

CITY OF CROSSVILLE
FINANCIAL REPORT
JUNE 30, 2011

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CITY OF CROSSVILLE
DIRECTORY OF OFFICIALS

ELECTED OFFICIALS

Mayor	J. H. Graham, III
Mayor Pro-Tem	Danny Wyatt
Council Member	Boyd Wyatt, Sr.
Council Member	Earl Dean
Council Member	George Marlow

APPOINTED OFFICIALS

City Attorney	Kenneth Chadwell
City Judge	Thomas L. Bean
City Manager	Curtis Adams
City Recorder	Sally Oglesby, MMC
Director of Finance	Fred C. Houston, CPA

Report of Independent Certified Public Accountants
on Financial Statements, Supplementary Information, and
Schedule of Expenditures of Federal and State Awards

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crossville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages iii through xvii of the Financial Section and the required supplementary information on page 35 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crossville's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The introductory section, combining nonmajor fund 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 nonmajor fund financial statements, the budgetary comparison schedules included as other supplementary information, the financial schedules, and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Haslett, Lewis & Bister, PLLC

Chattanooga, Tennessee
November 18, 2011

CITY OF CROSSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Crossville's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. 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 \$1,821,000 in 2011 or 3.8%, while business-type activity total assets increased by \$13,294,000 or 21.7%, resulting in a increase in total primary government assets of \$15,115,000 or 13.8%. Governmental activity total revenues for the City increased \$1,270,000 or 10.0%, while business-type total revenues increased by \$2,842,000 or 26.5%, resulting in an increase in total primary government revenues of \$4,112,000, or 17.5%. The City's governmental activity total program expenses for 2011 increased \$180,000 or 1.4%, while business-activity total program expenses increased by \$148,000 or 2.1%, resulting in an increase in total primary government program expenses of \$328,000 or 1.6%. With respect to the City's governmental activities, net assets increased by \$499,000. General fund net assets decreased during the year by \$2,790,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 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 assets and the statement of activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most companies in the private sector. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In reviewing these financial statements, we must ask, "Is the City of Crossville as a whole financially better or worse as a result of this year's activities?"

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

REPORTING THE CITY AS A WHOLE, continued

As illustrated in Table 1, total assets of the City's governmental activities were \$50,136,000 in 2011 versus \$48,315,000 in 2010, representing a decrease of \$1,821,000 or 3.8%. Table 1 also shows that total assets of the City's business-type activities were \$74,679,000 in 2011 versus \$61,385,000 in 2010, representing an increase of \$13,294,000 or 21.7%.

Table 1 - Net Assets (in Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2011	2010	Change	2011	2010	Change	2011	2010	Change
Current and other assets	\$11,270	\$13,423	\$(2,153)	\$ 5,711	\$ 3,419	\$ 2,292	\$ 16,981	\$ 16,842	\$ 139
Capital assets	<u>38,866</u>	<u>34,892</u>	<u>3,974</u>	<u>68,968</u>	<u>57,966</u>	<u>11,002</u>	<u>107,834</u>	<u>92,858</u>	<u>14,976</u>
Total assets	<u>\$50,136</u>	<u>\$48,315</u>	<u>\$ 1,821</u>	<u>\$74,679</u>	<u>\$61,385</u>	<u>\$13,294</u>	<u>\$124,815</u>	<u>\$109,700</u>	<u>\$15,115</u>
Long-term liabilities	\$ 1,801	\$ 1,091	\$ 710	\$ 23,477	\$16,019	\$ 7,458	\$ 25,278	\$ 17,110	\$ 8,168
Other liabilities	<u>3,307</u>	<u>2,695</u>	<u>612</u>	<u>1,620</u>	<u>2,259</u>	<u>(639)</u>	<u>4,927</u>	<u>4,954</u>	<u>(27)</u>
Total liabilities	5,108	3,786	1,322	25,097	18,278	6,819	30,205	22,064	8,141
Net assets:									
Invested in capital assets, net of related debt	37,333	33,896	3,437	45,728	39,985	5,743	83,061	73,881	9,180
Restricted	1	871	(870)	-	2,886	(2,886)	1	3,757	(3,756)
Unrestricted	<u>7,694</u>	<u>9,762</u>	<u>(2,068)</u>	<u>3,854</u>	<u>236</u>	<u>3,618</u>	<u>11,548</u>	<u>9,998</u>	<u>1,550</u>
Total net assets	<u>45,028</u>	<u>44,529</u>	<u>499</u>	<u>49,582</u>	<u>43,107</u>	<u>6,475</u>	<u>94,610</u>	<u>87,636</u>	<u>6,974</u>
Total liabilities and net assets	<u>\$50,136</u>	<u>\$48,315</u>	<u>\$ 1,821</u>	<u>\$74,679</u>	<u>\$61,385</u>	<u>\$13,294</u>	<u>\$124,815</u>	<u>\$109,700</u>	<u>\$15,115</u>

The significant elements and causes for the changes in the City's governmental activities total assets in 2011 were: (1) Current and other assets decreased by \$2,153,000 which was attributed in part to the operations of the City for the year. (2) Capital assets increased by \$3,974,000 which was made up of three land purchases for the new City Hall, the Industrial Park and additional airport land, as well as purchases of machinery and equipment.

The significant aspect of the increase in the City's business-type activities total assets in 2011 was an increase in current and other assets of \$2,292,000 which was attributed in part to settlement during the year of an internal balance due to the governmental activities. Additionally, capital assets increased by \$11,002,000 related to additions and improvements to the water and sewer plant.

As shown in Table 1, total liabilities of the City's governmental activities increased by \$1,322,000 or 34.9% in 2011. Table 1 also shows total liabilities of the City's business-type activities increased by \$6,819,000 or 37.3% in 2011. The significant elements and causes for the changes in the City's total liabilities in 2011 were: (1) increase of accounts payable \$605,000 in the governmental activities and (2) long-term liabilities increased by \$710,000 in the governmental activities and \$7,458,000 increase in the business activities due to issuance of debt.

Therefore, total net assets of the City's governmental activities increased by \$499,000 or 1.1%, and total net assets of the City's business-type activities increased by \$6,475,000 or 15.0%.

REPORTING THE CITY AS A WHOLE, continued

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

Table 2 – Change in Net Assets (in Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2011	2010	Change	2011	2010	Change	2011	2010	Change
Revenues									
Program revenues:									
Charges for services	\$ 691	\$ 643	\$ 48	\$ 8,492	\$ 6,831	\$ 1,679	\$ 9,183	\$ 7,456	\$ 1,727
Grants and contributions:									
For operations	586	402	184	1	-	1	587	402	185
For capital projects	1,360	494	866	5,066	3,892	1,174	6,426	4,386	2,040
General revenues:									
Property taxes	2,231	1,977	254	-	-	-	2,231	1,977	254
Intergovernmental revenues	9,119	8,984	135	-	-	-	9,119	8,984	135
Interest earnings	13	34	(21)	7	14	(7)	20	48	(28)
Other revenue	-	196	(196)	-	5	(5)	-	201	(201)
Total revenues	14,000	12,730	1,270	13,566	10,724	2,842	27,566	23,454	4,112
Program expenses:									
General government	2,994	3,137	(143)	-	-	-	2,994	3,137	(143)
City court	16	16	-	-	-	-	16	16	-
Airport	322	292	30	-	-	-	322	292	30
Cemetery	64	57	7	-	-	-	64	57	7
Parks and recreation	1,426	1,336	90	-	-	-	1,426	1,336	90
Planning and zoning	258	245	13	-	-	-	258	245	13
Public safety	5,574	5,354	220	-	-	-	5,574	5,354	220
Sanitation	362	339	23	-	-	-	362	339	23
Streets	2,106	2,402	(296)	-	-	-	2,106	2,402	(296)
Tourism development	375	140	235	-	-	-	375	140	235
Interest on long-term debt	4	3	1	-	-	-	4	3	1
Water and sewer department	-	-	-	7,091	6,943	148	7,091	6,943	148
Total expenses	13,501	13,321	180	7,091	6,943	148	20,592	20,264	328
CHANGE IN NET ASSETS	499	(591)	1,090	6,475	3,781	2,694	6,974	3,190	3,784
NET ASSETS, beginning	44,529	45,120	(591)	43,107	39,326	3,781	87,636	84,446	3,190
NET ASSETS, ending	\$45,028	\$44,529	\$ 499	\$49,582	\$43,107	\$ 6,475	\$94,610	\$87,636	\$ 6,974

Total revenues for the City's governmental activities increased \$1,270,000 or 10.0%. Revenues increased during the year due to federal and state grants and other contributions increased in 2011 by \$1,050,000, of which a large portion related to capital grants for airport improvements.

Total revenues for the City's business-type activities increased \$2,842,000 or approximately 26.5%. Water and sewer charges for services increased \$1,679,000 in the current year. Federal and state grants increased in 2011 by \$1,174,000.

Table 2 shows that total program expenses for the City's governmental activities increased \$180,000 or 1.4%. Total program expenses for the City's business-type activities increased \$148,000 or 2.1%.

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, 2011. The original budget revenue estimates total \$15,639,000. Final budget revenues for the period amounted to \$15,689,000. Final actual revenues for the period amounted to \$13,385,000. The City's original budget estimated expenditures for 2011 were \$18,696,000. Final budget expenditures for the period amounted to \$19,292,000. Final actual expenditures for the period amounted to \$13,637,000. At June 30, 2011, the fund balance of the City's general fund was \$6,999,000.

Table 3 – General Fund Budget Comparison (in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget – Over/(Under)</u>
Revenues				
Taxes	\$10,129	\$10,129	\$10,421	\$ 292
Intergovernmental revenues	4,649	4,689	2,116	(2,573)
Charges for services	416	416	313	(103)
Other revenues	<u>445</u>	<u>455</u>	<u>535</u>	<u>80</u>
Total revenues	15,639	15,689	13,385	(2,304)
Expenditures				
General government	3,236	3,422	3,065	(357)
Airport	3,557	3,618	1,530	(2,088)
Parks and recreation	1,301	1,314	1,127	(187)
Public safety	7,737	7,863	5,488	(2,375)
Street	2,182	2,235	1,726	(509)
Other expenditures	<u>683</u>	<u>840</u>	<u>701</u>	<u>(139)</u>
Total expenditures	18,696	19,292	13,637	(5,655)
Revenues Over (Under) Expenditures	(3,057)	(3,603)	(252)	3,351
Transfers out	(963)	(3,088)	(2,664)	424
Issuance of bonds and notes	<u>2,990</u>	<u>2,990</u>	<u>127</u>	<u>(2,863)</u>
NET CHANGE IN FUND BALANCES	(1,030)	(3,701)	(2,789)	912
FUND BALANCE, beginning	<u>9,788</u>	<u>9,788</u>	<u>9,788</u>	<u>-</u>
FUND BALANCE, ending	<u>\$ 8,758</u>	<u>\$ 6,087</u>	<u>\$ 6,999</u>	<u>\$ 912</u>

Business-type Activities

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

DEBT ADMINISTRATION

Governmental Activities

At the end of the current fiscal year the City's governmental activities had outstanding long-term debt of \$1,533,000. The prior year outstanding long-term debt amounted to \$771,000; consequently long-term debt increased during the year by \$762,000. This increase was primarily due to two new debt issuances during the year.

Business-type Activities

At the end of the current fiscal year the City's business-type activities, comprised of the Water and Sewer Department, had outstanding long-term debt of \$23,575,000. The prior year outstanding long-term debt amounted to \$16,098,000. The increase of \$7,477,000 during the year was primarily due to draws on three existing loans and issuance of one new note.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact the Director of Finance at the City of Crossville, 99 Municipal Avenue, Crossville, Tennessee 38555, (931) 456-5991 or fchouston@crossvilletn.gov.

CITY OF CROSSVILLE
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,461,847	\$ 340,459	\$ 5,802,306
Receivables, net of allowance for uncollectibles	4,624,753	1,735,445	6,360,198
Unbilled revenues	-	542,042	542,042
Deferred charges	-	155,858	155,858
Inventories	130,829	383,334	514,163
Other assets	-	5,188	5,188
Restricted assets:			
Cash and cash equivalents	326,892	2,548,173	2,875,065
Note receivable	726,000	-	726,000
Land and other nondepreciable assets	8,962,890	12,050,639	21,013,529
Other capital assets, net of accumulated depreciation	29,902,958	56,917,465	86,820,423
Total assets	<u>50,136,169</u>	<u>74,678,603</u>	<u>124,814,772</u>
LIABILITIES			
Accounts payable and accrued liabilities	934,070	1,516,809	2,450,879
Unearned revenue	2,149,853	-	2,149,853
Accrued postclosure care	205,786	-	205,786
Accrued postemployment benefits	18,190	72,332	90,522
Other liabilities	-	30,726	30,726
Long-term liabilities:			
Due within one year	184,110	1,494,123	1,678,233
Due in more than one year	1,616,532	21,983,099	23,599,631
Total liabilities	<u>5,108,541</u>	<u>25,097,089</u>	<u>30,205,630</u>
NET ASSETS			
Invested in capital assets, net of related debt	37,332,915	45,728,205	83,061,120
Restricted for:			
Capital projects	1,391	-	1,391
Unrestricted	<u>7,693,322</u>	<u>3,853,309</u>	<u>11,546,631</u>
Total net assets	<u>\$45,027,628</u>	<u>\$ 49,581,514</u>	<u>\$94,609,142</u>

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

CITY OF CROSSVILLE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 2,993,687	\$ 255,743	\$ 70,053	\$ 95,374
City court	15,893	114,194	-	-
Airport	322,317	76,210	-	1,066,827
Cemetery	63,840	30,250	-	-
Parks and recreation	1,426,569	179,810	-	-
Planning and zoning	257,606	890	-	-
Public safety	5,574,376	33,531	231,281	70,835
Sanitation	362,164	-	-	-
Streets	2,105,841	-	284,180	127,313
Tourism development	375,496	-	-	-
Interest on long-term debt	3,866	-	-	-
Total governmental activities	<u>13,501,655</u>	<u>690,628</u>	<u>585,514</u>	<u>1,360,349</u>
Business-type activities:				
Water and sewer	<u>7,091,295</u>	<u>8,492,214</u>	<u>686</u>	<u>5,066,503</u>
Total business-type activities	<u>7,091,295</u>	<u>8,492,214</u>	<u>686</u>	<u>5,066,503</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 20,592,950</u>	<u>\$ 9,182,842</u>	<u>\$ 586,200</u>	<u>\$ 6,426,852</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 assets Net assets, beginning Net assets, ending				

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,572,517)	\$ -	\$ (2,572,517)
98,301	-	98,301
820,720	-	820,720
(33,590)	-	(33,590)
(1,246,759)	-	(1,246,759)
(256,716)	-	(256,716)
(5,238,729)	-	(5,238,729)
(362,164)	-	(362,164)
(1,694,348)	-	(1,694,348)
(375,496)	-	(375,496)
(3,866)	-	(3,866)
<u>(10,865,164)</u>	<u>-</u>	<u>(10,865,164)</u>
-	<u>6,468,108</u>	<u>6,468,108</u>
-	<u>6,468,108</u>	<u>6,468,108</u>
<u>(10,865,164)</u>	<u>6,468,108</u>	<u>(4,397,056)</u>
2,231,142	-	2,231,142
923,179	-	923,179
6,590,906	-	6,590,906
676,161	-	676,161
834,366	-	834,366
94,493	-	94,493
<u>13,180</u>	<u>6,695</u>	<u>19,875</u>
<u>11,363,427</u>	<u>6,695</u>	<u>11,370,122</u>
498,263	6,474,803	6,973,066
<u>44,529,365</u>	<u>43,106,711</u>	<u>87,636,076</u>
<u>\$ 45,027,628</u>	<u>\$ 49,581,514</u>	<u>\$ 94,609,142</u>

CITY OF CROSSVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,531,644	\$ 257,095	\$ 5,788,739
Receivables, net of allowance for uncollectibles:			
Property taxes	2,096,559	-	2,096,559
Accounts	659,333	-	659,333
Other	371,257	-	371,257
Due from other governments	1,447,700	49,904	1,497,604
Inventories	121,980	8,849	130,829
Total assets	<u>\$10,228,473</u>	<u>\$ 315,848</u>	<u>\$10,544,321</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 860,786	\$ 71,270	\$ 932,056
Due to other governments	1,910	-	1,910
Deferred revenue	2,367,078	-	2,367,078
Total liabilities	<u>3,229,774</u>	<u>71,270</u>	<u>3,301,044</u>
Fund balances:			
Nonspendable	121,980	8,849	130,829
Restricted	69,797	289,967	359,764
Committed	-	-	-
Assigned	554,080	-	554,080
Unassigned	6,252,842	(54,238)	6,198,604
Total fund balances	<u>6,998,699</u>	<u>244,578</u>	<u>7,243,277</u>
Total liabilities and fund balances	<u>\$10,228,473</u>	<u>\$ 315,848</u>	<u>\$10,544,321</u>

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

CITY OF CROSSVILLE
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

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

Fund balances - total governmental funds		\$ 7,243,277
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.		38,865,848
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		217,225
Notes receivable are not available to pay for current period expenditures and therefore are not reported in the funds.		726,000
The Other Postemployment Benefits Plan has not been funded to meet annual requirement contributions, creating an accrued postemployment benefits liability. This liability is not due and payable in the current period and, therefore, is not reported in the funds.		(18,190)
The landfill postclosure care costs have not been funded, creating an accrued postclosure care liability. This liability is not due and payable in the current period and, therefore, is not reported in the funds.		(205,786)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. This item consists of the following:		
Notes payable	\$ (1,532,933)	
Compensated absences	(267,709)	
Accrued interest payable	(104)	
	(1,800,746)	(1,800,746)
Net assets of governmental activities		\$ 45,027,628

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

CITY OF CROSSVILLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$10,421,388	\$ -	\$10,421,388
Licenses and permits	145,235	-	145,235
Intergovernmental	2,116,471	284,180	2,400,651
Charges for services	312,600	-	312,600
Fines, forfeitures, and penalties	121,395	-	121,395
Investment income	12,883	297	13,180
Contributions and donations	82,150	-	82,150
Miscellaneous	173,772	194,681	368,453
Total revenues	<u>13,385,894</u>	<u>479,158</u>	<u>13,865,052</u>
EXPENDITURES			
Current:			
General government	3,065,392	-	3,065,392
City court	15,893	-	15,893
Airport	1,529,919	-	1,529,919
Cemetery	51,108	-	51,108
Parks and recreation	1,126,757	-	1,126,757
Planning and zoning	211,408	-	211,408
Public safety	5,487,712	215,464	5,703,176
Sanitation	-	360,668	360,668
Streets	1,726,686	243,340	1,970,026
Tourism development	374,546	-	374,546
Capital outlay/capital assets	-	2,298,956	2,298,956
Debt service:			
Principal retirement	45,000	-	45,000
Interest and fiscal charges	3,762	-	3,762
Total expenditures	<u>13,638,183</u>	<u>3,118,428</u>	<u>16,756,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(252,289)</u>	<u>(2,639,270)</u>	<u>(2,891,559)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,664,022	2,664,022
Transfers out	(2,664,022)	-	(2,664,022)
Issuance of bonds and notes	126,933	-	126,933
Total other financing sources (uses)	<u>(2,537,089)</u>	<u>2,664,022</u>	<u>126,933</u>
Net change in fund balance	<u>(2,789,378)</u>	<u>24,752</u>	<u>(2,764,626)</u>
FUND BALANCE, beginning	<u>9,788,077</u>	<u>219,826</u>	<u>10,007,903</u>
FUND BALANCE, ending	<u>\$ 6,998,699</u>	<u>\$ 244,578</u>	<u>\$ 7,243,277</u>

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

CITY OF CROSSVILLE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2011

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	\$ (2,764,626)
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 assets.	4,906,370
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(1,731,365)
Contributions of capital assets are not reflected in the governmental funds, but are reported in the statement of activities. This item consists of streets contributed by developers and other contributed assets.	127,313
The net effect of various transactions involving capital assets is to decrease net assets.	(8,628)
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 assets. 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.	(71,933)
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.	33,579
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>7,553</u>
Change in net assets of governmental activities	<u>\$ 498,263</u>

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

CITY OF CROSSVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$10,128,700	\$10,128,700	\$10,421,388	\$ 292,688
Licenses and permits	84,300	84,300	145,235	60,935
Intergovernmental	4,649,087	4,689,087	2,116,471	(2,572,616)
Charges for services	416,100	416,100	312,600	(103,500)
Fines, forfeitures, and penalties	119,500	119,500	121,395	1,895
Investment income	36,100	36,100	12,883	(23,217)
Contributions and donations	82,500	84,650	82,150	(2,500)
Miscellaneous	122,700	130,376	173,772	43,396
Total revenues	<u>15,638,987</u>	<u>15,688,813</u>	<u>13,385,894</u>	<u>(2,302,919)</u>
EXPENDITURES				
General government	3,236,004	3,421,681	3,065,392	(356,289)
City court	18,800	18,800	15,893	(2,907)
Airport	3,557,178	3,618,378	1,529,919	(2,088,459)
Cemetery	72,750	74,260	51,108	(23,152)
Parks and recreation	1,300,450	1,314,165	1,126,757	(187,408)
Planning and zoning	260,245	262,195	211,408	(50,787)
Public safety	7,736,909	7,863,078	5,487,712	(2,375,366)
Streets	2,181,920	2,235,320	1,726,686	(508,634)
Tourism development	283,595	435,820	374,546	(61,274)
Debt service:				
Principal	45,000	45,000	45,000	-
Interest	3,000	3,763	3,762	(1)
Total expenditures	<u>18,695,851</u>	<u>19,292,460</u>	<u>13,638,183</u>	<u>(5,654,277)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,056,864)</u>	<u>(3,603,647)</u>	<u>(252,289)</u>	<u>3,351,358</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(963,150)	(3,087,525)	(2,664,022)	423,503
Issuance of bonds and notes	2,990,000	2,990,000	126,933	(2,863,067)
Total other financing sources (uses)	<u>2,026,850</u>	<u>(97,525)</u>	<u>(2,537,089)</u>	<u>(2,439,564)</u>
Net change in fund balance	<u>(1,030,014)</u>	<u>(3,701,172)</u>	<u>(2,789,378)</u>	<u>911,794</u>
FUND BALANCE at beginning of year	<u>9,788,077</u>	<u>9,788,077</u>	<u>9,788,077</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 8,758,063</u>	<u>\$ 6,086,905</u>	<u>\$ 6,998,699</u>	<u>\$ 911,794</u>

CITY OF CROSSVILLE
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 June 30, 2011

	Water and Sewer Department
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 340,459
Receivables:	
Accounts Receivable	413,934
Other	22,156
Less allowance for doubtful accounts	(14,339)
Unbilled revenues	542,042
Inventories	383,334
Due from other governments	1,313,694
Other current assets	5,188
Total current assets	3,006,468
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents	2,548,173
Total restricted assets	2,548,173
Capital assets:	
Land	424,236
Construction in progress	11,626,403
Water and sewer plant	84,123,819
Machinery and equipment	5,815,467
Total capital assets	101,989,925
Less accumulated depreciation	(33,021,821)
Net capital assets	68,968,104
Other assets:	
Deferred charges	155,858
Total other assets	155,858
Total noncurrent assets	71,672,135
Total assets	\$ 74,678,603

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	<u>Water and Sewer Department</u>
LIABILITIES	
CURRENT LIABILITIES	
Current maturities of long-term liabilities	\$ 1,494,123
Accounts payable and accrued liabilities	1,516,809
Other current liabilities	<u>30,726</u>
Total current liabilities	<u>3,041,658</u>
 LONG-TERM LIABILITIES	
Notes, capital leases and other obligations	16,498,656
Compensated absences	58,453
Revenue bonds payable	5,605,192
Original issue premium	14,073
Deferred refunding	(193,275)
Accrued postemployment benefits	<u>72,332</u>
Total long-term liabilities	<u>22,055,431</u>
Total liabilities	<u>25,097,089</u>
 NET ASSETS	
Invested in capital assets, net of related debt	45,728,205
Unrestricted	<u>3,853,309</u>
Total net assets	<u>\$ 49,581,514</u>

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

CITY OF CROSSVILLE
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET ASSETS
 Year Ended June 30, 2011

	<u>Water and Sewer Department</u>
OPERATING REVENUES	
Charges for sales and services:	
Water and Sewer revenues	\$ 8,437,668
Intergovernmental	3,753,186
Other	<u>686</u>
Total operating revenues	<u>12,191,540</u>
OPERATING EXPENSES	
Transmission and distribution	3,739,539
Customer accounting and collection	432,923
Administrative and general	244,861
Depreciation and amortization	<u>2,255,800</u>
Total operating expenses	<u>6,673,123</u>
OPERATING INCOME	<u>5,518,417</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,695
Interest expense	(418,172)
Other income (expense)	<u>54,546</u>
Total nonoperating revenues (expenses)	<u>(356,931)</u>
INCOME BEFORE CONTRIBUTIONS	<u>5,161,486</u>
Capital contributions	<u>1,313,317</u>
CHANGE IN NET ASSETS	6,474,803
NET ASSETS, beginning	<u>43,106,711</u>
NET ASSETS, ending	<u>\$ 49,581,514</u>

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

CITY OF CROSSVILLE
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2011

	<u>Water and Sewer Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 10,107,142
Payments to suppliers	(3,322,998)
Payments to employees	(1,833,256)
Net cash provided by operating activities	<u>4,950,888</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(1,298,271)
Interest paid on capital debt	(418,172)
Proceeds from capital debt	8,775,520
Capital grants and contributions	1,388,061
Additions to capital assets	(13,257,693)
Net cash flows used in capital and related financing activities	<u>(4,810,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>6,695</u>
Net cash flows provided by investing activities	<u>6,695</u>
Net increase in cash and cash equivalents	147,028
Cash and cash equivalents, beginning of year	<u>2,741,604</u>
Cash and cash equivalents, end of year	<u>\$ 2,888,632</u>
CLASSIFIED AS:	
Current assets	\$ 340,459
Restricted assets	<u>2,548,173</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>\$ 5,518,417</u>
ADJUSTMENTS NOT AFFECTING CASH	
Depreciation and amortization	2,255,800
Changes in assets and liabilities:	
(Increase) decrease in receivables	18,487
(Increase) decrease in unbilled revenues	13,719
(Increase) decrease in due from other governments	(214,952)
(Increase) decrease in inventory	(70,265)
Increase (decrease) in accounts payable	(713,426)
Increase (decrease) in other assets/liabilities	(1,860,152)
Increase (decrease) in compensated absences	<u>3,260</u>
TOTAL ADJUSTMENTS	<u>(567,529)</u>
Net cash provided by operating activities	<u>\$ 4,950,888</u>
 SIGNIFICANT NONCASH ACTIVITIES	
Contribution of capital assets from developers	\$ 1,224,071
Purchase of capital assets financed by payables or debt	8,775,520

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

CITY OF CROSSVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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CITY OF CROSSVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989, are not applied in the preparation of the financial statements of enterprise funds in accordance with an election made by the City under GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

(A) Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has no component units at June 30, 2011.

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

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

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

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following 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. The General Fund is the only major governmental fund.

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

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

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.

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

(E) **Budget Policy and Budgetary Data**

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

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

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

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

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

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

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

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

Expenditures may not legally exceed appropriations at or above the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which may have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2011, 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 assets because their use is limited by applicable bond covenants. Also, amounts due from other governments may be included as restricted assets because their use is limited by grant agreements.

(5) Capital Assets

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

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

	<u>Useful Life</u>
Buildings and improvements	40 years
Machinery and equipment	3 - 7 years
Water and sewer plant	20 - 40 years
Public domain infrastructure	20 - 40 years

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

(6) Bond Discounts, Premiums and Issuance Costs

In the governmental funds, bond discounts and premiums and issuance costs are treated as period costs in the year of issue.

In proprietary funds, bond discounts and premiums and issuance costs 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 discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

At the government-wide level any bond discounts and premiums and issuance costs 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. The deferred gain/loss is offset against the new liability.

(8) Fund Balance

Governmental funds utilize a fund balance presentation for equity. At June 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances:			
Nonspendable			
Inventory	\$ 121,980	\$ 8,849	\$ 130,829
Restricted			
Airport	44,977	-	44,977
Housing Authority	24,820	-	24,820
Drug fund	-	90,518	90,518
Streets	-	198,058	198,058
Capital projects	-	1,391	1,391
Committed	-	-	-
Assigned			
Industrial development	554,080	-	554,080
Unassigned	<u>6,252,842</u>	<u>(54,238)</u>	<u>6,198,604</u>
Total fund balances	<u>\$6,998,699</u>	<u>\$ 244,578</u>	<u>\$7,243,277</u>
Summary for governmental funds balance sheet (page 4):			
Nonspendable	\$ 121,980	\$ 8,849	\$ 130,829
Restricted	69,797	289,967	359,764
Committed	-	-	-
Assigned	554,080	-	554,080
Unassigned	<u>6,252,842</u>	<u>(54,238)</u>	<u>6,198,604</u>
Total fund balances	<u>\$6,998,699</u>	<u>\$ 244,578</u>	<u>\$7,243,277</u>

(G) 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 2010, 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 deferred revenues at June 30, 2011.

(2) Grant Revenue

The City, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are reported as deferred revenues.

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

(3) Investment Income

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

(4) Compensated Absences

The City's policies permit employees to accumulate earned but unused vacation leave up to a maximum of 240 hours, except fire department employees may accumulate up to a maximum of 318 hours. Any unused earned vacation leave in excess of the maximum is rolled over to accrued sick leave. In addition, contingent to annual budget approval, employees may be eligible to convert a maximum of 80 hours (96 for fire department employees) of accumulated vacation leave to cash each year provided the employee has a remaining balance of at least 60 hours (72 for fire department employees) after converting. Employees are paid their unused vacation hours upon termination. Also, all employees may accumulate sick leave without limitation. At retirement, employees are paid for unused sick leave, but unused sick leave time is credited to service time for retirement purposes. Any employee who ceases employment, other than due to retirement, forfeits all unused earned sick leave. The liability for compensated absences (unused vacation time) is recorded as long-term debt in the government-wide statements for government activities and for business-type activities. The current portion of the compensated absences is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

(5) Interfund Transactions

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

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

(6) Indirect Costs

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

(7) Estimates

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

(H) Net Assets

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Assets - represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use. The City's policy is generally to use restricted net assets first, as appropriate opportunities arise.

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

(I) Pollution Remediation Obligations

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

(J) Subsequent Events

Management performed an evaluation of subsequent events through November 18, 2011, the date these financial statements were issued.

NOTE 2. RESTATEMENTS OF PRIOR YEAR BALANCES

At June 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". As a result of this clarification of governmental fund type definitions, the Industrial Development Fund has been reclassified to the general fund.

The impact of the reclassifications of fund balances as previously reported is as follows:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>
Fund balance at June 30, 2010, as previously reported	\$9,235,137	\$ 772,766
Fund reclassifications	<u>552,940</u>	<u>(552,940)</u>
Fund balance at June 30, 2010, as restated	<u>\$9,788,077</u>	<u>\$ 219,826</u>

During the year ended June 30, 2011, management determined that a postclosure care liability should be recorded by the City. This revision resulted in recording a reduction of net assets in the Governmental Activities at June 30, 2010 of \$215,786, which was not previously recorded. Accordingly, beginning net assets of the Governmental Activities have been restated to reflect this change. The impact of the restatement on net assets as previously reported is as follows:

	<u>Governmental Activities</u>
Total net assets at June 30, 2010, as previously reported	\$44,745,151
Adjustment related to landfill postclosure care	<u>(215,786)</u>
Total net assets at June 30, 2010, as restated	<u>\$44,529,365</u>

NOTE 3. 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, 2011, the City had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

The Capital Projects Fund has a deficit in fund balance of \$22,983 at June 30, 2011. The City plans to fund the deficit with additional transfers from the General Fund.

The Solid Waste Fund has a deficit in fund balance of \$21,015 at June 30, 2011. The City plans to fund the deficit with additional transfers from the General Fund.

NOTE 4. 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. The deposits must be 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. At June 30, 2011, the primary government's investments in U.S. Government agency securities consisted of Federal Home Loan Bank bonds, which were rated AAA by Standard & Poor's Rating Service (S & P) and Moody's Investor Service (Moody's).

NOTE 5. RECEIVABLES

Receivables at June 30, 2011, consist of the following:

	<u>Governmental Activities Funds</u>		<u>Business-Type Activities</u>	<u>Total</u>
	<u>General</u>	<u>Other Governmental</u>		
Primary Government				
Receivables:				
Taxes	\$2,149,853	\$ -	\$ -	\$2,149,853
Accounts	659,333	-	413,934	1,073,267
Other	371,257	-	22,156	393,413
Intergovernmental	<u>1,447,700</u>	<u>49,904</u>	<u>1,313,694</u>	<u>2,811,298</u>
Gross receivables	4,628,143	49,904	1,749,784	6,427,831
Less:				
Allowance for uncollectibles	<u>(53,294)</u>	<u>-</u>	<u>(14,339)</u>	<u>(67,633)</u>
Net receivables	<u>\$4,574,849</u>	<u>\$49,904</u>	<u>\$1,735,445</u>	<u>\$6,360,198</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, 2011.

NOTE 6. INTERFUND TRANSFERS

Transfers are used to (1) move revenues of \$2,328,777 from the General Fund to the Capital Projects Fund for capital asset construction and acquisition costs, (2) move revenues of \$335,245 from the General Fund to the Solid Waste Fund to cover solid waste collection costs.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Additions	Deductions	Ending Balance
Non-Depreciable Assets:				
Land and land improvements	\$ 5,625,504	\$ 699,763	\$ -	\$ 6,325,267
Construction in progress	<u>1,576,949</u>	<u>1,866,848</u>	<u>806,174</u>	<u>2,637,623</u>
Total non-depreciable assets	<u>7,202,453</u>	<u>2,566,611</u>	<u>806,174</u>	<u>8,962,890</u>
Depreciable Assets:				
Buildings and improvements	6,422,604	1,948,904	-	8,371,508
Machinery and equipment	6,449,685	787,047	91,921	7,144,811
Other improvements	11,380,272	977,983	-	12,358,255
Infrastructure	<u>17,468,299</u>	<u>239,312</u>	<u>-</u>	<u>17,707,611</u>
Total depreciable assets	<u>41,720,860</u>	<u>3,953,246</u>	<u>91,921</u>	<u>45,582,185</u>
Less Accumulated Depreciation for:				
Buildings, machinery and other improvements	9,314,797	1,456,040	83,293	10,687,544
Infrastructure	<u>4,716,358</u>	<u>275,325</u>	<u>-</u>	<u>4,991,683</u>
Total accumulated depreciation	<u>14,031,155</u>	<u>1,731,365</u>	<u>83,293</u>	<u>15,679,227</u>
Depreciable Assets, net	<u>27,689,705</u>	<u>2,221,881</u>	<u>8,628</u>	<u>29,902,958</u>
Governmental activities capital assets, net	<u>\$34,892,158</u>	<u>\$ 4,788,492</u>	<u>\$ 814,802</u>	<u>\$38,865,848</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 424,236	\$ -	\$ -	\$ 424,236
Construction in progress	<u>7,735,503</u>	<u>11,936,413</u>	<u>8,045,513</u>	<u>11,626,403</u>
Total non-depreciable assets	<u>8,159,739</u>	<u>11,936,413</u>	<u>8,045,513</u>	<u>12,050,639</u>
Depreciable Assets:				
Water and sewer plant	75,141,237	8,982,582	-	84,123,819
Machinery and equipment	<u>5,466,988</u>	<u>384,211</u>	<u>35,732</u>	<u>5,815,467</u>
Total depreciable assets	<u>80,608,225</u>	<u>9,366,793</u>	<u>35,732</u>	<u>89,939,286</u>
Less Accumulated Depreciation for:				
Water and sewer plant	26,875,696	1,898,407	35,732	28,738,371
Machinery and equipment	<u>3,926,057</u>	<u>357,393</u>	<u>-</u>	<u>4,283,450</u>
Total accumulated depreciation	<u>30,801,753</u>	<u>2,255,800</u>	<u>35,732</u>	<u>33,021,821</u>
Depreciable Assets, net	<u>49,806,472</u>	<u>7,110,993</u>	<u>-</u>	<u>56,917,465</u>
Business-type activities capital assets, net	<u>\$57,966,211</u>	<u>\$19,047,406</u>	<u>\$8,045,513</u>	<u>\$68,968,104</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
General government	\$ 149,268
Airport	126,794
Cemetery	12,732
Parks and recreation	348,056
Planning and zoning	44,591
Public safety	257,928
Sanitation	1,496
Streets	<u>790,500</u>
Total	<u>\$1,731,365</u>
Primary Government – Business-Type Activities:	
Water and Sewer Department	<u>\$2,255,800</u>

NOTE 8. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2011, were as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
GOVERNMENTAL ACTIVITIES					
Notes payable	\$ 771,000	\$ 806,933	\$ 45,000	\$ 1,532,933	\$ 123,000
Compensated absences	<u>255,805</u>	<u>11,904</u>	<u>-</u>	<u>267,709</u>	<u>61,110</u>
Total governmental activities	<u>\$ 1,026,805</u>	<u>\$ 818,837</u>	<u>\$ 45,000</u>	<u>\$ 1,800,642</u>	<u>\$ 184,110</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Department:					
Revenue bonds	\$ 6,066,638	\$ -	\$ 381,613	\$ 5,685,025	\$ 79,833
Notes payable	10,031,073	8,775,520	916,658	17,889,935	1,391,279
Compensated absences	<u>78,204</u>	<u>3,260</u>	<u>-</u>	<u>81,464</u>	<u>23,011</u>
Total business-type activities	<u>\$16,175,915</u>	<u>\$8,778,780</u>	<u>\$1,298,271</u>	23,656,424	<u>\$1,494,123</u>
Net deferred refunding and original issue premiums and discounts				<u>(179,202)</u>	
				<u>\$23,477,222</u>	

In prior years, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City's financial statements. At June 30, 2011, the remaining liabilities for the bonds refunded were \$4,275,000.

Debt related to governmental activities at June 30, 2011, 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 0.27%) through 2025. The balance at June 30, 2011, is \$726,000.

Tennessee Municipal Bond Fund Loan 2010 – In November 2010, 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 water and sewer system projects and for the acquisition of equipment. The loan will be repaid in annual installments through 2013 at a variable rate (0.98% at June 30, 2011). The balance at June 30, 2011, is \$126,933.

Airport Capital Outlay Note – In February 2011, the City entered into an agreement to purchase property adjacent to the airport for \$680,000. The sellers are financing the purchase, to be repaid in annual installments through July 2014. The balance at June 30, 2011, is \$680,000.

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, 2011, consisted of the following:

<u>Issue</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
State Wastewater Facility Revolving Loan 2000	1.77%	\$ 3,828,401
State Wastewater Facility Revolving Loan 2001	1.47%	327,890
State Wastewater Facility Revolving Loan 2001	1.47%	828,436
State Wastewater Facility Revolving Loan 1992	2.64%	504,871
State Revolving Loan August 2009	2.88%	2,680,836
State Revolving Loan November 2009	2.83%	2,958,397
State Revolving Loan April 2010	2.78%	487,502
Tennessee Local Development Authority	3.31%	417,822
Tennessee Municipal Bond Fund, Series 1997	0.25%	2,520,780
Water System Refunding Revenue Bonds, Series 2005	3.50% - 4.625%	4,275,000
Tennessee Municipal Bond Fund 2010	0.98%	3,335,000
Water and Sewer Revenue and Tax Bonds, Series 2003	4.25%	<u>1,410,025</u>
Total payable from business-type activities		<u>\$23,574,960</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, 2011, is \$3,828,401.

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, 2011, is \$327,890.

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, 2011, is \$828,436.

State Wastewater Facility Revolving Loan 1992 - The City entered into an agreement with the Tennessee Department of Environment and Conservation to secure a loan for the purpose of expanding the existing treatment plant. The loan will be repaid in monthly installments through 2015 with interest at 2.64%. The remaining balance at June 30, 2011, is \$504,871.

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 2031 at 2.88% interest. The balance at June 30, 2011, is \$2,680,836.

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 2031 at 2.83% interest. The balance at June 30, 2011, is \$2,958,397.

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, 2011, is \$487,502.

Tennessee Local Development Authority - The City entered into an agreement with the Tennessee Local Development Authority to secure a loan for the purpose of financing construction of sewer lines and wastewater treatment plant. The loan will be repaid in monthly installments through 2015 at a variable rate (3.31% at June 30, 2011). The balance at June 30, 2011, is \$417,822.

Tennessee Municipal Bond Fund Loan 1997 - 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 water system projects. The loan will be repaid in annual installments through 2019 at a variable rate (0.25% at June 30, 2011). The balance at June 30, 2011, is \$2,520,780.

Water System Refunding Revenue Bonds, Series 2005 - The City entered into an agreement with the Public Building Authority of the City of Crossville, TN, in connection with Water System Refunding Bonds. The bonds will be repaid in semi-annual installments through 2029 at fixed rates from 3.50% to 4.625%. The balance at June 30, 2011, is \$4,275,000.

Tennessee Municipal Bond Fund Loan 2010 - 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 water and sewer system projects and for the acquisition of equipment. The loan will be repaid in annual installments through 2023 at a variable rate (0.98% at June 30, 2011). The balance at June 30, 2011, is \$3,335,000.

Water and Sewer Revenue and Tax Bonds, Series 2003 - The City entered into an agreement with the USDA Rural Development to secure bonds for the purpose of constructing waterworks systems improvements and extensions. The bonds will be repaid in annual installments through 2025 at a fixed rate of 4.25%. The balance at June 30, 2011, is \$1,410,025.

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

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 123,000	\$ 1,244	\$ 1,471,112	\$ 370,932
2013	276,600	1,999	1,710,576	530,249
2014	274,667	1,836	1,718,578	493,736
2015	275,666	1,706	1,506,273	459,466
2016	51,000	1,574	1,548,523	430,179
2017-2021	278,000	5,726	7,835,853	1,667,407
2022-2026	254,000	1,736	4,952,521	814,472
2027-2031	-	-	2,831,524	187,815
	<u>\$1,532,933</u>	<u>\$15,821</u>	<u>\$23,574,960</u>	<u>\$4,954,256</u>

NOTE 9. 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 10. EMPLOYEE RETIREMENT SYSTEMS

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

Pension Plan

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

Other Postemployment Benefits

The City provides postemployment medical coverage to all employees and their families who retire with at least 30 years of service and are not less than age 55 or with at least 20 years of service and are not less than age 60, until they are eligible for Medicare benefits. Any cost to the retiree related to family coverage is deducted from their retirement check.

Trend Information:

	<u>Year Ended</u>	<u>Annual Pension/OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension/OPEB Obligation (Asset)</u>
Pension Plan	6/30/11	\$857,179	100.00%	\$ -
	6/30/10	825,746	100.00%	-
	6/30/09	803,119	100.00%	-
Other Postemployment Benefits	6/30/11	\$ 35,986	100.00%	\$90,522
	6/30/10	73,371	35.32%	90,523
	6/30/09	61,322	29.76%	43,070

Funding Policy and Other Information:

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

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

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

	<u>Pension Plan</u>	<u>Other Postemployment Benefits</u>
Contribution rates for employer	14.80%	N/A
Contribution rates for plan members	up to 5%	Varies
Annual pension/OPEB cost	\$857,179	\$35,986
Contributions made by employer	857,179	35,986
Contributions made by plan members	-	-
Actuarial valuation date for current contributions	July 1, 2009	June 30, 2010
Amortization method	Level Dollar	Level Dollar
Remaining amortization period at valuation date	6 years	30 years
Asset valuation method	Market value, as adjusted	N/A
Actuarial assumptions:		
Investment rate of return	7.50%	N/A
Projected salary increases	4.75%	N/A
Inflation rate	3.00%	3.00%

In the July 1, 2010, actuarial valuation for the City's OPEB Plan uses an annual healthcare cost trend rate of 8.5% initially, reducing incrementally to an ultimate rate of 3.5%.

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

	<u>Pension Plan</u>	<u>Other Postemployment Benefits</u>
Annual required contribution	\$857,179	\$29,624
Interest on net pension/OPEB obligation	-	-
Adjustment to annual required contribution	<u>-</u>	<u>-</u>
Annual pension/OPEB cost	857,179	29,624
Contributions made	<u>857,179</u>	<u>35,986</u>
Decrease in net pension/OPEB obligation	-	(6,362)
Net pension/OPEB obligation at beginning of year	<u>-</u>	<u>96,884</u>
Net pension/OPEB obligation at end of year	<u>\$ -</u>	<u>\$90,522</u>

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

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

Financial Reports:

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

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

NOTE 11. 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, 2011, 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, 2011, the City sold 222,686,700 gallons (20.9% of total gallons sold) totaling \$631,094 (9.8% of total water revenues) under the terms of this contract. Additionally, SCUD owes the City \$63,298 at June 30, 2011.

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, 2011, the City sold 33,597,100 gallons (3.1% of total gallons sold) totaling \$95,186 (1.5% of total water revenues) under the terms of this contract. Additionally, GUD owes the City \$9,018 at June 30, 2011.

NOTE 12. RELATED PARTY TRANSACTION

The City leases a building from two City employees who together own a 50% interest in the building. The lease is for a one-year term expiring September 30, 2011, and requires the City to pay \$1,000 per month.

NOTE 13. COMMITMENTS AND CONTINGENCIES

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

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

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

The City has entered into various construction commitments. Such contracts include contracts for improvements to the water and sewer plant, and acquisition and construction contracts related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2011. The total contractual commitments outstanding as of June 30, 2011, were not significant and the City has sufficient funds available to cover these commitments.

NOTE 14. 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 \$205,786 at June 30, 2011, 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, 2011, are as follows:

Estimated liability, June 30, 2010	\$215,786
Costs incurred	<u>10,000</u>
Estimated liability, June 30, 2011	<u>\$205,786</u>
Due within one year	<u>\$ 10,500</u>

The estimated total current cost of the landfill postclosure care of \$205,786 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, 2011. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF CROSSVILLE

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC EMPLOYEE RETIREMENT SYSTEMS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Pension Plan						
July 1, 2009	\$12,908,000	\$ 15,711,000	\$2,803,000	82.16%	\$5,933,000	47.23%
July 1, 2007	11,637,000	13,566,000	1,929,000	85.78%	5,294,000	36.44%
Other Postemployment Benefits						
July 1, 2009	\$ -	\$ 689,711	\$ 689,711	0.00%	\$7,404,480	9.32%
July 1, 2008	-	679,970	679,970	0.00%	5,294,000	12.84%

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

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

Capital Projects Fund accounts for the acquisitions or construction of capital projects, other than those financed by the Enterprise Fund.

SPECIAL REVENUE FUNDS

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

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

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

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

CITY OF CROSSVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Special Revenue				Total Special Revenue	Total Nonmajor Governmental Funds
	Capital Projects	Drug Fund	Solid Waste	State Street Aid		
ASSETS						
Cash and cash equivalents	\$ 1,391	\$ 90,561	\$ -	\$ 165,143	\$ 255,704	\$ 257,095
Due from other governments	-	-	-	49,904	49,904	49,904
Inventories	-	-	8,849	-	8,849	8,849
Total assets	\$ 1,391	\$ 90,561	\$ 8,849	\$ 215,047	\$ 314,457	\$ 315,848
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 24,374	\$ 43	\$ 29,864	\$ 16,989	\$ 46,896	\$ 71,270
Total liabilities	24,374	43	29,864	16,989	46,896	71,270
FUND BALANCES						
Nonspendable	-	-	8,849	-	8,849	8,849
Restricted	1,391	90,518	-	198,058	288,576	289,967
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	(24,374)	-	(29,864)	-	(29,864)	(54,238)
Total fund balances	(22,983)	90,518	(21,015)	198,058	267,561	244,578
Total liabilities and fund balances	\$ 1,391	\$ 90,561	\$ 8,849	\$ 215,047	\$ 314,457	\$ 315,848

CITY OF CROSSVILLE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2011

	Special Revenue				Total Special Revenue	Total Nonmajor Governmental Funds
	Capital Projects	Drug Fund	Solid Waste	State Street Aid		
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ 284,180	\$ 284,180	\$ 284,180
Investment income	-	153	-	144	297	297
Miscellaneous	-	194,681	-	-	194,681	194,681
Total revenues	-	194,834	-	284,324	479,158	479,158
EXPENDITURES						
Public safety	-	215,464	-	-	215,464	215,464
Sanitation	-	-	360,668	-	360,668	360,668
Streets	-	-	-	243,340	243,340	243,340
Capital outlay	2,298,956	-	-	-	-	2,298,956
Total expenditures	2,298,956	215,464	360,668	243,340	819,472	3,118,428
Excess (deficiency) of revenues over (under) expenditures	(2,298,956)	(20,630)	(360,668)	40,984	(340,314)	(2,639,270)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,328,777	-	335,245	-	335,245	2,664,022
Total other financing sources (uses)	2,328,777	-	335,245	-	335,245	2,664,022
Net change in fund balance	29,821	(20,630)	(25,423)	40,984	(5,069)	24,752
FUND BALANCE, beginning	(52,804)	111,148	4,408	157,074	272,630	219,826
FUND BALANCE, ending	\$ (22,983)	\$ 90,518	\$ (21,015)	\$ 198,058	\$ 267,561	\$ 244,578

CITY OF CROSSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 1,955,000	\$ 1,955,000	\$ 2,004,111	\$ 49,111
Local sales tax	6,500,000	6,500,000	6,590,906	90,906
Local beer and liquor tax	875,000	875,000	923,179	48,179
Business taxes	625,500	625,500	676,161	50,661
Payments in lieu of taxes	173,200	173,200	227,031	53,831
Licenses and permits:				
Beer and liquor license fees	18,800	18,800	24,650	5,850
Building permits	60,000	60,000	108,270	48,270
Other permits	5,500	5,500	12,315	6,815
Intergovernmental revenues:				
Intergovernmental grants and contracts	3,698,212	3,738,212	1,187,611	(2,550,601)
State sales and income tax	852,000	852,000	834,366	(17,634)
Other state taxes	98,875	98,875	94,494	(4,381)
Charges for services:				
Airport charges	76,500	76,500	76,210	(290)
Cemetery charges	35,000	35,000	30,250	(4,750)
Driver safety school charges	26,000	26,000	26,330	330
Park facility and concession charges	278,600	278,600	179,810	(98,790)
Fines and forfeitures:				
Court fines and costs	105,000	105,000	114,194	9,194
Other fines and costs	9,500	9,500	4,000	(5,500)
Drug related fines and forfeitures	5,000	5,000	3,201	(1,799)
Interest revenue:	36,100	36,100	12,883	(23,217)
Contributions and donations:	82,500	84,650	82,150	(2,500)
Miscellaneous:				
Insurance recoveries	15,000	22,676	22,450	(226)
Sale of property and equipment	5,000	5,000	2,163	(2,837)
Other revenues	102,700	102,700	149,159	46,459
Total revenues	15,638,987	15,688,813	13,385,894	(2,302,919)
EXPENDITURES				
General government:				
Payroll and payroll taxes	1,365,641	1,420,616	1,398,523	(22,093)
Employee benefits	501,280	500,407	465,424	(34,983)
Supplies	222,825	251,430	162,398	(89,032)
Utilities	72,950	70,950	64,534	(6,416)
Repairs and maintenance	54,100	55,595	48,622	(6,973)
Other expenditures	838,756	892,331	737,995	(154,336)
Capital outlay	180,452	230,352	187,893	(42,459)
City court:				
Payroll and payroll taxes	14,400	14,400	14,400	-
Supplies	1,600	1,600	788	(812)
Other expenditures	2,800	2,800	705	(2,095)
Airport:				
Supplies	2,350	6,050	4,642	(1,408)
Utilities	28,175	28,475	24,585	(3,890)
Repairs and maintenance	12,500	14,900	12,958	(1,942)
Other expenditures	93,450	92,930	85,151	(7,779)
Capital outlay	3,420,703	3,476,023	1,402,583	(2,073,440)
Cemetery:				
Payroll and payroll taxes	31,300	32,600	31,719	(881)
Employee benefits	12,000	11,735	11,232	(503)
Supplies	4,050	4,190	2,879	(1,311)
Utilities	1,900	1,950	1,481	(469)
Repairs and maintenance	3,500	4,235	3,797	(438)
Other expenditures	20,000	19,550	-	(19,550)

(continued on next page)

CITY OF CROSSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

(continued from previous page)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Parks and recreation:				
Payroll and payroll taxes	\$ 452,500	\$ 471,925	\$ 465,938	\$ (5,987)
Employee benefits	130,500	129,720	113,645	(16,075)
Supplies	193,350	171,240	134,846	(36,394)
Utilities	206,950	230,765	213,773	(16,992)
Repairs and maintenance	162,000	143,410	88,315	(55,095)
Other expenditures	63,900	69,855	61,976	(7,879)
Capital outlay	91,250	97,250	48,264	(48,986)
Planning and zoning:				
Payroll and payroll taxes	135,200	136,900	123,811	(13,089)
Employee benefits	51,200	51,150	43,769	(7,381)
Supplies	10,300	10,250	4,800	(5,450)
Utilities	4,300	4,750	4,635	(115)
Repairs and maintenance	2,500	2,500	689	(1,811)
Other expenditures	56,745	56,645	33,704	(22,941)
Public safety:				
Payroll and payroll taxes	3,022,765	3,086,715	3,012,329	(74,386)
Employee benefits	1,047,450	1,014,485	974,616	(39,869)
Supplies	446,800	447,285	400,021	(47,264)
Utilities	59,100	62,055	54,433	(7,622)
Repairs and maintenance	121,500	125,500	106,673	(18,827)
Other expenditures	608,994	632,689	569,870	(62,819)
Capital outlay	2,430,300	2,494,349	369,773	(2,124,576)
Streets:				
Payroll and payroll taxes	489,300	499,875	480,898	(18,977)
Employee benefits	196,200	188,860	173,417	(15,443)
Supplies	234,800	244,650	196,617	(48,033)
Utilities	30,300	35,350	33,163	(2,187)
Repairs and maintenance	119,050	171,575	144,702	(26,873)
Other expenditures	53,550	37,590	7,672	(29,918)
Capital outlay	1,058,720	1,057,420	690,217	(367,203)
Tourism development:				
Payroll and payroll taxes	48,500	48,725	48,426	(299)
Employee benefits	15,000	14,700	14,416	(284)
Supplies	5,120	5,790	3,485	(2,305)
Utilities	600	750	694	(56)
Repairs and maintenance	250	250	49	(201)
Other expenditures	214,125	365,605	307,476	(58,129)
Debt service:				
Principal	45,000	45,000	45,000	-
Interest	3,000	3,763	3,762	(1)
Total expenditures	18,695,851	19,292,460	13,638,183	(5,654,277)
Deficiency of revenues under expenditures	(3,056,864)	(3,603,647)	(252,289)	3,351,358
OTHER FINANCING SOURCES (USES)				
Transfers out	(963,150)	(3,087,525)	(2,664,022)	423,503
Issuance of bonds and notes	2,990,000	2,990,000	126,933	(2,863,067)
Total other financing sources (uses)	2,026,850	(97,525)	(2,537,089)	(2,439,564)
Net change in fund balance	(1,030,014)	(3,701,172)	(2,789,378)	911,794
FUND BALANCE at beginning of year	9,788,077	9,788,077	9,788,077	-
FUND BALANCE at end of year	\$ 8,758,063	\$ 6,086,905	\$ 6,998,699	\$ 911,794

CITY OF CROSSVILLE
SPECIAL REVENUE FUND

DRUG FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 385	\$ 385	\$ 153	\$ (232)
Miscellaneous	<u>31,000</u>	<u>166,784</u>	<u>194,681</u>	<u>27,897</u>
Total revenues	<u>31,385</u>	<u>167,169</u>	<u>194,834</u>	<u>27,665</u>
EXPENDITURES				
Public safety	38,500	182,520	173,543	(8,977)
Capital outlay	<u>43,000</u>	<u>43,000</u>	<u>41,921</u>	<u>(1,079)</u>
Total expenditures	<u>81,500</u>	<u>225,520</u>	<u>215,464</u>	<u>(10,056)</u>
Deficiency of revenues under expenditures	(50,115)	(58,351)	(20,630)	37,721
FUND BALANCE at beginning of year	<u>111,148</u>	<u>111,148</u>	<u>111,148</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 61,033</u>	<u>\$ 52,797</u>	<u>\$ 90,518</u>	<u>\$ 37,721</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
SOLID WASTE FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Sanitation	<u>368,150</u>	<u>371,250</u>	<u>360,668</u>	<u>(10,582)</u>
Total expenditures	<u>368,150</u>	<u>371,250</u>	<u>360,668</u>	<u>(10,582)</u>
Deficiency of revenues under expenditures	(368,150)	(371,250)	(360,668)	10,582
OTHER FINANCING SOURCES				
Transfers in	<u>368,150</u>	<u>371,250</u>	<u>335,245</u>	<u>(36,005)</u>
Net change in fund balance	-	-	(25,423)	(25,423)
FUND BALANCE at beginning of year	<u>4,408</u>	<u>4,408</u>	<u>4,408</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 4,408</u>	<u>\$ 4,408</u>	<u>\$ (21,015)</u>	<u>\$ (25,423)</u>

CITY OF CROSSVILLE
SPECIAL REVENUE FUND
STATE STREET AID FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 266,000	\$ 266,000	\$ 284,180	\$ 18,180
Investment income	<u>250</u>	<u>250</u>	<u>144</u>	<u>(106)</u>
Total revenues	<u>266,250</u>	<u>266,250</u>	<u>284,324</u>	<u>18,074</u>
EXPENDITURES				
Streets	<u>245,000</u>	<u>245,000</u>	<u>243,340</u>	<u>(1,660)</u>
Total expenditures	<u>245,000</u>	<u>245,000</u>	<u>243,340</u>	<u>(1,660)</u>
Excess revenues over expenditures	21,250	21,250	40,984	19,734
FUND BALANCE at beginning of year	<u>157,074</u>	<u>157,074</u>	<u>157,074</u>	<u>-</u>
FUND BALANCE at end of year	<u>\$ 178,324</u>	<u>\$ 178,324</u>	<u>\$ 198,058</u>	<u>\$ 19,734</u>

FINANCIAL SCHEDULES

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

CITY OF CROSSVILLE
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE
 Year Ended June 30, 2011

Tax Year (1)	Property Taxes Receivable Balance June 30, 2010	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2011	Allowance for Uncollectibles	Net Receivable Balance June 30, 2011
2011	\$ -	\$ -	\$2,030,073	\$ -	\$ -	\$ 2,030,073	\$ -	\$ 2,030,073
2010	-	1,960,026	-	24,191	1,938,578	45,639	5,800	39,839
2009	43,185	-	-	3,826	20,472	26,539	5,792	20,747
2008	16,236	-	-	(336)	6,308	9,592	5,792	3,800
2007	7,190	-	-	1,820	564	8,446	6,346	2,100
2006	5,095	-	-	771	747	5,119	5,119	-
2005	2,379	-	-	766	193	2,952	2,952	-
2004	18,555	-	-	(1,239)	69	17,247	17,247	-
2003	4,711	-	-	(807)	69	3,835	3,835	-
2002	1,446	-	-	(1,416)	-	30	30	-
1995-2001	380	-	-	-	-	380	380	-
Totals	<u>\$ 99,177</u>	<u>\$1,960,026</u>	<u>\$2,030,073</u>	<u>\$ 27,576</u>	<u>\$1,967,000</u>	<u>\$ 2,149,852</u>	<u>\$ 53,293</u>	<u>\$ 2,096,559</u>

Note:

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

CITY OF CROSSVILLE
SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
June 30, 2011

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
2012	\$ 123,000	\$ 1,244	\$ 124,244
2013	276,600	1,999	278,599
2014	274,667	1,836	276,503
2015	275,666	1,706	277,372
2016	51,000	1,574	52,574
2017	52,000	1,436	53,436
2018	54,000	1,296	55,296
2019	56,000	1,150	57,150
2020	57,000	999	57,999
2021	59,000	845	59,845
2022	61,000	686	61,686
2023	63,000	521	63,521
2024	64,000	351	64,351
2025	<u>66,000</u>	<u>178</u>	<u>66,178</u>
Total governmental activities	<u>1,532,933</u>	<u>15,821</u>	<u>1,548,754</u>
BUSINESS-TYPE ACTIVITIES			
2012	1,471,112	370,932	1,842,044
2013	1,710,576	530,249	2,240,825
2014	1,718,578	493,736	2,212,314
2015	1,506,273	459,466	1,965,739
2016	1,548,523	430,179	1,978,702
2017	1,601,901	399,562	2,001,463
2018	1,662,600	367,832	2,030,432
2019	1,724,644	334,702	2,059,346
2020	1,399,111	300,087	1,699,198
2021	1,447,597	265,224	1,712,821
2022	1,495,648	229,170	1,724,818
2023	1,193,291	191,907	1,385,198
2024	918,998	158,273	1,077,271
2025	396,896	69,615	466,511
2026	947,688	165,507	1,113,195
2027	357,720	49,248	406,968
2028	368,040	38,928	406,968
2029	1,378,660	75,947	1,454,607
2030	389,580	17,388	406,968
2031	<u>337,524</u>	<u>6,304</u>	<u>343,828</u>
Total business-type activities	<u>23,574,960</u>	<u>4,954,256</u>	<u>28,529,216</u>
Total primary government indebtedness	<u>\$25,107,893</u>	<u>\$4,970,077</u>	<u>\$30,077,970</u>

CITY OF CROSSVILLE

ANALYSIS OF DEBT
June 30, 2011

	<u>Outstanding July 1, 2010</u>	<u>Issued FY 2010-2011</u>	<u>Retired FY 2010-2011</u>	<u>Outstanding June 30, 2011</u>	<u>Maturing FY 2011-2012</u>	<u>Interest Payable FY 2011-2012</u>
GOVERNMENTAL ACTIVITIES						
Notes payable:						
Tennessee Municipal Bond Fund, Series 2004	\$ 771,000	\$ -	\$ 45,000	\$ 726,000	\$ -	\$ -
Tennessee Municipal Bond Fund, Series 2010	-	126,933	-	126,933	123,000	1,244
Airport Capital Outlay Note	-	680,000	-	680,000	-	-
Total notes payable	<u>771,000</u>	<u>806,933</u>	<u>45,000</u>	<u>1,532,933</u>	<u>123,000</u>	<u>1,244</u>
Total governmental activities	<u>771,000</u>	<u>806,933</u>	<u>45,000</u>	<u>1,532,933</u>	<u>123,000</u>	<u>1,244</u>
BUSINESS-TYPE ACTIVITIES						
Bonds:						
Water System Refunding Revenue Bonds, Series 2005	4,445,000	-	170,000	4,275,000	-	-
Water and Sewer Revenue and Tax Bonds, Series 2003	1,621,638	-	211,613	1,410,025	79,833	58,383
Total bonds	<u>6,066,638</u>	<u>-</u>	<u>381,613</u>	<u>5,685,025</u>	<u>79,833</u>	<u>58,383</u>
Notes payable -						
State Wastewater Facility Revolving Loan 2000	4,105,865	-	277,464	3,828,401	282,388	65,480
State Wastewater Facility Revolving Loan 2001	350,294	-	22,404	327,890	22,740	4,668
State Wastewater Facility Revolving Loan 2001	886,264	-	57,828	828,436	58,681	11,785
State Wastewater Facility Revolving Loan 1992	660,007	-	155,136	504,871	159,275	11,413
State Revolving Loan August 2009	293,899	2,386,937	-	2,680,836	101,316	76,428
State Revolving Loan November 2009	282,577	2,675,820	-	2,958,397	103,620	76,604
State Revolving Loan April 2010	120,736	377,763	10,997	487,502	17,655	13,356
Tennessee Local Development Authority	559,241	-	141,419	417,822	149,624	13,830
Tennessee Municipal Bond Fund, Series 1997	2,772,190	-	251,410	2,520,780	263,980	6,302
Tennessee Municipal Bond Fund, Series 2010	-	3,335,000	-	3,335,000	232,000	32,683
Total notes payable	<u>10,031,073</u>	<u>8,775,520</u>	<u>916,658</u>	<u>17,889,935</u>	<u>1,391,279</u>	<u>312,549</u>
Total business-type activities	<u>16,097,711</u>	<u>8,775,520</u>	<u>1,298,271</u>	<u>23,574,960</u>	<u>1,471,112</u>	<u>370,932</u>
Total general obligation debt	<u>\$ 16,868,711</u>	<u>\$ 9,582,453</u>	<u>\$ 1,343,271</u>	<u>\$ 25,107,893</u>	<u>\$ 1,594,112</u>	<u>\$ 372,176</u>

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2011

<u>DIRECT INDEBTEDNESS</u>					
Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2012	Tennessee Municipal Bond Fund Loan 2004	0.27	\$ -	\$ -	\$ -
2013		0.27	46,000	1,960	47,960
2014		0.27	48,000	1,836	49,836
2015		0.27	49,000	1,706	50,706
2016		0.27	51,000	1,574	52,574
2017		0.27	52,000	1,436	53,436
2018		0.27	54,000	1,296	55,296
2019		0.27	56,000	1,150	57,150
2020		0.27	57,000	999	57,999
2021		0.27	59,000	845	59,845
2022		0.27	61,000	686	61,686
2023		0.27	63,000	521	63,521
2024		0.27	64,000	351	64,351
2025		0.27	66,000	178	66,178
			<u>726,000</u>	<u>14,538</u>	<u>740,538</u>
2012	Tennessee Municipal Bond Fund Loan 2010	0.98	123,000	1,244	124,244
2013		0.98	3,933	39	3,972
			<u>126,933</u>	<u>1,283</u>	<u>128,216</u>
2012	Airport Capital Outlay Note	0.00	-	-	-
2013		0.00	226,667	-	226,667
2014		0.00	226,667	-	226,667
2015		0.00	226,666	-	226,666
			<u>680,000</u>	<u>-</u>	<u>680,000</u>
	Total direct indebtedness		<u>1,532,933</u>	<u>15,821</u>	<u>1,548,754</u>
<u>WATER AND SEWER DEPARTMENT</u>					
2012	State Wastewater Facility Revolving Loan 2000	1.77	282,388	65,480	347,868
2013		1.77	287,428	60,440	347,868
2014		1.77	292,554	55,314	347,868
2015		1.77	297,776	50,092	347,868
2016		1.77	303,089	44,779	347,868
2017		1.77	308,499	39,369	347,868
2018		1.77	314,003	33,865	347,868
2019		1.77	319,605	28,263	347,868
2020		1.77	325,310	22,558	347,868
2021		1.77	331,115	16,753	347,868
2022		1.77	337,023	10,845	347,868
2023		1.77	343,037	4,831	347,868
2024		1.77	86,574	256	86,830
			<u>3,828,401</u>	<u>432,845</u>	<u>4,261,246</u>

(continued on following page)

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2011

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2012	State Wastewater Facility Revolving Loan 2001	1.47	\$ 58,681	\$ 11,785	\$ 70,466
2013		1.47	59,549	10,917	70,466
2014		1.47	60,430	10,036	70,466
2015		1.47	61,325	9,141	70,466
2016		1.47	62,232	8,234	70,466
2017		1.47	63,153	7,313	70,466
2018		1.47	64,088	6,378	70,466
2019		1.47	65,036	5,430	70,466
2020		1.47	65,999	4,467	70,466
2021		1.47	66,976	3,490	70,466
2022		1.47	67,967	2,499	70,466
2023		1.47	68,973	1,493	70,466
2024		1.47	64,027	571	64,598
			<u>828,436</u>	<u>81,754</u>	<u>910,190</u>
2012	State Wastewater Facility Revolving Loan 1992	2.64	159,275	11,413	170,688
2013		2.64	163,531	7,157	170,688
2014		2.64	167,901	2,787	170,688
2015		2.64	14,164	31	14,195
			<u>504,871</u>	<u>21,388</u>	<u>526,259</u>
2012	State Revolving Loan Fund November 2009	2.83	103,620	76,604	180,224
2013		2.83	116,136	80,472	196,608
2014		2.83	119,472	77,136	196,608
2015		2.83	122,892	73,716	196,608
2016		2.83	126,420	70,188	196,608
2017		2.83	130,044	66,564	196,608
2018		2.83	133,776	62,832	196,608
2019		2.83	137,604	59,004	196,608
2020		2.83	141,552	55,056	196,608
2021		2.83	145,608	51,000	196,608
2022		2.83	149,784	46,824	196,608
2023		2.83	154,080	42,528	196,608
2024		2.83	158,496	38,112	196,608
2025		2.83	163,032	33,576	196,608
2026		2.83	167,712	28,896	196,608
2027		2.83	172,524	24,084	196,608
2028		2.83	177,468	19,140	196,608
2029		2.83	182,556	14,052	196,608
2030		2.83	187,788	8,820	196,608
2031	2.83	167,833	3,492	171,325	
			<u>2,958,397</u>	<u>932,096</u>	<u>3,890,493</u>

(continued on following page)

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2011

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2012	State Revolving Loan Fund August 2009	2.88	\$ 101,316	\$ 76,428	\$ 177,744
2013		2.88	104,268	73,476	177,744
2014		2.88	107,316	70,428	177,744
2015		2.88	110,448	67,296	177,744
2016		2.88	113,664	64,080	177,744
2017		2.88	116,988	60,756	177,744
2018		2.88	120,396	57,348	177,744
2019		2.88	123,912	53,832	177,744
2020		2.88	127,524	50,220	177,744
2021		2.88	131,256	46,488	177,744
2022		2.88	135,084	42,660	177,744
2023		2.88	139,020	38,724	177,744
2024		2.88	143,076	34,668	177,744
2025		2.88	147,252	30,492	177,744
2026		2.88	151,560	26,184	177,744
2027		2.88	155,976	21,768	177,744
2028		2.88	160,524	17,220	177,744
2029		2.88	165,216	12,528	177,744
2030		2.88	170,040	7,704	177,744
2031		2.88	156,000	2,728	158,728
			2,680,836	855,028	3,535,864
2012	State Revolving Loan Fund April 2010	2.78	17,655	13,356	31,011
2013		2.78	19,812	12,804	32,616
2014		2.78	20,364	12,252	32,616
2015		2.78	20,940	11,676	32,616
2016		2.78	21,528	11,088	32,616
2017		2.78	22,140	10,476	32,616
2018		2.78	22,764	9,852	32,616
2019		2.78	23,400	9,216	32,616
2020		2.78	24,060	8,556	32,616
2021		2.78	24,732	7,884	32,616
2022		2.78	25,428	7,188	32,616
2023		2.78	26,148	6,468	32,616
2024		2.78	26,880	5,736	32,616
2025		2.78	27,636	4,980	32,616
2026		2.78	28,416	4,200	32,616
2027		2.78	29,220	3,396	32,616
2028		2.78	30,048	2,568	32,616
2029		2.78	30,888	1,728	32,616
2030		2.78	31,752	864	32,616
2031		2.78	13,691	84	13,775
			487,502	144,372	631,874
2012	Tennessee Local Development Authority	3.31	149,624	13,830	163,454
2013		3.31	158,304	8,877	167,181
2014		3.31	109,185	3,637	112,822
2015		3.31	709	23	732
			417,822	26,367	444,189

(continued on following page)

CITY OF CROSSVILLE
SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
June 30, 2011

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	<u>Issue</u>	Interest Rate	Principal	Interest Due	Total Interest and Principal
2012	Tennessee Municipal Bond Fund, Series 1997	0.250	\$ 263,980	\$ 6,302	\$ 270,282
2013		0.250	277,180	5,642	282,822
2014		0.250	291,040	4,949	295,989
2015		0.250	305,590	4,221	309,811
2016		0.250	320,870	3,457	324,327
2017		0.250	336,910	2,655	339,565
2018		0.250	353,760	1,813	355,573
2019		0.250	<u>371,450</u>	<u>929</u>	<u>372,379</u>
				<u>2,520,780</u>	<u>29,968</u>
2012	Water System Refunding Revenue Bonds, Series 2005	3.500	-	-	-
2013		3.650	175,000	180,799	355,799
2014		3.750	185,000	173,861	358,861
2015		3.850	190,000	166,546	356,546
2016		4.000	200,000	158,546	358,546
2017		4.250	205,000	149,833	354,833
2018		4.250	215,000	140,695	355,695
2019		4.375	225,000	130,851	355,851
2020		4.500	235,000	120,276	355,276
2021		4.500	245,000	109,251	354,251
2022		4.500	255,000	97,776	352,776
2023		4.500	265,000	85,851	350,851
2024		4.500	280,000	73,251	353,251
2025		-	-	-	-
2026		4.500	600,000	106,227	706,227
2027		-	-	-	-
2028		-	-	-	-
2029	4.625	<u>1,000,000</u>	<u>47,639</u>	<u>1,047,639</u>	
			<u>4,275,000</u>	<u>1,741,402</u>	<u>6,016,402</u>
2012	Water and Sewer Revenue and Tax Bonds, Series 2003	4.250	79,833	58,383	138,216
2013		4.250	83,292	54,924	138,216
2014		4.250	86,904	51,312	138,216
2015		4.250	90,669	47,547	138,216
2016		4.250	94,600	43,616	138,216
2017		4.250	98,699	39,517	138,216
2018		4.250	102,973	35,243	138,216
2019		4.250	107,437	30,779	138,216
2020		4.250	112,094	26,122	138,216
2021		4.250	116,954	21,262	138,216
2022		4.250	122,022	16,194	138,216
2023		4.250	127,309	10,907	138,216
2024		4.250	132,825	5,391	138,216
2025	4.250	<u>54,414</u>	<u>561</u>	<u>54,975</u>	
			<u>1,410,025</u>	<u>441,758</u>	<u>1,851,783</u>

(continued on following page)

CITY OF CROSSVILLE
 SCHEDULE OF BONDS AND NOTES PAYABLE - BY FISCAL YEAR
 June 30, 2011

(continued from previous page)

WATER AND SEWER DEPARTMENT

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Interest Due	Total Interest and Principal
2012	State Wastewater Facility Revolving Loan 2001	1.470	\$ 22,740	\$ 4,668	\$ 27,408
2013		1.470	23,076	4,332	27,408
2014		1.470	23,412	3,996	27,408
2015		1.470	23,760	3,648	27,408
2016		1.470	24,120	3,288	27,408
2017		1.470	24,468	2,940	27,408
2018		1.470	24,840	2,568	27,408
2019		1.470	25,200	2,208	27,408
2020		1.470	25,572	1,836	27,408
2021		1.470	25,956	1,452	27,408
2022		1.470	26,340	1,068	27,408
2023		1.470	26,724	684	27,408
2024		1.470	27,120	288	27,408
2025		1.470	4,562	6	4,568
			<u>327,890</u>	<u>32,982</u>	<u>360,872</u>
2012	Tennessee Municipal Bond Fund 2010	0.980	232,000	32,683	264,683
2013		0.980	243,000	30,409	273,409
2014		0.980	255,000	28,028	283,028
2015		0.980	268,000	25,529	293,529
2016		0.980	282,000	22,903	304,903
2017		0.980	296,000	20,139	316,139
2018		0.980	311,000	17,238	328,238
2019		0.980	326,000	14,190	340,190
2020		0.980	342,000	10,996	352,996
2021		0.980	360,000	7,644	367,644
2022		0.980	377,000	4,116	381,116
2023	0.980	43,000	421	43,421	
			<u>3,335,000</u>	<u>214,296</u>	<u>3,549,296</u>
	Total Water and Sewer Department		<u>23,574,960</u>	<u>4,954,256</u>	<u>28,529,216</u>
	Total Primary Government Indebtedness		<u>\$25,107,893</u>	<u>\$4,970,077</u>	<u>\$30,077,970</u>

CITY OF CROSSVILLE
SCHEDULE OF TAX RATES AND ASSESSMENTS
June 30, 2011

<u>Year of Levy</u>	<u>Rate</u>	<u>Assessment</u>	<u>Amount of Tax Assessed</u>
2002	0.60	\$ 228,225,500	\$ 1,361,574
2003	0.70	236,291,000	1,654,037
2004	0.70	242,689,143	1,688,791
2005	0.70	243,531,287	1,704,184
2006	0.70	254,353,428	1,780,474
2007	0.55	335,255,490	1,844,424
2008	0.55	348,200,080	1,915,107
2009	0.55	354,670,332	1,955,058
2010	0.55	355,988,256	1,957,943
2011	0.55	369,102,842	2,030,073

CITY OF CROSSVILLE

SCHEDULE OF WATER AND SEWER RATES AND NUMBER OF CUSTOMERS
June 30, 2011

WATER AND SEWER CUSTOMER RATES

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 2,000 gallons		
Water	\$7.38 minimum bill	\$11.08 minimum bill
Sewer	9.00 minimum bill	13.50 minimum bill
All over 2,000 gallons		
Water	\$3.69 per 1,000 gallons	\$5.54 per 1,000 gallons
Sewer	4.50 per 1,000 gallons	6.75 per 1,000 gallons
Utility districts		\$2.80 per 1,000 gallons

NUMBER OF CUSTOMERS

	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Total</u>
Water customers			
Residential	3,646	6,694	10,340
Commercial	1,192	166	1,358
Industrial	32	6	38
Utility district taps	-	9	9
Total water customers	<u>4,870</u>	<u>6,875</u>	<u>11,745</u>
Total sewer customers	<u>4,653</u>	<u>17</u>	<u>4,670</u>

CITY OF CROSSVILLE
SCHEDULE OF UNACCOUNTED FOR WATER
Year Ended June 30, 2011

(All amounts in gallons)

Water Treated and Purchased		
Water pumped (potable)	1,366,255,000	
Water purchased	<u>-</u>	
Total Water Treated and Purchased		1,366,255,000
Accounted for Water		
Water sold	1,067,189,934	
Fire department usage	51,385	
Flushing	<u>6,340,413</u>	
Total Accounted for Water		<u>1,073,581,732</u>
Unaccounted for Water		<u>292,673,268</u>
Percent Unaccounted for Water		<u>21.4%</u>

Other: For the year ended June 30, 2011, the City of Crossville also had 36,416,469 gallons of water in documented repair leaks which would reduce the unaccounted for water to 18%. All amounts included in this schedule are supported by documentation on file at the water system.

CITY OF CROSSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2011

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
State and Community Highway Safety	20.600	PT-10-13	\$ (3,888)	\$ 10,827	\$ 6,939	\$ -	\$ -
State and Community Highway Safety	20.600	PT-11-11	-	9,421	12,374	-	(2,953)
Alcohol Traffic Safety and Drunk Driving Incentive	20.601	K8-10-30	(1,464)	1,418	-	46	-
Alcohol Traffic Safety and Drunk Driving Incentive	20.601	K8-11-55	-	4,662	4,955	-	(293)
Total Highway Safety Cluster			(5,352)	26,328	24,268	46	(3,246)
Alcohol Saturation and Checkpoints	20.607	154AL-11-08	-	6,889	13,192	-	(6,303)
Airport Improvement Program	20.106	DG-10-29290-00	-	103,913	137,211	-	(33,298)
Airport Improvement Program	20.106	Z-08200754-00	-	289,924	752,073	-	(462,149)
Total U.S. Department of Transportation			-	400,726	902,476	-	(501,750)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through Tennessee Department of Environment and Conservation:							
Community Development Block Grants - ARRA	14.255	GG-10-29409-00	(27,443)	372,866	345,423	-	-
Total U.S. Department of Housing and Urban Development			(27,443)	372,866	345,423	-	-
U.S. DEPARTMENT OF JUSTICE							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0091	-	10,840	10,840	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.607	2009BUBX08041822	-	799	-	(799)	-
Edward Byrne Memorial Justice Assistance Grant Program	16.607	2009BUBX09049954	-	1,196	1,607	(996)	(1,407)
Total U.S. Department of Justice			-	12,835	12,447	(1,795)	(1,407)

(continued on next page)

CITY OF CROSSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2011

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Passed through Tennessee Department of Environment and Conservation:							
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	CWA 2009-225	\$ (278,203)	\$ 1,848,226	\$ 1,710,911	\$ -	\$ (140,888)
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	DWA 2009-087	(618,675)	1,800,561	1,645,844	-	(463,958)
Passed through Upper Cumberland Development District:							
GIS Stormwater Inventory Program	66.454	GG1031677	-	17,500	17,500	-	-
Total U.S. Environmental Protection Agency			<u>(896,878)</u>	<u>3,666,287</u>	<u>3,374,255</u>	<u>-</u>	<u>(604,846)</u>
U.S. DEPARTMENT OF COMMERCE							
Passed through Tennessee Department of Environment and Conservation:							
Investments for Public Works and Economic Development Facilities	11.300	04-01-06064	(308,223)	826,659	691,777	-	(173,341)
Total U.S. Department of Commerce			<u>(308,223)</u>	<u>826,659</u>	<u>691,777</u>	<u>-</u>	<u>(173,341)</u>
U.S. DEPARTMENT OF AGRICULTURE							
Passed through Tennessee Department of Agriculture:							
Forest Stewardship Program	10.678	0000003582	-	3,000	3,000	-	-
Total U.S. Department of Agriculture			<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
U.S. OFFICE OF NATURAL DRUG CONTROL POLICY							
Passed through Laurel County Fiscal Court, Kentucky:							
High Intensity Drug Trafficking Area	95.001	G 10 AP0001A	-	6,898	6,898	-	-
High Intensity Drug Trafficking Area	95.001	G 11 AP0001A	-	-	7,326	-	(7,326)
Total U.S. Office of Natural Drug Control Policy			<u>-</u>	<u>6,898</u>	<u>14,224</u>	<u>-</u>	<u>(7,326)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>(1,237,896)</u>	<u>5,315,599</u>	<u>5,367,870</u>	<u>(1,749)</u>	<u>(1,291,916)</u>

(continued on next page)

CITY OF CROSSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2011

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
STATE AWARDS							
Tennessee of Department of Transportation							
Aeronautics Division Grant		Z-09-21-4029-00	\$ -	\$ 87,883	\$ 87,883	\$ -	\$ -
Aeronautics Division Grant		Z-09-21-3995-00	-	11,250	11,250	-	-
Aeronautics Division Grant		Z-09-21-3996-00	-	11,250	11,250	-	-
Aeronautics Division Grant		Z-09-21-3980-00	-	1,154	1,154	-	-
Aeronautics Division Grant		Z-09-21-4036-00	(552)	27,784	55,295	-	(28,063)
Aeronautics Division Grant		DG-10-28727-00	(9,054)	19,178	16,963	6,839	-
Tennessee of Department of Environment and Conservation							
Clean Water State Revolving Fund		CWA 2009-225	(278,203)	1,848,226	1,710,911	-	(140,888)
Drinking Water State Revolving Fund		DWA 2009-087	(618,675)	1,800,561	1,576,504	-	(394,618)
Clean Water State Revolving Fund		SRF 10-261	(65,361)	377,763	312,402	-	-
Tennessee of Department of Finance and Administration							
Sewer line to Cumberland Mountain State Park		BC-7782	(45,574)	45,574	-	-	-
Tennessee of Department of Agriculture							
Tree Grant		Z-09-213862-00	-	3,660	3,660	-	-
Tree Grant		6017	-	3,573	587	(2,986)	-
TOTAL EXPENDITURES OF STATE AWARDS			<u>(1,017,419)</u>	<u>4,237,856</u>	<u>3,787,859</u>	<u>3,853</u>	<u>(563,569)</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ (2,255,315)</u>	<u>\$ 9,553,455</u>	<u>\$ 9,155,729</u>	<u>\$ 2,104</u>	<u>\$ (1,855,485)</u>

CITY OF CROSSVILLE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2011

Note 1. Basis of Presentation

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

Note 2. Other Adjustments

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (Finding 2011-1). 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.

Compliance and Other Matters

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

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Crossville's management, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Haslett, Lewis & Bister, PLLC

Chattanooga, Tennessee
November 18, 2011

Independent Auditor's Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the City of Crossville's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Crossville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-2.

Internal Control Over Compliance

The management of the City of Crossville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-2. A significant deficiency in the internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Crossville's management, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hazlett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
November 18, 2011

CITY OF CROSSVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
11.300	U.S. Department of Commerce: Investments for Public Works and Economic Development Facilities
14.255	U.S. Department of Housing and Urban Development: Community Development Block Grants - ARRA
20.106	U.S. Department of Transportation: Airport Improvement Program
66.458 66.468	U.S. Environmental Protection Agency: Capitalization Grants for Clean Water State Revolving Funds - ARRA Capitalization Grants for Drinking Water State Revolving Funds - ARRA

CITY OF CROSSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2011-1: Internal Control over Financial Reporting

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

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

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

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

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

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2011-2: Schedule of Expenditures of Federal Awards

Federal program: All programs
Federal agency: All agencies
Award years: July 1, 2010 to June 30, 2011

Criteria: According to OMB Circular A-133, Subpart C, Paragraph .300 (d), the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards.

Condition: In our testing, we determined that major revisions were required to the City's schedule of expenditures of federal awards.

CITY OF CROSSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Questioned costs: None

Effect: The City is not in compliance with federal regulations regarding preparation of a complete and accurate schedule of expenditures of federal awards.

Cause: The City's Finance Department is responsible for financial reporting of federal awards, this includes the preparation of the schedule of expenditures of federal awards. Although, the records for the individual programs were kept satisfactorily, the schedule required numerous adjustments, due to inadequate review.

Recommendation: The City should develop processes to properly prepare and review the schedule of expenditures of federal awards.

Management's response: Procedures will be strengthened to ensure that federal awards are properly reported as required by OMB Circular A-133.

CITY OF CROSSVILLE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

Finding 2010-1: Basis of Accounting

Condition: Certain general ledger accounts of the governmental funds are not maintained on the modified-accrual basis of accounting and certain general ledger accounts of the Water and Sewer Fund are not maintained on the accrual basis of accounting in order to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

Corrective Action Taken: Corrective action was taken.