102,947	35,269
2023	265,000	85,851	343,037	4,831	-	-	-	-	107,410	30,806
2024	280,000	73,251	86,621	256	-	-	-	-	112,064	26,152
2025	295,000	59,976	-	-	-	-	-	-	116,920	21,296
2026	305,000	46,251	-	-	-	-	-	-	121,986	16,230
2027	320,000	31,451	-	-	-	-	-	-	127,273	10,943
2028	330,000	16,188	-	-	-	-	-	-	132,789	5,427
2029	350,000	-	-	-	-	-	-	-	55,292	577
	\$ 4,610,000	\$ 2,221,180	\$ 4,378,457	\$ 578,572	\$ 3,011,630	\$ 394,524	\$ 1,824,402	\$ 857,571		

See independent auditor's report.



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

JUNE 30, 2009

Year Ending June 30,	Business-Type Activities Long-Term Debt - (Continued)									
	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	Principal	Interest
2010	\$ 56,981	\$ 13,485	\$ 151,092	\$ 19,596	\$ 119,892	\$ 42,683	\$ 50,600	\$ -	\$ -	\$ 1,123
2011	57,825	12,641	155,130	15,558	119,892	35,298	-	-	-	-
2012	58,681	11,785	159,275	11,413	119,892	27,912	-	-	-	-
2013	59,549	10,917	163,531	7,157	119,892	20,527	-	-	-	-
2014	60,430	10,036	167,901	2,787	119,892	13,142	-	-	-	-
2015	61,325	9,141	14,170	31	93,446	5,756	-	-	-	-
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	64,025	571	-	-	-	-	-	-	-	-
	\$ 943,240	\$ 107,880	\$ 811,099	\$ 56,542	\$ 692,906	\$ 145,318	\$ 50,600	\$ -	\$ 1,123	\$ -

See independent auditor's report.



CITY OF CROSSVILLE, TENNESSEE

SCHEDULES OF LONG-TERM DEBT - CONTINUED

JUNE 30, 2009

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

Year Ending June 30,	Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan SRF # 01-156		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 22,080	\$ 5,338	\$ 974,533	\$ 400,163	\$ 1,374,696	
2011	22,404	5,004	1,113,654	467,272	1,580,926	
2012	22,740	4,668	1,144,309	435,269	1,579,578	
2013	23,076	4,332	1,175,931	402,214	1,578,145	
2014	23,412	3,996	1,213,548	367,981	1,581,529	
2015	23,760	3,648	1,062,562	334,421	1,396,983	
2016	24,120	3,288	990,121	303,955	1,294,076	
2017	24,468	2,940	1,021,300	277,980	1,299,280	
2018	24,840	2,568	1,058,571	250,942	1,309,513	
2019	25,200	2,208	1,096,934	222,571	1,319,505	
2020	25,572	1,836	746,454	192,780	939,234	
2021	25,956	1,452	767,718	170,491	938,209	
2022	26,340	1,068	789,277	147,457	936,734	
2023	26,724	684	811,144	123,665	934,809	
2024	27,120	288	569,830	100,518	670,348	
2025	4,562	6	416,482	81,278	497,760	
2026	-	-	426,986	62,481	489,467	
2027	-	-	447,273	42,394	489,667	
2028	-	-	462,789	21,615	484,404	
2029	-	-	405,292	577	405,869	
	\$ 372,374	\$ 43,314	\$ 16,694,708	\$ 4,406,024	\$ 21,100,732	

See independent auditor's report.



CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

YEAR ENDED JUNE 30, 2009

Tax Year	Balance June 30, 2008	Tax Levy	Collections	Abatements and Adjustments	Balance June 30, 2009
2008	\$ -	\$ 1,915,107	\$ 1,912,095	\$ 28,674	\$ 31,686
2007	36,904	-	24,689	3,038	15,253
2006	20,430	-	7,887	(6,302)	6,241
2005	8,545	-	3,112	(2,179)	3,254
2004	20,282	-	607	-	19,675
2003	5,637	-	95	-	5,512
2002	2,650	-	441	-	2,209
2001	42	-	42	-	-
2000	48	-	48	-	-
1999	58	-	43	-	15
1998	42	-	42	-	-
1997	67	-	33	-	34
1996	42	-	42	-	-
1995	376	-	46	-	330
	<u>\$ 95,123</u>	<u>\$ 1,915,107</u>	<u>\$ 1,949,222</u>	<u>\$ 23,231</u>	<u>84,239</u>
Penalty and interest					<u>34,454</u>
Subtotal					<u>118,693</u>
Deferred property tax revenues for 2009 accrued					<u>1,942,121</u>
					<u>2,060,814</u>
Less estimated uncollectible accounts					<u>(93,172)</u>
					<u>\$ 1,967,642</u>

As of June 30, 2008 the City has certified with the Cumberland County Clerk and Master delinquent taxes for the tax years from 1995 to 2006. In the fiscal year ended June 30, 2009 the City certified with the Cumberland County Clerk and Master delinquent taxes for the tax year 2007.

**OTHER SUPPLEMENTARY
INFORMATION**

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

JUNE 30, 2009

<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	1,321,018
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	335,255,490	1,844,424
2008	0.55	348,200,080	1,915,107
2009	0.55	353,111,723	1,942,121

See independent auditor's report.



CITY OF CROSSVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2009

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	3,662	6,817	10,479
Commercial	1,194	77	1,271
Industrial	35	6	41
Utility district taps	-	5	5
Total water customers	<u>4,891</u>	<u>6,905</u>	<u>11,796</u>
Total sewer customers	<u>4,626</u>	<u>17</u>	<u>4,643</u>

See independent auditor's report.

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

YEAR ENDED JUNE 30, 2009

(All amounts in gallons)

Water Treated and Purchased		
Water pumped (potable)	1,342,738,098	
Water purchased	0	
Total Water Treated and Purchased	1,342,738,098	1,342,738,098
 Accounted for Water		
Water sold	1,049,951,900	
Metered for consumption (in house usage)	0	
Fire department usage	65,900	
Flushing	3,645,519	
Tank cleaning/filling	0	
Street cleaning	0	
Bulk sales	0	
Water bill adjustments / plus or (minus)	0	
Total Accounted for Water	1,053,663,319	1,053,663,319
Unaccounted for Water		289,074,779
Percent Unaccounted for Water		21.5%

Note: For the year ended June 30, 2009, the City of Crossville, Tennessee also had 22,589,524 gallons of water in documented repair leaks which would reduce the unaccounted for water to 19.8%. All amounts included in this schedule are supported by documentation on file at the water system.



WORK & GREER, PC

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2009. 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 in the accompanying schedule of findings and questioned costs as items 09-01 and 09-02 to be significant deficiencies in internal control over financial reporting.

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.

HONORABLE MAYOR AND CITY COUNCIL

Crossville, Tennessee

Page Two

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 09-01 and 09-02 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, we disclosed a significant deficiency (item 08-01) related to reconciliation of accounts receivable and accounts payable. We recommended the 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. During the current year the appropriate personnel at the City reconciled accounts receivable and accounts payable subsidiary ledgers to the general ledger.

In the prior year report, we disclosed a significant deficiency (item 08-02) related to inventory control. We recommended the City develop a perpetual inventory system to control and properly account for the cost of materials and supplies. We also 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. Additionally, we recommended the general ledger balances 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. During the current year the City implemented a work order system to control for inventory. A complete perpetual inventory system has not been implemented but physical inventories are taken and general ledger balances are adjusted to the physical counts prior to the preparation of annual financial statements.

In the prior year report, we disclosed a significant deficiency (item 08-03) related to reconciliation of taps installed to tap fees collected for the installation of taps. We recommended 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. We also recommended 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. During the current year, City personnel not involved in the collection of tap fees reconciled taps installed with tap fees collected and implemented a policy that taps are not to be installed until a copy of the tap receipt is provided to personnel installing the taps.



HONORABLE MAYOR AND CITY COUNCIL

Crossville, Tennessee

Page Three

In the prior year report, we disclosed a material weakness (item 08-04) related to the City not maintaining its accounting records on the proper basis in order to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). We recommended the City maintain the accounting records of the Water and Sewer Department on the full 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. The same material weakness is noted during the current year audit and is referred to in the schedule of findings and questioned costs as item 09-01.

In the prior year report, we disclosed a material weakness (item 08-05) related to the City recording infrastructure assets before the assets were constructed and before the assets were considered City property. We recommended City 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 recommended management develop a process to insure expenditures and related liabilities to the Tennessee Department of Transportation only be recorded when the expenditures and related liabilities are actually incurred. During the current year the City did not record infrastructure assets until they were constructed and were also considered City property. Additionally, the City only recorded expenditures and related liabilities to the Tennessee Department of Transportation when they were actually incurred.

We also noted certain matters that we reported to management of the City, in a separate letter dated November 23, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City'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

November 23, 2009



WORK & GREER, PC

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

HONORABLE MAYOR AND CITY COUNCIL

City of Crossville, Tennessee

Compliance

We have audited the compliance of City of Crossville, Tennessee (City), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, City of Crossville, Tennessee, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Crossville, Tennessee's internal control over compliance.

HONORABLE MAYOR AND CITY COUNCIL

Crossville, Tennessee

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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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 & Greer, PC

November 23, 2009

CITY OF CROSSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Crossville, Tennessee for the year ended June 30, 2009.
2. Two significant deficiencies (that are also considered material weaknesses) during the audit of the financial statements of City of Crossville, Tennessee for the year ended June 30, 2009 are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters and are presented below in the Findings – Financial Statement Audit.
3. No instances of noncompliance material to the financial statements of City of Crossville, Tennessee for the year ended June 30, 2009 were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs of City of Crossville, Tennessee for the year ended June 30, 2009 were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for City of Crossville, Tennessee expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs for City of Crossville, Tennessee included: U.S. Department of Transportation Highway Planning and Construction Program (Federal-Aid Highway program), CFDA 20.205.
8. The dollar threshold for distinguishing between Type A and Type B programs was \$300,000.
9. City of Crossville, Tennessee was determined not to be a low risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

09-01 Basis of Accounting

Condition: Certain general ledger accounts of the governmental funds and the Water and Sewer fund are not maintained on the proper basis of accounting in order to prepare financial statements in accordance with generally accepted accounting principles.

Criteria: State law requires the City to maintain its records in order to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

YEAR ENDED JUNE 30, 2009

The accrual basis of accounting is required for the Water and Sewer fund in order to present financial statements in accordance with GAAP, and the modified-accrual basis of accounting is required for all governmental funds in order to present financial statements in accordance with GAAP.

Cause: General ledger account balances of the governmental funds for liquor tax and special assessments and the general ledger account balance of the Water and Sewer fund for grant receivables are not maintained on the proper basis of accounting.

Effect: The failure to properly maintain these general ledger accounts on the accrual and modified-accrual basis during the year caused audit adjustments to be necessary in order to present the financial statements in accordance with GAAP.

Recommendation: We recommend the City maintain all general ledger accounts of the Water and Sewer Department on the accrual basis of accounting and all general ledger accounts of 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.

Response: The City agrees with the finding and the recommendation will be implemented.

09-02

Infrastructure Assets

Condition: The City failed to record the land portion of infrastructure assets contributed by a developer and also recorded a developer contribution of water and sewer lines twice.

Criteria: Internal controls should be in place in order to provide reasonable assurance that infrastructure assets (including land) contributed by developers are properly recorded in accordance with generally accepted accounting principles (GAAP).

Cause: Internal controls over developer contributions are inadequately designed.

Effect: The failure to properly record these infrastructure assets during the year caused audit adjustments to be necessary in order to present the financial statements in accordance with GAAP.

Recommendation: Procedures should be implemented to insure the fair value of land contributed by developers is either obtained from the developer or from the State of Tennessee, Comptroller of the Treasury, Real Estate Assessment Data website and properly recorded. Procedures also should be implemented to insure contributions of infrastructure assets are not recorded twice on the City's records.

Response: The City agrees with the finding and the recommendation will be implemented.

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

YEAR ENDED JUNE 30, 2009

Prior Year Findings

Not applicable.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings or questioned costs were noted.