

**CITY OF CROSSVILLE, TENNESSEE  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**CITY OF CROSSVILLE, TENNESSEE**  
**FINANCIAL REPORT**  
**For the Year Ended June 30, 2017**

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**CITY OF CROSSVILLE, TENNESSEE  
FINANCIAL REPORT  
For the Year Ended June 30, 2017**

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**TOWN OF CROSSVILLE, TENNESSEE  
ROSTER OF OFFICIALS  
JUNE 30, 2017**

**OFFICIALS**

**Board of Mayor and City Council**

James Mayberry	Mayor
Pamala Harris	Councilmember
Danny Wyatt	Councilmember
J.H. Graham III	Mayor Pro Tem
Scot Shanks	Councilmember

**Appointed Officials**

Greg Wood	City Manager
Fred Houston, CPA	Finance Director

# **FINANCIAL SECTION**



# Allen, McGee & Associates

## Certified Public Accountants and Consultants

### INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Crossville, Tennessee  
392 N. Main Street  
Crossville, Tennessee

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, Tennessee, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4-13 and 53-56 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing basic financial statements, in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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 fund financial statements and schedules, and other supplemental information are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the supplemental section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other supplemental information listed in the table of contents as AWWA Water Loss Reporting Worksheet, AWWA Water System Attributes and Performance Indicators, and Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of the City'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* in considering the City of Crossville, Tennessee's internal control over financial reporting and compliance.

*Allen, McGee and Associates*  
*Certified Public Accountants*

Tullahoma, Tennessee  
April 25, 2018



## City of Crossville, Tennessee

### Management's Discussion and Analysis

As management of the City of Crossville, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

#### Financial Highlights:

- The assets of the City of Crossville exceeded its liabilities at the close of the most recent year by \$104,843,656. Of this amount, \$25,603,685 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Crossville received from the U.S. Department of Transportation a Grant in the amount of \$209,490 as a Safe Routes to School.
- The City of Crossville received a grant from the U.S. Department of Justice in the amount of \$2,745 for Bulletproof Vests.
- The City of Crossville received a grant from the State of Tennessee Department of Economic and Community Development in the amount of \$5,759 for the Crossville Three Star Program.
- The City of Crossville received a grant from the U.S. Environmental Protection Agency for two grants from the State Revolving Fund in the amount of \$102,779 for drinking water and \$147,480 for work on the sewer system.
- The City of Crossville received a grant from Tennessee Emergency Management Agency for wind damage on property in the City of Crossville in the amount of \$15,574.
- The City of Crossville Police Department received a JAG Equipment Grant in the amount of \$1,882.
- The City of Crossville Police Department received a grant from the Governor's Highway Safety in the amount of \$16,888 for Alcohol Saturation and Checkpoints.
- The City of Crossville received from the Tennessee Department of Agriculture a State Tree Board Grant in the amount of \$26,942.
- The City of Crossville receives Aeronautics grants totaling \$232,161 for work done at the airport.
- The City of Crossville has grants from the Tennessee Department of Transportation for Edison Grants. These are used for Recreation Park and a Site grant. The monies received for 2017 was \$190,747.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$50,745,894.

## **Overview of the Financial Statements:**

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

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

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Crossville include general government, public works, public safety, state street aid, public welfare and recreation and schools. The business-type activities of the City include Water and Sewer services.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Crossville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

## Overview of the Financial Statements (Continued)

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. Data for the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report beginning on page 57.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget, as well as for the non-major funds.

The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for Water and Sewer operations which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-52 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found beginning on page 57 of this report.

## Financial Analysis of the Financial Statements

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crossville, assets exceeded liabilities by \$104,843,656 at the close of this fiscal year.

By far the largest portion of the City's assets (75%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Crossville's Net Position

	<b>Governmental 2017</b>	<b>Activities 2016</b>	<b>Business type 2017</b>	<b>Activities 2016</b>
Current and other assets	\$17,715,836	\$18,471,480	\$ 9,533,437	\$ 8,908,433
Capital Assets	44,560,728	42,551,193	72,220,730	72,223,968
<b>Total Assets</b>	<b>62,276,564</b>	<b>61,022,673</b>	<b>81,754,167</b>	<b>81,132,401</b>
Deferred Outflows of Resources	2,411,428	1,912,736	828,114	630,377
<b>Total Deferred Outflows</b>	<b>2,411,428</b>	<b>1,912,736</b>	<b>828,114</b>	<b>630,377</b>
Long-term liabilities outstanding	9,073,566	10,123,364	28,111,192	28,686,620
Other Liabilities	1,575,550	992,698	302,383	741,127
<b>Total Liabilities</b>	<b>10,649,116</b>	<b>11,116,062</b>	<b>28,484,519</b>	<b>29,427,747</b>
Deferred Inflows of Resources	3,292,982	3,602,445	70,944	197,139
<b>Total Deferred Inflows</b>	<b>3,292,982</b>	<b>3,602,445</b>	<b>70,944</b>	<b>197,139</b>
Net Position				
Net Investment in Capital Assets	34,364,325	33,341,105	44,421,523	43,893,007
Restricted	454,123	489,046	0	0
Unrestricted	15,927,446	14,386,751	9,676,239	8,244,925
<b>Total net position</b>	<b>\$50,745,894</b>	<b>\$48,216,902</b>	<b>\$54,097,762</b>	<b>\$52,137,932</b>

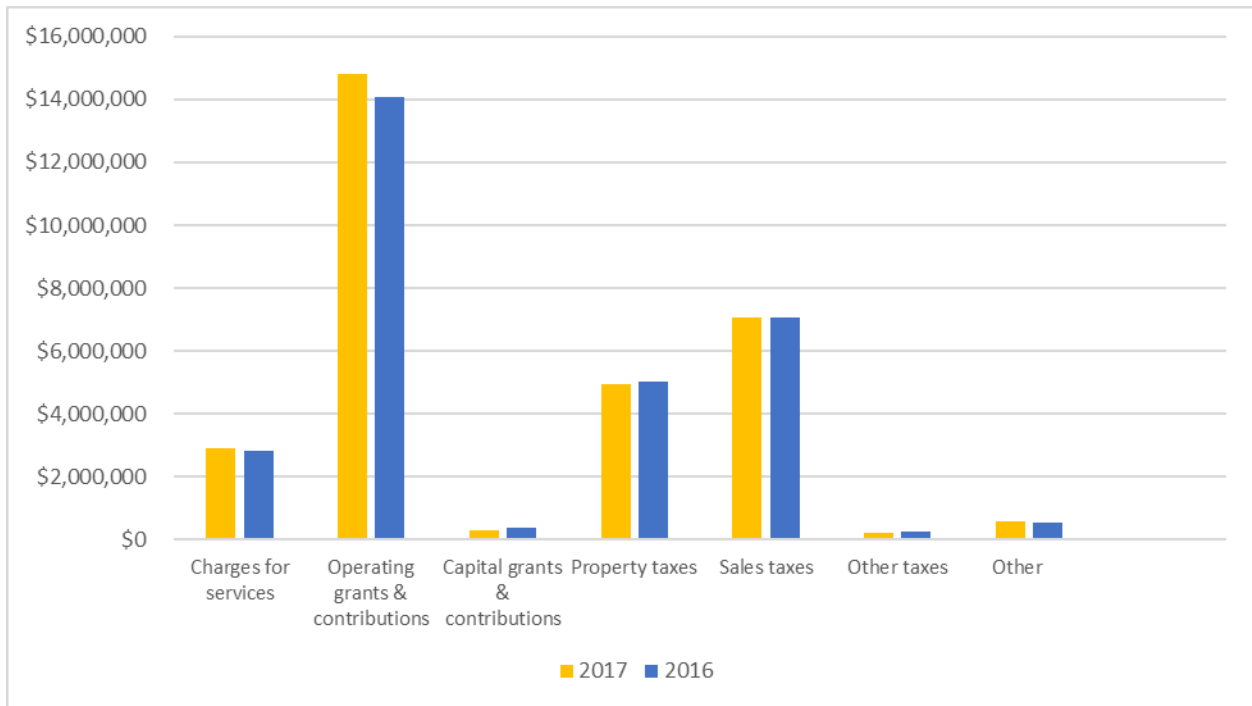
Changes in net position. Governmental activities increased the City's net position by \$2,528,992. Business-type activities net position increased by \$1,959,830.

### City of Crossville's Changes in Net Position

	Governmental Activities		Business-type Activities	
<u>Revenues</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Program revenues</u>				
Charges for services	\$ 437,632	\$1,791,945	\$10,414,449	\$10,119,776
Operating grants and contributions	319,927	864,820	250,259	36,397
Capital grants and contributions	983,925	588,614	0	493,361
<u>General Revenues</u>				
Property taxes	2,551,314	2,600,500	0	
Sales taxes	7,839,340	7,767,412	0	
Other taxes	3,438,815	1,897,015	0	
Other	1,264,564	1,416,269	20,972	
Transfers	196,824	0	-196,824	
Total revenues	<u>\$17,032,341</u>	<u>\$16,926,575</u>	<u>\$10,488,856</u>	<u>\$10,649,534</u>
<u>Expenses</u>				
<u>Governmental Activities</u>				
General Government	\$3,755,167	\$3,381,101		
Public Safety	6,078,662	6,083,716		
Public Works	2,224,178	1,727,275		
Recreation	1,348,073	1,291,866		
Other	838,380	2,355,232		
Debt Service	258,889	224,275		
Water & Sewer			8,917,519	8,911,069
Total expenses	<u>\$14,503,349</u>	<u>\$15,063,465</u>	<u>\$8,917,519</u>	<u>\$8,911,069</u>
Change in Net Position	2,528,992	1,863,110	1,571,337	1,753,409
Net Position, as previously reported	48,216,902	46,353,792	52,137,932	50,384,523
Prior Period Adjustment			388,493	
Net Position, beg. Of year as restated			52,526,425	
Net Position, end of year	<u>\$50,745,894</u>	<u>\$48,216,902</u>	<u>\$54,097,762</u>	<u>\$52,137,932</u>

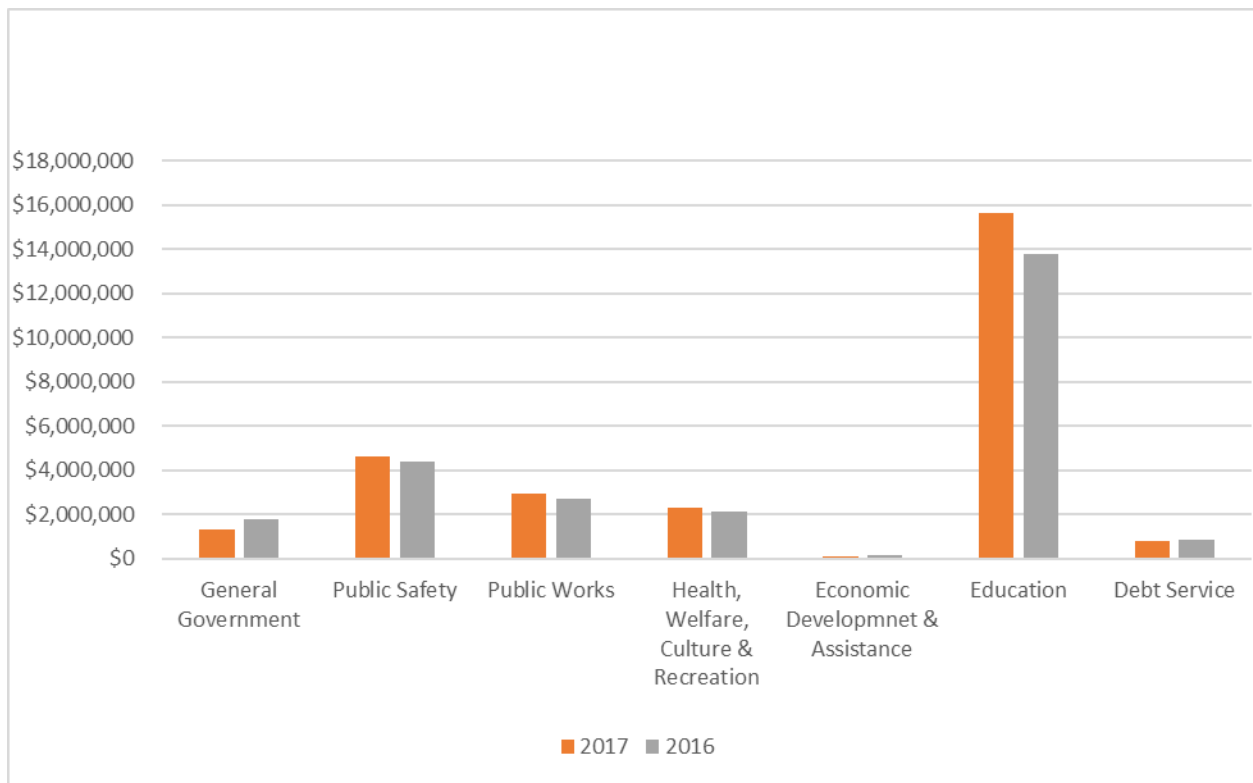
## Revenues by Source – Governmental Activities

### Revenues



## Expenditures – Governmental Activities

### Expenditures



Significant variances in Governmental Activities revenues and expenditures from that of the prior year were as follows:

- The overall expenditures decreased by approximately \$560,116. The decrease is due to capital expenditures.

### **Business-type Activities**

Business-type activities accounted for revenue of \$10,488,856 which includes contributed capital.

### **Financial Analysis of the Government's Funds**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,263,649, an increase of \$283,531 in comparison with the prior year. Within the governmental funds, \$454,123 is non-spendable and restricted for Inventory and Prepaid Costs in the General and Other Governmental Funds.

The general fund is the chief operation fund of the City of Crossville, Tennessee. Due to the compliance of GASB 54, the general fund recognizes "unassigned" fund balance instead of "unreserved" fund balance. At the end of this fiscal year, this amount is \$13,809,526. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 78.68% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$312,221.

### **Proprietary funds**

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

Unrestricted Net Assets at the end of the year for the Water and Sewer Fund amounted to \$9,676,239.



## General Fund Budgetary Highlights

The budget for income did not change.

## Capital Assets

The City of Crossville's investment in capital assets from its governmental and business-type activities at June 30, 2017, amounts to \$116,781,458 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total of the City's investment in capital assets for the current fiscal year increased in the amount of \$2,006,297 (a net increase of \$2,009,535 for governmental activities and a net decrease of \$3,238 for business-type activities).

## City of Crossville's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 8,060,501	\$ 574,816	\$ 8,635,317
Buildings/land improvement and utility plant	27,619,038	115,256,631	142,875,669
Equipment and furniture	5,146,268	4,019,090	9,165,358
Infrastructure	20,289,963		20,289,963
Vehicles	5,231,019		5,231,019
Construction in progress	3,164,291	2,291,275	5,455,566
	<u>69,511,080</u>	<u>122,141,812</u>	<u>191,652,892</u>
Less Accumulated Depreciation	24,950,352	49,921,082	74,871,434
Net Capital Assets	<u>\$44,560,728</u>	<u>\$72,220,730</u>	<u>\$116,781,458</u>

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

## Long-term Debt

At the end of the current year, the City of Crossville had bonded debt outstanding of \$36,434,210. Of this amount, \$1,662,528 is due in the next fiscal year.

### City of Crossville's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
Principal due in the next fiscal year	\$ 425,000	1,237,528	1,662,528

The City of Crossville's combined total bonded debt decreased in the amount of \$1,771,952 during the current fiscal year.

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

### Requests for Information

This financial report is designed to provide a general overview of the City of Crossville, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director.

# **BASIC FINANCIAL STATEMENTS**

**City of Crossville, Tennessee**  
**Statement of Net Position**  
**June 30, 2017**

	<u>Primary Government</u>		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,020,663	\$ 313,216	\$ 12,333,879
Investment in pooled cash	376,322	-	376,322
Investment in LGIP	-	7,438,637	7,438,637
Accounts receivable	55,397	440,155	495,552
Allowance for uncollectibles	(5,258)	-	(5,258)
Unbilled revenues	-	920,452	920,452
Due from other governments	1,776,018	-	1,776,018
Property taxes receivable	2,769,938	-	2,769,938
Allowance for uncollectible property taxes	(165,700)	-	(165,700)
Other receivables	724,618	33,385	758,003
Inventories	163,838	329,807	493,645
Restricted cash and cash equivalents		57,785	57,785
Capital Assets:			
Land	8,060,501	574,816	8,635,317
Construction in progress	3,164,291	2,291,275	5,455,566
Improvements other than buildings	17,562,578	-	17,562,578
Buildings and plant	10,056,460	115,256,631	125,313,091
Vehicles	5,231,019	-	5,231,019
Rolling stock	1,390,687	-	1,390,687
Other equipment	3,755,581	-	3,755,581
Machinery, equipment & vehicles	-	4,019,090	4,019,090
Infrastructure	20,289,963	-	20,289,963
Less: accumulated depreciation	(24,950,352)	(49,921,082)	(74,871,434)
Total assets	<u>62,276,564</u>	<u>81,754,167</u>	<u>144,030,731</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	-	140,892	140,892
Deferred outflow related to pension	2,411,428	585,738	2,997,166
Other deferred/unavailable revenue	-	101,484	101,484
Total deferred outflows of resources	<u>2,411,428</u>	<u>828,114</u>	<u>3,239,542</u>
<b>LIABILITIES</b>			
Accounts payable	379,203	140,504	519,707
Accrued payroll and payroll liabilities	82,726	41,053	123,779
Accrued interest payable	30,773	25,619	56,392
Other payables	27,149	37,422	64,571
Due to State of Tennessee	346	-	346
Retainage payable	-	57,785	57,785
Net pension liability	1,036,385	-	1,036,385
Pooled cash overdraft	18,968	-	18,968

See notes to the financials

**City of Crossville, Tennessee**  
**Statement of Net Position (Cont.)**  
**June 30, 2017**

	<u>Primary Government</u>		Total
	Governmental Activities	Business-type Activities	
<b>LIABILITIES- Continued</b>			
Noncurrent Liabilities:			
Compensated absences	293,964	88,388	382,352
Net other postemployment benefits obligation	207,121	19,594	226,715
Landfill postclosure care	141,481	-	141,481
Long-term debt due within one year	425,000	1,237,528	1,662,528
Long-term debt due in more that one year	8,006,000	26,765,682	34,771,682
Total Liabilities	<u>10,649,116</u>	<u>28,413,575</u>	<u>39,062,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessed and not levied property taxes	2,813,317	-	2,813,317
Deferred inflows related to pensions	293,508	70,944	364,452
Other deferred/unavailable revenue	186,157	-	186,157
Total deferred inflows of resources	<u>3,292,982</u>	<u>70,944</u>	<u>3,363,926</u>
<b>NET POSITION</b>			
Net investment in capital assets	34,364,325	44,421,523	78,785,848
Restricted for:			
Streets and roads	199,150	-	199,150
Drug control and investigation	91,135	-	91,135
Nonexpendable	163,838	-	163,838
Unrestricted	<u>15,927,446</u>	<u>9,676,239</u>	<u>25,603,685</u>
Total net position	<u>\$ 50,745,894</u>	<u>\$ 54,097,762</u>	<u>\$ 104,843,656</u>

See notes to the financials

**City of Crossville, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General Government	\$ 3,755,167	\$ 61,690	\$ 112,666	\$ -	\$ (3,580,811)	\$ -	\$ (3,580,811)
Public Safety	6,078,662	153,094	21,575	-	(5,903,993)	-	(5,903,993)
Public Works	2,224,178	-	-	513,006	(1,711,172)	-	(1,711,172)
Cemeteries	74,161	-	-	-	(74,161)	-	(74,161)
Airport	245,517	110,475	-	470,919	335,877	-	335,877
Parks and Recreation	1,348,073	112,373	-	-	(1,235,700)	-	(1,235,700)
Tourism Development	345,491	-	-	-	(345,491)	-	(345,491)
Health and Welfare	173,211	-	185,686	-	12,475	-	12,475
Interest on Debt Service	258,889	-	-	-	(258,889)	-	(258,889)
<b>Total Governmental Activities</b>	<b>\$ 14,503,349</b>	<b>\$ 437,632</b>	<b>\$ 319,927</b>	<b>\$ 983,925</b>	<b>\$ (12,761,865)</b>	<b>\$ -</b>	<b>\$ (12,761,865)</b>
<b>Business-type activities</b>							
Water and Sewer	8,917,519	10,414,449	250,259	-	-	1,747,189	1,747,189
<b>Total Primary Government</b>	<b>\$ 23,420,868</b>	<b>\$ 10,852,081</b>	<b>\$ 570,186</b>	<b>\$ 983,925</b>	<b>\$ (12,761,865)</b>	<b>\$ 1,747,189</b>	<b>\$ (11,014,676)</b>
<b>General revenues:</b>							
Property taxes					\$ 2,551,314	\$ -	\$ 2,551,314
Interest and penalty					18,497	-	18,497
In-lieu of taxes					277,678	-	277,678
Local sales tax					7,839,340	-	7,839,340
Wholesale beer tax					718,708	-	718,708
Wholesale liquor tax					519,837	-	519,837
Business taxes					593,231	-	593,231
Cable TV franchise tax					125,881	-	125,881
State sales tax					832,697	-	832,697
State gas & motor fuel tax					306,051	-	306,051
Other State taxes - unrestricted					342,410	-	342,410
Licenses and permits					361,548	-	361,548
Other Local Revenues - Unrestricted					517,924	-	517,924
Unrestricted investment earnings and rental income					86,835	41,867	128,702
Gain (loss) on sale of capital assets					2,082	(20,895)	(18,813)
Transfers					196,824	(196,824)	-
<b>Total general revenues</b>					<b>15,290,857</b>	<b>(175,852)</b>	<b>15,115,005</b>
<b>Change in net position</b>					<b>2,528,992</b>	<b>1,571,337</b>	<b>4,100,329</b>
Net position - beginning					48,216,902	52,526,425	100,743,327
Net position - ending					<b>\$ 50,745,894</b>	<b>\$ 54,097,762</b>	<b>\$ 104,843,656</b>

See notes to the financials

**City of Crossville, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,757,865	\$ -	\$ 262,798	\$ 12,020,663
Investment in pooled cash	301,227	51,805	23,290	376,322
Restricted cash and cash equivalents	80,812	-	-	80,812
Accounts receivable	54,011	-	1,386	55,397
Allowance for uncollectibles	(5,258)	-	-	(5,258)
Due from other governments	1,750,441	-	25,577	1,776,018
Property taxes receivable	2,769,938	-	-	2,769,938
Allowance for uncollectible property taxes	(165,700)	-	-	(165,700)
Other receivables	724,618	-	-	724,618
Inventories	163,838	-	-	163,838
Total Assets	<u>\$ 17,431,792</u>	<u>\$ 51,805</u>	<u>\$ 313,051</u>	<u>\$ 17,796,648</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 323,600	\$ 51,805	\$ 3,798	\$ 379,203
Accrued payroll and accrued liabilities	82,726	-	-	82,726
Other payables	27,149	-	-	27,149
Interest payable	25,133	-	-	25,133
Due to other governments	346	-	-	346
Pooled cash overdraft	-	-	18,968	18,968
Total Liabilities	<u>458,954</u>	<u>51,805</u>	<u>22,766</u>	<u>533,525</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Assessed and not levied property taxes	2,813,317	-	-	2,813,317
Other deferred/unavailable revenue	186,157	-	-	186,157
Total deferred inflows of resources	<u>2,999,474</u>	<u>-</u>	<u>-</u>	<u>2,999,474</u>
<b>FUND BALANCES</b>				
Non-spendable	163,838	-	-	163,838
Restricted	-	-	290,285	290,285
Unassigned	13,809,526	-	-	13,809,526
Total fund balances	<u>13,973,364</u>	<u>-</u>	<u>290,285</u>	<u>14,263,649</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,431,792</u>	<u>\$ 51,805</u>	<u>\$ 313,051</u>	<u>\$ 17,796,648</u>

See notes to the financials.

**City of Crossville, Tennessee**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**June 30, 2017**

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

Total fund balances - balance sheet - governmental funds		\$ 14,263,649
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Land	\$ 8,060,501	
Construction in progress	3,164,291	
Improvements other than buildings	17,562,578	
Buildings and plant	10,056,460	
Vehicles	5,231,019	
Rolling stock	1,390,687	
Other equipment	3,755,581	
Infrastructure	20,289,963	
Less: accumulated depreciation	<u>(24,950,352)</u>	44,560,728
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued interest payable	\$ (5,640)	
Net pension liability	(1,036,385)	
Landfill postclosure care costs	(141,481)	
Compensated absences	(293,964)	
Net other postemployment benefits obligation	(207,121)	
Long-term debt due within one year	(505,812)	
Long-term debt due in more that one year	<u>(8,006,000)</u>	(10,196,403)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Deferred outflows of resources related to pensions	\$ 2,411,428	
Deferred inflows of resources related to pensions	<u>(293,508)</u>	<u>2,117,920</u>
Net position of governmental activities		<u>\$ 50,745,894</u>

See notes to the financials.



**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local taxes	\$ 12,366,808	\$ -	\$ -	\$ 12,366,808
Licenses and permits	361,548	-	-	361,548
Charges for current services	192,382	-	-	192,382
Fines, forfeitures and penalties	114,887	-	19,888	134,775
Other local revenue	989,219	-	12,301	1,001,520
Sale of surplus property	-	-	5,117	5,117
Intergovernmental	2,738,985	-	306,051	3,045,036
Total revenues	<u>16,763,829</u>	<u>-</u>	<u>343,357</u>	<u>17,107,186</u>
<b>Expenditures:</b>				
Current:				
General Government	3,671,958	-	-	3,671,958
Public Safety	6,511,769	-	35,813	6,547,582
Public Works	2,977,187	-	336,234	3,313,421
Cemeteries	92,270	-	-	92,270
Airport	135,103	-	-	135,103
Parks and Recreation	1,160,144	-	-	1,160,144
Tourism Development	345,491	-	-	345,491
Health and Welfare	173,211	-	-	173,211
Capital Outlay	-	540,932	-	540,932
Debt Service	2,480,367	-	-	2,480,367
Total expenditures	<u>17,547,500</u>	<u>540,932</u>	<u>372,047</u>	<u>18,460,479</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(783,671)	(540,932)	(28,690)	(1,353,293)
<b>Other Financing Sources (Uses)</b>				
Transfers in	196,824	540,932	-	737,756
Transfers out	(540,932)	-	-	(540,932)
Proceeds from capital outlay notes	1,440,000	-	-	1,440,000
Total other financing sources (uses)	<u>1,095,892</u>	<u>540,932</u>	<u>-</u>	<u>1,636,824</u>
<b>Net Change in Fund Balance</b>	312,221	-	(28,690)	283,531
<b>Fund Balance - Beginning</b>	13,661,143	-	318,975	13,980,118
<b>Fund Balance - Ending</b>	<u>\$ 13,973,364</u>	<u>\$ -</u>	<u>\$ 290,285</u>	<u>\$ 14,263,649</u>

See notes to the financials.

**City of Crossville, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds \$ 283,531

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expenses. The difference between capital outlays and depreciation is itemized as follows:

Add: capital assets purchased in the current period	\$ 2,986,573	
Less: current-year depreciation expense	(1,791,853)	1,194,720

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.

Less: book value of capital assets disposed	\$ (208,299)	
Add: donations of capital assets	1,530	(206,769)

The issuance of long-term debt (e.g. bonds, notes, capitalized leases and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar item when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.

Long-term debt principal payment	\$ 2,217,000	
Long-term debt fiscal charges	4,478	
Compensated absences	(13,046)	
Issuance of notes payable	(1,440,000)	
Landfill postclosure care costs	6,286	
Other changes in long-term liabilities	(62,005)	712,713

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The net effect of these transactions is to decrease net position. (289,643)

The current year's change in the net pension liability increases net expenses on the government-wide statements. 293,508

Change in net position of governmental activities \$ 1,988,060

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budget		Actual	Variance
	Original	Final		With Final Budget-
<b>Revenues:</b>				
Local taxes	\$ 11,957,500	\$ 11,957,500	\$ 12,366,808	\$ 409,308
Licenses and permits	304,000	304,000	361,548	57,548
Charges for current services	208,250	208,250	192,382	(15,868)
Fines, forfeitures and penalties	82,750	82,750	114,887	32,137
Other local revenue	754,600	754,600	989,219	234,619
Intergovernmental	4,276,589	4,276,589	2,738,985	(1,537,604)
<b>Total Revenues</b>	<b>17,583,689</b>	<b>17,583,689</b>	<b>16,763,829</b>	<b>(819,860)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<u>General Government</u>				
<u>City Court</u>				
Contractual services	15,400	17,900	17,500	400
<b>Total City Court</b>	<b>15,400</b>	<b>17,900</b>	<b>17,500</b>	<b>400</b>
<u>Legislative Board</u>				
Personnel expenditures	63,965	75,715	72,544	3,171
Contractual services	2,300	7,300	3,689	3,611
Supplies	5,150	5,150	2,577	2,573
<b>Total Legislative Board</b>	<b>71,415</b>	<b>88,165</b>	<b>78,810</b>	<b>9,355</b>
<u>Central Staff</u>				
Personnel expenditures	826,400	826,400	765,627	60,773
Contractual services	59,500	59,500	58,887	613
Supplies	25,750	25,750	17,069	8,681
<b>Total Central Staff</b>	<b>911,650</b>	<b>911,650</b>	<b>841,583</b>	<b>70,067</b>
<u>Engineering</u>				
Personnel expenditures	295,850	295,850	279,389	16,461
Contractual services	11,100	11,100	6,774	4,326
Supplies	12,150	12,150	11,912	238
<b>Total Engineering</b>	<b>319,100</b>	<b>319,100</b>	<b>298,075</b>	<b>21,025</b>
<u>Stormwater</u>				
Personnel expenditures	121,200	121,200	114,101	7,099
Contractual services	7,550	7,550	5,171	2,379
Supplies	3,950	3,950	3,875	75
<b>Total Stormwater</b>	<b>132,700</b>	<b>132,700</b>	<b>123,147</b>	<b>9,553</b>
<u>Planning and Zoning</u>				
Personnel expenditures	203,150	203,650	179,331	24,319
Contractual services	87,250	87,250	27,072	60,178
Supplies	9,150	9,450	8,999	451
Capital outlay	30,000	30,000	28,708	1,292
<b>Total Planning and Zoning</b>	<b>329,550</b>	<b>330,350</b>	<b>244,110</b>	<b>86,240</b>
<u>General Govt. &amp; Buildings</u>				
Contractual services	182,150	182,150	157,400	24,750
Supplies	7,250	7,250	4,578	2,672
Fixed charges	1,300	1,300	1,014	286
<b>Total General Government and Buildings</b>	<b>190,700</b>	<b>190,700</b>	<b>162,992</b>	<b>27,708</b>

See notes to the financials.

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund (Cont.)**  
**For the Year Ended June 30, 2017**

	Budget		Actual	Variance
	Original	Final		With Final Budget-
<u>Maintenance</u>				
Personnel expenditures	724,500	724,500	686,599	37,901
Contractual services	63,500	93,500	53,233	40,267
Supplies	86,600	86,600	75,084	11,516
Fixed charges	2,750	2,750	546	2,204
Capital outlay	64,000	64,000	59,657	4,343
<b>Total Maintenance</b>	<b>941,350</b>	<b>971,350</b>	<b>875,119</b>	<b>96,231</b>
<u>Adminstration</u>				
Personnel expenditures	167,250	167,250	104,217	63,033
Contractual services	213,750	213,750	167,650	46,100
Supplies	5,500	5,500	5,188	312
Fixed charges	225,350	225,350	189,883	35,467
Grants, contracts and other	598,000	598,000	563,684	34,316
<b>Total Adminstration</b>	<b>1,209,850</b>	<b>1,209,850</b>	<b>1,030,622</b>	<b>179,228</b>
<b>Total General Government</b>	<b>4,121,715</b>	<b>4,171,765</b>	<b>3,671,958</b>	<b>499,807</b>
<u>Public Safety</u>				
<u>Police Department</u>				
Personnel expenditures	3,159,375	3,159,375	2,780,201	379,174
Contractual services	457,900	464,900	438,699	26,201
Supplies	247,200	247,200	146,061	101,139
Fixed charges	1,750	1,750	641	1,109
Grants, contracts and other	54,500	54,500	40,814	13,686
Capital outlay	506,000	570,000	510,810	59,190
<b>Total Police Department</b>	<b>4,426,725</b>	<b>4,497,725</b>	<b>3,917,226</b>	<b>580,499</b>
<u>Fire Department</u>				
Personnel expenditures	1,839,500	1,839,500	1,726,438	113,062
Contractual services	365,250	415,250	425,859	(10,609)
Supplies	132,836	132,836	73,405	59,431
Fixed charges	750	750	970	(220)
Grants, contracts and other	31,500	31,500	31,500	-
Capital outlay	387,000	387,000	336,371	50,629
<b>Total Fire Department</b>	<b>2,756,836</b>	<b>2,806,836</b>	<b>2,594,543</b>	<b>212,293</b>
<b>Total Public Safety</b>	<b>7,183,561</b>	<b>7,304,561</b>	<b>6,511,769</b>	<b>792,792</b>
<u>Public Works</u>				
<u>Public Works Department</u>				
Personnel expenditures	667,150	765,150	586,568	178,582
Contractual services	593,650	593,650	505,728	87,922
Supplies	130,750	130,750	111,403	19,347
Building materials	707,286	957,286	537,321	419,965
Fixed charges	4,000	4,000	592	3,408
Capital outlay	818,000	1,229,000	1,235,575	(6,575)
<b>Total Public Works Department</b>	<b>2,920,836</b>	<b>3,679,836</b>	<b>2,977,187</b>	<b>702,649</b>
<b>Total Public Works</b>	<b>2,920,836</b>	<b>3,679,836</b>	<b>2,977,187</b>	<b>702,649</b>
<u>Cemeteries</u>				
<u>Cemeteries</u>				
Personnel expenditures	76,300	76,300	58,906	17,394
Contractual services	5,850	5,850	3,617	2,233
Supplies	5,925	5,925	3,747	2,178
Capital outlay	5,000	26,000	26,000	-
<b>Total Cemeteries</b>	<b>93,075</b>	<b>114,075</b>	<b>92,270</b>	<b>21,805</b>
<b>Total Cemeteries</b>	<b>93,075</b>	<b>114,075</b>	<b>92,270</b>	<b>21,805</b>

See notes to the financials.

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund (Cont.)**  
**For the Year Ended June 30, 2017**

	Budget		Actual	Variance With Final Budget-
	Original	Final		
<u>Municipal Airport</u>				
<u>Airport</u>				
Contractual services	114,500	114,500	115,581	(1,081)
Supplies	1,000	1,000	940	60
Fixed charges	5,550	5,550	3,115	2,435
Capital outlay	852,000	852,000	15,467	836,533
Total Airport	<u>973,050</u>	<u>973,050</u>	<u>135,103</u>	<u>837,947</u>
Total Airport	<u>973,050</u>	<u>973,050</u>	<u>135,103</u>	<u>837,947</u>
<u>Parks and Recreation</u>				
<u>Parks &amp; Rec Department</u>				
Personnel expenditures	693,769	693,769	608,999	84,770
Contractual services	382,550	382,550	324,099	58,451
Supplies	140,200	140,700	114,420	26,280
Fixed charges	7,500	7,500	5,498	2,002
Capital outlay	231,000	236,000	107,128	128,872
Total Parks & Rec Department	<u>1,455,019</u>	<u>1,460,519</u>	<u>1,160,144</u>	<u>300,375</u>
Total Parks and Recreation	<u>1,455,019</u>	<u>1,460,519</u>	<u>1,160,144</u>	<u>300,375</u>
<u>Tourism Development</u>				
<u>Marketing and Promotion</u>				
Personnel expenditures	89,050	89,050	83,373	5,677
Contractual services	34,450	34,450	32,629	1,821
Supplies	3,795	3,795	2,815	980
Grants, contracts and other	234,800	234,800	226,674	8,126
Total Marketing and Promotion	<u>362,095</u>	<u>362,095</u>	<u>345,491</u>	<u>16,604</u>
Total Tourism and Development	<u>362,095</u>	<u>362,095</u>	<u>345,491</u>	<u>16,604</u>
<u>Health and Welfare</u>				
Contributions to other agencies	166,222	176,222	173,211	3,011
Total Health and Welfare	<u>166,222</u>	<u>176,222</u>	<u>173,211</u>	<u>3,011</u>
<u>Debt Service</u>				
Agent fees	-	-	4,478	(4,478)
Principal	844,000	2,219,000	2,217,000	2,000
Interest	230,000	260,000	258,889	1,111
Total Debt Service	<u>1,074,000</u>	<u>2,479,000</u>	<u>2,480,367</u>	<u>(1,367)</u>
Total Expenditures	<u>18,349,573</u>	<u>20,721,123</u>	<u>17,547,500</u>	<u>3,173,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(765,884)</u>	<u>(3,137,434)</u>	<u>(783,671)</u>	<u>(2,353,763)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	(2,248,489)	(2,469,431)	(540,932)	(1,928,499)
Transfers in	200,000	200,000	196,824	(3,176)
Proceeds from notes	1,735,000	1,735,000	1,440,000	(295,000)
Total Other Financing Sources (Uses)	<u>(313,489)</u>	<u>(534,431)</u>	<u>1,095,892</u>	<u>(2,226,675)</u>
Net Change in Fund Balance	<u>\$ (1,079,373)</u>	<u>\$ (3,671,865)</u>	<u>312,221</u>	<u>\$ (4,580,438)</u>
Fund Balance - Beginning			<u>13,661,143</u>	
Fund Balance - Ending			<u>\$ 13,973,364</u>	

See notes to the financials.

**City of Crossville, Tennessee**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2017**

	<u>Water/Sewer</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 313,216
Investment in LGIP	7,438,637
Accounts receivable, net	440,155
Unbilled revenues	920,452
Other receivables	33,385
Inventories	329,807
Total current assets	<u>9,475,652</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	57,785
Capital assets:	
Land	574,816
Buildings and plant	115,256,631
Machinery, equipment, and vehicles	4,019,090
Construction-in-progress	2,291,275
Less accumulated depreciation	<u>(49,921,082)</u>
Total noncurrent assets	<u>72,278,515</u>
Total assets	<u>\$ 81,754,167</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	140,892
Deferred outflow related to pension	585,738
Net pension asset	101,484
Total deferred outflows of resources	<u>828,114</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 140,505
Accrued payroll and payroll liabilities	41,053
Current maturities of long-term debt	1,237,528
Retainage payable	57,785
Accrued interest payable	25,619
Other current liabilities	37,422
Total current liabilities	<u>1,539,911</u>
Noncurrent liabilities:	
Notes, capital leases, and other obligations	
Compensated absences	88,388
Revenue bonds payable	26,765,682
Net OPEB liability	19,594
Total noncurrent liabilities	<u>26,873,664</u>
Total liabilities	<u>28,413,576</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow related to pension	70,944
Total deferred inflows of resources	70,944
<b>NET POSITION</b>	
Net investment in capital assets	44,421,523
Unrestricted	9,676,239
Total net position	<u>\$ 54,097,762</u>

See notes to the financials.

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position - Proprietary Fund**  
**For the Year Ended June 30, 2017**

	<b>Water/Sewer</b>
<b>Operating Revenues</b>	
Charges for services:	
Metered water sales	\$ 6,650,449
Sewer service charges	3,185,066
Customer service	117,767
Tap and connection fees	323,598
Penalties/ returned check charges	109,337
Misc revenue	19,422
Bad debt	(48,440)
Intergovernmental	250,259
Other	57,250
	10,664,708
<b>Operating Expenses</b>	
Transmission and distribution	2,596,904
Sewer treatment and disposal	1,713,223
Customer accounting and collection	524,268
Administration and general	483,794
Depreciation	2,973,276
	8,291,465
Total operating expenses	8,291,465
Operating Income	2,373,243
<b>Nonoperating Revenues (Expenses)</b>	
Interest earnings	39,321
Leases	2,546
Interest expense	(607,173)
Gain or (loss) on disposal of surplus property	(20,895)
Bond service fees	(18,881)
Total nonoperating revenues (expenses)	(605,082)
Income before transfers	1,768,161
	(196,824)
Transfer (out) to general fund	(196,824)
<b>Change in Net Position</b>	1,571,337
<b>Net Position - Beginning, as restated</b>	52,526,425
<b>Net Position - Ending</b>	\$ 54,097,762

See notes to the financials.

**City of Crossville, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 11,435,162
Cash paid to employees for services	(824,862)
Cash paid to suppliers of goods and services	(2,912,510)
Net cash provided by operating activities	7,697,790
 <b>Cash Flows from Noncapital Financing Activities</b>	
Transfers (to) other funds	(196,824)
Operating grants	2,531,041
Net cash used by noncapital financing activities	2,334,217
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisitions of capital assets	(7,577,507)
Proceeds from capital outlay notes	1,269,136
Proceeds from sale of assets	25,000
Interest paid on capital debt	(607,173)
Principal paid on capital debt	(1,750,589)
Net cash used by capital and related financing activities	(8,641,133)
 <b>Cash Flows from Investing Activities</b>	
Interest received	39,321
Net cash provided by investing activities	39,321
Net increase in cash	1,430,195
Cash, beginning of year	6,379,443
Cash, end of year	\$ 7,809,638
 <b>Reconciliation of Operating Income to Net Cash Provided by Operations</b>	
Operating Income	\$ 2,373,243
Adjustments to reconcile operating income to net cash provided	
by operating activities	
Depreciation	2,973,276
(Increase) decrease in accounts receivable	791,668
(Increase) decrease in unbilled revenues	(21,214)
(Increase) decrease in inventories	423,273
(Increase) decrease in due from other governments	753,080
(Increase) decrease in net pension assets	101,484
(Increase) decrease in deferred outflows related to pension	(109,061)
Increase (decrease) in accounts payable	438,202
Increase (decrease) in other current liabilities	(26,161)
Net cash provided by operating activities	\$ 7,697,790

See notes to financials.



**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Crossville, Tennessee (the City) was incorporated under Chapter 362 of the Acts of Tennessee for the year 1901.

Executive and administrative authority resides with the Mayor, who is elected at-large, and the City Council, composed of five members, including the Mayor.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**Reporting Entity**

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. The City had no component units at June 30, 2017.

**Related Organizations**

City officials are responsible for appointing the members of the boards of certain other related organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor or the City Council appoints the Board members of the Crossville Housing Authority and the Public Building Authority of City of Crossville, Tennessee.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the government-wide statement of activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Basis of Presentation**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

considers revenues to be available if they are collected within one year for intergovernmental revenues and sixty days of the end of the fiscal period for property taxes and other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund accounts for all financial resources applicable to the general operations of City government that are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition or construction of capital projects, other than those financed by Enterprise Funds. Revenues are derived primarily from the sale of general obligation bonds and notes, loans, intergovernmental revenues, and earnings on investments.

The City reports the following enterprise fund:

Water and Sewer Department Fund - The Water and Sewer Department Fund accounts for operations of the City's water and sewer services. The fund's revenues are derived primarily from user fees and intergovernmental revenues. The Water and Sewer Department Fund is the only major enterprise fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

Additionally, the City reports the following nonmajor governmental funds:

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

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

**Budget Policy and Budgetary Data**

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

The City Finance Manager annually obtains information from all officers, departments, boards, commissions, and other agencies of City Government for which appropriations are made and/or revenues are collected and compiles the annual operating budget for the ensuing fiscal year beginning July 1. The compiled information, including various expenditure options and the means of financing them, is submitted to the Mayor.

During May and June, the City Council hears budget requests from agencies and departments at its regularly scheduled meetings. In addition, advertised public hearings are held to allow taxpayers' comments prior to final passage.

Prior to July, the City adopts an interim budget appropriating funds for the usual and ordinary expenses of the City Government in an amount not to exceed one-twelfth of the preceding year's operating budget for each month that the interim budget is in effect. Subsequently, the budget is legally enacted through passage of an ordinance with an operative date of July 1.

Formal budgets are adopted for all funds. These formal budgets are adopted on a departmental basis and the line item estimates are from the appropriations ledger and not from a formal budget ordinance. The legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the City Council. The City Finance Manager may make interdepartmental and intradepartmental transfers within the General Fund.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

Major capital facilities and improvements, which are accounted for by the City within the Capital Projects Fund, are subject to budgetary control on a project basis. Appropriations for a specific project do not lapse until completion of the project. Because of the project nature of these funds, budgetary comparison statements on an annual basis do not provide meaningful information and, accordingly, are not presented in the accompanying financial statements.

The budgets are prepared on a basis consistent with generally accepted accounting principles. All unencumbered and unexpended appropriations lapse at the end of the fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized for budgetary accounting controls in the governmental funds. Encumbrances are reported as assignment of fund balances. Encumbrances do not constitute expenditures or liabilities.

Expenditures may not legally exceed appropriations at or above the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which may have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2017, several supplemental appropriations were necessary for capital purposes.

**Assets, Liabilities and Fund Equity**

**Cash and Cash Equivalents** - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits at various financial institutions, and short-term investments with an original maturity of three months or less.

**Investments** - Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices.

**Inventories and Prepaid Items** - Inventories, principally materials, supplies, and replacement parts, are valued at cost in Governmental Funds and Proprietary Funds, with cost determined using the first-in, first-out (FIFO) method. The costs are recorded as expenditures at the time individual inventory items are consumed (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Restricted Assets** - Proceeds of bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Also, amounts due from other governments may be included as restricted assets because their use is limited by grant agreements.

**Capital Assets** - Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their acquisition value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems, and drainage systems. The City defines capital assets, other than infrastructure, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or greater. Infrastructure assets including streets, sidewalks, curbs, and guttering with an initial cost of \$10,000 or more are capitalized. Infrastructure assets including traffic signals, street lighting, and drainage systems with an initial cost of \$20,000 or more are capitalized.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Land and certain land improvements are inexhaustible capital assets and are not depreciated. Depreciation on depreciable capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	3-7 years
Water and sewer plant	20-40 years
Public domain infrastructure	20-40 years

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is the net interest expense incurred (interest expense less interest income) from the date of the borrowing until completion of the project.

**Bond Discounts and Premiums** - In the governmental funds, bond discounts and premiums are treated as period costs in the year of issue. In proprietary funds, bond discounts and premiums are deferred and amortized over the term of the bonds using the straight-line method, which does not differ significantly from the effective interest method. Bond premiums are presented as an increase of the face amount of bonds payable. At the government-wide level any bond discounts and premiums in the governmental funds are adjusted and reported in the same manner as in proprietary funds.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Deferred Gain/Loss from Advance Refunding of Debt** - In the proprietary funds (and for governmental activities in the government-wide financial statements) the difference between the new debt and the net carrying value of the old debt on refunded debt transactions is deferred. The deferred gain/loss is amortized using the effective interest method over the life of the new debt.

**Fund Equity** - Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

**Assigned Fund Balance** - represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. The City Finance Manager has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance.

**Unassigned Fund Balance** - represents the residual classification for the general fund or deficit balances in other funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Deferred Outflows/Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has unearned and unavailable revenue related to property taxes that qualifies for reporting in this category. The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period.

**Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

- General obligation long-term debt principal and interest are reported only when due.
- Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

**Property Taxes** - Property taxes are levied by the City annually based upon assessed valuations established by the State of Tennessee. The various types of property are assessed at a percentage of market value as follows:

Farm and residential real property	25%
Commercial and industrial property:	
Real	40%
Personal	30%
Public utilities real and personal property	55%



**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. Property taxes are secured by a statutory lien effective as of the original levy date of January 1. Taxes are due August 1 and become delinquent December 1. Property taxes levied are recorded as receivables, net of estimated uncollectible amounts. The receivables collected during the current fiscal year and those collected by the City Treasurer related to tax levies for 2015, are recorded as revenue in accordance with the principles established by the Governmental Accounting Standards Board. The net receivables estimated to be collectible subsequent to August 29, are recorded as unavailable revenues at June 30, 2017.

**Grant Revenue** - The City, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are deferred. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes-to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

**Investment Income** - Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily-pooled equity in pooled cash and investments.

**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. In addition, contingent to annual budget approval, employees may be eligible to convert a maximum of 80 hours (96 for fire department employees) of accumulated vacation leave to cash each year provided the employee has a remaining balance of at least 60 hours (72 for fire department employees) after converting. 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.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

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.

**Interfund Transactions** - During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets and service debt. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if the involved organizations were external to the City are treated as revenues in the receiving fund and expenditures in the disbursing fund. Transfers within governmental activities and within business-type activities are eliminated upon consolidation.

Amounts owed to one fund by another are reported as due to/due from other funds. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Indirect Costs** - Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

**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, deferred outflows and inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Net Position**

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Net Investment in Capital Assets** - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

**Restricted** - represents a net position that has third party (statutory, bond covenant or granting agency) limitations on its use. The City's policy is generally to use restricted net position first, as appropriate opportunities arise.

**Unrestricted** - While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to alter these managerial decisions.

**Pollution Remediation Obligations**

The City recognizes pollution remediation obligations when an obligating event is identified, and a monetary estimate can be determined.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Compliance with Finance Related Legal and Contractual Provisions**

The City incurred no material violations of finance related legal and contractual provisions.

**Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2017, the City had no material excess of expenditures over appropriations in individual funds.

**Net Position/Fund Balance Deficit**

For the year ended June 30, 2017, the City had no fund balance deficits.

**NOTE 3 - CASH AND INVESTMENTS**

The City uses a central cash and investment pool for certain Governmental Funds and Proprietary Funds. The cash and investment pool balances are classified as cash and cash equivalents in the accompanying financial statements. The City's investment policy with respect to the cash and investment pool is to maximize investment earnings while maintaining an acceptable level of risk. Because investments in the pool must provide for the future needs of the City, flexibility and liquidity of investments are generally maintained at all times.

**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policies require purchases of investments with maturities of two years or less. The City presents its exposure to interest rate changes using the weighted average maturity method. The City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio for the primary government. The City's investment portfolio did not experience any significant fluctuations in fair value during the year.

**Custodial credit risk** - The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. At June 30, 2017, all deposits were covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state-chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS - Continued**

utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

**Credit risk** - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. The City's investment policy includes specific policies involving credit risk.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2017, consist of the following:

	General Fund	Other Governmental Funds	Water and Sewer Fund
<b>Primary Government</b>			
Property Taxes	\$ 2,769,938	\$ -	\$ -
Allowance for Uncollectable	(165,700)	-	-
Accounts Receivable, net	48,753	1,386	440,155
Other Receivables	724,618	-	33,385
Due from Other Governments	1,750,441	25,577	-
Total	<u>\$ 5,128,050</u>	<u>\$ 26,963</u>	<u>\$ 473,540</u>

Taxes receivable include the uncollected property taxes from tax levies made during the current and past fourteen years, as well as the anticipated levy for the current calendar year. The allowance for uncollectible taxes is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2017.

**NOTE 5 - INTERFUND TRANSFERS**

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Capital Projects	to fund capital projects	\$ 540,932
Water/Sewer Fund	General Fund	in lieu of taxes	196,824
Total Transfers			<u>\$ 737,756</u>

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, is as follows:

**Primary Government**

**Governmental Activities**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Capital assets not being depreciated:</u>				
Land	\$ 8,105,251	\$ -	\$ 44,750	\$ 8,060,501
Construction in Progress	3,254,903	2,083,778	2,174,390	3,164,291
<b>Total Not Being Depreciated</b>	<b>11,360,154</b>	<b>2,083,778</b>	<b>2,219,140</b>	<b>11,224,792</b>
<u>Capital assets being depreciated:</u>				
Buildings and Plant	8,965,431	1,091,029	-	10,056,460
Machinery and Equipment	9,078,306	1,555,823	256,842	10,377,287
Other Improvements	17,203,287	394,613	35,323	17,562,578
Infrastructure	19,590,508	699,456	-	20,289,963
<b>Total Being Depreciated</b>	<b>54,837,532</b>	<b>3,740,921</b>	<b>292,165</b>	<b>58,286,288</b>
<u>Accumulated Depreciation</u>				
Buildings, Machinery & Other Improvements	16,098,127	1,200,988	193,299	17,105,816
Infrastructure	7,268,672	590,864	15,000	7,844,536
<b>Total Accumulated Depreciation</b>	<b>23,366,799</b>	<b>1,791,852</b>	<b>208,299</b>	<b>24,950,352</b>
<b>Net Capital Assets Being Depreciated</b>	<b>31,470,733</b>	<b>1,949,069</b>	<b>83,866</b>	<b>33,335,936</b>
<b>Net Capital Assets</b>	<b>\$ 42,830,887</b>	<b>\$ 4,032,847</b>	<b>\$ 2,303,006</b>	<b>\$ 44,560,728</b>

**Business-type Activities**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Capital assets not being depreciated:</u>				
Land	\$ 574,815	\$ -	\$ -	\$ 574,815
Construction in Progress	3,833,495	2,811,447	4,353,667	2,291,275
<b>Total Not Being Depreciated</b>	<b>4,408,310</b>	<b>2,811,447</b>	<b>4,353,667</b>	<b>2,866,090</b>
<u>Capital assets being depreciated:</u>				
Buildings and Plant	111,092,277	4,164,354	-	115,256,631
Machinery, Equipment & Vehicles	3,643,026	601,706	225,642	4,019,090
<b>Total Being Depreciated</b>	<b>114,735,303</b>	<b>4,766,060</b>	<b>225,642</b>	<b>119,275,721</b>
<u>Less: Accumulated Depreciation</u>				
For all Capital Assets	47,152,552	2,973,276	204,746	49,950,082
<b>Total Accumulated Depreciation</b>	<b>47,152,552</b>	<b>2,973,276</b>	<b>204,746</b>	<b>49,950,082</b>
<b>Net Capital Assets Being Depreciated</b>	<b>67,582,751</b>	<b>1,792,784</b>	<b>20,896</b>	<b>69,354,639</b>
<b>Net Capital Assets</b>	<b>\$ 71,991,061</b>	<b>\$ 4,604,231</b>	<b>\$ 4,374,563</b>	<b>\$ 72,220,729</b>

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 6 - CAPITAL ASSETS-Continued**

**Depreciation expense was charged to functions as follows:**

Primary Government- Governmental Activities

General government	\$ 171,574
Public Safety	394,111
Parks & Recreation	332,619
Streets	590,865
Sanitation	-
Cemetery	7,891
Airport	294,792
Total Depreciation	\$ 1,791,852

Primary Government- Business-Type Activities:

Water and Sewer Department	\$ <u>2,973,276</u>
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**NOTE 7 - LONG-TERM OBLIGATIONS**

**Governmental Activities**

General Obligation Bonds, Capital Outlay Notes and Other Loans

The City issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government.

General obligation bonds, capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2017, will be retired from the Debt Service Fund.

General obligation bonds capital outlay notes and other loans outstanding as of June 30, 2017, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-2017
Capital Outlay Notes	1.82%	2019	\$ 2,400,000	\$ 1,200,000
General Obligation Bonds	2.67% to 3.18%	2037	7,985,000	6,805,000
Other Loans	1.55%	2024	968,000	426,000

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 7 - LONG-TERM OBLIGATIONS - Continued**

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2017, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Principal	Interest	Total
2018	\$ 425,000	\$ 219,246	\$ 644,246
2019	431,000	211,736	642,736
2020	1,231,000	196,390	1,427,390
2021	306,000	182,335	488,335
2022	313,000	176,885	489,885
2023-2027	1,600,000	778,286	2,378,286
2028-2032	1,910,000	522,615	2,432,615
2033-2037	2,215,000	214,295	2,429,295
Total	<u>\$ 8,431,000</u>	<u>\$2,501,781</u>	<u>\$10,932,781</u>

Long-term obligation activity for the year ended June 30, 2017, was as follows:

	Capital Outlay Notes	General Obligation Bonds	Other Loans
Balance, July 1, 2016	\$ 1,200,000	\$ 7,040,000	\$ 968,000
Additions	1,200,000	-	240,000
Reductions	1,200,000	235,000	782,000
Balance, June 30, 2017	<u>\$ 1,200,000</u>	<u>\$ 6,805,000</u>	<u>\$ 426,000</u>
Balance Due Within One Year	<u>\$ 134,000</u>	<u>\$ 235,000</u>	<u>\$ 56,000</u>

**Business-type Activities**

General Obligation and Revenue Bonds, and Other Loans

The City issues general obligation and revenue bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the Water and Sewer System.

General obligation and revenue bonds, and other loans are issued pledging the revenue of the Crossville Water and Sewer system and the full faith and credit of the government. These bonds and other loans outstanding were issued for original terms of up to 50 years for bonds and up to 30 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. These bonds and the State Revolving Loan as of June 30, 2017, will be retired from the Water and Sewer Fund.



**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 7 - LONG-TERM OBLIGATIONS - Continued**

Outstanding general obligation and revenue bonds and other loans serviced by City of Crossville as of June 30, 2017, for business-type activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-2017
General Obligation and Revenue Bonds	1.50% to 3.00%	2034	\$17,869,000	\$17,242,000
Other Loans	1.47% to 2.88%	2038	10,498,805	10,654,040

The annual requirements to amortize bonds and other loans outstanding and serviced by the City of Crossville of June 30, 2017, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,237,528	\$ 467,342	\$ 1,725,127
2019	1,282,582	446,468	1,748,324
2020	1,556,384	530,389	2,115,040
2021	1,602,380	502,111	2,028,069
2022	1,643,796	473,199	2,133,180
2023-2027	8,923,431	1,878,349	10,866,571
2028-2032	9,964,007	846,618	10,846,438
2033-2037	1,659,834	47,563	1,711,645
2038	16,098	11	16,109
Total	<u>\$ 27,896,040</u>	<u>\$ 5,192,049</u>	<u>\$ 33,190,504</u>

Long-term obligation activity serviced by the City of Crossville for the year ended June 30, 2017, for business-type activities was as follows:

	General Obligation Bonds	Other Loans
Balance, July 1, 2016	\$ 17,869,000	\$ 10,498,805
Additions	-	1,269,136
Reductions	627,000	1,113,901
Balance, June 30, 2017	<u>\$ 17,242,000</u>	<u>\$ 10,654,040</u>
Balance Due Within One Year	<u>\$ 643,000</u>	<u>\$ 594,528</u>

Compensated absences and other post-employment benefits will be paid from the employing funds, primarily the General and Water/Sewer Funds.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - 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 until 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.

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS**

The City provides retirement benefits through a Pension Plan and an Other Postemployment Benefits Plan. The following is a summary of each of these plans:

Pension Plan

*Plan description.* Employees of Crossville are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related, and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS- (Continued)**

(COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	112
Active Employees	<u>120</u>
	<u>329</u>

The City withdrew from TCRS effective July 1, 2014. Employees hired after the date of withdraw are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Crossville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for Crossville were \$855,137 based on a rate of 12.63 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Crossville’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset) Crossville’s net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS - (Continued)**

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00	<u>1%</u>
		100%

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS - (Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Crossville will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

**Increase (Decrease)**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Liability (Asset) (a)- (b)
<b>Balance at 6/30/15</b>	<b><u>\$22,223,216</u></b>	<b><u>\$21,731,043</u></b>	<b><u>\$ 492,173</u></b>
<b>Changes for the year:</b>			
Service cost:	409,474	-	409,474
Interest	1,658,850	-	1,658,850
Differences between expected and actual experience	(437,343)	-	(437,343)
Contributions-employer	-	668,277	(668,277)
Contributions-employees	-	-	-
Net investment income	-	571,479	(571,479)
Benefit payments, including refunds of employee contributions	(1,029,393)	(1,029,393)	-
Administrative expense	-	(9,092)	9,092
Other changes	-	-	-
<b>Net changes</b>	<b><u>601,588</u></b>	<b><u>201,271</u></b>	<b><u>400,317</u></b>
<b>Balance at 6/30/16</b>	<b><u>\$22,824,804</u></b>	<b><u>\$21,932,314</u></b>	<b><u>\$892,490</u></b>

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS- (Continued)**

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Crossville calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease <u>(6.5%)</u></b>	<b>Current Discount Rate <u>(7.5%)</u></b>	<b>1% Increase <u>(8.5%)</u></b>
Crossville’s net pension liability (asset)	\$ 4,009,840	\$ 892,490	(\$1,702,192)

*Pension expense.* For the year ended June 30, 2017, Crossville recognized pension expense of \$627,209.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2017, Crossville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 685,625	\$ (364,454)
Net difference between projected and actual earnings on pension plan investment	739,130	-
Contributions subsequent to the measurement date of June 30, 2016	<u>717,274</u>	<u>(not applicable)</u>
Total	<u>\$2,142,029</u>	<u>\$ (364,452)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	
2018	\$ 165,738
2019	165,738
2020	494,302
2021	307,408
2022	(72,891)
Thereafter	-

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS - (Continued)**

At June 30, 2017, Crossville reported a zero payable for required contributions to the pension plan for the year then ended.

Other Postemployment Benefits

The City provides postemployment medical coverage to all employees and their families 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, until they are eligible for Medicare benefits. Any cost to the retiree related to family coverage is deducted from their retirement check.

<u>Year Ended</u>	<u>Annual Pension/OPEB Cost (APC)</u>	<u>Percentage of ACP Contributed</u>	<u>Net Pension/OPEB Obligation (Asset)</u>
6/30/2014	\$ 37,368	100.00%	\$ 148,848
6/30/2015	37,368	187.00%	114,938
6/30/2016	104,926	103.13%	111,649
6/30/2017	113,286	108.09%	103,325

**Funding Policy and Other Information:**

The City currently pays for Other Postemployment Benefits on a pay-as-you-go basis.

In the June 30, 2016, actuarial valuation for the City's OPEB Plan uses an annual healthcare cost trend rate of 8.5% initially, reducing incrementally to an ultimate rate of 3.5%.

The City's annual pension/OPEB cost and net pension/OPEB obligation (asset) related to each plan for the current year were as follows:

	<u>Other Postemployment Benefits</u>
Annual required contribution	\$107,256
Interest on OPEB Obligation	3,448
Adjustment to annual required contribution	<u>(5,778)</u>
Annual OPEB Cost	104,926
Contributions made	<u>(113,286)</u>
Decrease in OPEB Obligation	(8,324)
Net OPEB obligation at beginning of year	<u>111,649</u>
Net OPEB obligation at end of year	\$103,325

The annual required contribution for the other postemployment benefits plan was calculated using the projected unit cost method.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS -(Continued)**

Other Postemployment Benefits - (Continued)

Funded Status and Funding Progress:

As of the most recent valuation dates, the funded status of each Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Liability (AAL) Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2009	\$ -	\$ 689,711	\$ 689,711	0.00%	\$7,404,408	9.31%
July 1, 2012	-	339,528	339,528	0.00%	6,023,240	5.64%
July 1, 2015	-	751,697	751,697	0.00%	6,131,016	12.26%

Note: The annual required contribution is calculated using the aggregate actuarial cost method. Information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan. Additional years will be added as the information becomes available.

The Other Postemployment Benefits Plan does not issue a financial report that includes financial statements and required supplementary information.

**NOTE 10 - 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.

In November 2006, the City entered into a water service contract with SCUD to provide all SCUD's potable water needs provided that SCUD's demands do not exceed the City's capacity to furnish potable water to all of the City's customers. The contract became effective January 1, 2007, and terminates on December 31, 2017, unless



**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 10 - WATER SALES AGREEMENTS – (Continued)**

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's customers inside the City and shall become effective at the same time as the rate increase to the City's customers inside the City.

In April 2007, the City entered into a water service contract with Grandview Utility District ("GUD") to provide all of GUD's potable water needs provided that GUD's demands do not exceed the City's capacity to furnish potable water to all of the City's customers. The contract became effective May 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 GUD will be the same percentage rate increase as established by the City's customers inside the City and shall become effective at the same time as the rate increase to the City's customers inside the City.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

The City is party to various lawsuits and claims in the ordinary course of their operations. Management believes that the potential adverse impact of these proceedings would not be material to the basic financial statements of the City. The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material. The City has entered into various construction commitments. Such contracts include contracts for improvements to the water and sewer plant, and acquisition and construction contracts related to general government capital projects.

Several of these contracts were in progress but not completed as of June 30, 2017. The total contractual commitments outstanding as of June 30, 2017, were not significant and the City has sufficient funds available to cover these commitments.

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 12. LANDFILL POSTCLOSURE CARE COSTS**

The postclosure care costs of the City landfill closed in 1993 are accounted for in the primary government governmental activities. State and federal regulations require the City to place a final cover on all landfills after closure, and the City must perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill postclosure care costs based on the amount of the landfill used during the year. The estimated liability for landfill postclosure care costs of \$141,481 at June 30, 2017 is based on the use of 100 percent of the capacity of the City landfill. Changes in the estimated liability for landfill postclosure care costs for the year ended June 30, 2017, are as follows:

Estimated liability, June 30, 2016	\$	147,767
Costs Incurred		6,286
Estimated liability, June 30, 2017	\$	141,481
Due within one year		17,685

The estimated total current cost of the landfill postclosure care of \$141,481 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired at June 30, 2017. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 13. PRIOR PERIOD ADJUSTMENTS**

Beginning fund balance of the State Street Aid fund as of June 30, 2016 was restated for a prior period adjustment. The adjustment relates to revenue recognition of State Gas & Motor Fuel Tax. Fund balance as of June 30, 2016 has been restated from \$256,708 to \$228,273.

Beginning net position of the Water/Sewer fund as of June 30, 2016 was restated for a prior period adjustment. The adjustment relates to pension liability. Net position as of June 30, 2016 has been restated from \$52,137,932 to \$52,526,425.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**City of Crossville, Tennessee**  
**Schedule of Funding Progress - Other Postemployment Benefit Plan**  
**June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ -	\$ 689,711	\$ 689,711	0.00%	\$ 7,404,480	9.31%
July 1, 2012	-	339,528	339,528	0.00%	6,023,240	5.64%
July 1, 2015	-	751,697	751,697	0.00%	6,131,016	12.26%

Note: The annual required contribution is calculated using the aggregate actuarial cost method. Information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan. Additional years will be added as the information becomes available.

**City of Crossville, Tennessee**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on**  
**Participation in the Public Employee Pension Plan of TCRS**  
**General Government Employees**  
**For the Fiscal Year Ended June 30**

	2014	2015	2016
<b>Total Pension Liability (Asset)</b>			
Service Cost	\$ 483,925	\$ 465,416	\$ 409,474
Interest	1,419,255	1,525,912	1,658,850
Differences Between Actual and Expected Experience	292,564	777,668	(437,343)
Benefit Payments, Including Refunds of Employee Contributions	(658,561)	(851,717)	(1,029,393)
<b>Net Change in Total Pension Liability (Asset)</b>	1,537,183	1,917,279	601,588
Total Pension Liability (Asset), Beginning	18,768,754	20,305,937	22,223,216
Total Pension Liability (Asset), Ending (a)	<u>\$ 20,305,937</u>	<u>\$ 22,223,216</u>	<u>\$ 22,824,804</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 845,936	\$ 735,344	\$ 668,277
Contributions - Employee	1,581	239	-
Net Investment Income	3,001,114	651,137	571,479
Benefit Payments, Including Refunds of Employee Contributions	(658,561)	(851,717)	(1,029,393)
Administrative Expense	(6,446)	(6,937)	(9,093)
Net Change in Plan Fiduciary Net Position	3,183,624	528,066	201,270
Plan Fiduciary Net Position, Beginning	18,019,353	21,202,977	21,731,043
Plan Fiduciary Net Position, Ending (b)	<u>\$ 21,202,977</u>	<u>\$ 21,731,043</u>	<u>\$ 21,932,313</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (897,040)</u>	<u>\$ 492,173</u>	<u>\$ 892,491</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.42%	97.79%	96.09%
Covered Employee Payroll	\$ 5,915,632	\$ 5,387,134	\$ 4,895,799
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-15.16%	9.14%	18.23%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**City of Crossville, Tennessee**  
**Schedule of Contributions Based on Participation in the Public**  
**Employee Pension Plan of TCRS**  
**For the Fiscal Year Ended June 30**

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 845,936	\$ 735,334	\$ 668,277	\$ 855,137
Contributions in relation to the actuarially determined contribution	845,936	735,334	668,277	\$ 855,137
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,915,632	\$ 5,387,134	\$ 4,895,799	\$ 6,768,910
Contributions as a Percentage of Covered Payroll	14.30%	13.65%	13.65%	12.63%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

*Valuation Date:* Actuarially determined contribution rate for 2017 were calculated based on the June 30, 2015, actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS  
AND SCHEDULES**



City of Crossville, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue Funds		Total
	State	Drug	Nonmajor
	Street Aid	Control	Governmental
			Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 196,132	\$ 66,666	\$ 262,798
Investment in pooled cash	-	23,290	23,290
Accounts receivable		1,386	1,386
Due from other governments	25,577		25,577
Total Assets	\$ 221,709	\$ 91,342	\$ 313,051
<b>LIABILITIES</b>			
Accounts payable	\$ 3,591	\$ 207	\$ 3,798
Pooled cash overdraft	18,968		18,968
Total Liabilities	22,559	207	22,766
<b>FUND BALANCES</b>			
Restricted:			
Restricted for drug control and investigation		91,135	91,135
Restricted for streets and roads	199,150		199,150
Total Fund Balances	199,150	91,135	290,285
Total Liabilities and Fund Balances	\$ 221,709	\$ 91,342	\$ 313,051

See notes to the financials.

**City of Crossville, Tennessee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	State Street Aid	Drug Control	
<b>Revenues</b>			
Other local revenues	\$ -	\$ 10,878	\$ 10,878
Fines, forfeitures and penalties	-	19,888	19,888
Sale of surplus property	-	5,117	5,117
Intergovernmental	306,051	-	306,051
Interest earnings	1,060	363	1,423
<b>Total Revenues</b>	<u>307,111</u>	<u>36,246</u>	<u>343,357</u>
<b>Expenditures</b>			
Drug investigation and control	-	35,813	35,813
Streets	336,234	-	336,234
<b>Total Expenditures</b>	<u>336,234</u>	<u>35,813</u>	<u>372,047</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(29,123)</u>	<u>433</u>	<u>(28,690)</u>
<b>Net Change in Fund Balance</b>	(29,123)	433	(28,690)
<b>Fund Balance- Beginning, Restated</b>	<u>228,273</u>	<u>90,702</u>	<u>318,975</u>
<b>Fund Balance - Ending</b>	<u>\$ 199,150</u>	<u>\$ 91,135</u>	<u>\$ 290,285</u>

See notes to the financials.

**City of Crossville, Tennessee**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**State Street Aid**  
**For the Year Ended June 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
State Gas & Motor Fuel Tax	\$ 290,000	\$ 290,000	\$ 306,051	\$ 16,051
Interest earnings	350	350	1,060	710
Total Revenues	<u>290,350</u>	<u>290,350</u>	<u>307,111</u>	<u>16,761</u>
<b>Expenditures</b>				
Street lighting	287,000	287,000	254,234	32,766
Street paving	-	-	82,000	(82,000)
Total Expenditures	<u>287,000</u>	<u>287,000</u>	<u>336,234</u>	<u>(49,234)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,350</u>	<u>3,350</u>	<u>(29,123)</u>	<u>(32,473)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 3,350</u>	<u>\$ 3,350</u>	<u>(29,123)</u>	<u>\$ (32,473)</u>
Fund Balance-Beginning, as Restated (See Notes)			<u>228,273</u>	
Fund Balance-Ending			<u>\$ 199,150</u>	

**City of Crossville, Tennessee**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Drug Control Fund**  
**For the Year Ended June 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Drug related fines	\$ 22,000	\$ 22,000	\$ 19,888	\$ (2,112)
Sale of surplus/confiscated property	10,000	10,000	5,117	(4,883)
Interest earned	150	150	363	213
Contributions	15,000	15,000	10,878	(4,122)
<b>Total Revenues</b>	<u>47,150</u>	<u>47,150</u>	<u>36,246</u>	<u>(10,904)</u>
<b>Expenditures</b>				
<u>Drug Investigation and Control</u>				
Drug dog program	15,000	15,000	6,838	8,162
Supplies	-	-	224	(224)
Grants and contracts	18,000	18,000	28,751	(10,751)
<b>Total Expenditures</b>	<u>33,000</u>	<u>33,000</u>	<u>35,813</u>	<u>(2,813)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,150</u>	<u>14,150</u>	433	<u>(13,717)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 14,150</u>	<u>\$ 14,150</u>	433	<u>\$ (13,717)</u>
Fund Balance-Beginning			<u>90,702</u>	
Fund Balance -Ending			<u>\$ 91,135</u>	

# **OTHER SUPPLEMENTAL INFORMATION**

**City of Crossville, Tennessee**  
**Schedule of Changes in Long-term Debt**  
**For the Year Ended June 30, 2017**

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07/01/16	Issued During Period	Paid and/or Matured During Period	Outstanding 06/30/17	Due within one year
<b><u>Governmental Activities</u></b>									
<b><u>Capital Outlay Notes Payable</u></b>									
Equipment Acquisition Note, Series 2015	\$ 1,200,000	1.82%	2015	2019	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -	\$ -
Radio System Note, Series 2016	1,200,000	1.82%	2016		-	1,200,000	-	1,200,000	134,000
<b>Total Capital Outlay Notes Payable</b>					<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>134,000</b>
<b><u>Bonds Payable</u></b>									
General Obligation Refunding and Improvement Bonds, Series 2012A	\$ 4,205,000	3.18%	2012	2037	4,090,000	-	25,000	4,065,000	25,000
General Obligation Refunding and Improvement Bonds, Series 2012B	3,780,000	2.675%	2012	2028	2,950,000	-	210,000	2,740,000	210,000
<b>Total Bonds Payable</b>					<b>7,040,000</b>	<b>-</b>	<b>235,000</b>	<b>6,805,000</b>	<b>235,000</b>
<b><u>Other Loans Payable</u></b>									
Tennessee Municipal Bond Fund, Series 2004	\$ -	0.40%	2004	2024	480,000	-	54,000	426,000	56,000
Public Building Authority of the City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2015		1.55%	2015	2019	488,000	240,000	728,000	-	-
<b>Total Other Loans Payable</b>					<b>968,000</b>	<b>240,000</b>	<b>782,000</b>	<b>426,000</b>	<b>56,000</b>
<b>Compensated Absences</b>					<b>280,919</b>	<b>13,046</b>	<b>-</b>	<b>293,964</b>	<b>135,723</b>
<b>Other Post Employment Benefits</b>					<b>213,490</b>	<b>-</b>	<b>6,369</b>	<b>207,121</b>	<b>-</b>
<b>Total Governmental Activities</b>					<b>\$ 9,702,408</b>	<b>\$ 1,453,046</b>	<b>\$ 2,223,369</b>	<b>\$ 8,932,085</b>	<b>\$ 560,723</b>
<b><u>Business Activities</u></b>									
<b><u>Bonds Payable</u></b>									
Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C		2.95%	2015	2032	\$ 8,535,000	\$ -	\$ 135,000	\$ 8,400,000	\$ 135,000
Public Building Authority of the City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (City of Crossville Water Loan)		1.500%		2028	3,330,000	-	220,000	3,110,000	230,000
Public Building Authority of the City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (City of Crossville Water and Sewer Refunding Loan)		3.00%		2034	6,004,000	-	272,000	5,732,000	278,000
Net original issue premiums and discounts					116,856		9,686	107,170	
<b>Total Bonds Payable</b>					<b>17,985,856</b>	<b>-</b>	<b>636,686</b>	<b>17,349,170</b>	<b>643,000</b>
<b><u>Other Loans Payable</u></b>									
State Wastewater Facility Revolving Loan 2000		1.77%		2024	2,365,013	-	308,532	2,056,481	314,028
State Wastewater Facility Revolving Loan 2001		1.47%		2025	210,770	-	24,468	186,302	24,840
State Wastewater Facility Revolving Loan 2001		1.47%		2024	526,228	-	63,156	463,072	64,080
State Wastewater Facility Revolving Loan 12-116		1.87%		2032	1,217,587	344,120	43,208	1,518,499	65,832
State Wastewater Facility Revolving Loan 2015		1.61%		2034	801,104	925,016	-	1,726,120	73,752
State Revolving Loan August 2009		2.88%		2032	2,103,740	-	294,732	1,809,008	-
State Revolving Loan November 2009		2.83%		2032	2,346,698	-	329,201	2,017,497	-
State Revolving Loan April 2010		2.78%		2031	387,747	-	22,140	365,607	22,764
State Revolving Loan May 2010		2.69%		2032	539,918	-	28,464	511,454	29,232
<b>Total Other Loans Payable</b>					<b>10,498,805</b>	<b>1,269,136</b>	<b>1,113,901</b>	<b>10,654,040</b>	<b>594,528</b>
<b>Compensated Absences</b>					<b>82,727</b>	<b>5,661</b>	<b>-</b>	<b>88,388</b>	<b>40,809</b>
<b>Other Post Employment Benefits</b>					<b>20,797</b>	<b>-</b>	<b>1,171</b>	<b>19,626</b>	<b>-</b>
<b>OPEB</b>									
<b>Total Business Activities</b>					<b>\$ 28,588,185</b>	<b>\$ 1,274,797</b>	<b>\$ 1,751,758</b>	<b>\$ 28,111,224</b>	<b>\$ 1,278,337</b>

**City of Crossville, Tennessee**  
**Schedule of Long-term Debt Requirements by Year**  
**Governmental Activities**

Fiscal Year	E911 TMBF 2004		Series A Bonds		Series B Bonds		TMBF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 56,000	\$ 1,704	\$ 25,000	\$ 123,444	\$ 210,000	\$ 72,231	\$ 134,000	\$ 21,867	\$ 425,000	\$ 219,246
2019	57,000	1,480	25,000	122,944	215,000	68,031	134,000	19,281	431,000	211,736
2020	59,000	1,252	20,000	122,413	220,000	63,731	932,000	8,994	1,231,000	196,390
2021	61,000	1,016	25,000	121,988	220,000	59,331			306,000	182,335
2022	63,000	772	25,000	121,456	225,000	54,656			313,000	176,885
2023	64,000	520	30,000	120,925	225,000	49,313			319,000	170,758
2024	66,000	264	30,000	120,288	230,000	43,688			326,000	164,239
2025			30,000	119,388	235,000	37,075			265,000	156,463
2026			30,000	118,488	310,000	30,025			340,000	148,513
2027			30,000	117,588	320,000	20,725			350,000	138,313
2028			30,000	116,688	330,000	10,725			360,000	127,413
2029			370,000	115,788					370,000	115,788
2030			380,000	104,688					380,000	104,688
2031			395,000	93,288					395,000	93,288
2032			405,000	81,438					405,000	81,438
2033			415,000	69,288					415,000	69,288
2034			430,000	56,838					430,000	56,838
2035			445,000	43,400					445,000	43,400
2036			455,000	29,494					455,000	29,494
2037			470,000	15,275					470,000	15,275
<b>Totals</b>	<b>\$ 426,000</b>	<b>\$ 7,008</b>	<b>\$ 4,065,000</b>	<b>\$ 1,935,100</b>	<b>\$ 2,740,000</b>	<b>\$ 509,531</b>	<b>\$ 1,200,000</b>	<b>\$ 50,142</b>	<b>\$ 8,431,000</b>	<b>\$ 2,501,781</b>

**City of Crossville, Tennessee**  
**Schedule of Long-Term Debt Requirements by Year**  
**Business Activities**

Fiscal Year	SRF DWI 12-116		SRF CWI 2015-346		SRF 00-020		SRF 00-033		SRF-WWTP	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 65,832	\$ 27,828	\$ 73,752	\$ 27,252	\$ 314,028	\$ 33,864	\$ 64,080	\$ 6,372	\$ -	\$ -
2019	67,068	26,592	74,952	26,052	319,632	28,260	65,028	5,424	7,316	
2020	68,328	25,332	76,164	24,840	325,344	22,560	65,988	4,464	127,524	50,220
2021	69,624	24,036	77,400	23,604	331,140	16,752	66,972	3,492	131,256	46,488
2022	70,932	22,728	78,660	22,344	337,056	10,848	67,956	2,496	135,084	42,660
2023	72,276	21,384	79,932	21,072	343,068	4,836	68,964	1,488	139,020	38,724
2024	73,632	20,028	81,228	19,776	86,213	255	64,084	473	143,076	34,668
2025	75,024	18,636	82,548	18,456					147,252	30,492
2026	76,440	17,220	83,892	17,112					151,560	26,184
2027	77,880	15,780	85,248	15,756					155,976	21,768
2028	79,356	14,304	86,628	14,376					160,524	17,220
2029	80,844	12,816	88,032	12,972					165,216	12,528
2030	82,368	11,292	89,460	11,544					170,040	7,704
2031	83,928	9,732	90,912	10,092					160,204	2,728
2032	85,512	8,148	92,388	8,616					14,960	-
2033	87,120	6,540	93,888	7,116						
2034	88,764	4,896	95,412	5,592						
2035	90,432	3,228	96,960	4,044						
2036	92,148	1,512	98,532	2,472						
2037	23,307	108	91,718	869						
2038	7,684	-	8,414	11						
<b>Totals</b>	<b>\$ 1,518,499</b>	<b>\$ 292,140</b>	<b>\$ 1,726,120</b>	<b>\$ 293,968</b>	<b>\$ 2,056,481</b>	<b>\$ 117,375</b>	<b>\$ 463,072</b>	<b>\$ 24,209</b>	<b>\$ 1,809,008</b>	<b>\$ 331,384</b>



**City of Crossville, Tennessee**  
**Schedule of Long-Term Debt Requirements by Year**  
**Business Activities - Continued**

<b>Fiscal Year</b>	<b>SRF 2010</b>		<b>SRF 2010</b>		<b>SRF- DWF 10-105</b>		<b>SRF 01-156</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ -	\$ -	\$ 22,764	\$ 9,852	\$ 29,232	\$ 13,404	\$ 24,840	\$ 2,568
2019	9,950	-	23,400	9,216	30,036	12,600	25,200	2,208
2020	141,552	55,056	24,060	8,556	30,852	11,784	25,572	1,836
2021	145,608	51,000	24,732	7,884	31,692	10,944	25,956	1,452
2022	149,784	46,824	25,428	7,188	32,556	10,080	26,340	1,068
2023	154,080	42,528	26,148	6,468	33,444	9,192	26,724	684
2024	158,496	38,112	26,880	5,736	34,356	8,280	27,120	288
2025	163,032	33,576	27,636	4,980	35,292	7,344	4,550	8
2026	167,712	28,896	28,416	4,200	36,252	6,384		
2027	172,524	24,084	29,220	3,396	37,236	5,760		
2028	177,468	19,140	30,048	2,568	38,244	4,392		
2029	182,556	14,052	30,888	1,728	39,288	3,348		
2030	187,788	8,820	31,752	864	40,356	2,280		
2031	193,116	3,492	10,788	84	41,460	1,176		
2032	13,831		3,447		17,605	160		
2033					3,553	8		
2034								
2035								
2036								
2037								
2038								
<b>Totals</b>	<b>\$ 2,017,497</b>	<b>\$ 365,580</b>	<b>\$ 365,607</b>	<b>\$ 72,720</b>	<b>\$ 511,454</b>	<b>\$ 107,136</b>	<b>\$ 186,302</b>	<b>\$ 10,112</b>

**City of Crossville, Tennessee**  
**Schedule of Long-Term Debt Requirements by Year**  
**Business Activities - Continued**

Fiscal Year	LGLP Series 2014 Water Loan		LGLP Series 2014 Refunding Loan		2012 Series C Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 230,000	\$ 46,650	\$ 278,000	\$ 53,308	\$ 135,000	\$ 246,244	\$ 1,237,528	\$ 467,342
2019	235,000	43,200	285,000	50,722	140,000	242,194	1,282,582	446,468
2020	245,000	39,675	291,000	48,072	145,000	237,994	1,566,384	530,389
2021	255,000	36,000	298,000	45,365	145,000	235,094	1,602,380	502,111
2022	265,000	32,175	305,000	42,594	150,000	232,194	1,643,796	473,199
2023	280,000	28,200	312,000	39,758	155,000	229,194	1,690,656	443,528
2024	295,000	23,775	320,000	36,856	425,000	225,900	1,735,085	414,147
2025	305,000	19,200	327,000	33,880	610,000	213,150	1,777,334	379,722
2026	320,000	15,000	335,000	30,839	635,000	194,850	1,834,272	340,685
2027	330,000	10,200	343,000	27,723	655,000	175,800	1,886,084	300,267
2028	350,000	5,250	351,000	24,533	680,000	156,150	1,953,268	257,933
2029			359,000	21,269	695,000	135,750	1,640,824	214,463
2030			368,000	17,930	1,075,000	114,900	2,044,764	175,334
2031			377,000	14,508	1,205,000	82,650	2,162,408	124,462
2032			385,000	11,002	1,550,000	46,500	2,162,743	74,426
2033			394,000	7,421			578,561	21,085
2034			404,000	3,757			588,176	14,245
2035							187,392	7,272
2036							190,680	3,984
2037							115,025	977
2038							16,098	11
Totals	\$ 3,110,000	\$ 299,325	\$ 5,732,000	\$ 509,537	\$ 8,400,000	\$ 2,768,563	\$ 27,896,040	\$ 5,192,049

**City of Crossville, Tennessee**  
**Schedule of Changes in Property Taxes Receivable**  
**For the Year Ended June 30, 2017**

Tax Year	Property Taxes Receivable Balance July 1, 2016	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Property Taxes Receivable Balance June 30, 2017	Allowance for Uncollectibles	Net Receivable Balance June 30, 2017
2017	\$ -	\$ -	\$ 2,547,199		\$ -	\$ 2,547,199	\$ -	\$ 2,547,199
2016	-	2,573,188		(101,813)	2,336,817	134,558	82,500	52,058
2015	53,918			(359)	24,143	29,416	25,418	3,998
2014	27,726			(304)	11,513	15,909	14,927	982
2013	18,081			(111)	4,546	13,424	13,424	-
2012	13,565			-	1,329	12,236	12,236	-
2011	9,989			-	1,279	8,710	8,710	-
2010	4,363			-	390	3,973	3,973	-
2009	3,458			-	401	3,057	3,057	-
2008	2,078			-	623	1,455	1,455	-
2007	5,196	-	-	(5,005)	191	-	-	-
<b>Totals</b>	<b>\$ 138,374</b>	<b>\$ 2,573,188</b>	<b>\$ 2,547,199</b>	<b>\$ (107,592)</b>	<b>\$ 2,381,231</b>	<b>\$ 2,769,938</b>	<b>\$ 165,700</b>	<b>\$ 2,604,237</b>

**City of Crossville, Tennessee**  
**Schedule of Tax Rates and Assessments**  
**June 30, 2017**

<b>Year of Levy</b>	<b>Rate</b>	<b>Assessment</b>		<b>Tax Assessed</b>	
2016	0.63%	\$	408,442,540	\$	2,573,188
2015	0.63%		415,156,189		2,615,491
2014	0.53%		409,292,914		2,169,252
2013	0.53%		384,426,995		2,037,469
2012	0.53%		373,269,625		1,978,329
2011	0.55%		369,102,842		2,030,073
2010	0.55%		355,988,256		1,957,943
2009	0.55%		354,670,332		1,955,058
2008	0.55%		348,200,080		1,915,107

**City of Crossville, Tennessee**  
**Schedule of Utility Rate Structure and Number of Customers**  
**June 30, 2017**

**WATER AND SEWER CUSTOMER RATES**

	<u>Inside the City</u>	<u>Outside the City</u>
<b><u>First 2,000 gallons</u></b>		
Water	\$ 10.68 Minimum Bill	\$ 16.04 Minimum Bill
Sewer	15.08 Minimum Bill	22.62 Minimum Bill
<b><u>All Over 2,000 gallons</u></b>		
Water	\$ 5.34 per 1,000 gallons	\$ 8.02 per 1,000 gallons
Sewer	7.54 per 1,000 gallons	11.31 per 1,000 gallons
Utility Districts		
<b>South Cumberland</b>		\$ 3.88 per 1,000 gallons
<b>Grandview</b>		3.88 per 1,000 gallons

**Number of Customers**

	<u>Inside the City</u>	<u>Outside the City</u>	<u>Totals</u>
Water Customers			
Residential	3,828	7,332	11,160
Commercial	1,356	199	1,555
Industrial	31	6	37
Utility District Taps	0	4	4
CUD master meters	<u>0</u>	<u>6</u>	<u>6</u>
Total Water Customers	5,215	7,541	12,756
Total Sewer customers	0	22	22

City of Crossville, Tennessee  
AWWA Water Loss Reporting Worksheet

**AWWA Free Water Audit Software:  
Reporting Worksheet**

WAS v5.0  
American Water Works Association  
Copyright © 2014. All Rights Reserved.

? Click to access definition  
+ Click to add a comment

Water Audit Report for: **City of Crossville, TN**  
Reporting Year: **2016-17**    **7/2016 - 6/2017**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

**WATER SUPPLIED**

----- Enter grading in column 'E' and 'J' -----

Volume from own sources:	+ ?	9	1,170.526	MG/Yr
Water imported:	+ ?	n/a	0.000	MG/Yr
Water exported:	+ ?	8	259.138	MG/Yr

**Master Meter and Supply Error Adjustments**

Pcnt:	Value:	MG/Yr		
+ ?	5	0.50%	<input checked="" type="radio"/> <input type="radio"/>	
+ ?			<input checked="" type="radio"/> <input type="radio"/>	
+ ?			<input checked="" type="radio"/> <input type="radio"/>	

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED: 905.564** MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered:	+ ?	10	815.340	MG/Yr
Billed unmetered:	+ ?	n/a	0.000	MG/Yr
Unbilled metered:	+ ?	n/a	0.000	MG/Yr
Unbilled unmetered:	+ ?		11.320	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION: 826.660** MG/Yr

Click here: ?  
for help using option buttons below

Pcnt:	Value:	MG/Yr
1.25%	<input checked="" type="radio"/> <input type="radio"/>	

Use buttons to select percentage of water supplied OR value

Pcnt:	Value:	MG/Yr
0.25%	<input checked="" type="radio"/> <input type="radio"/>	

1.50%	<input checked="" type="radio"/> <input type="radio"/>	MG/Yr
0.25%	<input checked="" type="radio"/> <input type="radio"/>	MG/Yr

**WATER LOSSES (Water Supplied - Authorized Consumption)**

**Apparent Losses**

Unauthorized consumption: + ? 2.264 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ?	10	12.416	MG/Yr
Systematic data handling errors:	+ ?		2.038	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses: 16.719** MG/Yr

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses: ? 62.186 MG/Yr

**WATER LOSSES: 78.905** MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER: 90.224** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:	+ ?	7	125.0	miles
Number of active AND inactive service connections:	+ ?	8	12,549	
Service connection density:	?		100	conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: + ? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 5 110.0 psi

**COST DATA**

Total annual cost of operating water system:	+ ?	10	\$2,517,158	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	10	\$6.55	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	\$464.47	\$/Million gallons

Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 88 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Unauthorized consumption
- 2: Systematic data handling errors
- 3: Volume from own sources



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0  
 American Water Works Association.  
 Copyright © 2014, All Rights Reserved.

Water Audit Report for: City of Crossville, TN  
 Reporting Year: 2016-17 7/2016 - 6/2017

**\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 88 out of 100 \*\*\***

**System Attributes:**

	Apparent Losses:	16.719	MG/Yr
+	Real Losses:	62.186	MG/Yr
=	<b>Water Losses:</b>	<b>78.905</b>	MG/Yr

? Unavoidable Annual Real Losses (UARL): 102.73 MG/Yr

Annual cost of Apparent Losses: \$109,507

Annual cost of Real Losses: \$28,884 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	10.0%	
		Non-revenue water as percent by cost of operating system:	5.7%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	3.65	gallons/connection/day
		Real Losses per service connection per day:	13.58	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.12	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 62.19 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 0.61

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**CITY OF CROSSVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2017**

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Passed through Tennessee Department of Transportation:							
Alcohol Saturation and Checkpoints	20.607	154AL17-54		16,888	16,888		-
Safe Routes to School	20.208	SRTS-9205(9)		209,490	209,490		-
Total U.S. Department of Transportation			-	226,378	226,378	-	-
<b>TENNESSEE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT</b>							
Three Star Grant	N/A	33007-00100		5,759	5,759		-
				5,759	5,759		
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Bulletproof Vest Partnership Program	Vests 16.607	2009BUBX09049954		2,745	2,745	-	-
JAG; Law Enforcement Equipment Grant	16.738	2015-DJ-BX--0093		1,882	1,882		-
Total U.S. Department of Justice			-	4,627	4,627	-	-
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>							
Passed through Tennessee Department of Environment and Conservation:							
Capitalization Grant for State Revolving Fund	66-468	DWI - 12-116		\$ 102,779	\$ 102,779		-
Capitalization Grants for State Revolving Fund	66.458	CWI -15-346		147,480	147,480	-	-
Total U.S. Environmental Protection Agency				250,259	250,259		



**CITY OF CROSSVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2017**

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
TN EMERGENCY MANAGEMENT AGENCY							
Department of the Military (FEMA)	97.036	FEMA-4211-DR-TN			15,574		15,574
TN DEPARTMENT OF AGRICULTURE							
State Tree Board Grant	10.675	16-DG-11073147-001		26,942	26,942		
STATE AWARDS							
Tennessee Department of Transportation							-
Aeronautics Division Grant	Maintenance	25.700	AERM-17-112-00	13,215	13,215		-
Airport	Pavement	20.106	DG-10-29290-00	23,469	23,469		-
Airport	Tree Clearing	N/A	AERO-13-142-00	1,919	1,919		-
	Site Work for Hangar	N/A	AERO-15-161-00	183,323	183,323		-
Colinx							-
Department of Economic and Community Development			Edison # 50237	185,686	185,686		-
	Site Grant		Edison #11645				
	LPRF Garrison Park		Edison # 50740	5,061	5,061		
	Aeronautics Division Grant	20.106	AERO-13-1420-11	10,235	10,235		
TOTAL EXPENDITURES OF STATE AWARDS			-	422,908	422,908	-	-
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS				\$ 936,873	\$ 952,447		\$ 15,574

**INTERNAL CONTROL AND  
COMPLIANCE SECTION**



# Allen, McGee & Associates

## Certified Public Accountants and Consultants

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

To the Mayor and City Council  
City of Crossville, Tennessee  
392 N. Main Street  
Crossville, Tennessee

We have audited, in accordance with the 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, the financial statements as listed in the Table of Contents of the City of Crossville, Tennessee (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 25, 2018.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the

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Phone 931.393.3307 [www.AllenMcGeeCPA.com](http://www.AllenMcGeeCPA.com)

accompanying schedule of findings that we consider to be significant deficiencies (Findings 2017-001 through 2017-005).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

### **City of Crossville, Tennessee's Response to Findings**

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and in the City's corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Allen, McGee and Associates*

Tullahoma, Tennessee  
April 25, 2018

**City of Crossville, Tennessee**  
**Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2017**

*Government Audit Standards* require auditors to report the status of uncorrected findings for prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their status from the Financial Statements and Supplementary Information of the City of Crossville, for year ended June 30, 2016.

***Prior-year Financial Statement Findings***

<b>Prior Year Finding Number</b>	<b>Title of Finding</b>	<b>Status/ Current Year Finding Number</b>
<b>2016-001</b>	<b>Internal Control over Financial Reporting</b>	<b>Corrected</b>

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2017**

---

**PART I. SUMMARY OF AUDIT RESULTS**

1. The auditors' report gives an unqualified opinion on the financial statements of the City of Crossville.
2. The audit of the financial statements of the City of Crossville disclosed five significant deficiencies in internal control and compliance. (Finding 2017-001 thru 2017-005).
3. The audit of the financial statements of the City of Crossville did not disclose any material weaknesses.

**PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

***2017-001: Significant Deficiency: Documentation for Disbursements***

***Condition:*** Disbursement testing revealed disbursements were noncompliant with the City's purchasing policy on three occasions within a test sample of fifty-two items. Additional testing resulted in noncompliance in two of nine items tested.

***Criteria:*** The City's purchasing policy (Title 5, Municipal Finance and Taxation Code) states in part:

- All purchases exceeding \$1,000 must be initiated through the preparation and submittal of a purchase requisition to the Finance Department.
- Following the approval of a purchase requisition, a purchase order is prepared by the Finance Department to authorize the seller to ship and invoice the materials and services as specified.
- Purchase orders are issued only after an acceptable requisition has been submitted and approved by the City Manager and the Finance Director.

***Effect:*** The City was not in compliance with their purchasing policy.

***Recommendation:*** All disbursements should comply with the City of Crossville's purchasing policy.

***Management's Response:*** We concur with this finding. See the attached corrective action plan.

***2017-002: Significant Deficiency: Lack of Segregation of Duties***

***Condition:*** Disbursement testing revealed two checks in the amount of \$597,367.23 and \$242,736.34 that contained the electronic signatures of both the City Manager and the Finance Director. However; it was noted on the check stubs that both individuals were on vacation and the City Recorder initialed the checks for approval.

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**June 30, 2017**

---

**Criteria:** Under state statute and the City's policies on internal control, all disbursements must have two signatures for approval and two signatures on every check.

**Effect:** This practice creates a potential weakness in internal controls over control of cash and disbursements.

**Recommendation:** The City should add additional signatories who could approve and sign checks in the absence of one or both of the individuals who are currently responsible for this process.

**Management's Response:** We concur with this finding. See the attached corrective action plan.

**2017-003: Significant Deficiency: Cash Overdraft**

**Condition:** On June 30, 2017, a cash overdraft of \$18,967.48 existed in the City's pooled cash account for the State Street Aid Fund.

**Criteria:** Under state statute and the City's charter, no disbursements in excess of available funds are allowable.

**Effect:** Without proper controls, a fund could exceed its approved budget.

**Recommendation:** Controls over available cash should be followed in order to ensure that disbursements are made in excess of available funds.

**Management's Response:** We concur with this finding. See the attached corrective action plan.

**2017-004: Significant Deficiency: Confidential Funds Account**

**Condition:** Transactions in the City's Confidential Funds Account (Drug Fund) are being accounted for in general government operations.

**Criteria:** The Tennessee State Comptroller's Drug Fund Manual states in part:

The Chief Law Enforcement Official shall account for the confidential funds in a separate column of the cash journal. As an alternative, the confidential funds may be handled through a separate bank account. The Chief Law Enforcement Official for the cities shall account for these funds in accordance with the city charter.

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**June 30, 2017**

---

**Effect:** If Confidential Fund account activities become public information, this could cause potential risk to the program and the persons associated with the program.

**Recommendation:** The Confidential Funds Account should be managed by the Chief Law Enforcement Official in the Police Department and not by the City. The Confidential Funds Account should be removed from the City's financial statements.

**Management's Response:** We concur with this finding. See the attached corrective action plan.

***2017-005: Significant Deficiency: Retainage in Construction Projects***

**Condition:** The City maintains a bank account labeled "Retainage Account". This bank account contains retainage that has been withheld for multiple contractors and projects. The City does not maintain a separate escrow account for each contractor or project. Nor do the contractors have access to this account. The City keeps the retainage allocation amounts separate by assigning multiple general ledger account numbers for each project.

**Criteria:** *Tennessee Code Annotated*, Section 66-34-104 states in part:

Whenever, in any contract for the improvement of real property, a certain amount or percentage of the contract price is retained, that retained amount shall be deposited in a separate, interest-bearing, escrow account with a third-party which must be established upon the withholding of any retainage. As of the time of the withholding of the retained funds, the funds shall become the sole and separate property of the prime contractor or remote contractor to whom they are owed, subject to the rights of the person withholding the retainage in the event the prime contractor or remote contractor otherwise entitled to the funds defaults on or does not complete its contract. The party with the responsibility for depositing the retained amount in a separate, interest-bearing, escrow account with a third party shall have the affirmative duty to provide written notice that it has complied with the requirements of this section to any prime contractor upon withholding the amount of retained funds from each and every application for payment, including:

1. Identification of the name of the financial institution with whom the escrow account has been established;
2. Account number; and
3. Amount of retained funds that are deposited in the escrow account with the third party.

In contracts to which the State or any department, board or agency of the State is a party, interest shall be paid on the retained amounts.... Compliance with this section shall be mandatory, and may not be waived by contract.



**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**June 30, 2017**

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***Effect:*** The City is in noncompliance with State statutes.

***Recommendation:*** The City should establish an escrow account with a third party to account for retainage due to contractors, in accordance with TCA Section 66-34-104.

***Management's Response:*** We concur with this finding. See the attached corrective action plan.

# CITY OF CROSSVILLE

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OFFICE OF THE  
FINANCE DIRECTOR

## CORRECTIVE ACTION PLAN FOR AUDIT FINDINGS

To Whom It May Concern:

The City had 5 audit findings for the 2016-2017 audit.

Finding 2017-001: Failure to Provide Appropriate Documentation with Disbursements.

- The city purchasing policy says that all purchases exceeding \$1000 must be initialed through the preparation and submittal of a purchase requisition to the Finance Department.
- Following the approval of a purchase requisition, a purchase order is prepared by the Finance Department to authorize the seller to ship and invoice the materials and services as specified.
- Purchase orders are issued only after an acceptable requisition has been submitted and after approval of the City Manager and the Finance officer.

While performing a disbursements test, it was discovered that on several instances, disbursements were made without a Purchase Requisition, Purchasing orders and/or proper documentation to multiple vendors. In the original disbursements test there were 3 out of 52 instances and additional test work showed 2 out of 9 instances.

Answer:

When the finance department followed up on these instances of no documentation, it was found that these were for check requests. The city will change the purchasing policy to state that check requests will need to be approved but do not need the documentation as requisitions and purchase orders. In most instances, these check requests are for services rendered.

Finding 2017-002. LACK OF SEGREGATION OF DUTIES

- While conducting disbursements test and additional disbursements testing, it was noted that a segregation of duties exist. On two disbursements, in the amount of \$597,367.23 and \$242,736.34, it was noted on the check stub that both the finance director and the City manager was on vacation. The City recorder initialed the signatures of the City Manager and Finance Director on the check by the electronic signatures. This could be a potential weakness in internal control due to lack of segregation of duties. All disbursements have to have two signatures for approval and two signatures appear on the check. While both City Manager and Finance Director's signatures appear on the check, it was accomplished with an electronic plate and both persons did not approve the disbursement; only the City Recorder initialed the check for the approval for both signatures.

Answer:

The City Manager and the Finance Director will designate an individual to initial checks when they are not available to do so.

FINDING 2017-003. CASH OVERDRAFT IN THE STATE STREET AID FUND INVESTMENT IN POOLED CASH

- On June 30, 2017, a cash overdraft existed with the City of Crossville Pooled cash account for the State Street Aid Fund due to checks being issued in excess of available monies totaling \$18,967.48.

Answer:

The City Finance Director will not allow the city to disburse amounts in excess of available funds.

FINDING 2017-004. CONFIDENTIAL FUND

- The Tennessee State Comptroller's Drug Fund manual states "The Chief law Enforcement official shall account for the confidential funds in a separate column of the cash journal. As an alternative, the confidential funds may be handled through a separate bank account, The Chief law Enforcement Official for the cities shall account for these funds in accordance with the city charter." If Confidential Fund account activities become public information, this could cause potential risk to the program and the persons associated with the program.

Answer:

The City will remove the confidential drug fund from it's books and turn the money, the bank statement and the keeping to the Chief Law Enforcement Officer.

FINDING 2017+005. RETENTION OF PORTION OF CONTRACT PRICE IN ESCROW

- The City has a bank Account that is labeled "Retainage Account". This bank account contains retainage that has been withheld for multiple contractors and projects. The city does not maintain separate "escrow" accounts for each contractor or project. Nor does the contractor have access to this account. The City keeps the retainage allocation amounts separate by assigning multiple GL Account numbers for each project.
- T.C.A. 66-34-104 states, "Whenever, in any contract for the improvement of real property, a certain amount or percentage of the contract price is retained, that retained amount shall be deposited in a separate, interest bearing, escrow account with a third-party which must be established upon the withholding of any retainage. As of the time of the withholding of the retained funds, the funds shall become the sole and separate property of the prime contractor or remote contractor to whom they are owed, subject to the rights of the person withholding the retainage in the event the prime contractor or remote contractor otherwise entitled to the funds default on or does not complete its contract. The party with the responsibility for depositing the retained amount in a separate, interest-bearing, escrow account with a third

party shall have the affirmative duty to provide written notice that it has complied with the requirements of this section to any prime contractor upon withholding the amount of retained funds from each and every application for payment, including

- (1) Identification of the name of the financial institution with whom the escrow account has been established;
- (2) Account number; and
- (3) Amount of retainage funds that are deposited in the escrow account with the third party.

Answer:

The City will set up retainage accounts for each contract or project that retainage will be withheld. The City will send the appropriate information to the contractor for their records.