

CITY OF CROSSVILLE
FINANCIAL REPORT
JUNE 30, 2014

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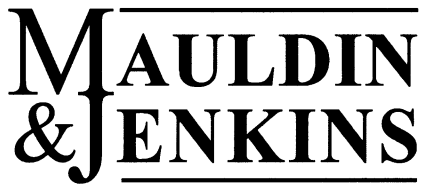
CITY OF CROSSVILLE
DIRECTORY OF OFFICIALS

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, 2014, 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 audits. We conducted our audits 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

The combining financial statements, the budgetary comparison schedules included as other supplementary information, and the financial schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The combining financial statements, the budgetary comparison schedules included as other supplementary information, and the financial schedules 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 February 19, 2015, 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
February 19, 2015

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 years ended June 30, 2014 and 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 decreased by \$1,798,000 in 2014 or 3.0%, while business-type activity total assets decreased by \$2,507,000 or 3.0%, resulting in a decrease in total primary government assets of \$4,305,000 or 3.0%. Governmental activity total revenues for the City increased \$1,736,000 or 12.5%, while business-type total revenues decreased by \$464,000 or 5.2%, resulting in an increase in total primary government revenues of \$1,272,000, or 5.6%. The City's governmental activity total program expenses for 2014 increased \$3,586,000 or 26.1%, while business-activity total program expenses increased by \$524,000 or 6%, resulting in an increase in total primary government program expenses of \$4,110,000 or 18.2%. With respect to the City's governmental activities, net position decreased by \$1,750,000. The fund balance of the General Fund increased during the year by \$69,000.

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 \$57,504,000 in 2014 versus \$59,302,000 in 2013, representing a decrease of \$1,798,000 or 3.0%. Table 1 also shows that total assets of the City's business-type activities were \$80,159,000 in 2014 versus \$82,666,000 in 2013, representing a decrease of \$2,507,000 or 3.0%.

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2014	2013	Change	2014	2013	Change	2014	2013	Change
Current assets, other assets and deferrals	\$14,599	\$14,452	\$ 147	\$ 6,432	\$ 7,323	\$ (891)	\$ 21,031	\$ 21,775	\$ (744)
Capital assets	<u>42,905</u>	<u>44,850</u>	<u>(1,945)</u>	<u>73,727</u>	<u>75,343</u>	<u>(1,616)</u>	<u>116,632</u>	<u>120,193</u>	<u>(3,561)</u>
Total assets and deferrals	<u>\$57,504</u>	<u>\$59,302</u>	<u>\$(1,798)</u>	<u>\$80,159</u>	<u>\$82,666</u>	<u>\$(2,507)</u>	<u>\$137,663</u>	<u>\$141,968</u>	<u>\$(4,305)</u>
Long-term liabilities	\$ 8,420	\$ 8,653	\$ (233)	\$28,927	\$30,143	\$(1,216)	\$ 37,347	\$ 38,796	\$(1,449)
Other liabilities and deferrals	<u>3,484</u>	<u>3,299</u>	<u>185</u>	<u>317</u>	<u>807</u>	<u>(490)</u>	<u>3,801</u>	<u>4,106</u>	<u>(305)</u>
Total liabilities and deferrals	11,904	11,952	(48)	29,244	30,950	(1,706)	41,148	42,902	(1,754)
Net position:									
Net investment in capital assets	36,475	36,475	-	45,212	45,629	(417)	81,687	82,104	(417)
Restricted	394	415	(21)	-	-	-	394	415	(21)
Unrestricted	<u>8,731</u>	<u>10,460</u>	<u>(1,729)</u>	<u>5,703</u>	<u>6,087</u>	<u>(384)</u>	<u>14,434</u>	<u>16,547</u>	<u>(2,113)</u>
Total net position	<u>45,600</u>	<u>47,350</u>	<u>(1,750)</u>	<u>50,915</u>	<u>51,716</u>	<u>(801)</u>	<u>96,515</u>	<u>99,066</u>	<u>(2,551)</u>
Total liabilities, deferrals, and net position	<u>\$57,504</u>	<u>\$59,302</u>	<u>\$(1,798)</u>	<u>\$80,159</u>	<u>\$82,666</u>	<u>\$(2,507)</u>	<u>\$137,663</u>	<u>\$141,968</u>	<u>\$(4,305)</u>

The significant elements and causes for the changes in the City's governmental activities total assets in 2014 were: (1) Current assets, other assets and deferred outflows increased by \$147,000 which was attributed in part to the operations of the City for the year. (2) Capital assets decreased by \$1,945,000 primarily due to the disposition of construction in progress for the Co-Linx project and Downtown Revitalization project.

The significant aspect of the increase in the total assets and deferred outflows of the City's business-type activities in 2014 was a decrease in current and other assets of \$891,000 which was due to a decrease in unrestricted cash and cash equivalents at year-end. Additionally, capital assets decreased by \$1,616,000 related to dispositions of machinery and equipment of the water and sewer plant.

As shown in Table 1, total liabilities and deferred inflows of the City's governmental activities decreased by \$48,000 or 0.4% in 2014. Table 1 also shows total liabilities and deferred inflows of the City's business-type activities decreased by \$1,706,000 or 5.5% in 2014. The significant elements and causes for the changes in the City's total liabilities and deferred inflows in 2014 were due to the repayment of debt.

Therefore, total net position of the City's governmental activities decreased by \$1,750,000 or 3.7%, and total net position of the City's business-type activities decreased by \$801,000 or 1.5%.

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)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2014	2013	Change	2014	2013	Change	2014	2013	Change
Revenues									
Program revenues:									
Charges for services	\$ 2,805	\$ 1,024	\$ 1,781	\$ 8,374	\$ 7,784	\$ 590	\$11,179	\$ 8,808	\$ 2,371
Grants and contributions:									
For operations	438	451	(13)	1	1	-	439	452	(13)
For capital projects	452	361	91	127	1,177	(1,050)	579	1,538	(959)
General revenues:									
Property taxes	2,215	2,227	(12)	-	-	-	2,215	2,227	(12)
Intergovernmental revenues	9,661	9,770	(109)	-	-	-	9,661	9,770	(109)
Interest earnings	9	11	(2)	6	10	(4)	15	21	(6)
Total revenues	<u>15,580</u>	<u>13,844</u>	<u>1,736</u>	<u>8,508</u>	<u>8,972</u>	<u>\$ (464)</u>	<u>24,088</u>	<u>22,816</u>	<u>1,272</u>
Program expenses:									
General government	6,547	3,317	3,230	-	-	-	6,547	3,317	3,230
City court	16	16	-	-	-	-	16	16	-
Airport	384	354	30	-	-	-	384	354	30
Cemetery	67	63	4	-	-	-	67	63	4
Parks and recreation	1,267	1,319	(52)	-	-	-	1,267	1,319	(52)
Planning and zoning	143	151	(8)	-	-	-	143	151	(8)
Public safety	5,799	5,454	345	-	-	-	5,799	5,454	345
Sanitation	419	413	6	-	-	-	419	413	6
Streets	2,175	2,044	131	-	-	-	2,175	2,044	131
Tourism development	297	384	(87)	-	-	-	297	384	(87)
Interest on long-term debt	216	229	(13)	-	-	-	216	229	(13)
Water and sewer department	-	-	-	9,309	8,785	524	9,309	8,785	524
Total expenses	17,330	13,744	3,586	9,309	8,785	524	26,639	22,529	4,110
CHANGE IN NET POSITION	(1,750)	100	(1,850)	(801)	187	(988)	(2,551)	287	(2,838)
NET POSITION, beginning	<u>47,350</u>	<u>47,250</u>	<u>100</u>	<u>51,716</u>	<u>51,529</u>	<u>187</u>	<u>99,066</u>	<u>98,779</u>	<u>287</u>
NET POSITION, ending	<u>\$45,600</u>	<u>\$47,350</u>	<u>\$(1,750)</u>	<u>\$50,915</u>	<u>\$51,716</u>	<u>\$ (801)</u>	<u>\$96,515</u>	<u>\$99,066</u>	<u>\$(2,551)</u>

Total revenues for the City's governmental activities increased \$1,736,000 or 12.5%. Revenues increased primarily because the City received significant sources of other revenue for capital projects in 2014.

Total revenues for the City's business-type activities decreased \$464,000 or approximately 5.2%. The decrease is due to a decrease in Federal and state grants in 2014 and a reduction in development fees received by the City.

Table 2 shows that total program expenses for the City's governmental activities increased \$3,586,000 or 26.1%. Total program expenses for the City's business-type activities increased \$524,000 or 6.0%.

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, 2014. The original budget revenue estimates total \$20,612,000. Final budget revenues for the period amounted to \$20,776,000. Final actual revenues for the period amounted to \$15,281,000. The City's original budget estimated expenditures for 2014 were \$13,574,000. Final budget expenditures for the period amounted to \$14,370,000. Final actual expenditures for the period amounted to \$12,893,000. At June 30, 2014, the fund balance of the City's general fund was \$10,139,000.

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	\$10,939	\$10,939	\$10,882	\$ (57)
Intergovernmental revenues	1,678	1,842	1,555	(287)
Charges for services	234	234	222	(12)
Other revenues	<u>7,761</u>	<u>7,761</u>	<u>2,622</u>	<u>(5,139)</u>
Total revenues	20,612	20,776	15,281	(5,495)
Expenditures				
General government	3,346	3,893	3,614	(279)
Airport	515	685	577	(108)
Parks and recreation	1,085	1,145	988	(157)
Public safety	5,748	5,755	5,474	(281)
Street	1,582	1,582	1,216	(366)
Other expenditures	<u>1,298</u>	<u>1,310</u>	<u>1,024</u>	<u>(286)</u>
Total expenditures	13,574	14,370	12,893	(1,477)
Revenues Over (Under) Expenditures	7,038	6,406	2,388	(4,018)
Transfers out	<u>(7,321)</u>	<u>(7,563)</u>	<u>(2,319)</u>	<u>5,244</u>
NET CHANGE IN FUND BALANCES	(283)	(1,157)	69	1,226
FUND BALANCE, beginning	<u>10,070</u>	<u>10,070</u>	<u>10,070</u>	<u>-</u>
FUND BALANCE, ending	<u>\$ 9,787</u>	<u>\$ 8,913</u>	<u>\$10,139</u>	<u>\$ 1,226</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 \$8,143,000. The prior year outstanding long-term debt amounted to \$8,375,000; consequently long-term debt decreased during the year by \$232,000. This decrease was due to the amount of principal payments made 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 \$28,711,000. The prior year outstanding long-term debt amounted to \$30,063,000. The decrease of \$1,352,000 was due to the amount of principal payments made during the year.

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, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,766,344	\$ 1,990,653	\$ 9,756,997
Receivables, net of allowance for uncollectibles	5,114,850	403,591	5,518,441
Unbilled revenues	-	698,651	698,651
Inventories	165,874	394,226	560,100
Restricted assets:			
Cash and cash equivalents	968,340	2,753,797	3,722,137
Note receivable	583,000	-	583,000
Land and other nondepreciable assets	10,016,130	1,296,286	11,312,416
Other capital assets, net of accumulated depreciation	<u>32,889,153</u>	<u>72,430,861</u>	<u>105,320,014</u>
Total assets	<u>57,503,691</u>	<u>79,968,065</u>	<u>137,471,756</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	158,459	158,459
Deferred insurance charges	-	32,460	32,460
Total deferred outflows of resources	<u>-</u>	<u>190,919</u>	<u>190,919</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,106,243	112,821	1,219,064
Accrued postclosure care	172,685	-	172,685
Accrued postemployment benefits	16,941	131,907	148,848
Other liabilities	-	72,207	72,207
Long-term liabilities:			
Due within one year	441,575	1,016,846	1,458,421
Due in more than one year	<u>7,978,723</u>	<u>27,910,143</u>	<u>35,888,866</u>
Total liabilities	<u>9,716,167</u>	<u>29,243,924</u>	<u>38,960,091</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	<u>2,188,216</u>	-	<u>2,188,216</u>
Total deferred inflows of resources	<u>2,188,216</u>	-	<u>2,188,216</u>
NET POSITION			
Net investment in capital assets	36,475,125	45,212,424	81,687,549
Restricted for:			
Capital projects	36,268	-	36,268
Cemetery	81,451	-	81,451
State street aid	160,174	-	160,174
Drug fund	115,694	-	115,694
Unrestricted	<u>8,730,596</u>	<u>5,702,636</u>	<u>14,433,232</u>
Total net position	<u>\$45,599,308</u>	<u>\$ 50,915,060</u>	<u>\$ 96,514,368</u>

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

CITY OF CROSSVILLE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 6,547,296	\$ 2,505,811	\$ 10,528	\$ -
City court	16,171	68,818	-	-
Airport	383,786	109,374	-	395,895
Cemetery	67,010	19,925	-	-
Parks and recreation	1,266,898	85,067	58	-
Planning and zoning	143,142	1,300	-	-
Public safety	5,798,669	14,778	147,262	56,279
Sanitation	418,849	-	-	-
Streets	2,174,852	-	279,814	-
Tourism development	297,139	-	-	-
Interest on long-term debt	216,337	-	-	-
Total governmental activities	<u>17,330,149</u>	<u>2,805,073</u>	<u>437,662</u>	<u>452,174</u>
Business-type activities:				
Water and sewer	<u>9,309,183</u>	<u>8,374,798</u>	<u>500</u>	<u>127,339</u>
Total business-type activities	<u>9,309,183</u>	<u>8,374,798</u>	<u>500</u>	<u>127,339</u>
TOTAL PRIMARY GOVERNMENT	<u>\$26,639,332</u>	<u>\$ 11,179,871</u>	<u>\$ 438,162</u>	<u>\$ 579,513</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
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
\$ (4,030,957)	\$ -	\$ (4,030,957)
52,647	-	52,647
121,483	-	121,483
(47,085)	-	(47,085)
(1,181,773)	-	(1,181,773)
(141,842)	-	(141,842)
(5,580,350)	-	(5,580,350)
(418,849)	-	(418,849)
(1,895,038)	-	(1,895,038)
(297,139)	-	(297,139)
(216,337)	-	(216,337)
<u>(13,635,240)</u>	<u>-</u>	<u>(13,635,240)</u>
-	(806,546)	(806,546)
-	(806,546)	(806,546)
<u>(13,635,240)</u>	<u>(806,546)</u>	<u>(14,441,786)</u>
2,215,215	-	2,215,215
1,018,881	-	1,018,881
6,978,281	-	6,978,281
620,658	-	620,658
954,141	-	954,141
88,293	-	88,293
9,476	5,578	15,054
<u>11,884,945</u>	<u>5,578</u>	<u>11,890,523</u>
<u>(1,750,295)</u>	<u>(800,968)</u>	<u>(2,551,263)</u>
<u>47,349,603</u>	<u>51,716,028</u>	<u>99,065,631</u>
<u>\$45,599,308</u>	<u>\$50,915,060</u>	<u>\$96,514,368</u>

CITY OF CROSSVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,766,344	\$ -	\$ -	\$ 7,766,344
Restricted cash and cash equivalents	468,176	269,426	230,738	968,340
Receivables, net of allowance for uncollectibles:				
Property taxes	2,160,041	-	-	2,160,041
Accounts	44,955	-	-	44,955
Other	541,523	-	-	541,523
Due from other governments	2,317,186	-	51,145	2,368,331
Inventories	165,874	-	-	165,874
Total assets	<u>\$13,464,099</u>	<u>\$269,426</u>	<u>\$ 281,883</u>	<u>\$14,015,408</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 811,351	\$269,426	\$ 6,015	\$ 1,086,792
Due to other governments	909	-	-	909
Total liabilities	<u>812,260</u>	<u>269,426</u>	<u>6,015</u>	<u>1,087,701</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,512,828	-	-	2,512,828
Total deferred inflows of resources	<u>2,512,828</u>	<u>-</u>	<u>-</u>	<u>2,512,828</u>
FUND BALANCES				
Nonspendable	165,874	-	-	165,874
Restricted	117,719	-	275,868	393,587
Assigned	557,133	-	-	557,133
Unassigned	9,298,285	-	-	9,298,285
Total fund balances	<u>10,139,011</u>	<u>-</u>	<u>275,868</u>	<u>10,414,879</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$13,464,099</u>	<u>\$269,426</u>	<u>\$ 281,883</u>	<u>\$14,015,408</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, 2014

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

Fund balances - total governmental funds	\$ 10,414,879
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.	42,905,283
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.	324,612
Notes receivable are not available to pay for current period expenditures and therefore are not reported in the funds.	583,000
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.	(172,685)
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	\$ (7,501,280)
Notes payable	(641,708)
Accrued postemployment benefits	(16,941)
Compensated absences	(277,310)
Accrued interest payable	(18,542)
	(8,455,781)
Net position of governmental activities	<u>\$ 45,599,308</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, 2014

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$10,882,347	\$ -	\$ -	\$10,882,347
Licenses and permits	246,272	-	-	246,272
Intergovernmental	1,555,404	-	279,814	1,835,218
Charges for services	221,527	-	-	221,527
Fines, forfeitures, and penalties	76,436	-	-	76,436
Investment income	9,159	-	317	9,476
Contributions and donations	1,994	-	-	1,994
Miscellaneous	2,287,835	-	68,061	2,355,896
Total revenues	<u>15,280,974</u>	<u>-</u>	<u>348,192</u>	<u>15,629,166</u>
EXPENDITURES				
Current:				
General government	3,613,858	-	-	3,613,858
City court	16,171	-	-	16,171
Airport	576,616	-	-	576,616
Cemetery	75,220	-	-	75,220
Parks and recreation	987,982	-	-	987,982
Planning and zoning	145,576	-	-	145,576
Public safety	5,474,419	-	94,238	5,568,657
Sanitation	-	-	417,353	417,353
Streets	1,215,598	-	299,716	1,515,314
Tourism development	296,913	-	-	296,913
Capital outlay/capital assets	-	1,901,384	-	1,901,384
Debt service:				
Principal retirement	274,000	-	36,262	310,262
Interest and fiscal charges	216,419	-	-	216,419
Total expenditures	<u>12,892,772</u>	<u>1,901,384</u>	<u>847,569</u>	<u>15,641,725</u>
Excess (deficiency) of revenues over (under) expenditure	<u>2,388,202</u>	<u>(1,901,384)</u>	<u>(499,377)</u>	<u>(12,559)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,901,384	417,353	2,318,737
Transfers out	(2,318,737)	-	-	(2,318,737)
Proceeds on notes payable	-	-	78,966	78,966
Total other financing sources (uses)	<u>(2,318,737)</u>	<u>1,901,384</u>	<u>496,319</u>	<u>78,966</u>
Net change in fund balance	69,465	-	(3,058)	66,407
FUND BALANCE (DEFICIT), beginning	<u>10,069,546</u>	<u>-</u>	<u>278,926</u>	<u>10,348,472</u>
FUND BALANCE (DEFICIT), ending	<u>\$10,139,011</u>	<u>\$ -</u>	<u>\$ 275,868</u>	<u>\$10,414,879</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, 2014

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	\$ 66,407
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.	2,716,033
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(1,804,484)
The net effect of various transactions involving capital asset dispositions is to decrease net position.	(2,856,468)
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.	194,470
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.	(16,941)
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.	(49,312)
Change in net position of governmental activities	<u>\$ (1,750,295)</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 10,939,000	\$ 10,939,000	\$ 10,882,347	\$ (56,653)
Licenses and permits	183,800	183,800	246,272	62,472
Intergovernmental	1,678,400	1,841,820	1,555,404	(286,416)
Charges for services	234,000	234,000	221,527	(12,473)
Fines, forfeitures, and penalties	119,850	119,850	76,436	(43,414)
Investment income	8,100	8,100	9,159	1,059
Contributions and donations	6,000	6,000	1,994	(4,006)
Miscellaneous	7,443,140	7,443,140	2,287,835	(5,155,305)
Total revenues	<u>20,612,290</u>	<u>20,775,710</u>	<u>15,280,974</u>	<u>(5,494,736)</u>
EXPENDITURES				
General government	3,346,000	3,893,398	3,613,858	(279,540)
City court	17,200	17,200	16,171	(1,029)
Airport	515,250	685,295	576,616	(108,679)
Cemetery	84,850	84,850	75,220	(9,630)
Parks and recreation	1,085,100	1,145,100	987,982	(157,118)
Planning and zoning	167,460	167,460	145,576	(21,884)
Public safety	5,747,875	5,754,375	5,474,419	(279,956)
Streets	1,581,525	1,581,525	1,215,598	(365,927)
Tourism development	307,595	320,395	296,913	(23,482)
Debt service:				
Principal	501,000	500,300	274,000	(226,300)
Interest	220,000	220,000	216,419	(3,581)
Total expenditures	<u>13,573,855</u>	<u>14,369,898</u>	<u>12,892,772</u>	<u>(1,477,126)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,038,435</u>	<u>6,405,812</u>	<u>2,388,202</u>	<u>(4,017,610)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,320,500)	(7,563,115)	(2,318,737)	5,244,378
Total other financing sources (uses)	<u>(7,320,500)</u>	<u>(7,563,115)</u>	<u>(2,318,737)</u>	<u>5,244,378</u>
Net change in fund balance	(282,065)	(1,157,303)	69,465	1,226,768
FUND BALANCE at beginning of year	<u>10,069,546</u>	<u>10,069,546</u>	<u>10,069,546</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 9,787,481</u>	<u>\$ 8,912,243</u>	<u>\$ 10,139,011</u>	<u>\$ 1,226,768</u>

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

CITY OF CROSSVILLE
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 June 30, 2014

	<u>Water and Sewer Department</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,990,653
Receivables:	
Accounts receivable	402,973
Other	11,148
Less allowance for doubtful accounts	(11,701)
Unbilled revenues	698,651
Inventories	394,226
Due from other governments	<u>1,171</u>
Total current assets	<u>3,487,121</u>
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents	<u>2,753,797</u>
Total restricted assets	<u>2,753,797</u>
Capital assets:	
Land	574,816
Construction in progress	721,470
Water and sewer plant	107,497,582
Machinery and equipment	<u>6,126,593</u>
	114,920,461
Less accumulated depreciation	<u>(41,193,314)</u>
Net capital assets	<u>73,727,147</u>
Total noncurrent assets	<u>76,480,944</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	158,459
Deferred insurance charges	<u>32,460</u>
Total deferred outflows of resources	<u>190,919</u>
Total assets and deferred outflows of resources	<u>\$80,158,984</u>

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	<u>Water and Sewer Department</u>
LIABILITIES	
CURRENT LIABILITIES	
Current maturities of long-term liabilities	\$ 1,016,846
Accounts payable and accrued liabilities	112,821
Other current liabilities	<u>72,207</u>
Total current liabilities	<u>1,201,874</u>
LONG-TERM LIABILITIES	
Notes, capital leases and other obligations	24,194,538
Compensated absences	47,530
Revenue bonds payable	3,525,000
Original issue premium	143,075
Accrued postemployment benefits	<u>131,907</u>
Total long-term liabilities	<u>28,042,050</u>
Total liabilities	<u>29,243,924</u>
NET POSITION	
Net investment in capital assets	45,212,424
Unrestricted	<u>5,702,636</u>
Total net position	<u>\$50,915,060</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, 2014

	<u>Water and Sewer Department</u>
OPERATING REVENUES	
Charges for sales and services:	
Water and Sewer revenues	\$ 8,374,798
Intergovernmental	127,339
Other	<u>500</u>
Total operating revenues	<u>8,502,637</u>
OPERATING EXPENSES	
Transmission and distribution	4,124,433
Customer accounting and collection	493,845
Administrative and general	607,179
Depreciation	<u>3,112,086</u>
Total operating expenses	<u>8,337,543</u>
OPERATING INCOME	<u>165,094</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,578
Interest expense	(859,794)
Other income (expense)	<u>(111,846)</u>
Total nonoperating revenues (expenses)	<u>(966,062)</u>
INCOME BEFORE CONTRIBUTIONS	<u>(800,968)</u>
Capital contributions	<u>-</u>
CHANGE IN NET POSITION	<u>(800,968)</u>
NET POSITION, beginning	<u>51,716,028</u>
NET POSITION, ending	<u><u>\$50,915,060</u></u>

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, 2014

	<u>Water and Sewer Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 8,293,068
Payments to suppliers	(3,629,685)
Payments to employees	<u>(2,116,147)</u>
Net cash provided by operating activities	<u>2,547,236</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(1,217,016)
Interest paid on capital debt	(859,794)
Additions to capital assets	<u>(1,495,793)</u>
Net cash flows used in capital and related financing activities	<u>(3,572,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>5,578</u>
Net cash flows provided by investing activities	<u>5,578</u>
Net increase in cash and cash equivalents	(1,019,789)
Cash and cash equivalents, beginning of year	<u>5,764,239.00</u>
Cash and cash equivalents, end of year	<u>\$ 4,744,450</u>
CLASSIFIED AS:	
Current assets	\$ 1,990,653
Restricted assets	<u>2,753,797</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>\$ 165,094</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	3,112,086
Changes in assets and liabilities:	
Decrease in receivables	6,010
(Increase) in unbilled revenues	(123,427)
Decrease in due from other governments	17,605
Increase in inventory	(43,788)
(Decrease) in accounts payable	(508,214)
Increase in other assets/liabilities	(87,515)
Increase in compensated absences	<u>9,385</u>
TOTAL ADJUSTMENTS	<u>2,382,142</u>
Net cash provided by operating activities	<u><u>\$2,547,236</u></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, 2014

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, 2014.

(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, 2014, 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	\$ 165,874	\$ -	\$ -	\$ 165,874
Restricted				
Airport	-	-	-	-
Housing Authority	24,906	-	-	24,906
Cemetery	81,451	-	-	81,451
Drug fund	-	-	115,694	115,694
Streets	-	-	160,174	160,174
Capital projects	11,362	-	-	11,362
Committed	-	-	-	-
Assigned				
Industrial development	557,133	-	-	557,133
Unassigned	<u>9,298,285</u>	<u>-</u>	<u>-</u>	<u>9,298,285</u>
Total fund balances	<u>\$10,139,011</u>	<u>\$ -</u>	<u>\$275,868</u>	<u>\$10,414,879</u>
Summary for governmental funds balance sheet (page 4):				
Nonspendable	\$ 165,874	\$ -	\$ -	\$ 165,874
Restricted	117,719	-	275,868	393,587
Committed	-	-	-	-
Assigned	557,133	-	-	557,133
Unassigned	<u>9,298,285</u>	<u>-</u>	<u>-</u>	<u>9,298,285</u>
Total fund balances	<u>\$10,139,011</u>	<u>\$ -</u>	<u>\$275,868</u>	<u>\$10,414,879</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 2013, 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, 2014.

(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 _____, 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, 2014, the City had no material excess of expenditures over appropriations in individual funds.

Net Position/Fund Balance Deficit

For the year ended June 30, 2014, 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, 2014, 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, 2014, 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	\$2,226,729	\$ -	\$ -	\$ -	\$2,226,729
Accounts	44,955	-	-	402,973	447,928
Other	541,523	-	-	11,148	552,671
Due from other governments	<u>2,317,186</u>	<u>-</u>	<u>51,145</u>	<u>1,171</u>	<u>2,369,502</u>
Gross receivables	5,130,393	-	51,145	415,292	\$5,596,830
Less:					
Allowance for uncollectibles	<u>(66,688)</u>	<u>-</u>	<u>-</u>	<u>(11,701)</u>	<u>(78,389)</u>
Net receivables	<u>\$5,063,705</u>	<u>\$ -</u>	<u>\$51,145</u>	<u>\$403,591</u>	<u>\$5,518,441</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, 2014.

NOTE 5. INTERFUND TRANSFERS

Transfers were used to (1) move revenues of \$1,901,384 from the General Fund to the Capital Projects Fund for capital asset construction and acquisition costs and (2) move revenues of \$417,353 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, 2014, 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	\$ 5,847	\$ 41,337	\$ 8,105,251
Construction in progress	<u>3,122,888</u>	<u>2,579,872</u>	<u>3,791,881</u>	<u>1,910,879</u>
Total non-depreciable assets	<u>11,263,629</u>	<u>2,585,719</u>	<u>3,833,218</u>	<u>10,016,130</u>
Depreciable Assets:				
Buildings and improvements	8,957,925	104,767	-	9,062,692
Machinery and equipment	8,230,006	226,991	31,000	8,425,997
Other improvements	16,532,749	615,937	-	17,148,686
Infrastructure	<u>19,033,771</u>	<u>154,376</u>	<u>-</u>	<u>19,188,147</u>
Total depreciable assets	<u>52,754,451</u>	<u>1,102,071</u>	<u>31,000</u>	<u>53,825,522</u>
Less Accumulated Depreciation for:				
Buildings, machinery and other improvements	12,726,048	1,114,892	35,993	13,804,947
Infrastructure	<u>6,441,830</u>	<u>689,592</u>	<u>-</u>	<u>7,131,422</u>
Total accumulated depreciation	<u>19,167,878</u>	<u>1,804,484</u>	<u>35,993</u>	<u>20,936,369</u>
Depreciable Assets, net	<u>33,586,573</u>	<u>(702,413)</u>	<u>(4,993)</u>	<u>32,889,153</u>
Governmental activities capital assets, net	<u>\$ 44,850,202</u>	<u>\$ 1,883,306</u>	<u>\$ 3,828,225</u>	<u>\$ 42,905,283</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 574,816	\$ -	\$ -	\$ 574,816
Construction in progress	<u>2,171,384</u>	<u>1,362,027</u>	<u>2,811,940</u>	<u>721,471</u>
Total non-depreciable assets	<u>2,746,200</u>	<u>1,362,027</u>	<u>2,811,940</u>	<u>1,296,287</u>
Depreciable Assets:				
Water and sewer plant	104,672,906	2,824,676	-	107,497,582
Machinery and equipment	<u>6,062,775</u>	<u>121,030</u>	<u>57,213</u>	<u>6,126,592</u>
Total depreciable assets	<u>110,735,681</u>	<u>2,945,706</u>	<u>57,213</u>	<u>113,624,174</u>
Less Accumulated Depreciation for:				
Water and sewer plant	34,117,671	3,020,772	(1,162,269)	38,300,712
Machinery and equipment	<u>4,020,770</u>	<u>91,314</u>	<u>1,219,482</u>	<u>2,892,602</u>
Total accumulated depreciation	<u>38,138,441</u>	<u>3,112,086</u>	<u>57,213</u>	<u>41,193,314</u>
Depreciable Assets, net	<u>72,597,240</u>	<u>(166,380)</u>	<u>-</u>	<u>72,430,860</u>
Business-type activities capital assets, net	<u>\$ 75,343,440</u>	<u>\$ 1,195,647</u>	<u>\$ 2,811,940</u>	<u>\$ 73,727,147</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$ 234,270
Airport	263,809
Cemetery	13,191
Parks and recreation	320,746
Public safety	242,476
Sanitation	1,496
Streets	<u>728,496</u>
Total	<u>\$1,804,484</u>
Primary Government – Business-Type Activities:	
Water and Sewer Department	<u>\$3,112,086</u>

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2014, were as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 7,720,000	\$ -	\$ 225,000	\$ 7,495,000	\$ 225,000
Notes payable	648,004	78,966	85,261	641,709	85,111
Compensated absences	<u>277,826</u>	<u>-</u>	<u>516</u>	<u>277,310</u>	<u>130,671</u>
Total governmental activities	8,645,830	78,966	310,777	8,414,019	<u>\$ 440,782</u>
Net original issue premiums and discounts	<u>7,073</u>	<u>-</u>	<u>793</u>	<u>6,280</u>	
	<u>\$ 8,652,903</u>	<u>\$78,966</u>	<u>\$ 311,570</u>	<u>\$ 8,420,299</u>	
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Department:					
Revenue bonds	\$12,575,000	\$ -	\$ 190,000	\$12,385,000	\$ 200,000
Notes payable	17,336,046	-	1,027,016	16,309,030	774,492
Compensated absences	<u>80,499</u>	<u>9,385</u>	<u>-</u>	<u>89,884</u>	<u>42,354</u>
Total business-type activities	29,991,545	9,385	1,217,016	28,783,914	<u>\$1,016,846</u>
Net original issue premiums and discounts	<u>151,558</u>	<u>-</u>	<u>8,483</u>	<u>143,075</u>	
	<u>\$30,143,103</u>	<u>\$ 9,385</u>	<u>\$1,225,499</u>	<u>\$28,926,989</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, 2014, the remaining liabilities for the bonds refunded were \$3,951,667.

Debt related to governmental activities at June 30, 2014, 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 0.28%) through 2024. The balance at June 30, 2014, is \$583,000.

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, 2014, the City has drawn \$94,970 on the loan. The balance at June 30, 2014 is \$58,709.

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, 2014). The balance at June 30, 2014 is \$4,135,000.

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, 2014). The balance at June 30, 2014, is \$3,360,000.

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, 2014, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
State Wastewater Facility Revolving Loan 2000	1.77%	\$ 2,965,938
State Wastewater Facility Revolving Loan 2001	1.47%	258,650
State Wastewater Facility Revolving Loan 2001	1.47%	649,780
State Wastewater Facility Revolving Loan 1992	2.64%	14,155
State Revolving Loan August 2009	2.88%	2,387,100
State Revolving Loan November 2009	2.83%	2,661,546
State Revolving Loan April 2010	2.78%	430,215
State Revolving Loan May 2010	2.69%	594,590
Water System Refunding Revenue Bonds, Series 2005	3.75% - 4.63%	3,725,000
USDA Rural Development Loan Hwy 70 N Waterline	3.00%	1,648,406
USDA Rural Development Loan Cumberland Cove	3.00%	796,232
USDA Rural Development Loan Meadow Park Lake Dam	3.00%	3,902,418
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>\$28,694,030</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, 2014, is \$2,965,938.

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, 2014, is \$258,650.

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, 2014, is \$649,780.

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, 2014, is \$14,155.

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, 2014, is \$2,387,100.

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, 2014, is \$2,661,546.

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, 2014, is \$430,215.

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, 2014, is \$594,590.

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, 2014, is \$3,725,000.

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, 2014, is \$1,648,406.

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, 2014, is \$796,232.

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, 2014, is \$3,902,418.

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, 2014). The balance at June 30, 2014, 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
2015	\$ 310,111	\$ 213,666	\$ 974,492	\$ 839,693
2016	306,598	207,882	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	297,000	192,455	1,208,271	720,441
2020-2024	1,563,000	881,611	6,557,985	3,084,883
2025-2029	1,685,000	686,490	7,250,698	2,038,361
2030-2034	2,025,000	405,535	5,523,636	896,453
2035-2039	1,370,000	88,169	936,093	490,467
2040-2044	-	-	1,079,554	347,006
2045-2049	-	-	1,245,283	181,277
2050	-	-	489,798	12,240
	<u>\$8,136,709</u>	<u>\$3,075,482</u>	<u>\$28,694,030</u>	<u>\$10,963,029</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, 2014. 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	6/30/14	\$845,936	100.00%	\$ -
Pension Plan	6/30/13	829,553	100.00%	-
	6/30/11	857,179	100.00%	-
Other Postemployment Benefits	6/30/14	\$ 37,368	100.00%	\$131,907
	6/30/13	32,302	100.00%	112,706
	6/30/12	38,407	100.00%	95,034

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	\$845,936	\$53,662
Contributions made by employer	845,936	37,368
Contributions made by plan members	-	-
Actuarial valuation date for current contributions	July 1, 2013	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	\$845,936	\$ 34,228
Interest on net pension/OPEB obligation	-	3,381
Adjustment to annual required contribution	<u>-</u>	<u>18,960</u>
Annual pension/OPEB cost	845,936	56,569
Contributions made	<u>845,936</u>	<u>37,368</u>
Increase in net pension/OPEB obligation	-	19,201
Net pension/OPEB obligation at beginning of year	<u>-</u>	<u>112,706</u>
Net pension/OPEB obligation at end of year	<u>\$ -</u>	<u>\$131,907</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, 2013	\$18,825,000	\$23,178,000	\$4,353,000	81.22%	\$5,874,000	74.11%
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, 2014, 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, 2014, the City sold 210,087,400 gallons (19.8% of total gallons sold) totaling \$680,683 (11.3% of total water revenues) under the terms of this contract. Additionally, SCUD owes the City \$55,967 at June 30, 2014.

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, 2014, the City sold 37,928,600 gallons (3.6% of total gallons sold) totaling \$122,889 (2.04 % of total water revenues) under the terms of this contract. Additionally, GUD owes the City \$11,807 at June 30, 2014.

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, 2014, 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, 2014. The total contractual commitments outstanding as of June 30, 2014, 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, 2014, 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, 2014, are as follows:

Estimated liability, June 30, 2013	\$184,261
Costs incurred	<u>11,576</u>
Estimated liability, June 30, 2014	<u>\$172,685</u>
Due within one year	<u>\$ 12,155</u>

The estimated total current cost of the landfill postclosure care of \$172,685 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, 2014. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF CROSSVILLE

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2014

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, 2013	\$18,825,000	\$ 23,178,000	\$4,353,000	81.22%	\$5,874,000	74.11%
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, 2014

	Special Revenue			Total Special Revenue	Total Nonmajor Governmental Funds
	Drug Fund	Solid Waste	State Street Aid		
ASSETS					
Restricted cash and cash equivalents	\$115,694	\$ -	\$115,044	\$230,738	\$ 230,738
Due from other governments	<u>-</u>	<u>-</u>	<u>51,145</u>	<u>51,145</u>	<u>51,145</u>
Total assets	<u><u>\$115,694</u></u>	<u><u>\$ -</u></u>	<u><u>\$166,189</u></u>	<u><u>\$281,883</u></u>	<u><u>\$ 281,883</u></u>
LIABILITIES					
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,015</u>	<u>\$ 6,015</u>	<u>\$ 6,015</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>6,015</u>	<u>6,015</u>	<u>6,015</u>
FUND BALANCES					
Restricted	<u>115,694</u>	<u>-</u>	<u>160,174</u>	<u>275,868</u>	<u>275,868</u>
Total fund balances	<u>115,694</u>	<u>-</u>	<u>160,174</u>	<u>275,868</u>	<u>275,868</u>
Total liabilities and fund balances	<u><u>\$115,694</u></u>	<u><u>\$ -</u></u>	<u><u>\$166,189</u></u>	<u><u>\$281,883</u></u>	<u><u>\$ 281,883</u></u>

CITY OF CROSSVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	Special Revenue			Total Special Revenue	Total Nonmajor Governmental Funds
	Drug Fund	Solid Waste	State Street Aid		
REVENUES					
Intergovernmental	\$ -	\$ -	\$279,814	\$279,814	\$ 279,814
Investment income	149	-	168	317	317
Miscellaneous	68,061	-	-	68,061	68,061
Total revenues	<u>68,210</u>	<u>-</u>	<u>279,982</u>	<u>348,192</u>	<u>348,192</u>
EXPENDITURES					
Public safety	94,238	-	-	94,238	94,238
Sanitation	-	417,353	-	417,353	417,353
Streets	-	-	299,716	299,716	299,716
Debt service:					
Principal retirement	36,262	-	-	36,262	36,262
Total expenditures	<u>130,500</u>	<u>417,353</u>	<u>299,716</u>	<u>847,569</u>	<u>847,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62,290)</u>	<u>(417,353)</u>	<u>(19,734)</u>	<u>(499,377)</u>	<u>(499,377)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	417,353	-	417,353	417,353
Proceeds of notes	78,966	-	-	78,966	78,966
Total other financing sources (uses)	<u>78,966</u>	<u>417,353</u>	<u>-</u>	<u>496,319</u>	<u>496,319</u>
Net change in fund balance	<u>16,676</u>	<u>-</u>	<u>(19,734)</u>	<u>(3,058)</u>	<u>(3,058)</u>
FUND BALANCE (DEFICIT), beginning	<u>99,018</u>	<u>-</u>	<u>179,908</u>	<u>278,926</u>	<u>278,926</u>
FUND BALANCE, ending	<u>\$115,694</u>	<u>\$ -</u>	<u>\$160,174</u>	<u>\$275,868</u>	<u>\$ 275,868</u>

CITY OF CROSSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 2,004,000	\$ 2,004,000	\$ 2,042,284	\$ 38,284
Local sales tax	7,050,000	7,050,000	6,978,281	(71,719)
Local beer and liquor tax	975,000	975,000	1,018,881	43,881
Business taxes	695,000	695,000	620,657	(74,343)
Payments in lieu of taxes	215,000	215,000	222,242	7,242
Licenses and permits:				
Beer and liquor license fees	21,800	21,800	19,780	(2,020)
Building permits	150,000	150,000	209,400	59,400
Other permits	12,000	12,000	17,093	5,093
Intergovernmental revenues:				
Intergovernmental grants and contracts	733,400	896,820	512,971	(383,849)
State sales and income tax	852,000	852,000	954,141	102,141
Other state taxes	93,000	93,000	88,293	(4,707)
Charges for services:				
Airport charges	117,000	117,000	109,374	(7,626)
Cemetery charges	25,000	25,000	19,925	(5,075)
Driver safety school charges	15,000	15,000	7,160	(7,840)
Park facility and concession charges	77,000	77,000	85,067	8,067
Fines and forfeitures:				
Court fines and costs	112,000	112,000	68,818	(43,182)
Other fines and costs	19,850	19,850	4,760	(15,090)
Drug related fines and forfeitures	4,000	4,000	2,858	(1,142)
Interest revenue	8,100	8,100	9,159	1,059
Contributions and donations	6,000	6,000	1,994	(4,006)
Miscellaneous:				
Insurance recoveries	15,000	15,000	10,294	(4,706)
Sale of property and equipment	7,500	7,500	44,780	37,280
Other revenues	7,404,640	7,404,640	2,232,762	(5,171,878)
Total revenues	20,612,290	20,775,710	15,280,974	(5,494,736)
EXPENDITURES				
General government:				
Payroll and payroll taxes	1,460,820	1,472,860	1,402,548	(70,312)
Employee benefits	567,340	569,220	470,557	(98,663)
Supplies	191,100	191,055	133,251	(57,804)
Utilities	175,835	174,935	120,072	(54,863)
Repairs and maintenance	59,800	60,650	44,049	(16,601)
Other expenditures	856,105	1,379,168	1,401,145	21,977
Capital outlay	35,000	45,510	42,236	(3,274)
City court:				
Payroll and payroll taxes	15,100	15,100	14,998	(102)
Supplies	1,300	840	66	(774)
Other expenditures	800	1,260	1,107	(153)
Airport:				
Supplies	1,000	1,000	956	(44)
Utilities	31,750	32,350	27,352	(4,998)
Repairs and maintenance	14,500	14,700	6,683	(8,017)
Other expenditures	88,000	87,200	84,986	(2,214)
Capital outlay	380,000	550,045	456,639	(93,406)
Cemetery:				
Payroll and payroll taxes	36,000	36,000	33,018	(2,982)
Employee benefits	12,900	12,900	11,662	(1,238)
Supplies	5,050	5,280	3,564	(1,716)
Utilities	1,250	3,050	2,749	(301)
Repairs and maintenance	9,150	5,450	2,670	(2,780)
Capital outlay	20,500	22,170	21,557	(613)

(continued on next page)

CITY OF CROSSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Parks and recreation:				
Payroll and payroll taxes	\$ 410,270	\$ 410,270	\$ 386,872	\$ (23,398)
Employee benefits	122,900	119,920	111,693	(8,227)
Supplies	88,250	95,345	81,377	(13,968)
Utilities	252,380	247,150	178,642	(68,508)
Repairs and maintenance	101,000	103,030	81,759	(21,271)
Other expenditures	70,300	131,585	114,389	(17,196)
Capital outlay	40,000	37,800	33,250	(4,550)
Planning and zoning:				
Payroll and payroll taxes	112,560	112,560	101,383	(11,177)
Employee benefits	35,950	35,850	33,086	(2,764)
Supplies	7,450	8,350	6,316	(2,034)
Utilities	4,400	3,580	1,542	(2,038)
Repairs and maintenance	1,600	1,600	1,575	(25)
Other expenditures	5,500	5,520	1,674	(3,846)
Public safety:				
Payroll and payroll taxes	3,262,940	3,263,040	3,151,843	(111,197)
Employee benefits	1,123,350	1,149,670	1,107,185	(42,485)
Supplies	423,315	403,335	343,303	(60,032)
Utilities	104,300	84,040	73,882	(10,158)
Repairs and maintenance	131,500	146,200	136,424	(9,776)
Other expenditures	530,150	552,470	518,973	(33,497)
Capital outlay	172,320	155,620	142,809	(12,811)
Streets:				
Payroll and payroll taxes	448,520	448,520	425,573	(22,947)
Employee benefits	194,165	190,665	181,560	(9,105)
Supplies	199,550	182,180	151,811	(30,369)
Utilities	22,940	23,450	21,693	(1,757)
Repairs and maintenance	114,100	99,540	79,972	(19,568)
Other expenditures	9,250	9,670	7,679	(1,991)
Capital outlay	593,000	627,500	347,310	(280,190)
Tourism development:				
Payroll and payroll taxes	60,400	60,410	59,770	(640)
Employee benefits	16,475	15,765	15,200	(565)
Supplies	4,220	3,825	2,618	(1,207)
Utilities	1,000	1,000	607	(393)
Repairs and maintenance	250	250	120	(130)
Other expenditures	225,250	239,145	218,598	(20,547)
Debt service:				
Principal	501,000	500,300	274,000	(226,300)
Interest	220,000	220,000	216,419	(3,581)
Total expenditures	<u>13,573,855</u>	<u>14,369,898</u>	<u>12,892,772</u>	<u>(1,477,126)</u>
Excess of revenues over (under) expenditures	<u>7,038,435</u>	<u>6,405,812</u>	<u>2,388,202</u>	<u>(4,017,610)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,320,500)	(7,563,115)	(2,318,737)	5,244,378
Proceeds of notes	-	-	-	-
Issuance of bonds and notes	-	-	-	-
Premium on refunding bonds	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(7,320,500)</u>	<u>(7,563,115)</u>	<u>(2,318,737)</u>	<u>5,244,378</u>
Net change in fund balance	(282,065)	(1,157,303)	69,465	1,226,768
FUND BALANCE at beginning of year	<u>10,069,546</u>	<u>10,069,546</u>	<u>10,069,546</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 9,787,481</u>	<u>\$ 8,912,243</u>	<u>\$ 10,139,011</u>	<u>\$ 1,226,768</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
DRUG FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	<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	\$ 200	\$ 200	\$ 149	\$ (51)
Miscellaneous	<u>95,000</u>	<u>95,000</u>	<u>147,027</u>	<u>52,027</u>
Total revenues	<u>95,200</u>	<u>95,200</u>	<u>147,176</u>	<u>51,976</u>
EXPENDITURES				
Public safety	68,100	68,100	50,934	(17,166)
Capital outlay	<u>80,000</u>	<u>89,228</u>	<u>79,566</u>	<u>(9,662)</u>
Total expenditures	<u>148,100</u>	<u>157,328</u>	<u>130,500</u>	<u>(26,828)</u>
Excess of revenues over (under) expenditures	(52,900)	(62,128)	16,676	78,804
FUND BALANCE at beginning of year	<u>99,018</u>	<u>99,018</u>	<u>99,018</u>	<u>-</u>
FUND BALANCE (DEFICIT) at end of year	<u>\$ 46,118</u>	<u>\$ 36,890</u>	<u>\$ 115,694</u>	<u>\$ 78,804</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
SOLID WASTE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$ -	\$ (100)
Total revenues	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
EXPENDITURES				
Sanitation	<u>420,600</u>	<u>420,600</u>	<u>417,353</u>	<u>(3,247)</u>
Total expenditures	<u>420,600</u>	<u>420,600</u>	<u>417,353</u>	<u>(3,247)</u>
Deficiency of revenues under expenditures	(420,500)	(420,500)	(417,353)	3,147
OTHER FINANCING SOURCES				
Transfers in	<u>420,500</u>	<u>420,500</u>	<u>417,353</u>	<u>(3,147)</u>
Net change in fund balance	-	-	-	-
FUND BALANCE (DEFICIT) at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
STATE STREET AID FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 284,000	\$ 284,000	\$ 279,814	\$ (4,186)
Investment income	<u>300</u>	<u>300</u>	<u>168</u>	<u>(132)</u>
Total revenues	<u>284,300</u>	<u>284,300</u>	<u>279,982</u>	<u>(4,318)</u>
EXPENDITURES				
Streets	<u>370,000</u>	<u>370,000</u>	<u>299,716</u>	<u>(70,284)</u>
Total expenditures	<u>370,000</u>	<u>370,000</u>	<u>299,716</u>	<u>(70,284)</u>
Excess revenues over expenditures	(85,700)	(85,700)	(19,734)	65,966
FUND BALANCE at beginning of year	<u>179,908</u>	<u>179,908</u>	<u>179,908</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 94,208</u>	<u>\$ 94,208</u>	<u>\$ 160,174</u>	<u>\$ 65,966</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, 2014

Tax Year (1)	Property Taxes Receivable Balance June 30, 2013	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2014	Allowance for Uncollectibles	Net Receivable Balance June 30, 2014
2014	\$ -	\$ -	\$ 2,066,069	\$ -	\$ -	\$ 2,066,069	\$ -	\$ 2,066,069
2013	-	2,037,439	-	(91,787)	1,886,513	59,139	11,826	47,313
2012	57,030	-	-	6,730	35,574	28,186	5,637	22,549
2011	31,215	-	-	-	11,415	19,800	4,537	15,263
2010	12,125	-	-	(2)	2,398	9,725	4,864	4,861
2009	11,311	-	-	-	3,340	7,971	3,985	3,986
2008	6,916	-	-	-	2,184	4,732	4,732	-
2007	6,204	-	-	-	807	5,397	5,397	-
2006	2,952	-	-	-	184	2,768	2,768	-
2005	2,430	-	-	-	263	2,167	2,167	-
1995-2004	21,297	-	-	-	522	20,775	20,775	-
Totals	<u>\$ 151,480</u>	<u>\$ 2,037,439</u>	<u>\$ 2,066,069</u>	<u>\$ (85,059)</u>	<u>\$ 1,943,200</u>	<u>\$ 2,226,729</u>	<u>\$ 66,688</u>	<u>\$ 2,160,041</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, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2015	310,111	213,666	523,777
2016	306,598	207,882	514,480
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
Total governmental activities	<u>8,136,709</u>	<u>3,075,482</u>	<u>11,212,191</u>
BUSINESS-TYPE ACTIVITIES			
2015	974,492	839,693	1,814,185
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	1,386,239	546,285	1,932,524
2025	1,422,582	505,015	1,927,597
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
Total business-type activities	<u>28,694,030</u>	<u>10,963,029</u>	<u>39,657,059</u>
Total primary government indebtedness	<u>\$ 36,830,739</u>	<u>\$ 14,038,511</u>	<u>\$ 50,869,250</u>

CITY OF CROSSVILLE

ANALYSIS OF DEBT

June 30, 2014

	<u>Outstanding July 1, 2013</u>	<u>Issued FY 2013-2014</u>	<u>Retired FY 2013-2014</u>	<u>Outstanding June 30, 2014</u>	<u>Maturing FY 2014-2015</u>	<u>Interest Payable FY 2014-2015</u>
GOVERNMENTAL ACTIVITIES						
Notes payable:						
Tennessee Municipal Bond Fund, Series 2004	\$ 632,000	\$ -	\$ (49,000)	\$ 583,000	\$ 51,000	\$ 2,332
Tennessee Municipal Bond Fund, Series 2010	-	-	-	-	-	-
Airport Capital Outlay Note	-	-	-	-	-	-
Land Purchase Capital Outlay Note	-	-	-	-	-	-
Police Software Loan	16,004	78,966	(36,261)	58,709	34,111	1,859
General Obligation Refunding and Improvement Bonds Series 2012A	4,160,000	-	(25,000)	4,135,000	20,000	124,844
General Obligation Refunding and Improvement Bonds Series 2012B	<u>3,560,000</u>	<u>-</u>	<u>(200,000)</u>	<u>3,360,000</u>	<u>205,000</u>	<u>84,631</u>
Total notes payable	<u>8,368,004</u>	<u>78,966</u>	<u>(310,261)</u>	<u>8,136,709</u>	<u>310,111</u>	<u>213,666</u>
Total governmental activities	<u>8,368,004</u>	<u>78,966</u>	<u>(310,261)</u>	<u>8,136,709</u>	<u>310,111</u>	<u>213,666</u>
BUSINESS-TYPE ACTIVITIES						
Bonds:						
Water System Refunding Revenue Bonds, Series 2005	3,915,000	-	(190,000)	3,725,000	200,000	166,544
Water and Sewer Revenue and Tax Bonds, Series 2003	-	-	-	-	-	-
Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	<u>8,660,000</u>	<u>-</u>	<u>-</u>	<u>8,660,000</u>	<u>-</u>	<u>252,794</u>
Total bonds	<u>12,575,000</u>	<u>-</u>	<u>(190,000)</u>	<u>12,385,000</u>	<u>200,000</u>	<u>419,338</u>
Notes payable -						
State Wastewater Facility Revolving Loan 2000	3,258,521	-	(292,583)	2,965,938	297,804	50,100
State Wastewater Facility Revolving Loan 2001	282,074	-	(23,424)	258,650	23,760	3,648
State Wastewater Facility Revolving Loan 2001	710,212	-	(60,432)	649,780	61,320	9,144
State Wastewater Facility Revolving Loan 1992	182,059	-	(167,904)	14,155	14,155	-
State Revolving Loan August 2009	2,494,416	-	(107,316)	2,387,100	110,448	67,296
State Revolving Loan November 2009	2,781,018	-	(119,472)	2,661,546	122,892	73,716
State Revolving Loan April 2010	450,579	-	(20,364)	430,215	20,940	11,676
State Revolving Loan May 2010	620,846	-	(26,256)	594,590	26,964	15,672
Tennessee Local Development Authority	115,895	-	(115,895)	-	-	-
Tennessee Municipal Bond Fund, Series 1997	-	-	-	-	-	-
Tennessee Municipal Bond Fund, Series 2010	-	-	-	-	-	-
USDA Rural Development Loan Hwy 70 N Waterline	1,673,613	-	(25,207)	1,648,406	25,973	49,099
USDA Rural Development Loan Cumberland Cove	808,150	-	(11,918)	796,232	12,280	23,720
USDA Rural Development Loan Meadow Park Lake Dam	<u>3,958,663</u>	<u>-</u>	<u>(56,245)</u>	<u>3,902,418</u>	<u>57,956</u>	<u>116,284</u>
Total notes payable	<u>17,336,046</u>	<u>-</u>	<u>(1,027,016)</u>	<u>16,309,030</u>	<u>774,492</u>	<u>420,355</u>
Total business-type activities	<u>29,911,046</u>	<u>-</u>	<u>(1,217,016)</u>	<u>28,694,030</u>	<u>974,492</u>	<u>839,693</u>
Total general obligation debt	<u>\$38,279,050</u>	<u>\$ 78,966</u>	<u>\$ (1,527,277)</u>	<u>\$36,830,739</u>	<u>\$ 1,284,603</u>	<u>\$ 1,053,359</u>

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2014

<u>DIRECT INDEBTEDNESS</u>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2015	Tennessee Municipal Bond Fund Loan 2004	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
			<u>583,000</u>	<u>13,388</u>	<u>596,388</u>
2015	Police Software Loan	3.17	34,111	1,859	35,970
2016		3.17	<u>24,598</u>	<u>779</u>	<u>25,377</u>
			<u>58,709</u>	<u>2,638</u>	<u>61,347</u>
2015	General Obligation Refunding and Improvement Bonds 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	
			<u>4,135,000</u>	<u>2,308,331</u>	<u>6,443,331</u>
2015	General Obligation Refunding and Improvement Bonds 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	
			<u>3,360,000</u>	<u>751,125</u>	<u>4,111,125</u>
	Total direct indebtedness		<u>8,136,709</u>	<u>3,075,482</u>	<u>11,212,191</u>

(continued on following page)

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2014

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2015	State Wastewater Facility Revolving Loan 2000	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	86,226	255	86,481
			2,965,938	251,631	3,217,569
2015	State Wastewater Facility Revolving Loan 2001	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	64,096	473	64,569
			649,780	48,893	698,673
2015	State Wastewater Facility Revolving Loan 1992	2.64	14,155	-	14,155
			14,155	-	14,155
2015	State Revolving Loan Fund November 2009	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	
			2,661,546	697,884	3,359,430

(continued on following page)

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2014

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal	
2015	State Revolving Loan Fund August 2009	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
			2,387,100	634,696	3,021,796	
2015	State Revolving Loan Fund April 2010	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
				430,215	105,960	536,175
2015	Water System Refunding Revenue Bonds, Series 2005	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	
			3,725,000	1,386,725	5,111,725	

(continued on following page)

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2014

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2015	Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	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>3,524,444</u>	<u>12,184,444</u>
2015	State Wastewater Facility Revolving Loan 2001	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	4,550	6	4,556
				<u>258,650</u>	<u>19,986</u>
2015	State Revolving Loan May 2010	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>594,590</u>	<u>151,908</u>	<u>746,498</u>

(continued on following page)

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2014

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2015	USDA Rural Development Loan Hwy 70 N Waterline	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>1,648,406</u>	<u>1,049,689</u>	<u>2,698,095</u>
2015	USDA Rural Development Loan Cumberland Cove	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, 2014

(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>796,232</u>	<u>512,542</u>
2015	USDA Rural Development Loan Meadow Park Lake Dam	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>3,902,418</u>	<u>2,578,671</u>	<u>6,481,089</u>
	Total Water and Sewer Department		<u>28,694,030</u>	<u>10,963,029</u>	<u>39,657,059</u>
	Total Primary Government Indebtedness		<u>\$ 36,830,739</u>	<u>\$ 14,038,511</u>	<u>\$ 50,869,250</u>

CITY OF CROSSVILLE
SCHEDULE OF TAX RATES AND ASSESSMENTS
June 30, 2014

<u>Year of Levy</u>	<u>Rate</u>	<u>Assessment</u>	<u>Amount of Tax Assessed</u>
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
2013	0.53	384,426,995	2,037,469

CITY OF CROSSVILLE

SCHEDULE OF WATER AND SEWER RATES AND NUMBER OF CUSTOMERS
June 30, 2014

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	3,730	7,059	10,789
Commercial	1,345	191	1,536
Industrial	32	7	39
Utility district taps	-	5	5
	<hr/>	<hr/>	<hr/>
Total water customers	<u>5,107</u>	<u>7,262</u>	<u>12,369</u>
Total sewer customers	<u>4,861</u>	<u>22</u>	<u>4,883</u>

CITY OF CROSSVILLE

SCHEDULE OF UNACCOUNTED ACCOUNTED FOR WATER
 Year Ended June 30, 2014
 (All amounts in gallons)

AWWA Free Water Audit Software: Reporting Worksheet

WAS v9.0
 American Water Works Association
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Water Audit Report for: **City of Crossville (0000150)**
 Reporting Year: **2014** **7/2013 - 6/2014**

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

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

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

WATER SUPPLIED

Volume from own sources: MG/Yr

Water imported: MG/Yr

Water exported: MG/Yr

WATER SUPPLIED: MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: MG/Yr

MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr

Billed unmetered: MG/Yr

Unbilled metered: MG/Yr

Unbilled unmetered: MG/Yr

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

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: MG/Yr

MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

Customer metering inaccuracies: MG/Yr

Systematic data handling errors: MG/Yr

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

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles

Number of active AND inactive service connections:

Service connection density: conn./mile main

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: psi

COST DATA

Total annual cost of operating water system: \$/Year

Customer retail unit cost (applied to Apparent Losses): \$/1000 gallons (US)

Variable production cost (applied to Real Losses): \$/Million gallons Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

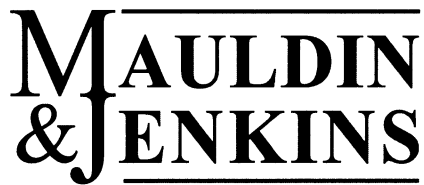
Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Systematic data handling errors
- 2: Customer metering inaccuracies
- 3: Billed metered

CITY OF CROSSVILLE

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS
Year Ended June 30, 2014

<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
City Manager	David Rutherford	97,255	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



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, 2014, 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 February 19, 2015.

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.

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.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
February 19, 2015

CITY OF CROSSVILLE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

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 X no
- Significant deficiencies identified that are not
 considered to be material weaknesses? ___ yes X none reported
- Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2014 due to the Library not expending federal grants in excess of \$500,000.

CITY OF CROSSVILLE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

None