

CITY OF CROSSVILLE
FINANCIAL REPORT
JUNE 30, 2013

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CITY OF CROSSVILLE
DIECTORY OF OFFICIALS

ELECTED OFFICIALS

Mayor	J. H. Graham, III
Mayor Pro-Tem	Danny Wyatt
Council Member	Jesse Kerley
Council Member	Pedro Souza
Council Member	George Marlow

APPOINTED OFFICIALS

City Attorney	Kenneth Chadwell
City Judge	Thomas L. Bean
City Manager	David A. Rutherford
City Clerk	Sally Oglesby, MMC
Director of Finance	Fred C. Houston, CPA



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Crossville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville (the City), as of and for the year ended June 30, 2013, 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 City'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 City'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 as of June 30, 2013, 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.

Emphasis of Matter

As discussed in Notes 1 and 14, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, as well as Statement No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages iv through ix of the Financial Section and the schedule of funding progress on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crossville's basic financial statements. The introductory section, combining financial statements, the budgetary comparison schedules included as other supplementary information, and financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining financial statements, the budgetary comparison schedules included as other supplementary information, the financial schedules, and the schedule of federal and state awards 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. The combining financial statements, the budgetary comparison schedules included as other supplementary information, the financial schedules, and the schedule of expenditures of federal and state awards have 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, on our consideration of the City of Crossville'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 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's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
January 2, 2014

CITY OF CROSSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Crossville's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

The City's governmental activity total assets increased by \$4,540,000 in 2013 or 8.2%, while business-type activity total assets decreased by \$27,000 or 0.03%, resulting in an increase in total primary government assets of \$4,513,000 or 3.3%. Governmental activity total revenues for the City decreased \$1,548,000 or 10.1%, while business-type total revenues decreased by \$1,053,000 or 10.5%, resulting in a decrease in total primary government revenues of \$2,601,000, or 10.2%. The City's governmental activity total program expenses for 2013 increased \$574,000 or 4.4%, while business-activity total program expenses increased by \$819,000 or 10.3%, resulting in an increase in total primary government program expenses of \$1,393,000 or 6.6%. With respect to the City's governmental activities, net position increased by \$100,000. The fund balance of the General Fund increased during the year by \$2,879,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 4. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

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

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

REPORTING THE CITY AS A WHOLE, continued

As illustrated in Table 1, total assets of the City’s governmental activities were \$59,302,000 in 2013 versus \$54,762,000 in 2012, representing an increase of \$4,540,000 or 8.2%. Table 1 also shows that total assets of the City’s business-type activities were \$82,666,000 in 2013 versus \$82,693,000 in 2012, representing a decrease of \$27,000 or 0.03%.

Table 1 - Net Position (in Thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Primary Government</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Current assets, other assets and deferrals	\$14,452	\$11,015	\$ 3,437	\$ 7,323	\$ 7,837	\$ (514)	\$ 21,775	\$ 18,852	\$ 2,923
Capital assets	<u>44,850</u>	<u>43,747</u>	<u>1,103</u>	<u>75,343</u>	<u>74,856</u>	<u>487</u>	<u>120,193</u>	<u>118,603</u>	<u>1,590</u>
Total assets and deferrals	<u>\$59,302</u>	<u>\$54,762</u>	<u>\$ 4,540</u>	<u>\$82,666</u>	<u>\$82,693</u>	<u>\$ (27)</u>	<u>\$141,968</u>	<u>\$137,455</u>	<u>\$ 4,513</u>
Long-term liabilities	\$ 8,653	\$ 4,314	\$ 4,339	\$30,143	\$28,620	\$ 1,523	\$ 38,796	\$ 32,934	\$ 5,862
Other liabilities and deferrals	<u>3,299</u>	<u>3,198</u>	<u>101</u>	<u>807</u>	<u>2,432</u>	<u>(1,625)</u>	<u>4,106</u>	<u>5,630</u>	<u>(1,524)</u>
Total liabilities and deferrals	11,952	7,512	4,440	30,950	31,052	(102)	42,902	38,564	4,338
Net position:									
Net investment in capital assets	36,475	39,717	(3,242)	45,629	46,471	(842)	82,104	86,188	(4,084)
Restricted	415	388	27	-	-	-	415	388	27
Unrestricted	<u>10,460</u>	<u>7,145</u>	<u>3,315</u>	<u>6,087</u>	<u>5,170</u>	<u>917</u>	<u>16,547</u>	<u>12,315</u>	<u>4,232</u>
Total net position	<u>47,350</u>	<u>47,250</u>	<u>100</u>	<u>51,716</u>	<u>51,641</u>	<u>75</u>	<u>99,066</u>	<u>98,891</u>	<u>175</u>
Total liabilities, deferrals, and net position	<u>\$59,302</u>	<u>\$54,762</u>	<u>\$ 4,540</u>	<u>\$82,666</u>	<u>\$82,693</u>	<u>\$ (27)</u>	<u>\$141,968</u>	<u>\$137,455</u>	<u>\$ 4,513</u>

The significant elements and causes for the changes in the City’s governmental activities total assets in 2013 were: (1) Current assets, other assets and deferred outflows increased by \$3,437,000 which was attributed in part to the operations of the City for the year. (2) Capital assets increased by \$1,103,000 which was made up of City Hall renovations and airport improvements, as well as purchases of machinery and equipment.

The significant aspect of the increase in the total assets and deferred outflows of the City’s business-type activities in 2013 was a decrease in current and other assets of \$514,000 which was due to a decrease in receivables at year-end related to grants. Additionally, capital assets increased by \$487,000 related to additions and improvements to the water and sewer plant.

As shown in Table 1, total liabilities and deferred inflows of the City’s governmental activities increased by \$4,440,000 or 59.1% in 2013. Table 1 also shows total liabilities and deferred inflows of the City’s business-type activities decreased by \$102,000 or 0.3% in 2013. The significant elements and causes for the changes in the City’s total liabilities and deferred inflows in 2013 relate to the General Obligation and Refunding bonds issued during the year.

Therefore, total net position of the City’s governmental activities increased by \$100,000 or 0.2%, and total net position of the City’s business-type activities increased by \$75,000 or 0.1%.

REPORTING THE CITY AS A WHOLE, continued

Table 2 illustrates the changes in net position. As stated earlier, the changes in net position over time provide an excellent opportunity to evaluate the financial health of the City of Crossville.

Table 2 – Change in Net Position (in Thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Primary Government</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues									
Program revenues:									
Charges for services	\$ 1,024	\$ 747	\$ 277	\$ 7,784	\$ 8,671	\$ (887)	\$ 8,808	\$ 9,418	\$ (610)
Grants and contributions:									
For operations	451	588	(137)	1	1	-	452	589	(137)
For capital projects	361	2,314	(1,953)	1,177	1,349	(172)	1,538	3,663	(2,125)
General revenues:									
Property taxes	2,227	2,298	(71)	-	-	-	2,227	2,298	(71)
Intergovernmental revenues	9,770	9,435	335	-	-	-	9,770	9,435	335
Interest earnings	11	10	1	10	4	6	21	14	7
Total revenues	<u>13,844</u>	<u>15,392</u>	<u>(1,548)</u>	<u>8,972</u>	<u>10,025</u>	<u>(1,053)</u>	<u>22,816</u>	<u>25,417</u>	<u>(2,601)</u>
Program expenses:									
General government	3,317	3,072	245	-	-	-	3,317	3,072	245
City court	16	17	(1)	-	-	-	16	17	(1)
Airport	354	376	(22)	-	-	-	354	376	(22)
Cemetery	63	74	(11)	-	-	-	63	74	(11)
Parks and recreation	1,319	1,439	(120)	-	-	-	1,319	1,439	(120)
Planning and zoning	151	157	(6)	-	-	-	151	157	(6)
Public safety	5,454	5,337	117	-	-	-	5,454	5,337	117
Sanitation	413	374	39	-	-	-	413	374	39
Streets	2,044	1,951	93	-	-	-	2,044	1,951	93
Tourism development	384	336	48	-	-	-	384	336	48
Interest on long-term debt	229	37	192	-	-	-	229	37	192
Water and sewer department	-	-	-	8,785	7,966	819	8,785	7,966	819
Total expenses	<u>13,744</u>	<u>13,170</u>	<u>574</u>	<u>8,785</u>	<u>7,966</u>	<u>819</u>	<u>22,529</u>	<u>21,136</u>	<u>1,393</u>
CHANGE IN NET POSITION	100	2,222	(2,122)	187	2,059	(1,872)	287	4,281	(3,994)
NET POSITION, beginning	<u>47,250</u>	<u>45,028</u>	<u>2,222</u>	<u>51,529</u>	<u>49,582</u>	<u>1,947</u>	<u>98,779</u>	<u>94,610</u>	<u>4,169</u>
NET POSITION, ending	<u>\$47,350</u>	<u>\$47,250</u>	<u>\$ 100</u>	<u>\$51,716</u>	<u>\$51,641</u>	<u>\$ 75</u>	<u>\$99,066</u>	<u>\$98,891</u>	<u>\$ 175</u>

Total revenues for the City’s governmental activities decreased \$1,548,000 or 10.1%. Revenues decreased primarily because the City received significant federal and state grants for airport improvements in 2012.

Total revenues for the City’s business-type activities decreased \$1,053,000 or approximately 10.5%. The decrease is due to a decrease in Federal and state grants in 2013 and a reduction in development fees received by the City.

Table 2 shows that total program expenses for the City’s governmental activities increased \$574,000 or 4.4%. Total program expenses for the City’s business-type activities increased \$819,000 or 10.3%.

REPORTING THE CITY AS A WHOLE, continued

Governmental Activities

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

BUDGETARY HIGHLIGHTS

Table 3 illustrates the significant components of the City's budget for the general fund for the year ended June 30, 2013. The original budget revenue estimates total \$13,139,000. Final budget revenues for the period amounted to \$13,464,000. Final actual revenues for the period amounted to \$13,331,000. The City's original budget estimated expenditures for 2012 were \$17,385,000. Final budget expenditures for the period amounted to \$17,617,000. Final actual expenditures for the period amounted to \$15,420,000. At June 30, 2013, the fund balance of the City's general fund was \$10,070,000.

Table 3 – General Fund Budget Comparison (in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget – Over/(Under)</u>
Revenues				
Taxes	\$10,731	\$10,734	\$10,836	\$ 102
Intergovernmental revenues	1,609	1,747	1,399	(348)
Charges for services	348	348	282	(66)
Other revenues	<u>451</u>	<u>635</u>	<u>814</u>	<u>179</u>
Total revenues	13,139	13,464	13,331	(133)
Expenditures				
General government	3,449	3,401	3,129	(272)
Airport	773	786	258	(528)
Parks and recreation	1,178	1,203	979	(224)
Public safety	5,666	5,691	5,184	(507)
Street	1,569	1,819	1,368	(451)
Other expenditures	<u>4,750</u>	<u>4,717</u>	<u>4,502</u>	<u>(215)</u>
Total expenditures	17,385	17,617	15,420	(2,197)
Revenues Over (Under) Expenditures	(4,246)	(4,153)	(2,089)	2,064
Transfers out	(2,011)	(3,041)	(3,041)	-
Issuance of bonds and notes	<u>7,850</u>	<u>7,850</u>	<u>8,009</u>	<u>159</u>
NET CHANGE IN FUND BALANCES	1,593	656	2,879	2,223
FUND BALANCE, beginning	<u>7,191</u>	<u>7,191</u>	<u>7,191</u>	<u>-</u>
FUND BALANCE, ending	<u>\$ 8,784</u>	<u>\$ 7,847</u>	<u>\$10,070</u>	<u>\$ 2,223</u>

Business-type Activities

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

DEBT ADMINISTRATION

Governmental Activities

At the end of the current fiscal year the City's governmental activities had outstanding long-term debt of \$8,375,000. The prior year outstanding long-term debt amounted to \$4,031,000; consequently long-term debt increased during the year by \$4,344,000. This increase was due to issuing General Obligation and Refunding bonds during the year.

Business-type Activities

At the end of the current fiscal year the City's business-type activities, comprised of the Water and Sewer Department, had outstanding long-term debt of \$30,063,000. The prior year outstanding long-term debt amounted to \$28,700,000. The increase of \$1,363,000 during the year was primarily due to \$1,668,000 of the newly-issued General Obligation and Refunding bonds used to finance sewer improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

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

The City was able to increase governmental revenues this year. The federal and state grants that were received by the City were a significant factor in this increase. The increased sales tax base will have a significant impact on the City's revenues in the upcoming years. The City has been able to maintain services without a tax increase for the past few years, which will continue to be a major challenge with continued growth.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact the Director of Finance at the City of Crossville, 99 Municipal Avenue, Crossville, Tennessee 38555, (931) 484-5113 or fred.houston@crossvilletn.gov.

CITY OF CROSSVILLE
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,392,924	\$ 3,015,650	\$ 10,408,574
Receivables, net of allowance for uncollectibles	4,880,635	426,253	5,306,888
Unbilled revenues	-	575,224	575,224
Inventories	177,200	350,438	527,638
Restricted assets:			
Cash and cash equivalents	1,368,934	2,748,589	4,117,523
Note receivable	632,000	-	632,000
Land and other nondepreciable assets	11,263,629	2,746,200	14,009,829
Other capital assets, net of accumulated depreciation	33,586,573	72,597,240	106,183,813
Total assets	<u>59,301,895</u>	<u>82,459,594</u>	<u>141,761,489</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	170,647	170,647
Deferred insurance charges	-	34,957	34,957
Total deferred outflows of resources	<u>-</u>	<u>205,604</u>	<u>205,604</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,077,659	621,035	1,698,694
Accrued postclosure care	184,261	-	184,261
Accrued postemployment benefits	-	112,706	112,706
Other liabilities	-	72,326	72,326
Long-term liabilities:			
Due within one year	765,748	1,303,319	2,069,067
Due in more than one year	7,887,155	28,839,784	36,726,939
Total liabilities	<u>9,914,823</u>	<u>30,949,170</u>	<u>40,863,993</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	2,037,469	-	2,037,469
Total deferred inflows of resources	<u>2,037,469</u>	<u>-</u>	<u>2,037,469</u>
NET POSITION			
Net investment in capital assets	36,475,125	45,628,611	82,103,736
Restricted for:			
Capital projects	30,685	-	30,685
Cemetery	105,289	-	105,289
State street aid	179,908	-	179,908
Drug fund	99,018	-	99,018
Unrestricted	<u>10,459,578</u>	<u>6,087,417</u>	<u>16,546,995</u>
Total net position	<u>\$47,349,603</u>	<u>\$ 51,716,028</u>	<u>\$ 99,065,631</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 3,317,398	\$ 632,214	\$ 24,315	\$ 1,495
City court	15,497	100,938	-	-
Airport	354,489	122,511	-	155,764
Cemetery	62,778	20,550	-	-
Parks and recreation	1,319,140	126,285	9,472	2,518
Planning and zoning	150,909	740	-	-
Public safety	5,454,114	20,975	139,618	177,280
Sanitation	413,495	-	277,846	-
Streets	2,044,320	-	-	23,535
Tourism development	383,899	-	-	-
Interest on long-term debt	228,694	-	-	-
Total governmental activities	<u>13,744,733</u>	<u>1,024,213</u>	<u>451,251</u>	<u>360,592</u>
Business-type activities:				
Water and sewer	<u>8,784,588</u>	<u>7,783,939</u>	<u>500</u>	<u>1,177,196</u>
Total business-type activities	<u>8,784,588</u>	<u>7,783,939</u>	<u>500</u>	<u>1,177,196</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 22,529,321</u>	<u>\$ 8,808,152</u>	<u>\$ 451,751</u>	<u>\$ 1,537,788</u>

General revenues:
 Property taxes
 Other taxes
 Liquor and beer taxes
 Local sales taxes
 Business taxes
 Grants and contributions not allocated to specific programs:
 City allocation of state sales and income taxes
 City allocation of other shared taxes
 Unrestricted investment earnings
 Total general revenues
 Change in net position
 Net position, beginning, as previously reported
 Restatement of debt issuance costs
 Net position, beginning, as restated
 Net position, ending

The Notes to Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,659,374)	\$ -	\$ (2,659,374)
85,441	-	85,441
(76,214)	-	(76,214)
(42,228)	-	(42,228)
(1,180,865)	-	(1,180,865)
(150,169)	-	(150,169)
(5,116,241)	-	(5,116,241)
(135,649)	-	(135,649)
(2,020,785)	-	(2,020,785)
(383,899)	-	(383,899)
(228,694)	-	(228,694)
<u>(11,908,677)</u>	<u>-</u>	<u>(11,908,677)</u>
-	177,047	177,047
-	177,047	177,047
<u>(11,908,677)</u>	<u>177,047</u>	<u>(11,731,630)</u>
2,227,087	-	2,227,087
998,024	-	998,024
6,881,382	-	6,881,382
729,927	-	729,927
1,062,917	-	1,062,917
97,245	-	97,245
11,414	9,565	20,979
<u>12,007,996</u>	<u>9,565</u>	<u>12,017,561</u>
99,319	186,612	285,931
47,250,284	51,640,609	98,890,893
-	(111,193)	(111,193)
<u>47,250,284</u>	<u>51,529,416</u>	<u>98,779,700</u>
<u>\$ 47,349,603</u>	<u>\$ 51,716,028</u>	<u>\$ 99,065,631</u>

CITY OF CROSSVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,392,924	\$ -	\$ -	\$ 7,392,924
Restricted cash and cash equivalents	589,306	505,360	274,268	1,368,934
Receivables, net of allowance for uncollectibles:				
Property taxes	2,123,793	-	-	2,123,793
Accounts	47,742	-	-	47,742
Other	351,497	-	-	351,497
Due from other governments	2,307,085	-	50,518	2,357,603
Inventories	177,200	-	-	177,200
Total assets	<u>\$12,989,547</u>	<u>\$505,360</u>	<u>\$ 324,786</u>	<u>\$ 13,819,693</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 507,605	\$505,360	\$ 45,860	\$ 1,058,825
Due to other governments	1,003	-	-	1,003
Total liabilities	<u>508,608</u>	<u>505,360</u>	<u>45,860</u>	<u>1,059,828</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,411,393	-	-	2,411,393
Total deferred inflows of resources	<u>2,411,393</u>	<u>-</u>	<u>-</u>	<u>2,411,393</u>
FUND BALANCES				
Nonspendable	177,201	-	-	177,201
Restricted	135,974	-	278,926	414,900
Assigned	555,506	-	-	555,506
Unassigned	9,200,865	-	-	9,200,865
Total fund balances	<u>10,069,546</u>	<u>-</u>	<u>278,926</u>	<u>10,348,472</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$12,989,547</u>	<u>\$505,360</u>	<u>\$ 324,786</u>	<u>\$ 13,819,693</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2013

Differences in amounts reported for governmental activities in the statement of net position on page 1:

Fund balances - total governmental funds	\$ 10,348,472
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	44,850,202
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	222,444
Notes receivable are not available to pay for current period expenditures and therefore are not reported in the funds.	632,000
The landfill postclosure care costs have not been funded, creating an accrued postclosure care liability. This liability is not due and payable in the current period and, therefore, is not reported in the funds.	(184,261)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. This item consists of the following:	
General obligation bonds	\$ (7,727,073)
Notes payable	(648,004)
Compensated absences	(277,826)
Accrued interest payable	(17,831)
	<u>(8,670,734)</u>
Net position of governmental activities	<u>\$ 47,198,123</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$10,836,420	\$ -	\$ -	\$ 10,836,420
Licenses and permits	188,711	-	-	188,711
Intergovernmental	1,398,506	-	277,845	1,676,351
Charges for services	282,266	-	-	282,266
Fines, forfeitures, and penalties	108,993	-	-	108,993
Investment income	10,986	-	428	11,414
Contributions and donations	3,495	-	-	3,495
Miscellaneous	501,715	-	100,618	602,333
Total revenues	<u>13,331,092</u>	<u>-</u>	<u>378,891</u>	<u>13,709,983</u>
EXPENDITURES				
Current:				
General government	3,128,906	-	-	3,128,906
City court	15,497	-	-	15,497
Airport	258,098	-	-	258,098
Cemetery	50,765	-	-	50,765
Parks and recreation	978,742	-	-	978,742
Planning and zoning	152,248	-	-	152,248
Public safety	5,183,963	-	143,644	5,327,607
Sanitation	-	-	411,999	411,999
Streets	1,368,162	-	343,313	1,711,475
Tourism development	383,958	-	-	383,958
Capital outlay/capital assets	-	2,192,444	-	2,192,444
Debt service:				
Principal retirement	739,667	-	-	739,667
Interest and fiscal charges	235,850	-	-	235,850
Total expenditures	<u>12,495,856</u>	<u>2,192,444</u>	<u>898,956</u>	<u>15,587,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>835,236</u>	<u>(2,192,444)</u>	<u>(520,065)</u>	<u>(1,877,273)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,597,732	443,102	3,040,834
Transfers out	(3,040,834)	-	-	(3,040,834)
Proceeds of notes	16,004	-	-	16,004
Issuance of refunding bonds	7,985,000	-	-	7,985,000
Premium on refunding bonds	7,730	-	-	7,730
Payment to refunded bonds escrow agent	(2,924,147)	-	-	(2,924,147)
Total other financing sources (uses)	<u>2,043,753</u>	<u>2,597,732</u>	<u>443,102</u>	<u>5,084,587</u>
Net change in fund balance	<u>2,878,989</u>	<u>405,288</u>	<u>(76,963)</u>	<u>3,207,314</u>
FUND BALANCE (DEFICIT), beginning	<u>7,190,557</u>	<u>(405,288)</u>	<u>355,889</u>	<u>7,141,158</u>
FUND BALANCE (DEFICIT), ending	<u>\$10,069,546</u>	<u>\$ -</u>	<u>\$ 278,926</u>	<u>\$ 10,348,472</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Differences in amounts reported for governmental activities in the statement of activities on pages 2 and 3:

Net change in fund balances - total governmental funds	\$ 3,207,314
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay expenditures in governmental funds, that meet the capitalization threshold, are shown as capital assets in the statement of net position.	2,837,406
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(1,758,204)
The net effect of various transactions involving capital assets donations is to increase net position.	23,535
Proceeds of long-term debt (e.g., bonds, notes) provide financial resources to governmental funds, while the repayment of 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 deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,344,263)
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditure in the governmental funds. The net effect of these transactions to increase net position.	22,997
Governmental revenues that provide current financial resources are reported in the governmental funds, while revenues that will not be collected for several months after the fiscal year are deferred. The statement of activities includes certain revenues that do not provide current financial resources.	<u>110,534</u>
Change in net position of governmental activities	<u>\$ 99,319</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
REVENUES				
Taxes	\$10,731,000	\$10,734,450	\$10,836,420	\$ 101,970
Licenses and permits	188,700	188,700	188,711	11
Intergovernmental	1,609,200	1,747,200	1,398,506	(348,694)
Charges for services	347,500	347,500	282,266	(65,234)
Fines, forfeitures, and penalties	136,400	136,400	108,993	(27,407)
Investment income	5,500	5,500	10,986	5,486
Contributions and donations	10,000	10,000	3,495	(6,505)
Miscellaneous	110,850	294,350	501,715	207,365
Total revenues	<u>13,139,150</u>	<u>13,464,100</u>	<u>13,331,092</u>	<u>(133,008)</u>
EXPENDITURES				
General government	3,448,914	3,401,387	3,128,906	(272,481)
City court	17,550	17,550	15,497	(2,053)
Airport	772,725	785,725	258,098	(527,627)
Cemetery	63,060	73,060	50,765	(22,295)
Parks and recreation	1,178,180	1,203,180	978,742	(224,438)
Planning and zoning	178,415	178,415	152,248	(26,167)
Public safety	5,666,165	5,690,715	5,183,963	(506,752)
Streets	1,568,955	1,818,955	1,368,162	(450,793)
Tourism development	409,810	418,310	383,958	(34,352)
Debt service:				
Principal	3,796,000	3,745,000	739,667	(3,005,333)
Interest	285,000	285,000	235,850	(49,150)
Total expenditures	<u>17,384,774</u>	<u>17,617,297</u>	<u>12,495,856</u>	<u>(5,121,441)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,245,624)</u>	<u>(4,153,197)</u>	<u>835,236</u>	<u>4,988,433</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,010,500)	(3,040,860)	(3,040,834)	26
Proceeds of notes	-	-	16,004	16,004
Issuance of bonds and notes	7,850,000	7,850,000	7,985,000	135,000
Premium on refunding bonds	-	-	7,730	7,730
Payment to refunded bonds escrow agent	-	-	(2,924,147)	(2,924,147)
Total other financing sources (uses)	<u>5,839,500</u>	<u>4,809,140</u>	<u>2,043,753</u>	<u>(2,765,387)</u>
Net change in fund balance	1,593,876	655,943	2,878,989	2,223,046
FUND BALANCE at beginning of year	<u>7,190,557</u>	<u>7,190,557</u>	<u>7,190,557</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 8,784,433</u>	<u>\$ 7,846,500</u>	<u>\$10,069,546</u>	<u>\$ 2,223,046</u>

CITY OF CROSSVILLE
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 June 30, 2013

	Water and Sewer Department
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 3,015,650
Receivables:	
Accounts receivable	408,411
Other	10,195
Less allowance for doubtful accounts	(11,129)
Unbilled revenues	575,224
Inventories	350,438
Due from other governments	<u>18,776</u>
Total current assets	<u>4,367,565</u>
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents	<u>2,748,589</u>
Total restricted assets	<u>2,748,589</u>
Capital assets:	
Land	574,816
Construction in progress	2,171,384
Water and sewer plant	104,672,906
Machinery and equipment	<u>6,062,775</u>
	113,481,881
Less accumulated depreciation	<u>(38,138,441)</u>
Net capital assets	<u>75,343,440</u>
Total noncurrent assets	<u>78,092,029</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	170,647
Deferred insurance charges	<u>34,957</u>
Total deferred outflows of resources	<u>205,604</u>
Total assets and deferred outflows of resources	<u>\$ 82,665,198</u>

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	<u>Water and Sewer Department</u>
LIABILITIES	
CURRENT LIABILITIES	
Current maturities of long-term liabilities	\$ 1,303,317
Accounts payable and accrued liabilities	621,035
Other current liabilities	<u>72,326</u>
Total current liabilities	<u>1,996,678</u>
LONG-TERM LIABILITIES	
Notes, capital leases and other obligations	24,954,898
Compensated absences	8,330
Revenue bonds payable	3,725,000
Original issue premium	151,558
Accrued postemployment benefits	<u>112,706</u>
Total long-term liabilities	<u>28,952,492</u>
Total liabilities	<u>30,949,170</u>
NET POSITION	
Net investment in capital assets	45,628,611
Unrestricted	<u>6,087,417</u>
Total net position	<u>\$ 51,716,028</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION
 Year Ended June 30, 2013

	Water and Sewer Department
OPERATING REVENUES	
Charges for sales and services:	
Water and Sewer revenues	\$ 7,783,939
Intergovernmental	1,153,661
Other	500
Total operating revenues	8,938,100
OPERATING EXPENSES	
Transmission and distribution	3,971,595
Customer accounting and collection	476,679
Administrative and general	518,469
Depreciation	2,933,552
Total operating expenses	7,900,295
OPERATING INCOME	1,037,805
NONOPERATING REVENUES (EXPENSES)	
Interest income	9,565
Interest expense	(878,580)
Other income (expense)	(5,713)
Total nonoperating revenues (expenses)	(874,728)
INCOME BEFORE CONTRIBUTIONS	163,077
Capital contributions	23,535
CHANGE IN NET POSITION	186,612
NET POSITION, beginning, as previously reported	51,640,609
Restatement of debt issuance costs	(111,193)
NET POSITION, beginning, as restated	51,529,416
NET POSITION, ending	\$ 51,716,028

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2013

	<u>Water and Sewer Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 11,060,836
Payments to suppliers	(4,366,124)
Payments to employees	<u>(2,074,094)</u>
Net cash provided by operating activities	<u>4,620,618</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	23,535
Principal paid on capital debt	(7,680,814)
Interest paid on capital debt	(949,823)
Proceeds from capital debt	8,891,590
Additions to capital assets	<u>(3,420,656)</u>
Net cash flows used in capital and related financing activities	<u>(3,136,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>9,565</u>
Net cash flows provided by investing activities	<u>9,565</u>
Net increase in cash and cash equivalents	1,494,015
Cash and cash equivalents, beginning of year	<u>4,270,224</u>
Cash and cash equivalents, end of year	<u>\$ 5,764,239</u>
CLASSIFIED AS:	
Current assets	\$ 3,015,650
Restricted assets	<u>2,748,589</u>

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	<u>Water and Sewer Department</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	<u>\$ 1,037,805</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	2,933,552
Changes in assets and liabilities:	
(Increase) in receivables	(9,196)
Decrease in unbilled revenues	10,069
Decrease in due from other governments	2,012,869
Decrease in inventory	50,702
(Decrease) in accounts payable	(1,684,488)
Increase in other assets/liabilities	277,330
(Decrease) in compensated absences	<u>(8,025)</u>
TOTAL ADJUSTMENTS	<u>3,582,813</u>
Net cash provided by operating activities	<u>\$ 4,620,618</u>
 SIGNIFICANT NONCASH ACTIVITIES	
Purchase of capital assets financed by payables or debt	<u>\$ 1,899,625</u>

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF CROSSVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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CITY OF CROSSVILLE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crossville (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.

(A) 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) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has no component units at June 30, 2013.

(B) 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.

(C) 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 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.

(D) Measurement Focus, Basis of Accounting, and Financial Statement 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 considers revenues to be available if they are collected within sixty days of the end of the fiscal period. 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.

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) 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

(E) **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.

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, 2013, several supplemental appropriations were necessary for capital purposes.

(F) Assets, Liabilities and Fund Equity

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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 estimated fair market 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:

	<u>Useful Life</u>
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.

(6) 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.

(7) 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.

(8) Fund Balance

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.

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable				
Inventory	\$ 177,201	\$ -	\$ -	\$ 177,201
Restricted				
Airport	4,406	-	-	4,406
Housing Authority	24,884	-	-	24,884
Cemetery	105,289	-	-	105,289
Drug fund	-	-	99,018	99,018
Streets	-	-	179,908	179,908
Capital projects	1,395	-	-	1,395
Committed				
-	-	-	-	-
Assigned				
Industrial development	555,506	-	-	555,506
Unassigned				
-	<u>9,200,865</u>	<u>-</u>	<u>-</u>	<u>9,200,865</u>
Total fund balances	<u>\$10,069,546</u>	<u>\$ -</u>	<u>\$278,926</u>	<u>\$10,348,472</u>
Summary for governmental funds balance sheet (page 4):				
Nonspendable	\$ 177,201	\$ -	\$ -	\$ 177,201
Restricted	135,974	-	278,926	414,900
Committed	-	-	-	-
Assigned	555,506	-	-	555,506
Unassigned	<u>9,200,865</u>	<u>-</u>	<u>-</u>	<u>9,200,865</u>
Total fund balances	<u>\$10,069,546</u>	<u>\$ -</u>	<u>\$278,926</u>	<u>\$10,348,472</u>

(G) Deferred Outflows/Inflows of Resources

The City implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

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 unavailable revenue related to property taxes that qualifies for reporting in this category.

(H) 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.

(1) 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%

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 2012, 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, 2013.

(2) 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 reported as deferred revenues.

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.

(3) 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.

(4) 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. 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.

(5) 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."

(6) Indirect Costs

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

(7) Estimates

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

(I) 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.

Invested in Capital Assets (net of related debt) - 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.

(J) Pollution Remediation Obligations

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

(K) Subsequent Events

Management performed an evaluation of subsequent events through January 2, 2014, the date these financial statements were available to be issued.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1) Compliance with Finance Related Legal and Contractual Provisions

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

2) Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2013, the City had no material excess of expenditures over appropriations in individual funds.

Net Position/Fund Balance Deficit

For the year ended June 30, 2013, 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, 2013, 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 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, 2013, consist of the following:

	<u>Governmental Activities Funds</u>			<u>Business-Type Activities</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>		
Primary Government					
Receivables:					
Taxes	\$2,188,949	\$ -	\$ -	\$ -	\$2,188,949
Accounts	47,742	-	-	408,411	456,153
Other	351,497	-	-	10,195	361,692
Intergovernmental	<u>2,307,085</u>	<u>-</u>	<u>50,518</u>	<u>18,776</u>	<u>2,376,379</u>
Gross receivables	4,895,273	-	50,518	437,382	5,383,173
Less:					
Allowance for uncollectibles	<u>(65,156)</u>	<u>-</u>	<u>-</u>	<u>(11,129)</u>	<u>(76,285)</u>
Net receivables	<u>\$4,830,117</u>	<u>\$ -</u>	<u>\$50,518</u>	<u>\$426,253</u>	<u>\$5,306,888</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, 2013.

NOTE 5. INTERFUND TRANSFERS

Transfers were used to (1) move revenues of \$2,597,732 from the General Fund to the Capital Projects Fund for capital asset construction and acquisition costs and (2) move revenues of \$443,102 from the General Fund to the Solid Waste Fund to cover solid waste collection costs.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, is as follows:

Primary Government

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land and land improvements	\$ 8,140,741	\$ -	\$ -	\$ 8,140,741
Construction in progress	<u>5,082,851</u>	<u>2,282,663</u>	<u>4,242,626</u>	<u>3,122,888</u>
Total non-depreciable assets	<u>13,223,592</u>	<u>2,282,663</u>	<u>4,242,626</u>	<u>11,263,629</u>
Depreciable Assets:				
Buildings and improvements	8,913,316	44,609	-	8,957,925
Machinery and equipment	7,585,810	708,377	64,181	8,230,006
Other improvements	13,359,559	3,173,190	-	16,532,749
Infrastructure	<u>18,139,043</u>	<u>894,728</u>	<u>-</u>	<u>19,033,771</u>
Total depreciable assets	<u>47,997,728</u>	<u>4,820,904</u>	<u>64,181</u>	<u>52,754,451</u>
Less Accumulated Depreciation for:				
Buildings, machinery and other improvements	11,598,132	1,192,097	64,181	12,726,048
Infrastructure	<u>5,875,723</u>	<u>566,107</u>	<u>-</u>	<u>6,441,830</u>
Total accumulated depreciation	<u>17,473,855</u>	<u>1,758,204</u>	<u>64,181</u>	<u>19,167,878</u>
Depreciable Assets, net	<u>30,523,873</u>	<u>3,062,700</u>	<u>-</u>	<u>33,586,573</u>
Governmental activities capital assets, net	<u>\$ 43,747,465</u>	<u>\$ 5,345,363</u>	<u>\$ 4,242,626</u>	<u>\$ 44,850,202</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 574,816	\$ -	\$ -	\$ 574,816
Construction in progress	<u>7,802,753</u>	<u>3,160,477</u>	<u>8,791,846</u>	<u>2,171,384</u>
Total non-depreciable assets	<u>8,377,569</u>	<u>3,160,477</u>	<u>8,791,846</u>	<u>2,746,200</u>
Depreciable Assets:				
Water and sewer plant	95,906,115	8,794,741	27,950	104,672,906
Machinery and equipment	<u>5,995,506</u>	<u>257,284</u>	<u>190,015</u>	<u>6,062,775</u>
Total depreciable assets	<u>101,901,621</u>	<u>9,052,025</u>	<u>217,965</u>	<u>110,735,681</u>
Less Accumulated Depreciation for:				
Water and sewer plant	31,493,525	2,624,146	-	34,117,671
Machinery and equipment	<u>3,929,329</u>	<u>309,406</u>	<u>217,965</u>	<u>4,020,770</u>
Total accumulated depreciation	<u>35,422,854</u>	<u>2,933,552</u>	<u>217,965</u>	<u>38,138,441</u>
Depreciable Assets, net	<u>66,478,767</u>	<u>6,118,473</u>	<u>-</u>	<u>72,597,240</u>
Business-type activities capital assets, net	<u>\$ 74,856,336</u>	<u>\$ 9,278,950</u>	<u>\$ 8,791,846</u>	<u>\$ 75,343,440</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$ 236,619
Airport	192,486
Cemetery	12,013
Parks and recreation	342,287
Public safety	254,077
Sanitation	1,496
Streets	<u>719,226</u>
Total	<u>\$1,758,204</u>
Primary Government – Business-Type Activities:	
Water and Sewer Department	<u>\$2,933,552</u>

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2013, were as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ -	\$7,985,000	\$ 265,000	\$7,720,000	\$225,000
Notes payable	4,030,814	16,004	3,398,814	648,004	291,671
Compensated absences	<u>283,299</u>	-	<u>5,473</u>	<u>277,826</u>	<u>249,077</u>
Total governmental activities	<u>\$4,314,113</u>	<u>\$8,001,004</u>	<u>\$3,669,287</u>	8,645,830	<u>\$765,748</u>
Net original issue premiums and discounts				<u>7,073</u>	
				<u>\$8,652,903</u>	
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Department:					
Revenue bonds	\$ 5,289,240	\$8,660,000	\$1,374,240	\$12,575,000	\$ 190,000
Notes payable	23,411,030	231,590	6,306,574	17,336,046	1,041,150
Compensated absences	<u>88,524</u>	-	<u>8,025</u>	<u>80,499</u>	<u>72,169</u>
Total business-type activities	<u>\$28,788,794</u>	<u>\$8,891,590</u>	<u>\$7,688,839</u>	29,991,545	<u>\$1,303,319</u>
Net original issue premiums and discounts				<u>151,558</u>	
				<u>\$30,143,103</u>	

The City has refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2013, the remaining liabilities for the bonds refunded were \$4,368,333.

During the year ended June 30, 2013, the City issued General Obligation Refunding and Improvement Bonds with interest rates ranging from 2.675% to 3.18%, for the purpose of refunding the following:

	<u>Bonds Refunded</u>	<u>Refunding Bonds Issued</u>
Business Type Activities:		
Water and Sewer Department	<u>\$1,152,121</u>	<u>\$1,152,121</u>

Debt related to governmental activities at June 30, 2013, consisted of the following:

Tennessee Municipal Bond Fund Loan 2004 – In November 2004, the City received a loan from the Public Building Authority of the City of Clarksville, Tennessee to secure a loan for constructing and equipping the Crossville/Cumberland County Emergency Communications Center project. The note will be repaid over a 20-year period with a variable rate (currently 0.33%) through 2024. The balance at June 30, 2013, is \$632,000.

Police Software Loan – The City entered into an agreement with Government Capital Corporation to purchase 911 communications technology for \$100,000. The loan will be paid in annual installments over 3 years through 2015 with interest at 3.166%. At June 30, 2013, the City has only drawn \$16,004 on the loan. The balance at June 30, 2013 is \$16,004.

General Obligation Refunding and Improvement Bonds, Series 2012A – In August 2012, the City issued Series 2012A bonds for the purpose of refunding certain outstanding general obligations of the City, reimbursing the City for funds expended in the acquisition and development of certain capital projects, funding additions and improvements to the City’s facilities and systems, purchasing certain capital equipment, and paying costs of issuance of the Series 2012A Bonds. The bonds will be paid in annual installments over 25 years through 2037 at a variable rate (3.18% at June 30, 2013). The balance at June 30, 2013 is \$4,160,000.

General Obligation Refunding and Improvement Bonds, Series 2012B – In August 2012, the City issued Series 2012B bonds for the purpose of refunding certain outstanding general obligations of the City, reimbursing the City for funds expended to finance various public works projects of the City, and paying costs of issuance of the Series 2012B bonds. The bonds will be paid in annual installments over 16 years through 2028 at a variable rate (2.675% at June 30, 2013). The balance at June 30, 2013, is \$3,560,000.

Debt service requirements for general obligation debt are met by the General Fund. The compensated absences liability attributable to governmental activities will be liquidated by the General Fund and the Special Revenue Funds.

Debt related to business-type activities at June 30, 2013, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
State Wastewater Facility Revolving Loan 2000	1.77%	\$ 3,258,521
State Wastewater Facility Revolving Loan 2001	1.47%	282,074
State Wastewater Facility Revolving Loan 2001	1.47%	710,212
State Wastewater Facility Revolving Loan 1992	2.64%	182,059
State Revolving Loan August 2009	2.88%	2,494,416
State Revolving Loan November 2009	2.83%	2,781,018
State Revolving Loan April 2010	2.78%	450,579
State Revolving Loan May 2010	2.69%	620,846
Tennessee Local Development Authority	3.31%	115,895
Water System Refunding Revenue Bonds, Series 2005	3.75% - 4.63%	3,915,000
USDA Rural Development Loan Hwy 70 N Waterline	3.00%	1,673,613
USDA Rural Development Loan Cumberland Cove	3.00%	808,150
USDA Rural Development Loan Meadow Park Lake Dam	3.00%	3,958,663
Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	2.00% - 3.00%	<u>8,660,000</u>
Total payable from business-type activities		<u>\$29,911,046</u>

State Wastewater Facility Revolving Loan 2000 - The City entered into an agreement with the Tennessee Department of Environment and Conservation to secure a loan for the purpose of constructing a water treatment plant at Meadow Park Lake and related raw water transport facilities and lines. The loan will be repaid in monthly installments through 2024 with interest at 1.77%. The remaining balance at June 30, 2013, is \$3,258,521.

State Wastewater Facility Revolving Loan 2001* - The City entered into an agreement with the Tennessee Department of Environment and Conservation to secure a loan for the purpose of waterline upsizing to address low-pressure in the Homestead area. The loan will be repaid in monthly installments through 2025 with interest at 1.47%. The remaining balance at June 30, 2013, is \$282,074.

State Wastewater Facility Revolving Loan 2001 - The City entered into an agreement with the Tennessee Department of Environment and Conservation to secure a loan for the purpose of major sewer rehabilitation to improve available capacity of the wastewater plant. The loan will be repaid in monthly installments through 2024 with interest at 1.47%. The remaining balance at June 30, 2013, is \$710,212.

State Wastewater Facility Revolving Loan 1992 - The City entered into an agreement with the Tennessee Department of Environment and Conservation to secure a loan for the purpose of expanding the existing treatment plant. The loan will be repaid in monthly installments through 2014 with interest at 2.64%. The remaining balance at June 30, 2013, is \$182,059.

State Revolving Loan August 2009 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing wastewater treatment plant improvements. The loan will be repaid in monthly installments through 2032 at 2.88% interest. The balance at June 30, 2013, is \$2,494,416.

State Revolving Loan November 2009 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing the construction of water lines for wastewater treatment. The loan will be repaid in monthly installments through 2032 at 2.83% interest. The balance at June 30, 2013, is \$2,781,018.

State Revolving Loan April 2010 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing upgrades and improvements to the wastewater treatment plant. The loan will be repaid in monthly installments through 2031 at 2.78% interest. The balance at June 30, 2013, is \$450,579.

State Revolving Loan May 2010 - The City entered into an agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to secure a loan for the purpose of financing upgrades and improvements to the wastewater treatment plant. The loan will be repaid in monthly installments through 2032 at 2.69% interest. The balance at June 30, 2013, is \$620,846.

Tennessee Local Development Authority - The City entered into an agreement with the Tennessee Local Development Authority to secure a loan for the purpose of financing construction of sewer lines and wastewater treatment plant. The loan will be repaid in monthly installments through 2014 at a variable rate (3.31% at June 30, 2013). The balance at June 30, 2013, is \$115,895.

Water System Refunding Revenue Bonds, Series 2005 - The City entered into an agreement with the Public Building Authority of the City of Crossville, TN, in connection with Water System Refunding Bonds. The bonds will be repaid in semi-annual installments through 2029 at fixed rates from 3.75% to 4.63%. The balance at June 30, 2013, is \$3,915,000.

USDA Rural Development Loan Hwy 70 N Waterline – The City entered into an agreement with the USDA Rural Development to secure a loan for the purpose of financing water and sewer systems improvements and extensions. The loan will be repaid in annual installments through 2050 at a fixed rate of 3.00%. The balance at June 30, 2013, is \$1,673,613.

USDA Rural Development Loan Cumberland Cove – The City entered into an agreement with the USDA Rural Development to secure a loan for the purpose of financing water and sewer systems improvements and extensions. The loan will be repaid in annual installments through 2050 at a fixed rate of 3.00%. The balance at June 30, 2013, is \$808,150.

USDA Rural Development Loan Meadow Park Lake Dam – The City entered into an agreement with the USDA Rural Development to secure a loan for the purpose of financing water and sewer systems improvements and extensions. The loan will be repaid in annual installments through 2050 at a fixed rate of 3.00%. The balance at June 30, 2013, is \$3,958,663.

Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C – In August 2012, the City issued Series 2012C bonds for the purpose of refunding certain outstanding general obligations of the City, funding improvements and additions to City facilities and systems, and paying costs of issuance of the Series 2012C Bonds. The bonds will be paid in annual installments for 18 years beginning in 2015 through 2032 at a variable rate (2.95% at June 30, 2013). The balance at June 30, 2013, is \$8,660,000.

Principal and interest requirements to maturity for bonds, notes and other obligations payable, excluding amounts for compensated absences, are as follows:

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 290,004	\$ 217,010	\$ 1,231,148	\$ 873,266
2015	276,000	211,807	960,337	839,693
2016	282,000	207,103	1,107,928	814,102
2017	289,000	202,295	1,145,918	784,875
2018	291,000	197,379	1,174,374	753,231
2019-2023	1,534,000	909,827	6,380,017	3,259,039
2024-2028	1,641,000	734,942	7,377,661	2,278,279
2029-2033	1,965,000	464,485	6,612,932	1,087,511
2034-2038	1,800,000	145,006	908,077	518,483
2039-2043	-	-	1,049,155	377,405
2044-2048	-	-	1,210,217	216,343
2049-2050	-	-	753,282	34,068
	<u>\$8,368,004</u>	<u>\$3,289,854</u>	<u>\$29,911,046</u>	<u>\$11,836,295</u>

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

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by using a formula using the member’s high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statutes found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as City of Crossville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City withdrew from TCRS effective July 1, 2013. Employees hired after the date of withdrawal 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.

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.

Trend Information:

	<u>Year Ended</u>	<u>Annual Pension/OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension/OPEB Obligation (Asset)</u>
Pension Plan	6/30/13	\$829,553	100.00%	\$ -
Pension Plan	6/30/12	885,453	100.00%	-
	6/30/11	857,179	100.00%	-
Other Postemployment Benefits	6/30/13	\$ 32,302	100.00%	\$112,706
	6/30/12	38,407	100.00%	95,034
	6/30/11	35,986	100.00%	90,522

Funding Policy and Other Information:

The Pension Plan contribution requirement for the City is established and may be amended by the TCRS Board of Trustees. The City is currently required to contribute to the Pension Plan at an actuarially determined rate. The contribution requirement of plan members is set by state statute.

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

The employer's annual pension cost for the current year and related information for each plan is as follows:

	<u>Pension Plan</u>	<u>Other Postemployment Benefits</u>
Contribution rates for employer	14.30%	N/A
Contribution rates for plan members	up to 5%	Varies
Annual pension/OPEB cost	\$829,553	\$53,662
Contributions made by employer	829,553	35,990
Contributions made by plan members	-	-
Actuarial valuation date for current contributions	July 1, 2011	June 30, 2013
Amortization method	Level Dollar	Level Dollar
Remaining amortization period at valuation date	5 years	30 years
Asset valuation method	Market value, as adjusted	N/A
Actuarial assumptions:		
Investment rate of return	7.50%	N/A
Projected salary increases	4.75%	N/A
Inflation rate	3.00%	3.00%

In the June 30, 2013, 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>Pension Plan</u>	<u>Other Postemployment Benefits</u>
Annual required contribution	\$829,553	\$ 34,228
Interest on net pension/OPEB obligation	-	2,851
Adjustment to annual required contribution	-	16,583
Annual pension/OPEB cost	829,553	53,662
Contributions made	<u>829,553</u>	<u>35,990</u>
Increase in net pension/OPEB obligation	-	17,672
Net pension/OPEB obligation at beginning of year	-	<u>95,034</u>
Net pension/OPEB obligation at end of year	<u>\$ -</u>	<u>\$112,706</u>

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

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

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>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Pension Plan						
July 1, 2011	\$16,395,000	\$17,870,000	\$1,475,000	91.74%	\$5,806,000	25.41%
Other Postemployment Benefits						
July 1, 2012	\$ -	\$ 339,528	\$ 339,528	0.00%	\$6,023,240	5.64%

Financial Reports:

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

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. The initial contract price of the water is \$2.77 for each 1,000 gallons which is subject to rate adjustment annually on January 1st. During the year ended June 30, 2013, no water was sold to the FCFUD under the terms of the contract.

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 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. During the year ended June 30, 2013, the City sold 208,707,000 gallons (20.1% of total gallons sold) totaling \$652,517 (11.7% of total water revenues) under the terms of this contract. Additionally, SCUD owes the City \$59,657 at June 30, 2013.

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. During the year ended June 30, 2013, the City sold 34,702,500 gallons (3.3% of total gallons sold) totaling \$108,602 (1.95% of total water revenues) under the terms of this contract. Additionally, GUD owes the City \$10,612 at June 30, 2013.

NOTE 11. RELATED PARTY TRANSACTION

The City leases a building from two City employees who together own a 50% interest in the building. The lease is for a one-year term expiring September 30, 2013, and requires the City to pay \$1,000 per month.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The City is a defendant in a lawsuit filed in the Circuit Court for Cumberland County, Tennessee filed by approximately 200 property owners in the Lake Tansi area of Cumberland County. The plaintiffs have petitioned the court for inverse condemnation requesting that each plaintiff be awarded in excess of \$100,000, with the specific amount to be determined at trial, for the City's taking of their property rights and damages relating to decrease in their property values. The plaintiffs are also seeking \$100,000 for punitive damages and attorney fees and other costs incurred in prosecuting this action. The lawsuit relates to the City's use of Lake Tansi to supply water to the City's water department customers. The damages claimed in the lawsuit are monetary damages and do not seek to stop construction of any projects. The City does not concede any of the allegations in the lawsuit or deem them to be meritorious. Management does not believe any potential losses related to this lawsuit would be covered by the City's insurance. No amounts are recorded in the financial statements related to this lawsuit.

The City has been placed on notice by the United States Army Corps of Engineers for alleged violations of the Clean Water Act in connection with the construction and excavation of the Duer Soccer Complex. The City does not concede any of the allegations related to this claim and has retained counsel to dispute the claim. Management does not believe any potential losses related to this claim would be covered by the City's insurance. No amounts are recorded in the financial statements related to this claim.

The City is party to other 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, 2013. The total contractual commitments outstanding as of June 30, 2013, were not significant and the City has sufficient funds available to cover these commitments.

NOTE 13. 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 \$184,261 at June 30, 2013, 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, 2013, are as follows:

Estimated liability, June 30, 2012	\$195,286
Costs incurred	<u>11,025</u>
Estimated liability, June 30, 2013	<u>\$184,261</u>
Due within one year	<u>\$ 11,576</u>

The estimated total current cost of the landfill postclosure care of \$184,261 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, 2013. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than accrued and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods. Therefore, in conjunction with the implementation of Statement No. 65, the following restatement was required to the beginning net position of the Water and Sewer Department Fund and Business-Type Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Water and Sewer Department Fund:	
Beginning net position, as previously reported	\$51,640,609
Recognition of issuance costs incurred in prior periods	<u>(111,193)</u>
Beginning net position, as restated	<u>\$51,529,416</u>
Business-Type Activities:	
Beginning net position, as previously reported	\$51,640,609
Recognition of issuance costs incurred in prior periods	<u>(111,193)</u>
Beginning net position, as restated	<u>\$51,529,416</u>

CITY OF CROSSVILLE

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Pension Plan						
July 1, 2011	\$16,395,000	\$ 17,870,000	\$1,475,000	91.74%	\$5,806,000	25.41%
July 1, 2009	12,908,000	13,740,000	832,000	93.94%	5,933,000	14.02%
July 1, 2007	11,637,000	12,675,000	1,038,000	91.81%	5,294,000	19.61%
Other Postemployment Benefits						
July 1, 2012	\$ -	\$ 339,528	\$ 339,528	0.00%	\$6,023,240	5.64%
July 1, 2009	-	689,711	689,711	0.00%	7,404,480	9.32%
July 1, 2008	-	679,970	679,970	0.00%	5,294,000	12.84%

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.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These are the operating funds which are restricted as to use by the federal or state governments and special purpose funds established by the City Council.

Drug Fund accounts for revenues from drug fines and forfeited goods received. State law requires usage of those monies to further drug education and investigations.

Solid Waste Fund accounts for revenues and expenditures for solid waste collection.

State Street Aid Fund accounts for revenues and expenditures of the City's share of state gasoline taxes. State law requires that gasoline taxes be used to maintain streets.

CITY OF CROSSVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	Special Revenue			Total Special Revenue	Total Nonmajor Governmental Funds
	Drug Fund	Solid Waste	State Street Aid		
ASSETS					
Restricted cash and cash equivalents	\$ 104,112	\$ 32,821	\$ 137,335	\$ 274,268	\$ 274,268
Due from other governments	-	-	50,518	50,518	50,518
Total assets	<u>\$ 104,112</u>	<u>\$ 32,821</u>	<u>\$ 187,853</u>	<u>\$ 324,786</u>	<u>\$ 324,786</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 5,094	\$ 32,821	\$ 7,945	\$ 45,860	\$ 45,860
Total liabilities	<u>5,094</u>	<u>32,821</u>	<u>7,945</u>	<u>45,860</u>	<u>45,860</u>
FUND BALANCES					
Restricted	99,018	-	179,908	278,926	278,926
Total fund balances	<u>99,018</u>	<u>-</u>	<u>179,908</u>	<u>278,926</u>	<u>278,926</u>
Total liabilities and fund balances	<u>\$ 104,112</u>	<u>\$ 32,821</u>	<u>\$ 187,853</u>	<u>\$ 324,786</u>	<u>\$ 324,786</u>

CITY OF CROSSVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2013

	Special Revenue			Total Special Revenue	Total Nonmajor Governmental Funds
	Drug Fund	Solid Waste	State Street Aid		
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 277,845	\$ 277,845	\$ 277,845
Investment income	187	-	241	428	428
Miscellaneous	<u>100,618</u>	<u>-</u>	<u>-</u>	<u>100,618</u>	<u>100,618</u>
Total revenues	<u>100,805</u>	<u>-</u>	<u>278,086</u>	<u>378,891</u>	<u>378,891</u>
EXPENDITURES					
Public safety	143,644	-	-	143,644	143,644
Sanitation	-	411,999	-	411,999	411,999
Streets	<u>-</u>	<u>-</u>	<u>343,313</u>	<u>343,313</u>	<u>343,313</u>
Total expenditures	<u>143,644</u>	<u>411,999</u>	<u>343,313</u>	<u>898,956</u>	<u>898,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,839)</u>	<u>(411,999)</u>	<u>(65,227)</u>	<u>(520,065)</u>	<u>(520,065)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>-</u>	<u>443,102</u>	<u>-</u>	<u>443,102</u>	<u>443,102</u>
Total other financing sources (uses)	<u>-</u>	<u>443,102</u>	<u>-</u>	<u>443,102</u>	<u>443,102</u>
Net change in fund balance	<u>(42,839)</u>	<u>31,103</u>	<u>(65,227)</u>	<u>(76,963)</u>	<u>(76,963)</u>
FUND BALANCE (DEFICIT), beginning	<u>141,857</u>	<u>(31,103)</u>	<u>245,135</u>	<u>355,889</u>	<u>355,889</u>
FUND BALANCE, ending	<u>\$ 99,018</u>	<u>\$ -</u>	<u>\$ 179,908</u>	<u>\$ 278,926</u>	<u>\$ 278,926</u>

CITY OF CROSSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 2,036,000	\$ 2,039,450	\$ 1,994,273	\$ (45,177)
Local sales tax	6,900,000	6,900,000	6,881,382	(18,618)
Local beer and liquor tax	885,000	885,000	998,024	113,024
Business taxes	705,000	705,000	729,927	24,927
Payments in lieu of taxes	205,000	205,000	232,814	27,814
Licenses and permits:				
Beer and liquor license fees	23,700	23,700	22,896	(804)
Building permits	150,000	150,000	154,648	4,648
Other permits	15,000	15,000	11,167	(3,833)
Intergovernmental revenues:				
Intergovernmental grants and contracts	675,200	813,200	396,877	(416,323)
State sales and income tax	840,000	840,000	904,383	64,383
Other state taxes	94,000	94,000	97,246	3,246
Charges for services:				
Airport charges	117,500	117,500	122,511	5,011
Cemetery charges	30,000	30,000	20,550	(9,450)
Driver safety school charges	26,000	26,000	12,920	(13,080)
Park facility and concession charges	174,000	174,000	126,285	(47,715)
Fines and forfeitures:				
Court fines and costs	128,000	128,000	100,938	(27,062)
Other fines and costs	4,400	4,400	3,457	(943)
Drug related fines and forfeitures	4,000	4,000	4,598	598
Interest revenue	5,500	5,500	10,986	5,486
Contributions and donations	10,000	10,000	3,495	(6,505)
Miscellaneous:				
Insurance recoveries	15,000	15,000	2,441	(12,559)
Sale of property and equipment	5,000	5,000	5,877	877
Other revenues	90,850	274,350	493,397	219,047
Total revenues	13,139,150	13,464,100	13,331,092	(133,008)
EXPENDITURES				
General government:				
Payroll and payroll taxes	1,627,380	1,631,483	1,592,662	(38,821)
Employee benefits	563,100	512,465	471,120	(41,345)
Supplies	208,600	208,195	123,481	(84,714)
Utilities	129,100	137,150	113,470	(23,680)
Repairs and maintenance	67,050	58,950	38,468	(20,482)
Other expenditures	853,684	808,114	750,402	(57,712)
Capital outlay	-	45,030	39,303	(5,727)
City court:				
Payroll and payroll taxes	15,000	15,050	15,042	(8)
Supplies	1,500	1,450	260	(1,190)
Other expenditures	1,050	1,050	195	(855)
Airport:				
Supplies	2,350	2,350	1,092	(1,258)
Utilities	32,475	30,585	29,779	(806)
Repairs and maintenance	14,900	16,820	14,150	(2,670)
Other expenditures	93,000	87,590	84,698	(2,892)
Capital outlay	630,000	648,380	128,379	(520,001)
Cemetery:				
Payroll and payroll taxes	34,070	33,820	32,170	(1,650)
Employee benefits	13,790	13,190	11,312	(1,878)
Supplies	4,800	5,100	3,419	(1,681)
Utilities	1,250	1,450	1,284	(166)
Repairs and maintenance	9,150	9,500	2,580	(6,920)
Capital outlay	-	10,000	-	(10,000)

(continued on next page)

CITY OF CROSSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Parks and recreation:				
Payroll and payroll taxes	\$ 464,130	\$ 465,030	\$ 415,928	\$ (49,102)
Employee benefits	138,170	130,765	110,230	(20,535)
Supplies	172,200	173,100	102,908	(70,192)
Utilities	240,080	236,905	189,179	(47,726)
Repairs and maintenance	123,800	123,625	104,330	(19,295)
Other expenditures	39,800	72,905	56,167	(16,738)
Capital outlay	-	850	-	(850)
Planning and zoning:				
Payroll and payroll taxes	107,750	107,750	101,244	(6,506)
Employee benefits	40,715	39,215	32,527	(6,688)
Supplies	7,350	7,350	5,207	(2,143)
Utilities	4,900	4,900	2,712	(2,188)
Repairs and maintenance	1,700	1,700	810	(890)
Other expenditures	16,000	17,500	9,748	(7,752)
Public safety:				
Payroll and payroll taxes	3,240,870	3,245,920	3,111,326	(134,594)
Employee benefits	1,135,250	1,125,540	1,049,307	(76,233)
Supplies	477,900	478,810	303,411	(175,399)
Utilities	79,595	77,115	60,634	(16,481)
Repairs and maintenance	119,400	120,650	96,366	(24,284)
Other expenditures	543,250	572,580	493,912	(78,668)
Capital outlay	69,900	70,100	69,007	(1,093)
Streets:				
Payroll and payroll taxes	421,725	421,700	406,695	(15,005)
Employee benefits	183,580	178,845	172,841	(6,004)
Supplies	249,350	242,760	154,124	(88,636)
Utilities	36,050	33,410	20,831	(12,579)
Repairs and maintenance	126,700	136,200	90,915	(45,285)
Other expenditures	12,050	15,760	9,323	(6,437)
Capital outlay	539,500	790,280	513,433	(276,847)
Tourism development:				
Payroll and payroll taxes	53,000	58,920	58,835	(85)
Employee benefits	16,115	16,015	15,269	(746)
Supplies	4,220	3,660	2,595	(1,065)
Utilities	900	1,000	750	(250)
Repairs and maintenance	250	420	420	-
Other expenditures	335,325	338,295	306,089	(32,206)
Debt service:				
Principal	3,796,000	3,745,000	739,667	(3,005,333)
Interest	285,000	285,000	235,850	(49,150)
Total expenditures	17,384,774	17,617,297	12,495,856	(5,121,441)
Excess of revenues over (under) expenditures	(4,245,624)	(4,153,197)	835,236	4,988,433
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,010,500)	(3,040,860)	(3,040,834)	26
Proceeds of notes	-	-	16,004	16,004
Issuance of bonds and notes	7,850,000	7,850,000	7,985,000	135,000
Premium on refunding bonds	-	-	7,730	7,730
Payment to refunded bonds escrow agent	-	-	(2,924,147)	(2,924,147)
Total other financing sources (uses)	5,839,500	4,809,140	2,043,753	(2,765,387)
Net change in fund balance	1,593,876	655,943	2,878,989	2,223,046
FUND BALANCE at beginning of year	7,190,557	7,190,557	7,190,557	-
FUND BALANCE at end of year	<u>\$ 8,784,433</u>	<u>\$ 7,846,500</u>	<u>\$ 10,069,546</u>	<u>\$ 2,223,046</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
DRUG FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 125	\$ 125	\$ 187	\$ 62
Miscellaneous	<u>42,000</u>	<u>42,000</u>	<u>100,618</u>	<u>58,618</u>
Total revenues	<u>42,125</u>	<u>42,125</u>	<u>100,805</u>	<u>58,680</u>
EXPENDITURES				
Public safety	22,000	37,000	32,127	(4,873)
Capital outlay	<u>68,000</u>	<u>158,897</u>	<u>111,517</u>	<u>(47,380)</u>
Total expenditures	<u>90,000</u>	<u>195,897</u>	<u>143,644</u>	<u>(52,253)</u>
Excess of revenues over (under) expenditures	(47,875)	(153,772)	(42,839)	110,933
FUND BALANCE at beginning of year	<u>141,857</u>	<u>141,857</u>	<u>141,857</u>	<u>-</u>
FUND BALANCE (DEFICIT) at end of year	<u>\$ 93,982</u>	<u>\$ (11,915)</u>	<u>\$ 99,018</u>	<u>\$ 110,933</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
SOLID WASTE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	<u>\$ 395,600</u>	<u>\$ 415,850</u>	<u>\$ -</u>	<u>\$ (415,850)</u>
Total revenues	<u>395,600</u>	<u>415,850</u>	<u>-</u>	<u>(415,850)</u>
EXPENDITURES				
Sanitation	<u>395,000</u>	<u>415,850</u>	<u>411,999</u>	<u>(3,851)</u>
Total expenditures	<u>395,000</u>	<u>415,850</u>	<u>411,999</u>	<u>(3,851)</u>
Deficiency of revenues under expenditures	600	-	(411,999)	(411,999)
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>443,102</u>	<u>443,102</u>
Net change in fund balance	600	-	31,103	31,103
FUND BALANCE (DEFICIT) at beginning of year	<u>(31,103)</u>	<u>(31,103)</u>	<u>(31,103)</u>	<u>-</u>
FUND BALANCE (DEFICIT) at end of year	<u>\$ (30,503)</u>	<u>\$ (31,103)</u>	<u>\$ -</u>	<u>\$ 31,103</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
STATE STREET AID FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 332,500	\$ 332,500	\$ 277,845	\$ (54,655)
Investment income	<u>175</u>	<u>175</u>	<u>241</u>	<u>66</u>
Total revenues	<u>332,675</u>	<u>332,675</u>	<u>278,086</u>	<u>(54,589)</u>
EXPENDITURES				
Streets	<u>380,500</u>	<u>380,500</u>	<u>343,313</u>	<u>(37,187)</u>
Total expenditures	<u>380,500</u>	<u>380,500</u>	<u>343,313</u>	<u>(37,187)</u>
Excess revenues over expenditures	(47,825)	(47,825)	(65,227)	(17,402)
FUND BALANCE at beginning of year	<u>245,135</u>	<u>245,135</u>	<u>245,135</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 197,310</u>	<u>\$ 197,310</u>	<u>\$ 179,908</u>	<u>\$ (17,402)</u>

FINANCIAL SCHEDULES

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

CITY OF CROSSVILLE
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
 Year Ended June 30, 2013

Tax Year (1)	Property Taxes Receivable Balance June 30, 2012	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2013	Allowance for Uncollectibles	Net Receivable Balance June 30, 2013
2013	\$ -	\$ -	\$ 2,037,469	\$ -	\$ -	\$ 2,037,469	\$ -	\$ 2,037,469
2012	-	1,978,329	-	(79,087)	1,842,212	57,030	6,820	50,210
2011	60,252	-	-	-	29,037	31,215	6,820	24,395
2010	24,297	-	-	(50)	12,122	12,125	6,063	6,062
2009	15,187	-	-	(17)	3,859	11,311	5,654	5,657
2008	9,338	-	-	-	2,422	6,916	6,916	-
2007	8,083	-	-	-	1,879	6,204	6,204	-
2006	4,924	-	-	-	1,972	2,952	2,952	-
2005	2,773	-	-	-	343	2,430	2,430	-
2004	17,149	-	-	-	-	17,149	17,149	-
2003	3,738	-	-	-	-	3,738	3,738	-
1995-2002	410	-	-	-	-	410	410	-
Totals	<u>\$ 146,151</u>	<u>\$ 1,978,329</u>	<u>\$ 2,037,469</u>	<u>\$ (79,154)</u>	<u>\$ 1,893,846</u>	<u>\$ 2,188,949</u>	<u>\$ 65,156</u>	<u>\$ 2,123,793</u>

Note:

(1) Accrual of the anticipated current year levy is required by GASB Statement No. 33. The accrual is recorded net of the allowance for uncollectible amounts.

CITY OF CROSSVILLE
SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2014	290,004	217,010	\$ 507,014
2015	276,000	211,807	487,807
2016	282,000	207,103	489,103
2017	289,000	202,295	491,295
2018	291,000	197,379	488,379
2019	297,000	192,455	489,455
2020	299,000	187,396	486,396
2021	306,000	182,335	488,335
2022	313,000	176,884	489,884
2023	319,000	170,757	489,757
2024	326,000	164,239	490,239
2025	265,000	156,463	421,463
2026	340,000	148,516	488,516
2027	350,000	138,312	488,312
2028	360,000	127,412	487,412
2029	370,000	115,787	485,787
2030	380,000	104,687	484,687
2031	395,000	93,287	488,287
2032	405,000	81,437	486,437
2033	415,000	69,287	484,287
2034	430,000	56,837	486,837
2035	445,000	43,400	488,400
2036	455,000	29,494	484,494
2037	470,000	15,275	485,275
	<u>8,368,004</u>	<u>3,289,854</u>	<u>11,657,858</u>
BUSINESS-TYPE ACTIVITIES			
2014	1,231,148	873,266	2,104,414
2015	960,337	839,693	1,800,030
2016	1,107,928	814,102	1,922,030
2017	1,145,918	784,875	1,930,793
2018	1,174,374	753,231	1,927,605
2019	1,208,271	720,441	1,928,712
2020	1,242,651	686,298	1,928,949
2021	1,272,514	652,510	1,925,024
2022	1,307,864	617,784	1,925,648
2023	1,348,717	582,006	1,930,723
2024	1,386,250	546,285	1,932,535
2025	1,422,594	505,015	1,927,609
2026	1,472,709	458,307	1,931,016
2027	1,517,794	409,732	1,927,526
2028	1,578,314	358,940	1,937,254
2029	1,259,299	306,367	1,565,666
2030	1,655,917	268,899	1,924,816
2031	1,784,216	220,053	2,004,269
2032	1,748,515	171,865	1,920,380
2033	164,985	120,327	285,312
2034	170,003	115,309	285,312
2035	175,174	110,138	285,312
2036	180,501	104,811	285,312
2037	188,002	97,310	285,312
2038	194,397	90,915	285,312
2039	198,019	87,293	285,312
2040	203,756	81,556	285,312
2041	209,660	75,652	285,312
2042	215,735	69,577	285,312
2043	221,985	63,327	285,312
2044	228,418	56,894	285,312
2045	235,036	50,276	285,312
2046	241,846	43,466	285,312
2047	248,853	36,459	285,312
2048	256,064	29,248	285,312
2049	263,484	21,828	285,312
2050	489,798	12,240	502,038
	<u>29,911,046</u>	<u>11,836,295</u>	<u>41,747,341</u>
Total business-type activities	<u>29,911,046</u>	<u>11,836,295</u>	<u>41,747,341</u>
Total primary government indebtedness	<u>\$ 38,279,050</u>	<u>\$15,126,149</u>	<u>\$ 53,405,199</u>

CITY OF CROSSVILLE

ANALYSIS OF DEBT

June 30, 2013

	<u>Outstanding July 1, 2012</u>	<u>Issued FY 2012-2013</u>	<u>Retired FY 2012-2013</u>	<u>Outstanding June 30, 2013</u>	<u>Maturing FY 2013-2014</u>	<u>Interest Payable FY 2013-2014</u>
GOVERNMENTAL ACTIVITIES						
Notes payable:						
Tennessee Municipal Bond Fund, Series 2004	\$ 680,000	\$ -	\$ (48,000)	\$ 632,000	\$ 49,000	\$ 2,528
Tennessee Municipal Bond Fund, Series 2010	870,814	-	(870,814)	-	-	-
Airport Capital Outlay Note	680,000	-	(680,000)	-	-	-
Land Purchase Capital Outlay Note	1,800,000	-	(1,800,000)	-	-	-
Police Software Loan	-	16,004	-	16,004	16,004	507
General Obligation Refunding and Improvement Bonds Series 2012A	-	4,205,000	(45,000)	4,160,000	25,000	125,344
General Obligation Refunding and Improvement Bonds Series 2012B	-	3,780,000	(220,000)	3,560,000	200,000	88,631
Total notes payable	4,030,814	8,001,004	(3,663,814)	8,368,004	290,004	217,010
Total governmental activities	4,030,814	8,001,004	(3,663,814)	8,368,004	290,004	217,010
BUSINESS-TYPE ACTIVITIES						
Bonds:						
Water System Refunding Revenue Bonds, Series 2005	4,100,000	-	(185,000)	3,915,000	190,000	173,859
Water and Sewer Revenue and Tax Bonds, Series 2003	1,189,240	-	(1,189,240)	-	-	-
Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	-	8,660,000	-	8,660,000	-	252,794
Total bonds	5,289,240	8,660,000	(1,374,240)	12,575,000	190,000	426,653
Notes payable -						
State Wastewater Facility Revolving Loan 2000	3,545,981	-	(287,460)	3,258,521	292,584	55,320
State Wastewater Facility Revolving Loan 2001	305,150	-	(23,076)	282,074	23,412	3,984
State Wastewater Facility Revolving Loan 2001	769,756	-	(59,544)	710,212	60,420	10,032
State Wastewater Facility Revolving Loan 1992	345,595	-	(163,536)	182,059	182,059	2,784
State Revolving Loan August 2009	2,598,684	-	(104,268)	2,494,416	107,316	70,428
State Revolving Loan November 2009	2,896,380	-	(115,362)	2,781,018	119,472	77,136
State Revolving Loan April 2010	470,151	-	(19,572)	450,579	20,364	12,252
State Revolving Loan May 2010	648,662	-	(27,816)	620,846	26,256	16,380
Tennessee Local Development Authority	268,199	-	(152,304)	115,895	115,895	6,355
Tennessee Municipal Bond Fund, Series 1997	2,256,800	-	(2,256,800)	-	-	-
Tennessee Municipal Bond Fund, Series 2010	3,024,186	-	(3,024,186)	-	-	-
USDA Rural Development Loan Hwy 70 N Waterline	1,698,076	-	(24,463)	1,673,613	25,207	49,865
USDA Rural Development Loan Cumberland Cove	583,410	231,590	(6,850)	808,150	11,918	24,082
USDA Rural Development Loan Meadow Park Lake Dam	4,000,000	-	(41,337)	3,958,663	56,245	117,995
Total notes payable	23,411,030	231,590	(6,306,574)	17,336,046	1,041,148	446,613
Total business-type activities	28,700,270	8,891,590	(7,680,814)	29,911,046	1,231,148	873,266
Total general obligation debt	\$32,731,084	\$16,892,594	\$(11,344,628)	\$38,279,050	\$ 1,521,152	\$ 1,090,276

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2013

<u>DIRECT INDEBTEDNESS</u>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2014	Tennessee Municipal Bond Fund Loan 2004	0.40	\$ 49,000	\$ 2,528	\$ 51,528
2015		0.40	51,000	2,332	53,332
2016		0.40	52,000	2,128	54,128
2017		0.40	54,000	1,920	55,920
2018		0.40	56,000	1,704	57,704
2019		0.40	57,000	1,480	58,480
2020		0.40	59,000	1,252	60,252
2021		0.40	61,000	1,016	62,016
2022		0.40	63,000	772	63,772
2023		0.40	64,000	520	64,520
2024		0.40	66,000	264	66,264
			632,000	15,916	647,916
2014	Police Software Loan		16,004	507	16,511
2014	General Obligation Refunding and Improvement Bonds	3.18	25,000	125,344	150,344
2015	Series 2012A	3.18	20,000	124,844	144,844
2016		3.18	25,000	124,444	149,444
2017		3.18	25,000	123,944	148,944
2018		3.18	25,000	123,444	148,444
2019		3.18	25,000	122,944	147,944
2020		3.18	20,000	122,413	142,413
2021		3.18	25,000	121,988	146,988
2022		3.18	25,000	121,456	146,456
2023		3.18	30,000	120,925	150,925
2024		3.18	30,000	120,288	150,288
2025		3.18	30,000	119,388	149,388
2026		3.18	30,000	118,488	148,488
2027		3.18	30,000	117,587	147,587
2028		3.18	30,000	116,687	146,687
2029		3.18	370,000	115,787	485,787
2030		3.18	380,000	104,687	484,687
2031		3.18	395,000	93,287	488,287
2032		3.18	405,000	81,437	486,437
2033		3.18	415,000	69,287	484,287
2034		3.18	430,000	56,837	486,837
2035		3.18	445,000	43,400	488,400
2036		3.18	455,000	29,494	484,494
2037		3.18	470,000	15,275	485,275
			4,160,000	2,433,675	6,593,675
2014	General Obligation Refunding and Improvement Bonds	2.675	200,000	88,631	288,631
2015	Series 2012B	2.675	205,000	84,631	289,631
2016		2.675	205,000	80,531	285,531
2017		2.675	210,000	76,431	286,431
2018		2.675	210,000	72,231	282,231
2019		2.675	215,000	68,031	283,031
2020		2.675	220,000	63,731	283,731
2021		2.675	220,000	59,331	279,331
2022		2.675	225,000	54,656	279,656
2023		2.675	225,000	49,312	274,312
2024		2.675	230,000	43,687	273,687
2025		2.675	235,000	37,075	272,075
2026		2.675	310,000	30,028	340,028
2027		2.675	320,000	20,725	340,725
2028		2.675	330,000	10,725	340,725
			3,560,000	839,756	4,399,756
	Total direct indebtedness		8,368,004	3,289,854	11,657,858

(continued on following page)

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2013

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2014	State Wastewater Facility Revolving Loan 2000	1.77	\$ 292,584	\$ 55,320	\$ 347,904
2015		1.77	297,804	50,100	347,904
2016		1.77	303,120	44,784	347,904
2017		1.77	308,520	39,372	347,892
2018		1.77	314,028	33,864	347,892
2019		1.77	319,632	28,260	347,892
2020		1.77	325,344	22,560	347,904
2021		1.77	331,140	16,752	347,892
2022		1.77	337,056	10,848	347,904
2023		1.77	343,068	4,836	347,904
2024		1.77	86,225	255	86,480
				<u>3,258,521</u>	<u>306,951</u>
2014	State Wastewater Facility Revolving Loan 2001	1.47	60,420	10,032	70,452
2015		1.47	61,320	9,144	70,464
2016		1.47	62,232	8,232	70,464
2017		1.47	63,144	7,308	70,452
2018		1.47	64,080	6,372	70,452
2019		1.47	65,028	5,424	70,452
2020		1.47	65,988	4,464	70,452
2021		1.47	66,972	3,492	70,464
2022		1.47	67,956	2,496	70,452
2023		1.47	68,964	1,488	70,452
2024		1.47	64,108	473	64,581
				<u>710,212</u>	<u>58,925</u>
2014	State Wastewater Facility Revolving Loan 1992	2.64	<u>182,059</u>	<u>2,784</u>	<u>184,843</u>
				<u>182,059</u>	<u>2,784</u>
2014	State Revolving Loan Fund November 2009	2.83	119,472	77,136	196,608
2015		2.83	122,892	73,716	196,608
2016		2.83	126,420	70,188	196,608
2017		2.83	130,044	66,564	196,608
2018		2.83	133,776	62,832	196,608
2019		2.83	137,604	59,004	196,608
2020		2.83	141,552	55,056	196,608
2021		2.83	145,608	51,000	196,608
2022		2.83	149,784	46,824	196,608
2023		2.83	154,080	42,528	196,608
2024		2.83	158,496	38,112	196,608
2025		2.83	163,032	33,576	196,608
2026		2.83	167,712	28,896	196,608
2027		2.83	172,524	24,084	196,608
2028		2.83	177,468	19,140	196,608
2029		2.83	182,556	14,052	196,608
2030		2.83	187,788	8,820	196,608
2031		2.83	193,116	3,492	196,608
2032		2.83	17,094	-	17,094
			<u>2,781,018</u>	<u>775,020</u>	<u>3,556,038</u>

(continued on following page)

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2013

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2014	State Revolving Loan Fund August 2009	2.88	\$ 107,316	\$ 70,428	\$ 177,744
2015		2.88	110,448	67,296	177,744
2016		2.88	113,664	64,080	177,744
2017		2.88	116,988	60,756	177,744
2018		2.88	120,396	57,348	177,744
2019		2.88	123,912	53,832	177,744
2020		2.88	127,524	50,220	177,744
2021		2.88	131,256	46,488	177,744
2022		2.88	135,084	42,660	177,744
2023		2.88	139,020	38,724	177,744
2024		2.88	143,076	34,668	177,744
2025		2.88	147,252	30,492	177,744
2026		2.88	151,560	26,184	177,744
2027		2.88	155,976	21,768	177,744
2028		2.88	160,524	17,220	177,744
2029		2.88	165,216	12,528	177,744
2030		2.88	170,040	7,704	177,744
2031		2.88	175,016	2,728	177,744
2032		2.88	148	-	148
			<u>2,494,416</u>	<u>705,124</u>	<u>3,199,540</u>
2014	State Revolving Loan Fund April 2010	2.78	20,364	12,252	32,616
2015		2.78	20,940	11,676	32,616
2016		2.78	21,528	11,088	32,616
2017		2.78	22,140	10,476	32,616
2018		2.78	22,764	9,852	32,616
2019		2.78	23,400	9,216	32,616
2020		2.78	24,060	8,556	32,616
2021		2.78	24,732	7,884	32,616
2022		2.78	25,428	7,188	32,616
2023		2.78	26,148	6,468	32,616
2024		2.78	26,880	5,736	32,616
2025		2.78	27,636	4,980	32,616
2026		2.78	28,416	4,200	32,616
2027		2.78	29,220	3,396	32,616
2028		2.78	30,048	2,568	32,616
2029		2.78	30,888	1,728	32,616
2030	2.78	31,752	864	32,616	
2031	2.78	14,235	84	14,319	
			<u>450,579</u>	<u>118,212</u>	<u>568,791</u>
2014	Tennessee Local Development Authority	3.31	115,895	6,355	122,250
			<u>115,895</u>	<u>6,355</u>	<u>122,250</u>
2014	Water System Refunding Revenue Bonds, Series 2005	3.75	190,000	173,859	363,859
2015		3.85	200,000	166,544	366,544
2016		4.00	205,000	158,544	363,544
2017		4.25	215,000	149,831	364,831
2018		4.25	225,000	140,693	365,693
2019		4.38	235,000	130,850	365,850
2020		4.50	245,000	120,275	365,275
2021		4.50	255,000	109,250	364,250
2022		4.50	265,000	97,775	362,775
2023		4.50	280,000	85,850	365,850
2024		4.50	295,000	73,250	368,250
2025		4.50	305,000	59,975	364,975
2026		4.50	320,000	46,250	366,250
2027		4.63	330,000	31,450	361,450
2028		4.63	350,000	16,188	366,188
			<u>3,915,000</u>	<u>1,560,584</u>	<u>5,475,584</u>

(continued on following page)

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2013

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2014	Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	2.95	\$ -	\$ 252,794	\$ 252,794
2015		2.95	-	252,794	252,794
2016		2.95	125,000	252,794	377,794
2017		2.95	135,000	250,294	385,294
2018		2.95	135,000	246,244	381,244
2019		2.95	140,000	242,194	382,194
2020		2.95	145,000	237,994	382,994
2021		2.95	145,000	235,094	380,094
2022		2.95	150,000	232,193	382,193
2023		2.95	155,000	229,193	384,193
2024		2.95	425,000	225,900	650,900
2025		2.95	610,000	213,150	823,150
2026		2.95	635,000	194,850	829,850
2027		2.95	655,000	175,800	830,800
2028		2.95	680,000	156,150	836,150
2029	2.95	695,000	135,750	830,750	
2030	2.95	1,075,000	114,900	1,189,900	
2031	2.95	1,205,000	82,650	1,287,650	
2032	2.95	1,550,000	46,500	1,596,500	
			<u>8,660,000</u>	<u>3,777,238</u>	<u>12,437,238</u>
2014	State Wastewater Facility Revolving Loan 2001	1.47	23,412	3,984	27,396
2015		1.47	23,760	3,648	27,408
2016		1.47	24,120	3,288	27,408
2017		1.47	24,468	2,940	27,408
2018		1.47	24,840	2,568	27,408
2019		1.47	25,200	2,208	27,408
2020		1.47	25,572	1,836	27,408
2021		1.47	25,956	1,452	27,408
2022		1.47	26,340	1,068	27,408
2023		1.47	26,724	684	27,408
2024		1.47	27,120	288	27,408
2025		1.47	4,562	6	4,568
			<u>282,074</u>	<u>23,970</u>	<u>306,044</u>
2014	State Revolving Loan May 2010	2.69	26,256	16,380	42,636
2015		2.69	26,964	15,672	42,636
2016		2.69	27,708	14,928	42,636
2017		2.69	28,464	14,172	42,636
2018		2.69	29,232	13,404	42,636
2019		2.69	30,036	12,600	42,636
2020		2.69	30,852	11,784	42,636
2021		2.69	31,692	10,944	42,636
2022		2.69	32,556	10,080	42,636
2023		2.69	33,444	9,192	42,636
2024		2.69	34,356	8,280	42,636
2025		2.69	35,292	7,344	42,636
2026		2.69	36,252	6,384	42,636
2027		2.69	37,236	5,760	42,996
2028		2.69	38,244	4,392	42,636
2029	2.69	39,288	3,348	42,636	
2030	2.69	40,356	2,280	42,636	
2031	2.69	41,460	1,176	42,636	
2032	2.69	21,158	168	21,326	
			<u>620,846</u>	<u>168,288</u>	<u>789,134</u>

(continued on following page)

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2013

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2014	USDA Rural Development Loan Hwy 70 N Waterline	3.00	\$ 25,207	\$ 49,865	\$ 75,072
2015		3.00	25,973	49,099	75,072
2016		3.00	26,763	48,309	75,072
2017		3.00	27,577	47,495	75,072
2018		3.00	28,416	46,656	75,072
2019		3.00	29,280	45,792	75,072
2020		3.00	30,171	44,901	75,072
2021		3.00	31,089	43,983	75,072
2022		3.00	32,034	43,038	75,072
2023		3.00	33,009	42,063	75,072
2024		3.00	34,013	41,059	75,072
2025		3.00	35,047	40,025	75,072
2026		3.00	36,113	38,959	75,072
2027		3.00	37,211	37,861	75,072
2028		3.00	38,343	36,729	75,072
2029		3.00	39,510	35,562	75,072
2030		3.00	40,711	34,361	75,072
2031		3.00	41,950	33,122	75,072
2032		3.00	43,226	31,846	75,072
2033		3.00	44,540	30,532	75,072
2034		3.00	45,895	29,177	75,072
2035		3.00	47,291	27,781	75,072
2036		3.00	48,729	26,343	75,072
2037		3.00	50,378	24,694	75,072
2038		3.00	51,839	23,233	75,072
2039		3.00	53,342	21,730	75,072
2040		3.00	54,889	20,183	75,072
2041		3.00	56,481	18,591	75,072
2042		3.00	58,119	16,953	75,072
2043		3.00	59,804	15,268	75,072
2044	3.00	61,539	13,533	75,072	
2045	3.00	63,323	11,749	75,072	
2046	3.00	65,160	9,912	75,072	
2047	3.00	67,049	8,023	75,072	
2048	3.00	68,994	6,078	75,072	
2049	3.00	70,995	4,077	75,072	
2050	3.00	69,603	972	70,575	
			<u>1,673,613</u>	<u>1,099,554</u>	<u>2,773,167</u>
2014	USDA Rural Development Loan Cumberland Cove	3.00	11,918	24,082	36,000
2015		3.00	12,280	23,720	36,000
2016		3.00	12,654	23,346	36,000
2017		3.00	13,038	22,962	36,000
2018		3.00	13,435	22,565	36,000
2019		3.00	13,844	22,156	36,000
2020		3.00	14,265	21,735	36,000
2021		3.00	14,699	21,301	36,000
2022		3.00	15,146	20,854	36,000
2023		3.00	15,606	20,394	36,000
2024		3.00	16,081	19,919	36,000
2025		3.00	16,570	19,430	36,000
2026		3.00	17,074	18,926	36,000
2027		3.00	17,594	18,406	36,000
2028		3.00	18,129	17,871	36,000
2029		3.00	18,680	17,320	36,000
2030		3.00	19,248	16,752	36,000
2031		3.00	19,834	16,166	36,000
2032		3.00	20,437	15,563	36,000
2033		3.00	21,059	14,941	36,000
2034	3.00	21,699	14,301	36,000	

(continued on following page)

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2013

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2035	USDA Rural Development Loan Cumberland Cove (continued)	3.00	\$ 22,359	\$ 13,641	\$ 36,000
2036		3.00	23,039	12,961	36,000
2037		3.00	23,925	12,075	36,000
2038		3.00	24,614	11,386	36,000
2039		3.00	25,323	10,677	36,000
2040		3.00	26,052	9,948	36,000
2041		3.00	26,802	9,198	36,000
2042		3.00	27,574	8,426	36,000
2043		3.00	28,368	7,632	36,000
2044		3.00	29,185	6,815	36,000
2045		3.00	30,026	5,974	36,000
2046		3.00	30,890	5,110	36,000
2047		3.00	31,780	4,220	36,000
2048		3.00	32,695	3,305	36,000
2049		3.00	33,637	2,363	36,000
2050		3.00	48,411	363	48,774
			<u>808,150</u>	<u>536,624</u>	<u>1,344,774</u>
2014	USDA Rural Development Loan Meadow Park Lake Dam	3.00	56,245	117,995	174,240
2015		3.00	57,956	116,284	174,240
2016		3.00	59,719	114,521	174,240
2017		3.00	61,535	112,705	174,240
2018		3.00	63,407	110,833	174,240
2019		3.00	65,335	108,905	174,240
2020		3.00	67,323	106,917	174,240
2021		3.00	69,370	104,870	174,240
2022		3.00	71,480	102,760	174,240
2023		3.00	73,654	100,586	174,240
2024		3.00	75,895	98,345	174,240
2025		3.00	78,203	96,037	174,240
2026		3.00	80,582	93,658	174,240
2027		3.00	83,033	91,207	174,240
2028		3.00	85,558	88,682	174,240
2029		3.00	88,161	86,079	174,240
2030		3.00	90,842	83,398	174,240
2031		3.00	93,605	80,635	174,240
2032		3.00	96,452	77,788	174,240
2033		3.00	99,386	74,854	174,240
2034		3.00	102,409	71,831	174,240
2035		3.00	105,524	68,716	174,240
2036		3.00	108,733	65,507	174,240
2037		3.00	113,699	60,541	174,240
2038	3.00	117,944	56,296	174,240	
2039	3.00	119,354	54,886	174,240	
2040	3.00	122,815	51,425	174,240	
2041	3.00	126,377	47,863	174,240	
2042	3.00	130,042	44,198	174,240	
2043	3.00	133,813	40,427	174,240	
2044	3.00	137,694	36,546	174,240	
2045	3.00	141,687	32,553	174,240	
2046	3.00	145,796	28,444	174,240	
2047	3.00	150,024	24,216	174,240	
2048	3.00	154,375	19,865	174,240	
2049	3.00	158,852	15,388	174,240	
2050	3.00	371,784	10,905	382,689	
			<u>3,958,663</u>	<u>2,696,666</u>	<u>6,655,329</u>
	Total Water and Sewer Department		<u>29,911,046</u>	<u>11,836,295</u>	<u>41,747,341</u>
	Total Primary Government Indebtedness		<u>\$ 38,279,050</u>	<u>\$15,126,149</u>	<u>\$ 53,405,199</u>

CITY OF CROSSVILLE
SCHEDULE OF TAX RATES AND ASSESSMENTS
June 30, 2013

<u>Year of Levy</u>	<u>Rate</u>	<u>Assessment</u>	<u>Amount of Tax Assessed</u>
2004	0.70	\$ 242,689,143	\$ 1,688,791
2005	0.70	243,531,287	1,704,184
2006	0.70	254,353,428	1,780,474
2007	0.55	335,255,490	1,844,424
2008	0.55	348,200,080	1,915,107
2009	0.55	354,670,332	1,955,058
2010	0.55	355,988,256	1,957,943
2011	0.55	369,102,842	2,030,073
2012	0.53	373,269,625	1,978,329

CITY OF CROSSVILLE

SCHEDULE OF WATER AND SEWER RATES AND NUMBER OF CUSTOMERS
June 30, 2013

WATER AND SEWER CUSTOMER RATES

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 2,000 gallons		
Water	\$ 8.94 minimum bill	\$13.42 minimum bill
Sewer	10.94 minimum bill	16.40 minimum bill
All over 2,000 gallons		
Water	\$4.47 per 1,000 gallons	\$6.71 per 1,000 gallons
Sewer	5.47 per 1,000 gallons	8.20 per 1,000 gallons
Utility districts		\$3.24 per 1,000 gallons

NUMBER OF CUSTOMERS

	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Total</u>
Water customers			
Residential	3,709	7,006	10,715
Commercial	1,301	180	1,481
Industrial	35	8	43
Utility district taps	-	5	5
	<u>5,045</u>	<u>7,199</u>	<u>12,244</u>
Total water customers	<u>5,045</u>	<u>7,199</u>	<u>12,244</u>
Total sewer customers	<u>4,797</u>	<u>22</u>	<u>4,819</u>

CITY OF CROSSVILLE
SCHEDULE OF UNACCOUNTED FOR WATER
Year Ended June 30, 2013

(All amounts in gallons)

Water Treated and Purchased		
Water pumped (potable)	1,375,527,000	
Water purchased	<u>-</u>	
Total Water Treated and Purchased		1,375,527,000
Accounted for Water		
Water sold	1,039,784,400	
Fire department usage	216,400	
Flushing	<u>3,784,756</u>	
Total Accounted for Water		<u>1,043,785,556</u>
Unaccounted for Water		<u>331,741,444</u>
Percent Unaccounted for Water		<u>24.1%</u>

Other: For the year ended June 30, 2013, the City of Crossville also had 20,880,252 gallons of water in documented repair leaks which would reduce the unaccounted for water to 22.6%. All amounts included in this schedule are supported by documentation on file at the water system.

CITY OF CROSSVILLE

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS
Year Ended June 30, 2013

<u>Official Title</u>	<u>Name</u>	<u>Salary</u>	<u>Bond</u>	<u>Surety</u>
Mayor	J. H. Graham, III	\$ 4,116	\$500,000	Tennessee Municipal League Risk Management Pool
Interim City Manager	Jack Miller	75,000	500,000	Tennessee Municipal League Risk Management Pool
City Recorder	Sally Oglesby	61,309	500,000	Tennessee Municipal League Risk Management Pool
Finance Director	Fred Houston	62,560	500,000	Tennessee Municipal League Risk Management Pool

CITY OF CROSSVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

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
U.S. DEPARTMENT OF TRANSPORTATION							
Alcohol Saturation and Checkpoints	20.607	154AL-12-31	\$ (7,067)	\$ 10,631	\$ 3,564	\$ -	\$ -
Alcohol Saturation and Checkpoints	20.607	154AL-12-30	(8,573)	12,252	3,679	-	-
Alcohol Saturation and Checkpoints	20.607	154AL-12-170	(2,239)	2,239	-	-	-
Alcohol Saturation and Checkpoints	20.607	154AL-13-53	-	9,602	19,396	-	(9,794)
Alcohol Saturation and Checkpoints	20.607	154AL-13-54	-	4,997	4,997	-	-
Alcohol Saturation and Checkpoints	20.607	PT 13-39	-	8,086	11,868	-	(3,782)
Airport Improvement Program	20.106	DG-10-29290-00	(12,809)	16,490	3,681	(94,831)	(94,831)
Airport Improvement Program	20.106	Z-08200754-00	(117,999)	101,269	-	16,730	-
Safe Routes to School	20.080	SRTS-9205-9	-	11,050	11,050	-	-
Total U.S. Department of Transportation			<u>(148,687)</u>	<u>176,616</u>	<u>58,235</u>	<u>(78,101)</u>	<u>(108,407)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through Tennessee Department of Economic and Community Development:							
Community Development Block Grant	14.228	33004-63412	<u>(24,323)</u>	<u>500,000</u>	<u>475,677</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>(24,323)</u>	<u>500,000</u>	<u>475,677</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE							
Bulletproof Vest Partnership Program	16.607	2009BUBX09049954	<u>(242)</u>	<u>242</u>	<u>1,194</u>	<u>-</u>	<u>(1,194)</u>
Total U.S. Department of Justice			<u>(242)</u>	<u>242</u>	<u>1,194</u>	<u>-</u>	<u>(1,194)</u>

(continued on next page)

CITY OF CROSSVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

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
(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Passed through Tennessee Department of Environment and Conservation:							
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	DWF 10-105	\$ (96,046)	\$ 96,046	\$ -	\$ -	\$ -
Capitalization Grant for State Revolving Fund	66.468	DWF 12-116	-	-	32,333	-	(32,333)
Passed through Upper Cumberland Development District:							
GIS Stormwater Inventory Program	66.454	GG1031677	-	18,140	18,140	-	-
GIS Stormwater Inventory Program	15.904		-	-	6,175	-	(6,175)
The Nature Conservatory		TNFO-080110-3830-01	-	928	1,495	-	(567)
Total U.S. Environmental Protection Agency			<u>(96,046)</u>	<u>115,114</u>	<u>58,143</u>	<u>-</u>	<u>(39,075)</u>
U.S. DEPARTMENT OF AGRICULTURE							
Tree Management Plan	10.675	32510-16212	-	2,518	2,518	-	-
Passed through Tennessee Department of Agriculture:							
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	Highway 70 grant	(213,295)	285,372	72,077	-	-
Water and Waste Disposal Systems for Rural Communities	10.760	MPL Dam loan	(1,243,796)	1,243,796	-	-	-
Water and Waste Disposal Systems for Rural Communities	10.760	MPL Dam grant	(454,342)	986,552	532,210	-	-
Total Water and Waste Program Cluster			<u>(1,911,433)</u>	<u>2,515,720</u>	<u>604,287</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>(1,911,433)</u>	<u>2,518,238</u>	<u>606,805</u>	<u>-</u>	<u>-</u>

(continued on next page)

CITY OF CROSSVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

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
(continued from previous page)							
U.S. OFFICE OF NATURAL DRUG CONTROL POLICY							
Passed through Laurel County Fiscal Court, Kentucky:							
High Intensity Drug Trafficking Area	95.001	G 11 AP0001A	\$ -	\$ 4,510	\$ 11,438	\$ -	\$ (6,928)
Total U.S. Office of Natural Drug Control Policy			-	4,510	11,438	-	(6,928)
TOTAL EXPENDITURES OF FEDERAL AWARDS			(2,180,731)	3,314,720	1,211,492	(78,101)	(155,604)
STATE AWARDS							
Tennessee of Department of Transportation							
Aeronautics Division Grant		Z-09-21-4036-00	(19,174)	-	-	(19,174)	-
Aeronautics Division Grant		Z-09-21-3945-00	-	33,392	33,392	-	-
Aeronautics Division Grant		Z-09-21-4029-00	-	32,422	-	32,422	-
Aeronautics Division Grant	25.740	AERO-M12-213	(4,786)	4,786	-	-	-
Aeronautics Division Grant	25.740	AERO-M13-279	-	5,177	18,654	-	(13,477)
Aeronautics Division Grant	20.106	AERO-M13-142	-	25,156	27,648	-	(2,492)
Aeronautics Division Grant		AERO-M13-143	-	-	2,639	-	(2,639)
Tennessee Department of Transportation		STP-101-10	-	36,529	19,897	16,632	-
Tennessee Valley Authority							
Tennessee Healthy Watershed Initiative		THWI 07	-	12,845	12,845	-	-
TOTAL EXPENDITURES OF STATE AWARDS			(23,960)	150,307	115,075	29,880	(18,608)
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ (2,204,691)	\$3,465,027	\$1,326,567	\$(48,221)	\$ (174,212)

CITY OF CROSSVILLE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2013

Note 1. Basis of Presentation

The supplemental schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards reflect adjustments to prior year ending accrued revenues that will not be received, adjustments to record accruals not recorded in prior years, or reclassifications of accrual amounts to the proper grants.



Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

To the Honorable Mayor
and Members of the City Council
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 of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 2, 2014. Our report includes a reference to the changes in accounting principles resulting from the implementation of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities.

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 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee
January 2, 2014



Independent Auditor's Report on Compliance For
Each Major Program and on Internal Control Over Compliance
Required by OMB Circular A-133

To the Honorable Mayor
and Members of the City Council
Crossville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Crossville's (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
January 2, 2014

CITY OF CROSSVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	U.S. Department of Housing and Urban Development: Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF CROSSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2013-1: Internal Control over Financial Reporting

Condition and criteria: Under current professional standards, the City is responsible for the internal control process which includes preparation of year-end financial statements in accordance with generally accepted accounting principles. During the audit process adjustments and corrections were made to the governmental fund and government-wide financial statements related to debt and revenues. The amounts involved were significant to the financial statements.

Context: The financial statement revisions made during the audit process constitute significant deficiencies in internal control.

Effect: The City's independent auditors assist in the preparation of accurate financial statements and disclosures, but are not considered a part of the City's internal control process.

Cause: The City's internal control process did not adequately identify and correct certain misstatements in the governmental fund and government-wide financial statements.

Recommendation: We recommend that the City improve the review process of amounts reflected in the governmental fund and government-wide financial statements.

Management's response: The City accepts responsibility for the internal control process. Procedures will be put in place to provide more managerial review of work done by staff to ensure greater accuracy of financial statements in the future.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CITY OF CROSSVILLE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

Finding 2012-1: Internal Control over Financial Reporting

Condition: Under current professional standards, the City is responsible for the internal control process which includes preparation of year-end financial statements in accordance with generally accepted accounting principles. During the audit process numerous adjustments and corrections were made to the governmental fund and government-wide financial statements related to capital assets, debt, accrued and deferred revenues, and grant revenues. The amounts involved were significant to the financial statements.

Corrective Action Taken: Corrective actions have been taken, and the number of adjustments was reduced in 2013. Adjustments were made in 2013 related to debt and revenues.

Finding 2012-2: Schedule of Expenditures of Federal Awards

Condition: According to OMB Circular A-133, Subpart C, Paragraph .300(d), the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards. In our testing, we determined that major revisions were required to the City's schedule of expenditures of federal awards.

Corrective Action Taken: This finding has been resolved.