

CITY OF CROSSVILLE, TENNESSEE
FINANCIAL REPORT
JUNE 30, 2016

CITY OF CROSSVILLE, TENNESSEE
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CITY OF CROSSVILLE, TENNESSEE

DIRECTORY OF OFFICIALS

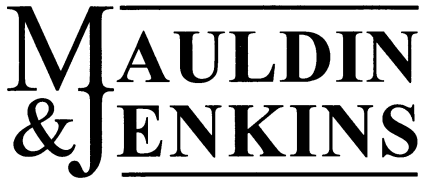
June 30, 2016

ELECTED OFFICIALS

Mayor	James Mayberry
Mayor Pro-Tem	Pamala Harris
Council Member	Jesse Kerley
Council Member	Pedro Souza
Council Member	Danny Wyatt

APPOINTED OFFICIALS

City Attorney	William T. Ridley
City Judge	Ivy Gardner
Interim City Manager	Steve Hill
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, Tennessee (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, Tennessee as of June 30, 2016, 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, schedule of changes in net pension liability (asset) and related ratios based on participation in the Public Employee Pension Plan of TCRS, and schedule of contributions based on participation in the Public Employee Pension Plan of TCRS on pages 38-40 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, Tennessee'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 9, 2017, on our consideration of the City of Crossville, Tennessee’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crossville, Tennessee’s internal control over financial reporting and compliance.

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

Chattanooga, Tennessee
February 9, 2017

CITY OF CROSSVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Crossville, Tennessee's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

The City's governmental activity total assets increased by \$2,498,000 in 2016 or 4.3%, while business-type activity total assets increased by \$1,458,000 or 1.8%, resulting in an increase in total primary government assets of \$3,956,000 or 2.9%. Governmental activity total revenues for the City increased \$1,842,000 or 12.2%, while business-type total revenues increased by \$1,272,000 or 13.5%, resulting in an increase in total primary government revenues of \$3,114,000, or 12.7%. The City's governmental activity total program expenses for 2016 increased \$584,000 or 4%, while business-activity total program expenses decreased by \$1,011,000 or 10.2%, resulting in a decrease in total primary government program expenses of \$427,000 or 1.8%. With respect to the City's governmental activities, net position increased by \$1,863,000. The fund balance of the General Fund increased during the year by \$2,522,000.

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, deferred outflows of resources, deferred inflows of resources, 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, deferred outflows/inflows of resources, 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 \$61,022,000 in 2016 versus \$58,524,000 in 2015, representing an increase of \$2,498,000 or 4.3%. Table 1 also shows that total assets of the City's business-type activities were \$81,133,000 in 2016 versus \$79,675,000 in 2015, representing an increase of \$1,458,000 or 1.8%.

Table 1 - Net Position (in Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Current assets	\$17,548	\$15,416	\$ 2,132	\$ 3,039	\$ 7,142	\$ (4,103)	\$ 20,587	\$ 22,558	\$ (1,971)
Other assets	923	1,250	(327)	5,870	179	5,691	6,793	1,429	5,364
Capital assets	<u>42,551</u>	<u>41,858</u>	<u>693</u>	<u>72,224</u>	<u>72,354</u>	<u>(130)</u>	<u>114,775</u>	<u>114,212</u>	<u>563</u>
Total assets	61,022	58,524	2,498	81,133	79,675	1,458	142,155	138,199	3,956
Deferred outflows	<u>1,913</u>	<u>826</u>	<u>1,087</u>	<u>630</u>	<u>197</u>	<u>433</u>	<u>2,543</u>	<u>1,023</u>	<u>1,520</u>
Total assets and deferrals	<u>\$62,935</u>	<u>\$59,530</u>	<u>\$ 3,585</u>	<u>\$81,763</u>	<u>\$79,872</u>	<u>\$ 1,891</u>	<u>\$144,698</u>	<u>\$139,222</u>	<u>\$ 5,476</u>
Long-term liabilities	\$10,123	\$ 8,110	\$ 2,013	\$28,687	\$28,243	\$ 444	\$ 38,810	\$ 36,353	\$ 2,457
Other liabilities	<u>993</u>	<u>1,168</u>	<u>(175)</u>	<u>741</u>	<u>981</u>	<u>(240)</u>	<u>1,734</u>	<u>2,149</u>	<u>(415)</u>
Total liabilities	11,116	9,278	1,838	29,428	29,224	204	40,544	38,502	2,042
Deferred inflows	3,602	3,718	(116)	197	263	(66)	3,799	3,981	(182)
Net position:									
Net investment in capital assets	33,341	34,762	(1,421)	43,893	44,476	(583)	77,234	79,238	(2,004)
Restricted	489	414	75	-	-	-	489	414	75
Unrestricted	<u>14,387</u>	<u>11,178</u>	<u>3,209</u>	<u>8,245</u>	<u>5,909</u>	<u>2,336</u>	<u>22,632</u>	<u>17,087</u>	<u>5,545</u>
Total net position	<u>48,217</u>	<u>46,354</u>	<u>1,863</u>	<u>52,138</u>	<u>50,385</u>	<u>1,753</u>	<u>100,355</u>	<u>96,739</u>	<u>3,616</u>
Total liabilities, deferrals, and net position	<u>\$62,935</u>	<u>\$59,350</u>	<u>\$ 3,585</u>	<u>\$81,763</u>	<u>\$79,872</u>	<u>\$ 1,891</u>	<u>\$144,698</u>	<u>\$139,222</u>	<u>\$ 5,476</u>

The significant elements and causes for the changes in the City's governmental activities total assets in 2016 were: (1) Current assets and other assets increased by \$1,805,000 which was attributed in part to the operations of the City for the year. (2) Capital assets increased by \$693,000 related to construction in progress as well as purchases of machinery and equipment.

The significant elements and causes for the changes in the total assets of the City's business-type activities in 2016 were an increase in current and other assets of \$1,328,000 which was due to an increase in restricted cash and cash equivalents at year-end. Additionally, capital assets decreased by \$130,000 related to depreciation and dispositions of machinery and equipment of the water and sewer plant.

As shown in Table 1, total liabilities of the City's governmental activities increased by \$1,838,000 or 19.8% in 2016. Table 1 also shows total liabilities of the City's business-type activities increased by \$204,000 or 0.7% in 2016. The significant elements and causes for the changes in the City's total liabilities in 2016 were due to an increase in long-term liabilities.

Therefore, total net position of the City's governmental activities increased by \$1,863,000 or 4.0%, and total net position of the City's business-type activities increased by \$1,753,000 or 3.5%.

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		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Revenues									
Program revenues:									
Charges for services	\$ 1,792	\$ 1,363	\$ 429	\$10,120	\$ 8,689	\$ 1,431	\$11,912	\$ 10,052	\$ 1,860
Grants and contributions:									
For operations	865	425	440	36	5	31	901	430	471
For capital projects	588	299	289	493	592	(99)	1,081	891	190
General revenues:									
Property taxes	2,600	2,357	243	-	-	-	2,600	2,357	243
Intergovernmental revenues	11,052	10,629	423	-	-	-	11,052	10,629	423
Capital contributions	-	-	-	-	101	(101)	-	101	(101)
Interest earnings	28	10	18	15	5	10	43	15	28
Total revenues	16,925	15,083	1,842	10,664	9,392	\$ 1,272	27,589	24,475	3,114
Program expenses:									
General government	3,381	3,328	53	-	-	-	3,381	3,328	53
City court	15	15	-	-	-	-	15	15	-
Airport	1,342	420	922	-	-	-	1,342	420	922
Cemetery	79	74	5	-	-	-	79	74	5
Parks and recreation	1,292	1,405	(113)	-	-	-	1,292	1,405	(113)
Planning and zoning	170	148	22	-	-	-	170	148	22
Public safety	6,084	5,663	421	-	-	-	6,084	5,663	421
Sanitation	402	491	(89)	-	-	-	402	491	(89)
Streets	1,727	2,454	(727)	-	-	-	1,727	2,454	(727)
Tourism development	346	271	75	-	-	-	346	271	75
Interest on long-term debt	224	209	15	-	-	-	224	209	15
Water and sewer department	-	-	-	8,911	9,922	(1,011)	8,911	9,922	(1,011)
Total expenses	15,062	14,478	584	8,911	9,922	(1,011)	23,973	24,400	(427)
CHANGE IN NET POSITION	1,863	605	1,258	1,753	(530)	2,283	3,616	75	3,541
NET POSITION, beginning	46,354	45,749	605	50,385	50,915	(530)	96,739	96,664	75
NET POSITION, ending	\$48,217	\$46,354	\$ 1,863	\$52,138	\$50,385	\$ 1,753	\$100,355	\$96,739	\$ 3,616

Total revenues for the City's governmental activities increased \$1,842,000 or 12.2%. Revenues increased primarily due to an increase in revenue from charges for services provided by the City as well as an increase in federal and state grant revenue.

Total revenues for the City's business-type activities increased \$1,272,000 or approximately 13.5%. The increase is due to an increase in charges for services provided by the City due to an increase in water and sewer rates.

Table 2 shows that total program expenses for the City's governmental activities increased \$584,000 or 4.0%. Total program expenses for the City's business-type activities decreased \$1,011,000 or 10.2%.

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, 2016. The original budget revenue and other financing sources estimates total \$22,810,000. Final budget revenues and other financing sources for the period amounted to \$23,810,000. Final actual revenues and other financing sources for the period amounted to \$18,520,000. The City's original budget estimated expenditures for 2016 were \$17,718,000. Final budget expenditures for the period amounted to \$18,346,000. Final actual expenditures for the period amounted to \$15,218,000. At June 30, 2016, the fund balance of the City's general fund was \$13,661,000.

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	\$11,227	\$11,227	\$12,441	\$ 1,214
Intergovernmental revenues	5,489	6,462	2,460	(4,002)
Charges for services	375	375	287	(88)
Other revenues	<u>5,719</u>	<u>5,746</u>	<u>3,332</u>	<u>(2,414)</u>
Total revenues	22,810	23,810	18,520	(5,290)
Expenditures				
General government	3,603	3,686	3,319	(367)
Airport	1,472	1,553	1,106	(447)
Parks and recreation	1,904	1,904	1,009	(895)
Public safety	7,033	7,036	6,617	(419)
Street	1,981	1,981	1,546	(435)
Other expenditures	<u>1,725</u>	<u>2,186</u>	<u>1,621</u>	<u>(565)</u>
Total expenditures	17,718	18,346	15,218	(3,128)
Revenues Over (Under) Expenditures	5,092	5,464	3,302	(2,162)
Transfers in	-	-	-	-
Transfers out	<u>(5,676)</u>	<u>(6,676)</u>	<u>(780)</u>	<u>5,896</u>
NET CHANGE IN FUND BALANCES	(584)	(1,212)	2,522	3,734
FUND BALANCE, beginning	<u>11,139</u>	<u>11,139</u>	<u>11,139</u>	-
FUND BALANCE, ending	<u>\$10,555</u>	<u>\$ 9,927</u>	<u>\$13,661</u>	<u>\$ 3,734</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 (excluding other obligations) of \$9,208,000. The prior year outstanding long-term debt (excluding other obligations) amounted to \$7,829,000; consequently long-term debt (excluding other obligations) increased during the year by \$1,379,000. This increase was due to issuing notes payable 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 (excluding other obligations) of \$28,368,000. The prior year outstanding long-term debt amounted to \$28,044,000. The increase of \$324,000 was due to issuing notes payable 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. Charges for services and the federal and state grants that were received by the City were significant factors 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, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$11,248,152	\$ 509,943	\$ 11,758,095
Receivables, net of allowance for uncollectibles	3,343,776	512,128	3,855,904
Due from other governments	2,772,514	753,080	3,525,594
Unbilled revenues	-	899,238	899,238
Inventories	183,563	364,584	548,147
Restricted assets:			
Cash and cash equivalents	443,475	5,869,500	6,312,975
Note receivable	480,000	-	480,000
Land and other nondepreciable assets	11,360,154	4,408,314	15,768,468
Other capital assets, net of accumulated depreciation	31,191,039	67,815,654	99,006,693
Total assets	<u>61,022,673</u>	<u>81,132,441</u>	<u>142,155,114</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension experience differences	685,625	476,677	1,162,302
Pension contribution subsequent to measurement date	629,050	-	629,050
Pension investment return	598,062	-	598,062
Deferred charges on refunding	-	153,700	153,700
Total deferred outflows of resources	<u>1,912,737</u>	<u>630,377</u>	<u>2,543,114</u>
LIABILITIES			
Accounts payable and accrued liabilities	992,698	677,544	1,670,242
Other liabilities	-	63,583	63,583
Long-term liabilities:			
Due within one year	987,120	1,463,932	2,451,052
Due in more than one year	8,651,654	27,103,456	35,755,110
Net OPEB obligation	90,852	20,797	111,649
Net pension liability	393,738	98,435	492,173
Total liabilities	<u>11,116,062</u>	<u>29,427,747</u>	<u>40,543,809</u>
DEFERRED INFLOWS OF RESOURCES			
Pension investment return	788,552	197,139	985,691
Unearned revenue - property taxes	2,813,894	-	2,813,894
Total deferred inflows of resources	<u>3,602,446</u>	<u>197,139</u>	<u>3,799,585</u>
NET POSITION			
Net investment in capital assets	33,341,105	43,893,007	77,234,112
Restricted for:			
Airport	35,023	-	35,023
Capital projects	24,986	-	24,986
Cemetery	81,627	-	81,627
State street aid	256,708	-	256,708
Drug fund	90,702	-	90,702
Unrestricted	14,386,751	8,244,925	22,631,676
Total net position	<u>\$48,216,902</u>	<u>\$ 52,137,932</u>	<u>\$100,354,834</u>

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

CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 3,381,101	\$ 1,403,845	\$ 445,230	\$ -
City court	15,050	70,980	-	-
Airport	1,342,692	105,275	-	538,638
Cemetery	79,221	27,450	-	-
Parks and recreation	1,291,866	148,993	-	-
Planning and zoning	170,412	2,150	-	-
Public safety	6,083,716	33,252	116,552	49,976
Sanitation	401,924	-	-	-
Streets	1,727,275	-	303,038	-
Tourism development	345,933	-	-	-
Interest on long-term debt	224,275	-	-	-
Total governmental activities	<u>15,063,465</u>	<u>1,791,945</u>	<u>864,820</u>	<u>588,614</u>
Business-type activities:				
Water and sewer	<u>8,911,069</u>	<u>10,119,776</u>	<u>36,397</u>	<u>493,361</u>
Total business-type activities	<u>8,911,069</u>	<u>10,119,776</u>	<u>36,397</u>	<u>493,361</u>
TOTAL PRIMARY GOVERNMENT	<u>\$23,974,534</u>	<u>\$ 11,911,721</u>	<u>\$ 901,217</u>	<u>\$ 1,081,975</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 of year
 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
\$ (1,532,026)	\$ -	\$ (1,532,026)
55,930	-	55,930
(698,779)	-	(698,779)
(51,771)	-	(51,771)
(1,142,873)	-	(1,142,873)
(168,262)	-	(168,262)
(5,883,936)	-	(5,883,936)
(401,924)	-	(401,924)
(1,424,237)	-	(1,424,237)
(345,933)	-	(345,933)
(224,275)	-	(224,275)
<u>(11,818,086)</u>	<u>-</u>	<u>(11,818,086)</u>
-	1,738,465	1,738,465
-	1,738,465	1,738,465
<u>(11,818,086)</u>	<u>1,738,465</u>	<u>(10,079,621)</u>
2,600,500	-	2,600,500
1,133,447	-	1,133,447
7,767,412	-	7,767,412
763,568	-	763,568
1,287,403	-	1,287,403
100,937	-	100,937
27,929	14,944	42,873
<u>13,681,196</u>	<u>14,944</u>	<u>13,696,140</u>
<u>1,863,110</u>	<u>1,753,409</u>	<u>3,616,519</u>
<u>46,353,792</u>	<u>50,384,523</u>	<u>96,738,315</u>
<u>\$48,216,902</u>	<u>\$52,137,932</u>	<u>\$100,354,834</u>

CITY OF CROSSVILLE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$11,248,152	\$ -	\$ -	\$11,248,152
Restricted cash and cash equivalents	141,636	609	301,230	443,475
Receivables, net of allowance for uncollectibles:				
Property taxes	2,677,978	-	-	2,677,978
Accounts	46,148	-	-	46,148
Other	619,650	-	-	619,650
Due from other governments	2,717,375	-	55,139	2,772,514
Inventories	183,563	-	-	183,563
Total assets	<u>\$17,634,502</u>	<u>\$ 609</u>	<u>\$ 356,369</u>	<u>\$17,991,480</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 964,524	\$ 609	\$ 8,959	\$ 974,092
Due to other governments	926	-	-	926
Total liabilities	<u>965,450</u>	<u>609</u>	<u>8,959</u>	<u>975,018</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	2,813,894	-	-	2,813,894
Unavailable revenue	194,015	-	-	194,015
Total deferred inflows of resources	<u>3,007,909</u>	<u>-</u>	<u>-</u>	<u>3,007,909</u>
FUND BALANCES				
Nonspendable	183,563	-	-	183,563
Restricted	141,636	-	347,410	489,046
Unassigned	13,335,944	-	-	13,335,944
Total fund balances	<u>13,661,143</u>	<u>-</u>	<u>347,410</u>	<u>14,008,553</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$17,634,502</u>	<u>\$ 609</u>	<u>\$ 356,369</u>	<u>\$17,991,480</u>

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

CITY OF CROSSVILLE, TENNESSEE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2016

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

Fund balances - total governmental funds	\$ 14,008,553
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 governmental funds.	42,551,193
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 governmental funds.	194,015
Notes receivable are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.	480,000
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 governmental funds.	(147,767)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental 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	\$ (7,042,088)
Notes payable	(2,168,000)
Net OPEB Obligation	(90,852)
Compensated absences	(280,919)
Accrued interest payable	(17,680)
Net pension liability	(393,738)
Pension experience differences	685,625
Pension contribution subsequent to the measurement date	629,050
Pension investment return	<u>(190,490)</u>
	<u>(8,869,092)</u>
Net position of governmental activities	<u>\$ 48,216,902</u>

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

CITY OF CROSSVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$12,441,113	\$ -	\$ -	\$12,441,113
Licenses and permits	354,516	-	-	354,516
Intergovernmental	2,459,985	-	303,038	2,763,023
Charges for services	287,250	-	-	287,250
Fines, forfeitures, and penalties	98,700	-	-	98,700
Investment income	27,341	-	588	27,929
Miscellaneous	1,051,478	-	78,752	1,130,230
Total revenues	16,720,383	-	382,378	17,102,761
EXPENDITURES				
Current:				
General government	3,319,246	-	-	3,319,246
City court	15,050	-	-	15,050
Airport	1,105,866	-	-	1,105,866
Cemetery	69,187	-	-	69,187
Parks and recreation	1,008,599	-	-	1,008,599
Planning and zoning	174,458	-	-	174,458
Public safety	6,617,192	-	57,406	6,674,598
Sanitation	400,428	-	-	400,428
Streets	1,546,280	-	248,778	1,795,058
Tourism development	349,041	-	-	349,041
Capital outlay	-	775,415	-	775,415
Debt service:				
Principal retirement	385,214	-	36,262	421,476
Interest and fiscal charges	227,232	-	-	227,232
Total expenditures	15,217,793	775,415	342,446	16,335,654
Excess (deficiency) of revenues over (under) expenditure	1,502,590	(775,415)	39,932	767,107
OTHER FINANCING SOURCES (USES)				
Transfers in	-	780,415	-	780,415
Transfers out	(780,415)	-	-	(780,415)
Proceeds on notes payable	1,800,000	-	-	1,800,000
Total other financing sources	1,019,585	780,415	-	1,800,000
Net change in fund balance	2,522,175	5,000	39,932	2,567,107
FUND BALANCE (DEFICIT), beginning	11,138,968	(5,000)	307,478	11,441,446
FUND BALANCE, ending	\$13,661,143	\$ -	\$ 347,410	\$14,008,553

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

CITY OF CROSSVILLE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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	\$ 2,567,107
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.	2,899,517
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(1,930,520)
The net effect of various transactions involving capital asset dispositions is to decrease net position.	(276,439)
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.	
Long-term debt principal payment	421,476
Long-term debt interest and fiscal charges	2,957
Compensated absences	(4,623)
Issuance of notes payable	(1,800,000)
Landfill postclosure care costs	12,763
Other changes in long-term liabilities	(52,000)
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.	(39,358)
The current year's change in the net pension liability increases net expenses on the government-wide statements.	238,416
Governmental revenues that provide current financial resources are reported in the governmental funds, while revenues that will not be collected for several months after the fiscal year are deferred. The statement of activities includes certain revenues that do not provide current financial resources.	<u>(176,186)</u>
Change in net position of governmental activities	<u>\$ 1,863,110</u>

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

CITY OF CROSSVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 11,227,500	\$ 11,227,500	\$ 12,441,113	\$ 1,213,613
Licenses and permits	84,500	84,500	354,516	270,016
Intergovernmental	5,489,100	6,461,600	2,459,985	(4,001,615)
Charges for services	374,500	374,500	287,250	(87,250)
Fines, forfeitures, and penalties	128,400	128,400	98,700	(29,700)
Investment income	7,500	7,500	27,341	19,841
Contributions and donations	2,000	2,000	-	(2,000)
Miscellaneous	3,723,750	3,723,750	1,051,478	(2,672,272)
Total revenues	<u>21,037,250</u>	<u>22,009,750</u>	<u>16,720,383</u>	<u>(5,289,367)</u>
EXPENDITURES				
General government	3,603,067	3,686,063	3,319,246	(366,817)
City court	17,050	17,050	15,050	(2,000)
Airport	1,472,300	1,553,060	1,105,866	(447,194)
Cemetery	75,125	75,125	69,187	(5,938)
Parks and recreation	1,904,205	1,904,205	1,008,599	(895,606)
Planning and zoning	272,325	272,325	174,458	(97,867)
Public safety	7,032,724	7,035,724	6,617,192	(418,532)
Sanitation	-	460,750	400,428	(60,322)
Streets	1,980,600	1,980,840	1,546,280	(434,560)
Tourism development	380,570	380,570	349,041	(31,529)
Debt service:				
Principal	580,000	580,000	385,214	(194,786)
Interest	400,000	400,000	227,232	(172,768)
Total expenditures	<u>17,717,966</u>	<u>18,345,712</u>	<u>15,217,793</u>	<u>(3,127,919)</u>
Excess of revenues over expenditures	<u>3,319,284</u>	<u>3,664,038</u>	<u>1,502,590</u>	<u>(2,161,448)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,676,000)	(6,676,000)	(780,415)	5,895,585
Proceeds on notes payable	1,772,500	1,800,000	1,800,000	-
Total other financing sources (uses)	<u>(3,903,500)</u>	<u>(4,876,000)</u>	<u>1,019,585</u>	<u>5,895,585</u>
Net change in fund balance	(584,216)	(1,211,962)	2,522,175	3,734,137
FUND BALANCE at beginning of year	<u>11,138,968</u>	<u>11,138,968</u>	<u>11,138,968</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 10,554,752</u>	<u>\$ 9,927,006</u>	<u>\$ 13,661,143</u>	<u>\$ 3,734,137</u>

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

CITY OF CROSSVILLE, TENNESSEE

PROPRIETARY FUND

STATEMENT OF NET POSITION

June 30, 2016

	<u>Water and Sewer Department</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 509,943
Receivables:	
Accounts receivable	478,500
Other	33,628
Unbilled revenues	899,238
Inventories	364,584
Due from other governments	<u>753,080</u>
Total current assets	<u>3,038,973</u>
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents	<u>5,869,500</u>
Total restricted assets	<u>5,869,500</u>
Capital assets:	
Land	574,816
Construction in progress	3,833,498
Water and sewer plant	108,527,561
Machinery and equipment	<u>6,440,646</u>
	119,376,521
Less accumulated depreciation	<u>(47,152,553)</u>
Net capital assets	<u>72,223,968</u>
Total noncurrent assets	<u>78,093,468</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension experience differences	476,677
Deferred charges on refunding	<u>153,700</u>
Total deferred outflows of resources	<u>630,377</u>
Total assets and deferred outflows of resources	<u>\$81,762,818</u>

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	<u>Water and Sewer Department</u>
LIABILITIES	
CURRENT LIABILITIES	
Current maturities of long-term liabilities	\$ 1,463,932
Accounts payable and accrued liabilities	677,544
Other current liabilities	<u>63,583</u>
Total current liabilities	<u>2,205,059</u>
LONG-TERM LIABILITIES	
Notes, capital leases and other obligations	15,432,074
Compensated absences	44,526
Revenue bonds payable	11,626,856
Net pension liability	98,435
Net OPEB obligation	<u>20,797</u>
Total long-term liabilities	<u>27,222,688</u>
DEFERRED INFLOWS OF RESOURCES	
Pension investment return	<u>197,139</u>
Total deferred inflows of resources	<u>197,139</u>
Total liabilities and deferred inflows of resources	<u>29,624,886</u>
NET POSITION	
Net investment in capital assets	43,893,007
Unrestricted	<u>8,244,925</u>
Total net position	<u>\$52,137,932</u>

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

CITY OF CROSSVILLE, TENNESSEE
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION
 Year Ended June 30, 2016

	<u>Water and Sewer Department</u>
OPERATING REVENUES	
Charges for sales and services:	
Water and sewer revenues	\$10,119,776
Intergovernmental	493,361
Other	<u>36,397</u>
Total operating revenues	<u>10,649,534</u>
OPERATING EXPENSES	
Transmission and distribution	4,177,683
Customer accounting and collection	463,738
Administrative and general	708,893
Depreciation and amortization	<u>3,007,633</u>
Total operating expenses	<u>8,357,947</u>
OPERATING INCOME	<u>2,291,587</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	14,944
Interest expense	(555,594)
Other income	<u>2,472</u>
Total nonoperating (expenses)	<u>(538,178)</u>
CHANGE IN NET POSITION	<u>1,753,409</u>
NET POSITION, beginning	<u>50,384,523</u>
NET POSITION, ending	<u><u>\$52,137,932</u></u>

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

CITY OF CROSSVILLE, TENNESSEE

PROPRIETARY FUND

STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

	<u>Water and Sewer Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 9,912,082
Payments to suppliers	(3,738,242)
Payments to employees	<u>(2,074,579)</u>
Net cash provided by operating activities	<u>4,099,261</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(1,404,576)
Interest paid on capital debt	(555,594)
Proceeds from capital debt	1,727,919
Additions to capital assets	<u>(2,877,710)</u>
Net cash flows used in capital and related financing activities	<u>(3,109,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>14,944</u>
Net cash flows provided by investing activities	<u>14,944</u>
Net increase in cash and cash equivalents	1,004,244
Cash and cash equivalents, beginning of year	<u>5,375,199</u>
Cash and cash equivalents, end of year	<u>\$ 6,379,443</u>
CLASSIFIED AS:	
Current assets	\$ 509,943
Restricted assets	<u>5,869,500</u>
	<u>\$ 6,379,443</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>\$2,291,587</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	3,007,633
Amortization	12,809
Changes in assets and liabilities:	
(Increase) in receivables	(90,966)
(Increase) in unbilled revenues	(154,199)
(Increase) in due from other governments	(501,312)
(Increase) in inventory	(16,222)
(Decrease) in accounts payable	(169,839)
(Decrease) in other assets	(168,369)
(Decrease) in other liabilities	(118,831)
Increase in compensated absences	<u>6,970</u>
TOTAL ADJUSTMENTS	<u>1,807,674</u>
Net cash provided by operating activities	<u>\$4,099,261</u>

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

CITY OF CROSSVILLE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(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) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization’s resources; (3) the City is legally obligated or has otherwise assumed responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. The City has no component units at June 30, 2016.

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

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

The City reports the following major governmental funds:

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

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

The City reports the following enterprise fund:

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

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

Additionally, the City reports the following nonmajor governmental funds:

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

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

(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, 2016, 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 acquisition value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems, and drainage systems. The City defines capital assets, other than infrastructure, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or greater. Infrastructure assets including streets, sidewalks, curbs, and guttering with an initial cost of \$10,000 or more are capitalized. Infrastructure assets including traffic signals, street lighting, and drainage systems with an initial cost of \$20,000 or more are capitalized.

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

	<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	\$ 183,563	\$ -	\$ -	\$ 183,563
Restricted				
Airport	35,023	-	-	35,023
Housing Authority	24,986	-	-	24,986
Cemetery	81,627	-	-	81,627
Drug fund	-	-	90,702	90,702
Streets	-	-	256,708	256,708
Unassigned	<u>13,335,944</u>	<u>-</u>	<u>-</u>	<u>13,335,944</u>
Total fund balances	<u>\$13,661,143</u>	<u>\$ -</u>	<u>\$347,410</u>	<u>\$14,008,553</u>
Summary for governmental funds balance sheet (page 4):				
Nonspendable	\$ 183,563	\$ -	\$ -	\$ 183,563
Restricted	141,636	-	347,410	489,046
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>13,335,944</u>	<u>-</u>	<u>-</u>	<u>13,335,944</u>
Total fund balances	<u>\$13,661,143</u>	<u>\$ -</u>	<u>\$347,410</u>	<u>\$14,008,553</u>

(G) Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has unearned and unavailable revenue related to property taxes that qualifies for reporting in this category.

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

(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 2015, are recorded as revenue in accordance with the principles established by the Governmental Accounting Standards Board. The net receivables estimated to be collectible subsequent to August 29, are recorded as unavailable revenues at June 30, 2016.

(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 deferred.

Some grants and contributions consist of capital assets or resources that are restricted for capital purposes—to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

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

(8) Pensions

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

(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.

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

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

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

(J) Pollution Remediation Obligations

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

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, 2016, the City had no material excess of expenditures over appropriations in individual funds.

Net Position/Fund Balance Deficit

For the year ended June 30, 2016, 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, 2016, 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, 2016, consist of the following:

	Governmental Activities Funds			Business-Type Activities	Total
	General	Capital Projects	Other Governmental		
Primary Government					
Receivables:					
Taxes	\$2,724,673	\$ -	\$ -	\$ -	\$2,724,673
Accounts	46,148	-	-	491,061	537,209
Other	619,650	-	-	33,628	653,278
Due from other governments	<u>2,717,375</u>	<u>-</u>	<u>55,139</u>	<u>753,080</u>	<u>3,525,594</u>
Gross receivables	6,107,846	-	55,139	1,277,769	\$7,440,754
Less:					
Allowance for uncollectibles	<u>(46,695)</u>	<u>-</u>	<u>-</u>	<u>(12,561)</u>	<u>(59,256)</u>
Net receivables	<u>\$6,061,151</u>	<u>\$ -</u>	<u>\$55,139</u>	<u>\$1,265,208</u>	<u>\$7,381,498</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, 2016.

NOTE 5. INTERFUND TRANSFERS

Transfers were used to move revenues of \$780,415 from the General Fund to the Capital Projects Fund for capital asset construction and acquisition costs.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land and land improvements	\$ 8,105,251	\$ -	\$ -	\$ 8,105,251
Construction in progress	<u>2,376,817</u>	<u>1,174,406</u>	<u>296,320</u>	<u>3,254,903</u>
Total non-depreciable assets	<u>10,482,068</u>	<u>1,174,406</u>	<u>296,320</u>	<u>11,360,154</u>
Depreciable Assets:				
Buildings and improvements	9,062,692	-	97,261	8,965,431
Machinery and equipment	8,412,416	1,128,775	742,579	8,798,612
Other improvements	17,166,968	36,319	-	17,203,287
Infrastructure	<u>19,274,064</u>	<u>856,337</u>	<u>539,893</u>	<u>19,590,508</u>
Total depreciable assets	<u>53,916,140</u>	<u>2,021,431</u>	<u>1,379,733</u>	<u>54,557,838</u>
Less Accumulated Depreciation for:				
Buildings, machinery and other improvements	14,794,537	1,303,590	-	16,098,127
Infrastructure	<u>7,745,036</u>	<u>626,930</u>	<u>1,103,294</u>	<u>7,268,672</u>
Total accumulated depreciation	<u>22,539,573</u>	<u>1,930,520</u>	<u>1,103,294</u>	<u>23,366,799</u>
Depreciable Assets, net	<u>31,376,567</u>	<u>90,911</u>	<u>276,439</u>	<u>31,191,039</u>
Governmental activities capital assets, net	<u>\$ 41,858,635</u>	<u>\$ 1,265,317</u>	<u>\$ 572,759</u>	<u>\$ 42,551,193</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 574,816	\$ -	\$ -	\$ 574,816
Construction in progress	<u>1,008,607</u>	<u>2,824,891</u>	<u>-</u>	<u>3,833,498</u>
Total non-depreciable assets	<u>1,583,423</u>	<u>2,824,891</u>	<u>-</u>	<u>4,408,314</u>
Depreciable Assets:				
Water and sewer plant	108,513,562	13,999	-	108,527,561
Machinery and equipment	<u>6,464,741</u>	<u>38,820</u>	<u>62,915</u>	<u>6,440,646</u>
Total depreciable assets	<u>114,978,303</u>	<u>52,819</u>	<u>62,915</u>	<u>114,968,207</u>
Less Accumulated Depreciation for:				
Water and sewer plant	41,259,207	2,928,562	-	44,187,769
Machinery and equipment	<u>2,948,628</u>	<u>79,071</u>	<u>62,915</u>	<u>2,964,784</u>
Total accumulated depreciation	<u>44,207,835</u>	<u>3,007,633</u>	<u>62,915</u>	<u>47,152,553</u>
Depreciable Assets, net	<u>70,770,468</u>	<u>(2,954,814)</u>	<u>-</u>	<u>67,815,654</u>
Business-type activities capital assets, net	<u>\$ 72,353,891</u>	<u>\$ (129,923)</u>	<u>\$ -</u>	<u>\$ 72,223,968</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$ 235,164
Airport	289,679
Cemetery	11,795
Parks and recreation	320,222
Public safety	384,670
Sanitation	1,496
Streets	<u>687,494</u>
Total	<u>\$1,930,520</u>
Primary Government – Business-Type Activities:	
Water and Sewer Department	<u>\$3,007,633</u>

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2016, were as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 7,270,000	\$ -	\$ 230,000	\$ 7,040,000	\$ 235,000
Notes payable	559,476	1,800,000	191,476	2,168,000	609,000
Net pension liability	-	393,738	-	393,738	-
Net OPEB obligation	51,494	39,358	-	90,852	-
Accrued postclosure care costs	160,530	-	12,763	147,767	13,401
Compensated absences	<u>276,296</u>	<u>4,623</u>	<u>-</u>	<u>280,919</u>	<u>129,719</u>
Total governmental activities	8,317,796	2,237,719	434,239	10,121,276	<u>\$ 987,120</u>
Net original issue premiums and discounts	<u>4,184</u>	<u>-</u>	<u>2,096</u>	<u>2,088</u>	
	<u>\$ 8,321,980</u>	<u>\$2,237,719</u>	<u>\$ 436,335</u>	<u>\$ 10,123,364</u>	
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Department:					
Revenue bonds	\$12,201,000	\$ -	\$ 336,000	\$11,865,000	\$ 355,000
Notes payable	15,843,462	1,727,919	1,068,576	16,502,805	1,070,731
Net pension liability	-	98,435	-	98,435	-
Net OPEB obligation	63,444	-	42,647	20,797	-
Compensated absences	<u>75,054</u>	<u>7,673</u>	<u>-</u>	<u>82,727</u>	<u>38,201</u>
Total business-type activities	28,182,960	1,834,117	1,447,223	28,569,764	<u>\$1,463,932</u>
Net original issue premiums and discounts	<u>123,815</u>	<u>-</u>	<u>6,959</u>	<u>116,856</u>	
	<u>\$28,306,775</u>	<u>\$ 1,834,117</u>	<u>\$1,454,182</u>	<u>\$28,686,620</u>	

Debt related to governmental activities at June 30, 2016, 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 0.58%) through 2024. The balance at June 30, 2016, is \$480,000.

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, 2016). The balance at June 30, 2016 is \$4,090,000.

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, 2016). The balance at June 30, 2016 is \$2,950,000.

Equipment Acquisition Capital Outlay Note, Series 2015 – In August 2015, the City issued Series 2015 notes for the purpose of financing certain public works projects, consisting of the acquisition and equipping of police vehicles for the Crossville Police Department and the acquisition of airpicks and other equipment for the Crossville Fire Department. The notes will be paid semiannual installments over 3 years through 2018 at a fixed rate of 1.82%. The balance at June 30, 2016 is \$1,200,000.

Public Building Authority of the City of Clarksville, Tennessee Variable Rate Local Government Loan Program Bond, Series 2015 (City of Crossville Loan) – In November 2015, the City entered into an agreement with the Public Building Authority of the City of Clarksville, TN, to secure a loan for the purpose of financing street and road improvements and park and recreational facilities improvements and upgrades. The loan is a line of credit not to exceed \$2,000,000. The loan will be repaid in annual installments through 2027 at a variable rate (1.55% at June 30, 2016). The balance at June 30, 2016 is \$488,000.

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, 2016, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
State Wastewater Facility Revolving Loan 2000	1.77%	\$ 2,365,013
State Wastewater Facility Revolving Loan 2001	1.47%	210,770
State Wastewater Facility Revolving Loan 2001	1.47%	526,228
State Wastewater Facility Revolving Loan 12-116	1.87%	1,217,587
State Wastewater Facility Revolving Loan 2015	1.61%	801,104
State Revolving Loan August 2009	2.88%	2,103,740
State Revolving Loan November 2009	2.83%	2,346,698
State Revolving Loan April 2010	2.78%	387,747
State Revolving Loan May 2010	2.69%	539,918
Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	2.00% - 3.00%	8,535,000
Public Building Authority of City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (Water & Sewer Refunding Loan)	1.26%	6,004,000
Public Building Authority of City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (Water Loan)	1.26%	<u>3,330,000</u>
Total payable from business-type activities		<u>\$28,367,805</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, 2016, is \$2,365,013.

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, 2016, is \$210,770.

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, 2016, is \$526,228.

State Wastewater Facility Revolving Loan 12-116 - The City entered into an agreement with the Tennessee Department of Environment and Conservation to secure a loan for the purpose of constructing new waterlines in the downtown area. The loan will be repaid in monthly installments through 2032 with interest at 1.87%. The balance at June 30, 2016, is \$1,217,587.

State Wastewater Facility Revolving Loan 2015 - The City entered into an agreement with the Tennessee Department of Environment and Conservation to secure a loan for the purpose of sewer rehabilitation to correct inflow and infiltration issues. The loan will be repaid in monthly installments through 2034 with interest at 1.61%. The balance at June 30, 2016, is \$801,104.

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, 2016, is \$2,103,740.

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, 2016, is \$2,346,698.

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, 2016, is \$387,747.

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, 2016, is \$539,918.

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, 2016). The balance at June 30, 2016, is \$8,535,000.

Public Building Authority of the City of Clarksville, Tennessee Variable Rate Local Government Loan Program Bond, Series 2014 (City of Crossville Water and Sewer Refunding Loan) – The City entered into an agreement with the Public Building Authority of the City of Clarksville, TN, to secure a loan for the purpose of refunding Water and Sewer Revenue and Tax Bonds. The loan will be repaid in annual installments through 2034 at a variable rate (1.26% at June 30, 2016). The balance at June 30, 2016, is \$6,004,000.

Public Building Authority of the City of Clarksville, Tennessee Variable Rate Local Government Loan Program Bond, Series 2014 (City of Crossville Water Loan) – The City entered into an agreement with the Public Building Authority of the City of Clarksville, TN, to secure a loan for the purpose of refunding Water System Refunding Bonds, Series 2005. The loan will be repaid in annual installments through 2028 at a variable rate (1.26% at June 30, 2016). The balance at June 30, 2016, is \$3,330,000.

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

Year Ending	Primary Government			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 844,000	\$ 228,123	\$ 1,425,731	\$ 599,163
2018	853,000	213,480	1,458,950	572,005
2019	868,000	198,669	1,493,552	544,269
2020	299,000	187,396	1,532,571	515,827
2021	306,000	182,335	1,568,009	488,047
2022-2026	1,563,000	816,859	8,500,779	1,988,652
2027-2031	1,855,000	579,485	9,385,308	1,023,351
2032-2036	2,150,000	280,455	3,002,905	79,957
2037	470,000	15,275	-	-
	<u>\$9,208,000</u>	<u>\$2,702,077</u>	<u>\$28,367,805</u>	<u>\$5,811,271</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

General Information about the Pension Plan

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits		96
Inactive employees entitled to but not yet receiving benefits	112	
Active employees		<u>123</u>
		<u>331</u>

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.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an

actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for the City was \$735,344 based on a rate of 13.65 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumption. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		Net Pension
	Total Pension	Plan Fiduciary	Liability
	Liability	Net Position	(Asset)
	(a)	(b)	(a)-(b)
Balance at June 30, 2014	\$20,305,937	\$21,202,977	\$ (897,040)
Changes for the year:			
Service cost	465,416		465,416
Interest	1,525,912		1,525,912
Differences between expected and actual experience	777,668		777,668
Contributions-employer		735,344	(735,344)
Contributions-employees		239	(239)
Net investment income		651,137	(651,137)
Benefit payments, including refunds of employee contributions	(851,717)	(851,717)	-
Administrative expense		(6,937)	6,937
Net changes	<u>1,917,279</u>	<u>528,066</u>	<u>1,389,213</u>
Balance at June 30, 2015	<u>\$22,223,216</u>	<u>\$21,731,043</u>	<u>\$ 429,173</u>

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

	1 % Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The City's net pension liability (asset)	\$3,561,207	\$492,173	\$(2,054,704)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2016, the City recognized pension expense of \$442,154.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,162,302	\$ -
Net difference between projected and actual earnings on pension plan investments	598,062	985,691
Contributions subsequent to the measurement date of June 30, 2015	<u>629,050</u>	<u>-</u>
Total	<u>\$ 2,389,414</u>	<u>\$ 985,691</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ending June 30:	
2017	\$ 29,736
2018	29,736
2019	29,736
2020	358,300
2021	171,406
Thereafter	-
Total	<u>\$ 618,914</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2016, the City reported no payables for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

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>
Other Postemployment Benefits	6/30/16	\$ 104,926	103.13%	\$111,649
	6/30/15	37,368	187.00%	114,938
	6/30/14	37,368	100.00%	148,848

Funding Policy and Other Information:

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>Other Postemployment Benefits</u>
Contribution rates for employer	N/A
Contribution rates for plan members	Varies
Annual OPEB cost	\$104,926
Contributions made by employer	108,215
Contributions made by plan members	-
Actuarial valuation date for current contributions	July 1, 2015
Amortization method	Level Dollar
Remaining amortization period at valuation date	30 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	N/A
Projected salary increases	N/A
Inflation rate	3.00%

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

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

	<u>Other Postemployment Benefits</u>
Annual required contribution	\$107,256
Interest on OPEB obligation	3,448
Adjustment to annual required contribution	<u>(5,778)</u>
Annual OPEB cost	104,926
Contributions made	<u>(108,215)</u>
Decrease in OPEB obligation	(3,289)
Net OPEB obligation at beginning of year	<u>114,938</u>
Net OPEB obligation at end of year	<u>\$111,649</u>

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>
Other Postemployment Benefits						
July 1, 2015	\$ -	\$ 751,697	\$ 751,697	0.00%	\$6,131,016	12.26%

Financial Reports:

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, 2016, 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, 2016, the City sold 214,808,700 gallons (19.9% of total gallons sold) totaling \$806,711 (11.5% of total water revenues) under the terms of this contract. Additionally, SCUD owes the City \$74,890 at June 30, 2016.

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, 2016, the City sold 44,217,400 gallons (4.1% of total gallons sold) totaling \$165,719 (2.0% of total water revenues) under the terms of this contract. Additionally, GUD owes the City \$13,952 at June 30, 2016.

NOTE 11. COMMITMENTS AND CONTINGENCIES

The City is party to various lawsuits and claims in the ordinary course of their operations. Management believes that the potential adverse impact of these proceedings would not be material to the basic financial statements of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

The City has entered into various construction commitments. Such contracts include contracts for improvements to the water and sewer plant, and acquisition and construction contracts related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2016. The total contractual commitments outstanding as of June 30, 2016, were not significant and the City has sufficient funds available to cover these commitments.

NOTE 12. LANDFILL POSTCLOSURE CARE COSTS

The postclosure care costs of the City landfill closed in 1993 are accounted for in the primary government governmental activities. State and federal regulations require the City to place a final cover on all landfills after closure, and the City must perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill postclosure care costs based on the amount of the landfill used during the year. The estimated liability for landfill postclosure care costs of \$147,767 at June 30, 2016 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, 2016, are as follows:

Estimated liability, June 30, 2015	\$160,530
Costs incurred	<u>12,763</u>
Estimated liability, June 30, 2016	<u>\$147,767</u>
Due within one year	<u>\$ 13,401</u>

The estimated total current cost of the landfill postclosure care of \$147,767 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, 2016. 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, TENNESSEE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2016

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
Other Postemployment Benefits						
July 1, 2015	\$ -	\$ 751,697	\$ 751,697	0.00%	\$6,131,016	12.26%
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%

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

CITY OF CROSSVILLE, TENNESSEE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED
 RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
 June 30, 2016

	<u>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 483,925	\$ 465,416
Interest	1,419,255	1,525,912
Differences between actual and expected experience	292,564	777,668
Benefit payments, including refunds of employee contributions	<u>(658,561)</u>	<u>(851,717)</u>
Net change in total pension liability	1,537,183	1,917,279
Total pension liability-beginning	<u>18,768,754</u>	<u>20,305,937</u>
Total pension liability-ending (a)	<u>\$20,305,937</u>	<u>\$22,223,216</u>
Plan fiduciary net position		
Contributions-employer	\$ 845,936	\$ 735,344
Contributions-employee	1,581	239
Net investment income	3,001,114	651,137
Benefit payments, including refunds of employee contributions	(658,561)	(851,717)
Administrative expense	<u>(6,446)</u>	<u>(6,937)</u>
Net change in plan fiduciary net position	3,183,624	528,066
Plan fiduciary net position-beginning	<u>18,019,353</u>	<u>21,202,977</u>
Plan fiduciary net position-ending (b)	<u>\$21,202,977</u>	<u>\$21,731,043</u>
Net pension liability (asset)-ending (a) - (b)	<u>\$ (897,040)</u>	<u>\$ 492,173</u>
Plan fiduciary net position as a percentage of total pension liability	104.42%	97.79%
Covered-employee payroll	5,915,632	5,387,134
Net pension liability (asset) as a percentage of covered-employee payroll	-15.16%	9.14%

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF CROSSVILLE, TENNESSEE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S CONTRIBUTIONS
 BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
 June 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 845,936	\$ 735,334	\$ 784,806
Contributions in relation to the actuarially determined contribution	<u>845,936</u>	<u>735,334</u>	<u>784,806</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,915,632	\$ 5,387,134	\$ 7,035,884
Contributions as a percentage covered-employee payroll	14.30%	13.65%	11.15%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	7 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

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.

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, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>State Street Aid</u>	<u>Total Special Revenue</u>	
ASSETS				
Restricted cash and cash equivalents	\$ 91,057	\$210,173	\$301,230	\$ 301,230
Due from other governments	<u>-</u>	<u>55,139</u>	<u>55,139</u>	<u>55,139</u>
Total assets	<u>\$ 91,057</u>	<u>\$265,312</u>	<u>\$356,369</u>	<u>\$ 356,369</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 355	\$ 8,604	\$ 8,959	\$ 8,959
Total liabilities	<u>355</u>	<u>8,604</u>	<u>8,959</u>	<u>8,959</u>
FUND BALANCES				
Restricted	<u>90,702</u>	<u>256,708</u>	<u>347,410</u>	<u>347,410</u>
Total fund balances	<u>90,702</u>	<u>256,708</u>	<u>347,410</u>	<u>347,410</u>
Total liabilities and fund balances	<u>\$ 91,057</u>	<u>\$265,312</u>	<u>\$356,369</u>	<u>\$ 356,369</u>

CITY OF CROSSVILLE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	Special Revenue			Total Nonmajor Governmental Funds
	Drug Fund	State Street Aid	Total Special Revenue	
REVENUES				
Intergovernmental	\$ -	\$303,038	\$303,038	\$ 303,038
Investment income	176	412	588	588
Miscellaneous	<u>78,752</u>	<u>-</u>	<u>78,752</u>	<u>78,752</u>
Total revenues	<u>78,928</u>	<u>303,450</u>	<u>382,378</u>	<u>382,378</u>
EXPENDITURES				
Current:				
Public safety	57,406	-	57,406	57,406
Streets	-	248,778	248,778	248,778
Debt service:				
Principal retirement	<u>36,262</u>	<u>-</u>	<u>36,262</u>	<u>36,262</u>
Total expenditures	<u>93,668</u>	<u>248,778</u>	<u>342,446</u>	<u>342,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,740)</u>	<u>54,672</u>	<u>39,932</u>	<u>39,932</u>
Net change in fund balance	<u>(14,740)</u>	<u>54,672</u>	<u>39,932</u>	<u>39,932</u>
FUND BALANCE, beginning	<u>105,442</u>	<u>202,036</u>	<u>307,478</u>	<u>307,478</u>
FUND BALANCE, ending	<u>\$ 90,702</u>	<u>\$256,708</u>	<u>\$347,410</u>	<u>\$ 347,410</u>

CITY OF CROSSVILLE, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 2,072,500	\$ 2,072,500	\$ 2,538,779	\$ 466,279
Local sales tax	7,200,000	7,200,000	7,767,412	567,412
Local beer and liquor tax	1,020,000	1,020,000	1,133,447	113,447
Business taxes	715,000	715,000	763,567	48,567
Payments in lieu of taxes	220,000	220,000	237,908	17,908
Licenses and permits:				
Beer and liquor license fees	22,500	22,500	27,351	4,851
Building permits	50,000	50,000	287,796	237,796
Other permits	12,000	12,000	39,369	27,369
Intergovernmental revenues:				
Intergovernmental grants and contracts	4,510,100	5,482,600	1,071,645	(4,410,955)
State sales and income tax	886,000	886,000	1,287,403	401,403
Other state taxes	93,000	93,000	100,937	7,937
Charges for services:				
Airport charges	141,000	141,000	105,275	(35,725)
Cemetery charges	25,000	25,000	27,450	2,450
Driver safety school charges	13,000	13,000	5,532	(7,468)
Park facility and concession charges	195,500	195,500	148,993	(46,507)
Fines and forfeitures:				
Court fines and costs	120,000	120,000	70,980	(49,020)
Other fines and costs	5,900	5,900	10,195	4,295
Drug related fines and forfeitures	2,500	2,500	17,525	15,025
Interest revenue	7,500	7,500	27,341	19,841
Contributions and donations	2,000	2,000	-	(2,000)
Miscellaneous:				
Insurance recoveries	175,000	175,000	63,558	(111,442)
Sale of property and equipment	2,500	2,500	244,431	241,931
Other revenues	3,546,250	3,546,250	743,489	(2,802,761)
Total revenues	21,037,250	22,009,750	16,720,383	(5,289,367)
EXPENDITURES				
General government:				
Payroll and payroll taxes	1,412,370	1,501,706	1,432,201	(69,505)
Employee benefits	597,750	621,760	582,149	(39,611)
Supplies	153,700	147,915	103,673	(44,242)
Utilities	142,750	141,175	133,690	(7,485)
Repairs and maintenance	64,050	58,300	54,360	(3,940)
Other expenditures	1,200,447	1,183,207	984,676	(198,531)
Capital outlay	32,000	32,000	28,497	(3,503)
City court:				
Payroll and payroll taxes	15,000	15,000	15,000	-
Supplies	1,200	1,200	-	(1,200)
Other expenditures	850	850	50	(800)
Airport:				
Supplies	1,000	530	527	(3)
Utilities	23,350	24,150	22,079	(2,071)
Repairs and maintenance	7,550	7,410	6,050	(1,360)
Other expenditures	86,400	85,970	84,177	(1,793)
Capital outlay	1,354,000	1,435,000	993,033	(441,967)
Cemetery:				
Payroll and payroll taxes	43,950	44,100	41,659	(2,441)
Employee benefits	16,250	18,284	16,503	(1,781)
Supplies	6,425	4,905	4,113	(792)
Utilities	2,750	1,046	904	(142)
Repairs and maintenance	5,750	6,790	6,008	(782)

(continued on next page)

CITY OF CROSSVILLE, TENNESSEE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Parks and recreation:				
Payroll and payroll taxes	\$ 521,250	\$ 531,085	\$ 452,503	\$ (78,582)
Employee benefits	157,945	151,307	142,181	(9,126)
Supplies	181,200	191,000	119,292	(71,708)
Utilities	198,800	206,290	155,991	(50,299)
Repairs and maintenance	130,350	111,670	72,045	(39,625)
Other expenditures	74,660	73,253	42,940	(30,313)
Capital outlay	640,000	639,600	23,647	(615,953)
Planning and zoning:				
Payroll and payroll taxes	108,625	108,970	107,403	(1,567)
Employee benefits	37,700	37,550	31,132	(6,418)
Supplies	9,650	10,205	7,009	(3,196)
Utilities	4,400	4,400	2,436	(1,964)
Repairs and maintenance	2,850	2,850	943	(1,907)
Other expenditures	109,100	108,350	25,535	(82,815)
Public safety:				
Payroll and payroll taxes	3,218,200	3,277,680	3,247,600	(30,080)
Employee benefits	1,275,900	1,236,500	1,120,540	(115,960)
Supplies	410,450	372,045	272,052	(99,993)
Utilities	109,600	102,255	88,168	(14,087)
Repairs and maintenance	179,500	162,985	95,458	(67,527)
Other expenditures	621,674	653,484	578,581	(74,903)
Capital outlay	1,217,400	1,230,775	1,214,793	(15,982)
Sanitation:				
Supplies	-	15,000	11,242	(3,758)
Utilities	-	430,000	377,304	(52,696)
Repairs and maintenance	-	1,500	1,129	(371)
Other expenditures	-	14,250	10,753	(3,497)
Streets:				
Payroll and payroll taxes	405,550	409,556	392,860	(16,696)
Employee benefits	223,400	224,100	187,592	(36,508)
Supplies	253,500	267,590	207,304	(60,286)
Utilities	22,150	22,347	17,384	(4,963)
Repairs and maintenance	157,000	141,454	83,373	(58,081)
Other expenditures	19,000	16,518	7,290	(9,228)
Capital outlay	900,000	899,275	650,477	(248,798)
Tourism development:				
Payroll and payroll taxes	62,775	62,775	61,962	(813)
Employee benefits	19,500	19,315	17,693	(1,622)
Supplies	3,545	1,470	1,266	(204)
Utilities	1,000	700	600	(100)
Repairs and maintenance	250	100	-	(100)
Other expenditures	293,500	296,210	267,520	(28,690)
Debt service:				
Principal	580,000	580,000	394,000	(186,000)
Interest	400,000	400,000	218,446	(181,554)
Total expenditures	<u>17,717,966</u>	<u>18,345,712</u>	<u>15,217,793</u>	<u>(3,127,919)</u>
Excess of revenues over expenditures	<u>3,319,284</u>	<u>3,664,038</u>	<u>1,502,590</u>	<u>(2,161,448)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,676,000)	(6,676,000)	(780,415)	5,895,585
Proceeds of notes	<u>1,772,500</u>	<u>1,800,000</u>	<u>1,800,000</u>	-
Total other financing sources (uses)	<u>(3,903,500)</u>	<u>(4,876,000)</u>	<u>1,019,585</u>	<u>5,895,585</u>
Net change in fund balance	(584,216)	(1,211,962)	2,522,175	3,734,137
FUND BALANCE at beginning of year	<u>11,138,968</u>	<u>11,138,968</u>	<u>11,138,968</u>	-
FUND BALANCE at end of year	<u>\$ 10,554,752</u>	<u>\$ 9,927,006</u>	<u>\$ 13,661,143</u>	<u>\$ 3,734,137</u>

CITY OF CROSSVILLE, TENNESSEE

SPECIAL REVENUE FUND

DRUG FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Investment income	\$ 125	\$ 125	\$ 176	\$ 51
Miscellaneous	<u>106,000</u>	<u>106,000</u>	<u>78,752</u>	<u>(27,248)</u>
Total revenues	<u>106,125</u>	<u>106,125</u>	<u>78,928</u>	<u>(27,197)</u>
EXPENDITURES				
Public safety	97,000	125,439	57,406	(68,033)
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>36,262</u>	<u>(23,738)</u>
Total expenditures	<u>157,000</u>	<u>185,439</u>	<u>93,668</u>	<u>(91,771)</u>
Excess (deficiency) of revenues over (under) expenditures	(50,875)	(79,314)	(14,740)	64,574
FUND BALANCE at beginning of year	<u>105,442</u>	<u>105,442</u>	<u>105,442</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 54,567</u>	<u>\$ 26,128</u>	<u>\$ 90,702</u>	<u>\$ 64,574</u>

CITY OF CROSSVILLE, TENNESSEE
SPECIAL REVENUE FUND
STATE STREET AID FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 285,000	\$ 285,000	\$ 303,038	\$ 18,038
Investment income	150	150	412	262
Total revenues	<u>285,150</u>	<u>285,150</u>	<u>303,450</u>	<u>18,300</u>
EXPENDITURES				
Streets	<u>287,000</u>	<u>287,000</u>	<u>248,778</u>	<u>(38,222)</u>
Total expenditures	<u>287,000</u>	<u>287,000</u>	<u>248,778</u>	<u>(38,222)</u>
Excess (deficiency) revenues over (under) expenditures	(1,850)	(1,850)	54,672	56,522
FUND BALANCE at beginning of year	<u>202,036</u>	<u>202,036</u>	<u>202,036</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 200,186</u>	<u>\$ 200,186</u>	<u>\$ 256,708</u>	<u>\$ 56,522</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, TENNESSEE
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
 Year Ended June 30, 2016

Tax Year (1)	Property Taxes Receivable Balance June 30, 2015	Property Taxes Levied	Anticipated Current Year Levy	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2016	Allowance for Uncollectibles	Net Receivable Balance June 30, 2016
2016	\$ -	\$ -	\$ 2,573,188	\$ -	\$ -	2,573,188	\$ -	\$ 2,573,188
2015	-	2,615,491	-	(138,364)	2,423,209	53,918	3,815	50,103
2014	67,938	-	-	-	40,212	27,726	1,941	25,785
2013	35,385	-	-	23,754	41,058	18,081	1,266	16,815
2012	20,148	-	-	8,038	14,621	13,565	950	12,615
2011	14,234	-	-	5,942	10,187	9,989	9,989	-
2010	7,421	-	-	1,144	4,202	4,363	4,363	-
2009	6,579	-	-	370	3,491	3,458	3,458	-
2008	4,577	-	-	224	2,723	2,078	208	1,870
2007	3,471	-	-	-	1,396	2,075	2,075	-
1995-2006	22,852	-	-	(2,604)	4,016	16,232	18,630	(2,398)
Totals	<u>\$ 182,605</u>	<u>\$ 2,615,491</u>	<u>\$ 2,573,188</u>	<u>\$ (101,496)</u>	<u>\$ 2,545,115</u>	<u>\$ 2,724,673</u>	<u>\$ 46,695</u>	<u>\$ 2,677,978</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, TENNESSEE

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2017	\$ 844,000	\$ 228,123	\$ 1,072,123
2018	853,000	213,480	1,066,480
2019	868,000	198,669	1,066,669
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	<u>470,000</u>	<u>15,275</u>	<u>485,275</u>
Total governmental activities	<u>9,208,000</u>	<u>2,702,077</u>	<u>11,910,077</u>
BUSINESS-TYPE ACTIVITIES			
2017	1,425,731	599,163	2,024,894
2018	1,458,950	572,005	2,030,955
2019	1,493,552	544,269	2,037,821
2020	1,532,571	515,827	2,048,398
2021	1,568,009	488,047	2,056,056
2022	1,608,866	459,645	2,068,511
2023	1,655,165	430,475	2,085,640
2024	1,699,044	401,609	2,100,653
2025	1,740,683	367,710	2,108,393
2026	1,797,021	329,213	2,126,234
2027	1,848,233	289,323	2,137,556
2028	1,914,792	247,554	2,162,346
2029	1,601,735	204,625	1,806,360
2030	2,005,039	166,072	2,171,111
2031	2,015,509	115,777	2,131,286
2032	2,104,104	66,338	2,170,442
2033	443,998	9,044	453,042
2034	<u>454,803</u>	<u>4,575</u>	<u>459,378</u>
Total business-type activities	<u>28,367,805</u>	<u>5,811,271</u>	<u>34,179,076</u>
Total primary government indebtedness	<u>\$37,575,805</u>	<u>\$8,513,348</u>	<u>\$46,089,153</u>

Note: Financial schedules differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data.

CITY OF CROSSVILLE, TENNESSEE

ANALYSIS OF DEBT

June 30, 2016

	<u>Outstanding July 1, 2015</u>	<u>Issued FY 2015-2016</u>	<u>Retired FY 2015-2016</u>	<u>Outstanding June 30, 2016</u>	<u>Maturing FY 2016-2017</u>	<u>Interest Payable FY 2016-2017</u>
GOVERNMENTAL ACTIVITIES						
Notes payable:						
Tennessee Municipal Bond Fund, Series 2004	\$ 532,000	\$ -	\$ (52,000)	\$ 480,000	\$ 54,000	\$ 1,920
Police Software Loan	27,476	-	(27,476)	-	-	-
General Obligation Refunding and Improvement Bonds Series 2012A	4,115,000	-	(25,000)	4,090,000	25,000	123,944
General Obligation Refunding and Improvement Bonds Series 2012B	3,155,000	-	(205,000)	2,950,000	210,000	76,431
Equipment Acquisition Note, Series 2015	-	1,200,000	-	1,200,000	393,000	18,264
Public Building Authority of the City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2015 (City of Crossville Loan)	-	600,000	(112,000)	488,000	162,000	7,564
Total notes payable	<u>7,829,476</u>	<u>1,800,000</u>	<u>(421,476)</u>	<u>9,208,000</u>	<u>844,000</u>	<u>228,123</u>
Total governmental activities	<u>7,829,476</u>	<u>1,800,000</u>	<u>(421,476)</u>	<u>9,208,000</u>	<u>844,000</u>	<u>228,123</u>
BUSINESS-TYPE ACTIVITIES						
Bonds:						
Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	8,660,000	-	(125,000)	8,535,000	135,000	250,294
Public Building Authority of the City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (City of Crossville Water Loan)	<u>3,541,000</u>	<u>-</u>	<u>(211,000)</u>	<u>3,330,000</u>	<u>220,000</u>	<u>49,950</u>
Total bonds	<u>12,201,000</u>	<u>-</u>	<u>(336,000)</u>	<u>11,865,000</u>	<u>355,000</u>	<u>300,244</u>
Notes payable -						
State Wastewater Facility Revolving Loan 2000	2,668,133	-	(303,120)	2,365,013	308,520	39,372
State Wastewater Facility Revolving Loan 2001	234,890	-	(24,120)	210,770	24,468	2,940
State Wastewater Facility Revolving Loan 2001	588,460	-	(62,232)	526,228	63,144	7,308
State Wastewater Facility Revolving Loan 12-116	268,272	949,315	-	1,217,587	66,240	-
State Wastewater Facility Revolving Loan 2015	22,500	778,604	-	801,104	38,723	-
State Revolving Loan August 2009	2,276,652	-	(172,912)	2,103,740	116,988	60,756
State Revolving Loan November 2009	2,538,654	-	(191,956)	2,346,698	130,044	66,564
State Revolving Loan April 2010	409,275	-	(21,528)	387,747	22,140	10,476
State Revolving Loan May 2010	567,626	-	(27,708)	539,918	28,464	14,172
Public Building Authority of the City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (City of Crossville Water & Sewer Refunding Loan)	<u>6,269,000</u>	<u>-</u>	<u>(265,000)</u>	<u>6,004,000</u>	<u>272,000</u>	<u>55,837</u>
Total notes payable	<u>15,843,462</u>	<u>1,727,919</u>	<u>(1,068,576)</u>	<u>16,502,805</u>	<u>1,070,731</u>	<u>257,425</u>
Total business-type activities	<u>28,044,462</u>	<u>1,727,919</u>	<u>(1,404,576)</u>	<u>28,367,805</u>	<u>1,425,731</u>	<u>557,669</u>
Total general obligation debt	<u>\$35,873,938</u>	<u>\$ 3,527,919</u>	<u>\$ (1,826,052)</u>	<u>\$37,575,805</u>	<u>\$ 2,269,731</u>	<u>\$ 785,792</u>

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR

June 30, 2016

<u>DIRECT INDEBTEDNESS</u>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2017	Tennessee Municipal Bond Fund Loan 2004	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>480,000</u>	<u>8,928</u>	<u>488,928</u>
2017	General Obligation Refunding and Improvement Bonds Series 2012A	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>4,090,000</u>	<u>2,059,043</u>	<u>6,149,043</u>
2017	General Obligation Refunding and Improvement Bonds Series 2012B	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>2,950,000</u>	<u>585,963</u>	<u>3,535,963</u>

(continued on following page)

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR

June 30, 2016

(continued from previous page)

DIRECT INDEBTEDNESS

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2017	Equipment Acquisition Note, Series 2015	1.82	\$ 393,000	\$ 18,264	\$ 411,264
2018		1.82	400,000	11,048	411,048
2019		1.82	407,000	3,703	410,703
			<u>1,200,000</u>	<u>33,015</u>	<u>1,233,015</u>
2017	Public Building Authority of the City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2015 (City of Crossville Loan)	1.55	162,000	7,564	169,564
2018		1.55	162,000	5,053	167,053
2019		1.55	164,000	2,511	166,511
			<u>488,000</u>	<u>15,128</u>	<u>503,128</u>
	Total direct indebtedness		<u>9,208,000</u>	<u>2,702,077</u>	<u>11,910,077</u>

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2017	State Wastewater Facility Revolving Loan 2000	1.77	\$ 308,520	\$ 39,372	\$ 347,892
2018		1.77	314,028	33,864	347,892
2019		1.77	319,632	28,260	347,892
2020		1.77	325,344	22,560	347,904
2021		1.77	331,140	16,752	347,892
2022		1.77	337,056	10,848	347,904
2023		1.77	343,068	4,836	347,904
2024		1.77	86,225	255	86,480
			<u>2,365,013</u>	<u>156,747</u>	<u>2,521,760</u>
2017	State Wastewater Facility Revolving Loan 2001	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
			<u>526,228</u>	<u>31,517</u>	<u>557,745</u>
2017	State Revolving Loan Fund November 2009	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	127,580	3,492	131,072
2032	2.83	17,094	-	17,094	
			<u>2,346,698</u>	<u>553,980</u>	<u>2,900,678</u>

(continued on following page)

CITY OF CROSSVILLE, TENNESSEE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2016

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2017	State Revolving Loan Fund August 2009	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	115,768	2,728	118,496	
2032	2.88	148	-	148	
			2,103,740	503,320	2,607,060
2017	State Revolving Loan Fund April 2010	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	
			387,747	83,196	470,943

(continued on following page)

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR

June 30, 2016

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2017	Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012C	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>8,535,000</u>	<u>3,018,856</u>	<u>11,553,856</u>
2017	State Wastewater Facility Revolving Loan 2001	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	8	4,558
				<u>210,770</u>	<u>13,052</u>
2017	State Revolving Loan May 2010	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>539,918</u>	<u>121,308</u>	<u>661,226</u>

(continued on following page)

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2016

(continued from previous page)

WATER AND SEWER DEPARTMENT

<u>Fiscal Year Ended June 30</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Due</u>	<u>Total Interest and Principal</u>
2017	Public Building Authority of City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (Water & Sewer Refunding Loan)	3.00	\$ 272,000	\$ 55,837	\$ 327,837
2018		3.00	278,000	53,308	331,308
2019		3.00	285,000	50,722	335,722
2020		3.00	291,000	48,072	339,072
2021		3.00	298,000	45,365	343,365
2022		3.00	305,000	42,594	347,594
2023		3.00	312,000	39,758	351,758
2024		3.00	320,000	36,856	356,856
2025		3.00	327,000	33,880	360,880
2026		3.00	335,000	30,839	365,839
2027		3.00	343,000	27,723	370,723
2028		3.00	351,000	24,533	375,533
2029		3.00	359,000	21,269	380,269
2030		3.00	368,000	17,930	385,930
2031		3.00	377,000	14,508	391,508
2032		3.00	385,000	11,002	396,002
2033	3.00	394,000	7,421	401,421	
2034	3.00	404,000	3,757	407,757	
			<u>6,004,000</u>	<u>565,374</u>	<u>6,569,374</u>
2017	Public Building Authority of City of Clarksville, TN Variable Rate Local Government Loan Program Bond, Series 2014 (Water Loan)	1.50	220,000	49,950	269,950
2018		1.50	230,000	46,650	276,650
2019		1.50	235,000	43,200	278,200
2020		1.50	245,000	39,675	284,675
2021		1.50	255,000	36,000	291,000
2022		1.50	265,000	32,175	297,175
2023		1.50	280,000	28,200	308,200
2024		1.50	295,000	23,775	318,775
2025		1.50	305,000	19,200	324,200
2026		1.50	320,000	15,000	335,000
2027		1.50	330,000	10,200	340,200
2028		1.50	350,000	5,250	355,250
			<u>3,330,000</u>	<u>349,275</u>	<u>3,679,275</u>

(continued on following page)

CITY OF CROSSVILLE, TENNESSEE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2016

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2017	State Wastewater Facility Revolving Loan 12-116	1.87	\$ 66,240	\$ 28,596	\$ 94,836
2018		1.87	67,488	27,288	94,776
2019		1.87	68,760	25,968	94,728
2020		1.87	70,056	24,612	94,668
2021		1.87	71,376	23,232	94,608
2022		1.87	72,720	21,840	94,560
2023		1.87	74,100	20,400	94,500
2024		1.87	75,492	18,948	94,440
2025		1.87	76,920	17,460	94,380
2026		1.87	78,372	15,948	94,320
2027		1.87	79,848	14,400	94,248
2028		1.87	81,348	12,840	94,188
2029		1.87	82,884	11,232	94,116
2030		1.87	84,444	9,612	94,056
2031	1.87	86,040	7,944	93,984	
2032	1.87	81,499	6,252	87,751	
			<u>1,217,587</u>	<u>286,572</u>	<u>1,504,159</u>
2017	State Wastewater Facility Revolving Loan 2015	1.61	38,723	12,898	51,621
2018		1.61	39,346	12,275	51,621
2019		1.61	39,980	11,641	51,621
2020		1.61	40,623	10,998	51,621
2021		1.61	41,277	10,344	51,621
2022		1.61	41,942	9,679	51,621
2023		1.61	42,617	9,004	51,621
2024		1.61	43,303	8,318	51,621
2025		1.61	44,001	7,620	51,621
2026		1.61	44,709	6,912	51,621
2027		1.61	45,429	6,192	51,621
2028		1.61	46,160	5,461	51,621
2029		1.61	46,903	4,718	51,621
2030		1.61	47,659	3,962	51,621
2031	1.61	48,426	3,195	51,621	
2032	1.61	49,205	2,416	51,621	
2033	1.61	49,998	1,623	51,621	
2034	1.61	50,803	818	51,621	
			<u>801,104</u>	<u>128,074</u>	<u>929,178</u>
	Total Water and Sewer Department		<u>28,367,805</u>	<u>5,811,271</u>	<u>34,179,076</u>
	Total Primary Government Indebtedness		<u>\$ 37,575,805</u>	<u>\$ 8,513,348</u>	<u>\$ 46,089,153</u>

CITY OF CROSSVILLE, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
June 30, 2016

<u>Year of Levy</u>	<u>Rate</u>	<u>Assessment</u>	<u>Amount of Tax Assessed</u>
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
2014	0.53	409,292,914	2,169,252
2015	0.63	415,156,189	2,615,491

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF WATER AND SEWER RATES AND NUMBER OF CUSTOMERS
June 30, 2016

WATER AND SEWER CUSTOMER RATES

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 2,000 gallons		
Water	\$ 10.48 minimum bill	\$15.72 minimum bill
Sewer	14.36 minimum bill	21.54 minimum bill
All over 2,000 gallons		
Water	\$5.24 per 1,000 gallons	\$7.86 per 1,000 gallons
Sewer	7.18 per 1,000 gallons	10.77 per 1,000 gallons
Utility districts		\$3.80 per 1,000 gallons

NUMBER OF CUSTOMERS

	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Total</u>
Water customers			
Residential	3,776	7,176	10,952
Commercial	1,359	196	1,555
Industrial	31	5	36
Utility district taps	-	6	6
	<hr/>	<hr/>	<hr/>
Total water customers	<u>5,166</u>	<u>7,383</u>	<u>12,549</u>
Total sewer customers	<u>4,938</u>	<u>20</u>	<u>4,958</u>

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF UNACCOUNTED ACCOUNTED FOR WATER
 Year Ended June 30, 2016
 (All amounts in gallons)

AWWA Free Water Audit Software: Reporting Worksheet

WAS v6.0
American Water Works Association
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Water Audit Report for: **City of Crossville (0000150)**
 Reporting Year: **2016** 7/2015-6/2016

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

Master Meter and Supply Error Adjustments

WATER SUPPLIED <----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+ ? 10	1,367,122	MGYr	+ ? 10	1.00%	<input checked="" type="radio"/>	<input type="radio"/>		MGYr
Water imported:	+ ? n/a	0.000	MGYr	+ ? 7		<input checked="" type="radio"/>	<input type="radio"/>		MGYr
Water exported:	+ ? 8	259,026	MGYr	+ ? 8	1.00%	<input checked="" type="radio"/>	<input type="radio"/>		MGYr

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

WATER SUPPLIED: **1,097,125** MGYr

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 8	820,696	MGYr						
Billed unmetered:	+ ? n/a	0.000	MGYr						
Unbilled metered:	+ ? n/a	0.000	MGYr						
Unbilled unmetered:	+ ? 7	13,714	MGYr						

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

AUTHORIZED CONSUMPTION: **834,410** MGYr

WATER LOSSES (Water Supplied - Authorized Consumption) **262,715** MGYr

Apparent Losses

Unauthorized consumption:	+ ? 7	2,743	MGYr						
---------------------------	-------	-------	------	--	--	--	--	--	--

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

Customer metering inaccuracies:	+ ? 7	18,891	MGYr						
Systematic data handling errors:	+ ? 7	2,052	MGYr						

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

Apparent Losses: **23,685** MGYr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **239,029** MGYr

WATER LOSSES: **262,715** MGYr

NON-REVENUE WATER

NON-REVENUE WATER: **276,429** MGYr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 8	534.0	miles
Number of active AND inactive service connections:	+ ? 8	12,698	
Service connection density:	+ ? 7	24	conn./mile main

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

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

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

Average operating pressure: + ? 8 83.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 10	\$6,967,842	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 9	\$9.78	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 10	\$431.90	\$/Million gallons

Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 86 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Unauthorized consumption
- 2: Systematic data handling errors
- 3: Customer metering inaccuracies

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF UNACCOUNTED ACCOUNTED FOR WATER
 Year Ended June 30, 2016
 (All amounts in gallons)



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

WAS v5.0

American Water Works Association
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Water Audit Report for: **City of Crossville (0000150)**
 Reporting Year: **2016** | **7/2015 - 6/2016**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 *****

System Attributes:

Apparent Losses:	<input type="text" value="23.685"/>	MG/Yr
+ Real Losses:	<input type="text" value="239.029"/>	MG/Yr
= Water Losses:	<input type="text" value="262.715"/>	MG/Yr

Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

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

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
 { Real Losses per service connection per day: gallons/connection/day
 { Real Losses per length of main per day*: gallons/mile/day
 { Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

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

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

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

CITY OF CROSSVILLE, TENNESSEE

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS
Year Ended June 30, 2016

<u>Official Title</u>	<u>Name</u>	<u>Salary</u>	<u>Bond</u>	<u>Surety</u>
Mayor	James Mayberry	\$ 4,116	\$500,000	Tennessee Municipal League Risk Management Pool
Interim City Manager	Steve Hill	75,000	500,000	Tennessee Municipal League Risk Management Pool
City Recorder	Sally Oglesby	61,309	500,000	Tennessee Municipal League Risk Management Pool
Finance Director	Fred Houston	62,500	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, Tennessee, (the "City"), as of and for the year ended June 30, 2016, 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 9, 2017.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Crossville, Tennessee’s Response to Finding

The City of Crossville, Tennessee’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Crossville, Tennessee’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Chattanooga, Tennessee
February 9, 2017

CITY OF CROSSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	<u> X </u> yes	___ no
Significant deficiencies identified	___ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	___ yes	<u> X </u> no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2016 due to the City not expending federal grants in excess of \$750,000.

CITY OF CROSSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-001: Internal Control over Financial Reporting

Criteria: Internal controls should be in place to ensure that financial statements properly present all financial activity for the City.

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

Effect: The effect of the adjustments decreased the fund balance of the General Fund by \$374,051, increased the fund balance of the State Street Aid Fund by \$28,435, increased the balance of the Drug Fund by \$3,043, and increased the fund balance of the Water and Sewer Fund by \$128,459.

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

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

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

SECTION III – SCHEDULE OF PRIOR YEAR FINDINGS

Finding 2015-1: Internal Control over Financial Reporting

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

Corrective Action Taken: The finding was repeated in the current year.