

CITY OF TULLAHOMA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

PREPARED BY:

DEPARTMENT OF FINANCE

**CITY OF TULLAHOMA, TENNESSEE
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INTRODUCTORY SECTION



February 28, 2014

To the Honorable Mayor Lane Curlee, Aldermen and Citizens of Tullahoma, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tullahoma for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the City of Tullahoma, Tennessee. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of Tullahoma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Tullahoma's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Tullahoma's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Tullahoma's financial statements have been audited by Housholder Artman, PLLC, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Tullahoma's financial statements for the year ended June 30, 2012, are fairly presented in conformity with GAAP.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and the independent auditor's report on compliance and internal controls. The introductory section includes this transmittal letter, a listing of public officials, and an organizational chart of the Government's public service departments.

The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, required supplementary information, and statements of individual funds and component units. The Government is required to include MD&A as an analysis of the government's financial performance for the year. This letter of transmittal is intended as an introduction and should be read in conjunction with MD&A.

The statistical section includes demographic and financial information with multiple years shown for comparison.

The fourth section contains the independent auditors' reports on the internal control structure and compliance with laws and regulations as required by the provisions of Single Audit Act and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Profile of the Government

The City of Tullahoma had a 2010 census population of 18,579 and is located in both Coffee and Franklin Counties in southern middle Tennessee. The Government provides a wide range of services including: education, public works, parks and recreation, planning and codes, fire and police protection, public power, water and wastewater services, and general administrative services. The Tullahoma Utilities Board has recently added the provision of fiber optics carried telephone, television and internet to its array of customer services. The City also operates its own award winning K-12 school system. Tullahoma High School students' ACT and SAT scores consistently exceed state and national averages.

A Board of Mayor and Aldermen govern the City of Tullahoma. The board members serve the city at-large. The Board of Mayor and Aldermen set policy for the city government, appoint committee and board members, approve an annual budget, enact laws and ordinances, enter into contracts, and set public hearings.

Economic Conditions

Tullahoma's central location has fostered its growth into a thriving regional, commercial, shopping and medical hub that boasts a healthy business environment and is home to over 68 service and manufacturing industries. 34% of the State's 5.689 million citizens reside in the Middle Tennessee area and many pass through Tullahoma; the daily average traffic count for Tullahoma's main retail area is approximately 24,000. This excellent "hub" location continues to attract new retail big box and smaller specialty retailers.

Since the opening of Arnold Air Force Base here in 1951, Tullahoma has been an aviation and aeronautics industry center. Arnold Engineering Development Center at Arnold Air Force Base is home to the world's largest and most complex collection of flight simulation test facilities.

Tullahoma has continued to partner with Coffee County and the State of Tennessee for economic development projects and has been honored with the Governor's Three Star

Award for the past 19 years. Additionally, Tullahoma has established the Tullahoma Area Economic Development Agency to assist local businesses with expansion opportunities, as well as attract new businesses to the area.

Tullahoma is situated near several lakes and parks making it a great recreational haven. It is also a regional center for the arts, with community plays, annual cultural fairs and events, a fine arts center and science contributing to the quality of life for residents and generating tourism revenue.

Primary Government and Component Units

As detailed later in the Management Discussion and Analysis portion of this financial report, the City of Tullahoma is comprised of several related entities. The City of Tullahoma Board of Mayor and Aldermen have varying degrees of authority for the operations of these entities by state law, or by local charter and ordinance. The City of Tullahoma and the Tullahoma City Schools are shown in the financial report categorized under "Primary Government – Governmental Activities." The Tullahoma City Schools are governed by an elected Board of Education empowered with the daily operations of the school system. Approval of the Board of Mayor and Aldermen is required for the annual budget, capital projects and debt issuance. The Board of Education, by state law, cannot levy taxes, and therefore has limited power to generate revenues other than establishing tuition or service-related fees. A City Alderman is appointed annually as the non-voting liaison to the Board of Education, and the City provides a large portion of the school's operating budget and debt service as periodic transfers throughout the year.

The Tullahoma Utilities Board is reported as a "Primary Government – Business Type Activities", since it is not dependant on the City of Tullahoma for operating revenues, but derives its income from service fees charged for provision of electricity and water, wastewater collection, and fiber-optics. The Board of Mayor and Aldermen appoint all voting members of the Utilities Board to staggered terms. An Alderman also sits on this Board.

The Tullahoma Airport Authority is also reported as a component unit of the City of Tullahoma. The Board of Mayor and Aldermen appoint the members of this board as well, with an Alderman as a non-voting liaison. The City of Tullahoma also provides the majority of the operating budget for the airport and its capital projects.

Long –Term Financial Planning

The Board of Mayor and Alderman adopted "Building Our Future: Tullahoma's Strategic Plan." This document incorporates previous committee and community planning meetings, growth studies, development studies and plans to provide a comprehensive tool for immediate and long-term planning. This forty-six page document serves as the basis for long range capital and operating forecasts as well as annual budgetary decisions. The City of Tullahoma joined with the City of Manchester and Coffee County in 2005 to participate in the Governor's Three Star Program. As part of that process, the City of Tullahoma's strategic plan was folded into a new county-wide economic development plan entitled, "Our Future Together: Coffee County Tennessee Strategic Development

Plan FY2006-2010". This plan provided a five-year planning basis for many of the initiatives now in process. The plan covers several broad themes such as creating a vibrant economy, developing a safe, caring and diverse community as well as promoting goals and objectives to facilitate a sustainable healthy environment. The annual budget process integrates the philosophies of this document into capital expenditure planning and direction.

Budget Process

The Tullahoma Municipal Code (Title 6, Chapter 1, Section 6-102) provides that no later than fifteen (15) days prior to the beginning of each fiscal year, the City Administrator shall prepare and submit to the Board of Mayor and Alderman a proposed budget for the next fiscal year, showing separately for the general fund and for each other fund the following information: Revenue and expenditures during the preceding fiscal year; Appropriations and estimated revenue and expenditures for the current fiscal year; and Estimated revenue and recommended expenditures for the next fiscal year.

The Mayor and/or City Administrator may recommend and estimate additional revenue measures including increases in property tax rates, provided estimates are separated clearly from normal revenue estimates. The budget will be accomplished by a message from the Mayor containing a statement of the general fiscal policies of the City, the important features of the budget, explanations of major changes recommended for the next fiscal year as compared with the current fiscal year, a general summary of the budget and such other comments and information as may be deemed pertinent to the budget process. To ensure compliance with this Municipal Code requirement, a budget schedule is prepared to facilitate the decision-making process by providing overall direction to City departments and independent boards and agencies that derive funding from City government. The budget preparation process begins in late winter when the City departments begin preparation of long-term capital improvement project requests.

In early March, City departments begin assessing new resource needs for the coming year relative to equipment, maintenance requirements, information technology, and proposed new and expanded work programs. In late March, the Mayor presents his goals and objectives for the upcoming fiscal year to the Board of Mayor and Aldermen. Based on those initiatives, budget requests and supporting documentation as prepared by individual departments and submitted in early April for review by the City Administrator. The Director of Finance and Administration then creates a preliminary budget for review by staff and the Board during the budget process. The budget documentation submitted by individual departments also includes a statement of proposed departmental goals and objectives, performance measures and estimates of performance for the coming fiscal year, and a detailed line item budget outlining expenditure and justifications for maintaining current and expanded expenditure levels. During April, the City Administrator conducts a review and evaluation of each request in light of available revenues and in accordance with the City's overall goals and objectives.

During May, the Director of Finance and Administration, with direction from the City Administrator, compiles the information from earlier steps in the budget process into one budget document for review by the Board of Mayor and Aldermen. Generally, the last

half of April and early May is set aside for the City Administrator's budget review sessions with department heads and elected officials. Departmental objectives, measures of performance and operating budgets are refined for consolidation in the Proposed Budget document during the month of May. Expenditures and revenue projections for the current fiscal year and estimates for the proposed fiscal year are updated with the latest available data. Final adjustments to routine operating expenditures and anticipated revenues can be introduced for inclusion in the Proposed Budget during this time.

The budget draft for the upcoming fiscal year is first presented to the Board of Mayor and Aldermen in late April for initial review. Budget Work Sessions are held with the Board of Mayor and Aldermen to review the proposed operating budget and proposed allocations to independent boards and agencies deriving funds from City government. These work sessions provide opportunities for the Board, independent boards and agencies, department heads, and the public to comment and ask questions about the proposed budget and to request additional information as needed.

During June, the Board of Mayor and Aldermen will conduct public hearings on the Proposed Budget. These hearings provide formal citizen input to the Board on decisions and issues related to the budget. The first reading of the Budget Ordinance is held at either the first or the second regular meeting in June. The Board of Mayor and Aldermen will formally consider and may amend the proposed budget as deemed necessary and adopt the authorized ordinances pertaining to the budget process. The Board of Mayor and Aldermen schedule special call meetings as necessary specifically for the purpose of reviewing and adopting the proposed budget. Upon the third and final reading by the Board of Mayor and Alderman, the Board will set the appropriate tax rate for the upcoming year.

The City of Tullahoma's budget process encourages interaction among the City Administrator, members of the Board of Mayor and Aldermen, City departments, independent boards and agencies, and the general public. The City continues to review and refine this practice each year to ensure public participation at each step in the decision-making process and that the budget procedure is an informative and complete plan for identifying the revenues and expenditures, and the purposes thereof for the coming fiscal year.

Annual Independent Audit

Section 5-106 of the Code of Ordinances of the City of Tullahoma dictates that "The Board shall employ a certified public accountant to make an annual audit of all financial books and records of the city." It further cites Tennessee Code Annotated §6-56-105 which states that the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds. All audits must be submitted to the comptroller of the treasury for approval. The city periodically solicits professional proposals for audit services and currently contracts with Housholder Artman, PLLC in Tullahoma for the annual audit of all municipal entities.

Single Audit

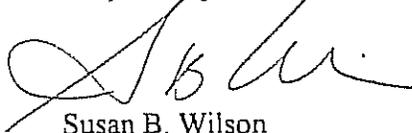
As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. As part of the City's single audit, tests are performed to determine the adequacy of the internal control structure, including the portion related to federal and state financial assistance programs, as well as to determine that the City has complied, in all material respects, with applicable laws and regulations. The results of the City's single audit for fiscal year 2012 are included in this financial report under the Reports on Compliance and Internal Controls section.

Awards and Acknowledgements

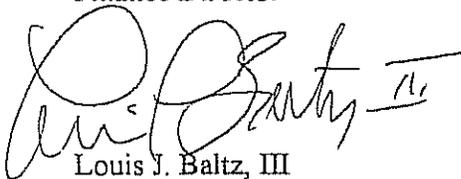
The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the year 1992-1994 and 1996-2009, and 2011-2012. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of the state and local government financial reports. This Comprehensive Annual Financial Report will also be submitted for award consideration.

Many individuals in all our boards and agencies assisted in the preparation of this Comprehensive Annual Financial Report and we appreciate their cooperation and dedication, as well as the assistance of the City Recorder and Finance Department staff.

Respectfully submitted,



Susan B. Wilson
Finance Director



Louis J. Baltz, III
City Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Tullahoma
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**CITY OF TULLAHOMA, TENNESSEE
PUBLIC OFFICIALS**

Mayor	Lane Curlee
Mayor Pro-Tem	Mike Norris
Alderman	Jimmy Blanks
Alderman	Nancy Eads
Alderman	Jerry Mathis
Alderman	Sandy Lindeman
Alderman	Mike Stanton
City Administrator	Louis J. Baltz, III
City Attorney	Randall Morrison
Director of Finance	Susan Wilson
City Recorder	Rosemary Womack
Accountant	Donna Graham
Director of Public Works	Wayne Limbaugh
Fire Chief	Richard Shasteen
Police Chief	Paul Blackwell
Director of Parks and Recreation	Kurt Glick
General Manager, Tullahoma Utilities Board	Brian Skelton
Director of Schools, Tullahoma Board of Education	Dr. Dan Lawson
Executive Director, Tullahoma Municipal Airport Authority	Jon Glass
Treasurer, Tullahoma Industrial Development Board	Susan Wilson

City of Tullahoma

Administration

Board of Mayor and Alderman

City Administrator

Jody Baltz

City Attorney

Randall Morrison

Executive Secretary

Robin Morrison

Finance

Susan B. Wilson, Director

*Treasury, Accounting, Payroll, Purchasing,
Budgeting, Fixed Assets, Risk Management*

Public Works

Wayne Limbaugh, Director

*Streets, Sanitation, Fleet Maintenance, Animal
Control, Information Technology, Solid Waste*

Fire

Richard Shasteen, Chief

*Suppression, Prevention, Fire Inspection,
Emergency Management*

Police

Paul Blackwell, Chief

*Patrol, Investigation, Administration, Support Services,
Traffic, School Patrol, School Resource Officer*

Parks & Recreation

Kurt Glick, Director

*Parks & Recreation, Aquatics, Community
Centers, Maintenance, City Forestry Resources*

City Recorder

Rosemary Womack, City Recorder

*Tax Collection, Records Management,
Licenses, Permits, Court Clerk*

Planning & Codes

Jennifer Amacher, Director

*Building Inspection, Codes Enforcement,
Planning and Development*

Human Resources

Casta Brice, Director

*Recruitment, Benefits, Compensation,
Policy, Development, Title VI*

Community Development

Winston Brooks

*Grants Administration, Public Information,
Retail/Service Development*

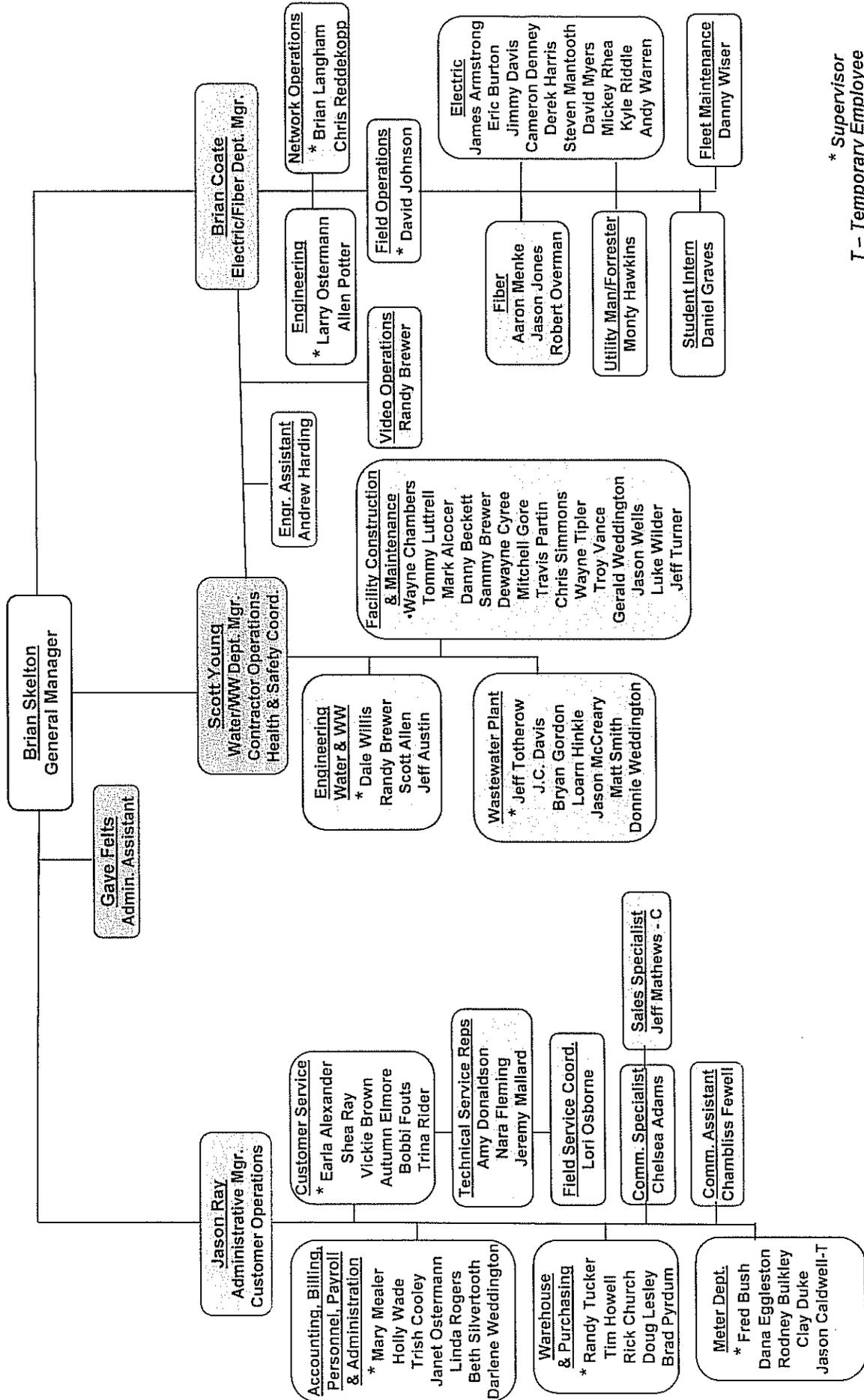
Tullahoma Area Economic Development Corporation

C. Thomas Robinson, Executive Director

Tullahoma Airport Authority

Jon. Glass, Director

Tullahoma Utilities Board Organization Chart



* Supervisor
T - Temporary Employee
C - Contract Employee

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinion

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of June 30, 2013, and the respective changes in financial position, the respective budgetary comparison for the General Fund and the General Purpose School Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, employer contributions, and actuarial methods and significant assumptions on pages A-1 through A-16 and B-50 through B-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tullahoma, Tennessee's basic financial statements as a whole. The introductory section on pages i through x, combining and individual nonmajor fund financial statements on pages C-1 through C-10, financial schedules on pages C-11 and D-1 through D-16, and statistical section on pages E-1 through E-19 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal 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 also not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and financial schedules, except for that marked "Unaudited" on which we express no opinion, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial schedules and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

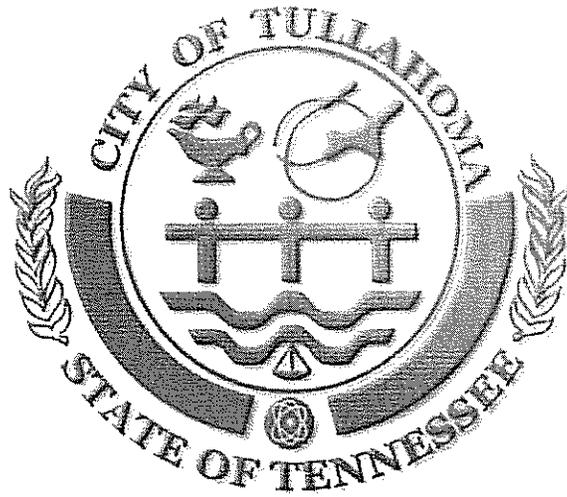
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, on our consideration of the City of Tullahoma, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tullahoma, Tennessee's internal control over financial reporting and compliance.



February 28, 2014



CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

As management of the City of Tullahoma, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City and its related agencies for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes a transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis and general financial statements for the City of Tullahoma and its component units. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The fourth section is the independent auditor's reports on compliance and internal controls.

Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting

The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the years 1992 - 1994, and 1996 - 2009, and 2011-2012. This has been a major achievement for the City. This recognition also reflects significant cooperation between all boards and agencies of the City included in the CAFR and the auditing firm that prepared the CAFR. This CAFR will also be submitted for national award consideration.

THE REPORTING ENTITY AND ITS COMPONENT UNITS

This report contains all of the funds and component units of the City of Tullahoma. It includes all activities considered to be part of the "reporting entity" of the City of Tullahoma in compliance with authoritative criteria. In evaluating as to how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board Statement Number 14.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

The City of Tullahoma (Primary Government – Governmental Activities)

Tullahoma is located in Southern Middle Tennessee approximately equal distances from Nashville and Chattanooga, Tennessee, and Huntsville, Alabama. The City comprises 25.8 square miles of area located in both Coffee and Franklin Counties. The 2010 census listed Tullahoma's population as 18,579. The City of Tullahoma provides general municipal services in the areas of public safety, public works, planning, and recreation. The Public Works Department also provides solid waste, brush and leaf collection and disposal.

Tullahoma City Schools (Primary Government – Governmental Activities)

Tullahoma City Schools (the City Schools) encompasses four elementary schools, two middle schools and one high school. The City Schools serves approximately 3,600 students in grades K-12. An extended school program is in place to provide before and after school child care for our students. The school system is recognized within the State of Tennessee for its academic excellence.

Tullahoma Utilities Board (Primary Government – Business-type Activities)

The Tullahoma Utilities Board (the Board) is a municipal public utility and an independent agency of the City of Tullahoma, and provides electricity, water and wastewater services to the residents of Tullahoma and parts of the surrounding area. A distributor of TVA power, with rates among the lowest in the country, the Board currently serves 10,943 electric customers. The Board purchases wholesale water from the Duck River Utility Commission to serve its 9,612 water customers. The Board also operates a wastewater treatment facility with 7,399 sewer customers. The Board recently expanded into the fiber optics area and now offers television, telephone and internet services to over 3,016 customers.

Tullahoma Municipal Airport Authority (A Component Unit)

The Tullahoma Municipal Airport Authority (the Authority) operates the Tullahoma Regional Airport. The airport was originally constructed in 1942 for the U.S. Army Air Corps and features wide heavy duty runways, a large ramp, taxiways and large hangars. Over 100 aircraft are presently based at the airport, with additional capacity available. Over 2,000 transient aircraft visit the airport annually. The Authority partners with local aviation groups such as the University of Tennessee Space Institute, Tennessee Skydiving, Beechcraft Heritage Museum, and has a residential airpark. The Tri-County Chamber, City of Tullahoma, Arnold Engineering and Development Center, and many other civic groups and local corporations coordinated efforts to host bi-annual air shows, which generally draw over 50,000 in daily attendance.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

Tullahoma Industrial Development Board (A Component Unit)

The Tullahoma Industrial Development Board (the TIDB) is a Component Unit of City Government. The TIDB was incorporated in 1965. The TIDB's original mission was to acquire, sell, lease, and dispose of properties in an effort to create jobs, promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate in and near the City of Tullahoma. In June, 2005, the TIDB consolidated those functions with the Coffee County Industrial Board. The TIDB retained its charter and bylaws and amended its mission to monitor and service existing industrial revenue bond issues and to perform any and all acts as set forth and authorized in Section 6-2801 et seq. of the Tennessee Code Annotated. The TIDB turned over management of all assets to the City of Tullahoma. The City continues to utilize those financial assets for economic development activities.

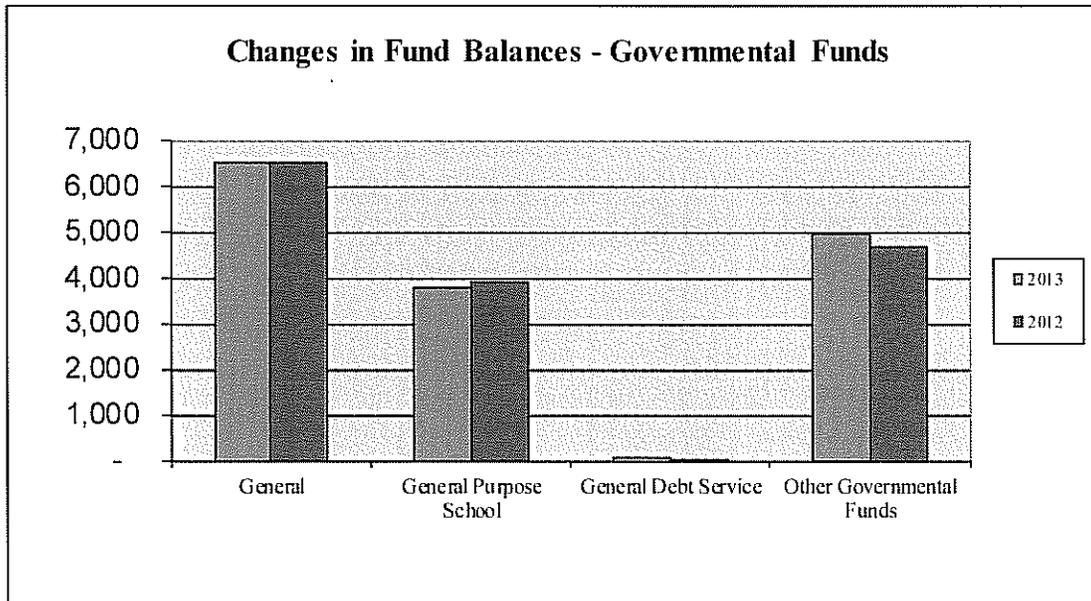
For purposes of this report, the City of Tullahoma and the Tullahoma City Schools financial information has been consolidated and identified as Governmental Activities under the Primary Government sector, while Business-type Activities refers to the Tullahoma Utilities Board and internal service fund data. Component Units presented in this report are the Tullahoma Industrial Development Board and the Tullahoma Municipal Airport Authority.

FINANCIAL HIGHLIGHTS

- The assets of the Governmental Activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,374 (net position). Of this amount, \$4,863 is net investment in capital assets, \$8,634 is restricted for debt service and other use, with \$4,877 available to meet other ongoing obligations. The Governmental Activities group's net position increased by \$1,807.
- The Governmental Activities group indicates an increase net investment in capital assets of \$2,153. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.
- The Business-type Activities group's total net position increased by \$2,263.
- The capital assets in the Business-type Activities group increased by \$1,431 or 3.2% from last year.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$15,218, an increase of \$133 from the prior year. While the fund balance in the General Purpose School Fund decreased by \$128, the fund balance in the City General Fund decreased by \$37 and the fund balance in the other governmental funds increased by \$298.



- At the end of the current fiscal year, fund balance for the City's General Fund was \$6,481, or 27.08% of total General Fund expenditures including transfers out.
- The ending fund balance in the General Purpose School Fund was \$3,748 or 13.21% of total expenses for that fund.
- The City Governmental Activities' total gross debt decreased by \$1,859 or 4.16% during the 2013 fiscal year as no new debt was issued. The Tullahoma Utilities Board's gross debt decreased by \$1,478 or 5.98% during this period.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The Government-Wide Income Statement distinguishes functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, and education. The business-type activities of the City include water, waste-water, electricity and fiber optics.

Fund Financial Statements

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

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the city-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains sixteen (16) individual government funds, thirteen (13) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the General-Purpose School Fund, the General Debt Service Fund and the Non-Major Governmental Funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriation budget for its general and other major special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

- **Proprietary Funds**

The City maintains four (4) different types of proprietary funds, which are also enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, waste-water, electric and fiber optic activities at the Tullahoma Utilities Board.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

- **Internal Service Fund**

The City maintains one (1) internal service fund, a medical trust fund, which is used to account for the operations of self-sustaining agencies rendering services to other agencies of the government on a cost reimbursement basis. During fiscal year 2007, the City discontinued use of its internal service fund for medical coverage and changed to a commercial carrier. The balance of this fund is retained as a benefits reserve.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They further define the audited entities, partnerships and financial relationships.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds, budget comparison schedules for funds with legal budgets other than the general fund and other major special revenue funds, and internal service funds are presented immediately following the required supplementary information.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the Governmental Activities, assets exceed liabilities and deferred inflows of resources reported by \$18,374 at the close of the most recent fiscal year. The City's net investment in capital assets (e.g. land, buildings, and equipment) is largely offset by accumulated assets. The Business-type Activities funds show net position of \$42,917 with 53.46% reflecting net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

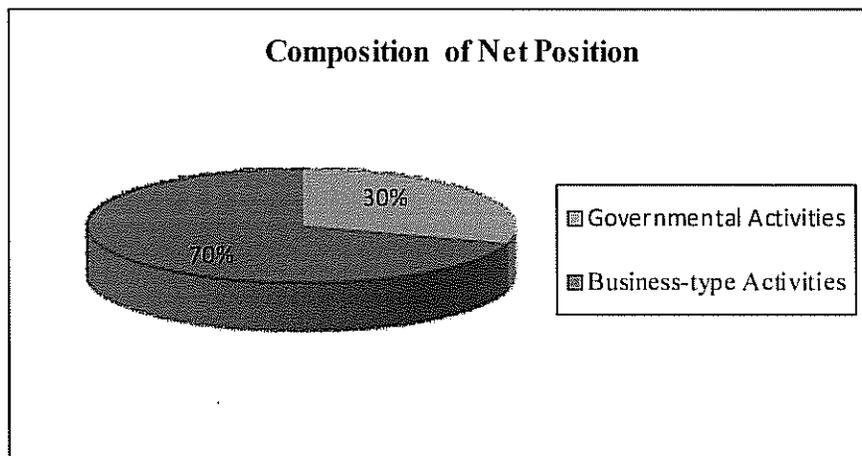
Government Accounting Standards Board (GASB) Statement No. 63 requires that deferred inflows/outflows of resources be separately identified for all financial statements for periods beginning after December 15, 2011. Therefore, while FY2012 includes deferred charges on refunding and debt issuance cost in "Current and other assets" and deferred property tax revenues in "Other liabilities", they are specifically identified for FY2013.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

City of Tullahoma's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 29,172	\$ 29,155	\$ 29,306	\$ 30,412	\$ 58,478	\$ 59,567
Capital assets, net of accumulated depreciation	43,901	43,995	46,213	44,782	90,114	88,777
Total assets	<u>73,073</u>	<u>73,150</u>	<u>75,519</u>	<u>75,194</u>	<u>148,592</u>	<u>148,344</u>
Deferred inflows of resources	751	-	208	-	959	-
Long-term liabilities outstanding	42,849	44,708	23,273	24,751	66,122	69,459
Other liabilities	3,729	11,827	9,537	9,789	13,266	21,616
Total liabilities	<u>46,578</u>	<u>56,535</u>	<u>32,810</u>	<u>34,540</u>	<u>79,388</u>	<u>91,075</u>
Deferred outflows of resources	8,872	-	-	-	8,872	-
Net position:						
Net investment in capital assets	4,863	2,711	22,940	20,030	27,803	22,741
Restricted	8,634	3,738	9,458	11,142	18,092	14,880
Unrestricted	4,877	10,166	10,519	9,482	15,396	19,648
Total net position	<u>\$ 18,374</u>	<u>\$ 16,615</u>	<u>\$ 42,917</u>	<u>\$ 40,654</u>	<u>\$ 61,291</u>	<u>\$ 57,269</u>

A portion of the Governmental Activities' total net position \$8,634 (46.99%) represents resources that are subject to external restrictions on how they may be used. These include net position restricted for payments on bonded debts and notes, drug prevention assets and assets for capital construction and projects. The remaining balance of unrestricted net position \$4,877 may be used to meet the government's ongoing obligations to citizens and short-term creditors.



CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

City of Tullahoma's Change in Net Position

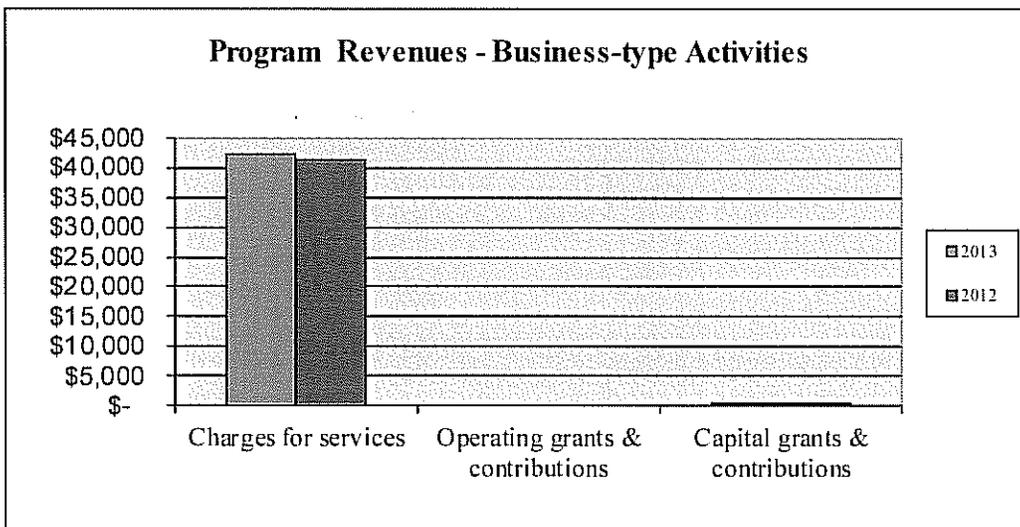
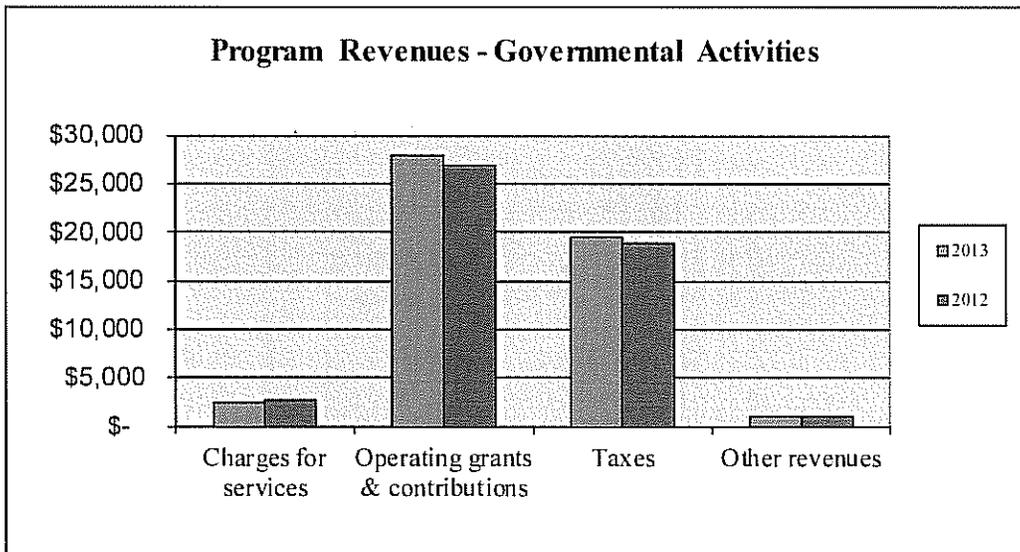
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,482	\$ 2,694	\$ 42,396	\$ 41,207	\$ 44,878	\$ 43,901
Operating grants & contributions	27,920	26,737	-	-	27,920	26,737
Capital grants & contributions	-	-	447	29	447	29
General revenues:						
Taxes	19,417	18,853	-	-	19,417	18,853
Other revenues	909	1,011	123	79	1,032	1,090
Investment earnings	116	138	37	32	153	170
Transfers	(89)	322	(272)	(232)	(361)	90
Total revenues	<u>50,755</u>	<u>49,755</u>	<u>42,731</u>	<u>41,115</u>	<u>93,486</u>	<u>90,870</u>
Expenses:						
General government	2,201	2,475	-	-	2,201	2,475
Public safety	4,914	4,785	-	-	4,914	4,785
Public works	4,091	4,199	-	-	4,091	4,199
Community services	429	443	-	-	429	443
Waste management	1,862	1,857	-	-	1,862	1,857
Education	34,290	33,274	-	-	34,290	33,274
Utilities	-	-	40,468	40,548	40,468	40,548
Interest & debt	1,161	1,301	-	-	1,161	1,301
Total expenses	<u>48,948</u>	<u>48,334</u>	<u>40,468</u>	<u>40,548</u>	<u>89,416</u>	<u>88,882</u>
Change in net position	1,807	1,421	2,263	567	4,070	1,988
Net position, beginning of period	16,615	15,230	40,654	40,087	57,269	55,317
Prior period adjustment	(48)	(36)	-	-	(48)	(36)
Net position, end of period	<u>\$ 18,374</u>	<u>\$ 16,615</u>	<u>\$ 42,917</u>	<u>\$ 40,654</u>	<u>\$ 61,291</u>	<u>\$ 57,269</u>

Changes in Net Position

- Governmental Activities increased net position by \$1,807. The improvement in Governmental Activities net position was mostly due to principal payments on debt of \$1,798 in FY2013, with no new debt issued. Fiscal year 2013 saw improvement in the local economy, with the City's portion of sales tax increasing by \$160 or 1.94% over fiscal year 2012.
- Business-type Activities increased net position by \$2,263, of which \$1,544 can be attributed to debt service reduction.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

- The Board of Mayor and Aldermen did not pass a property tax increase, and additions to the base were offset by commercial revaluations, providing for essentially flat collections.
- Flat or declining revenues, reflecting state and national economic trends, have constrained governmental spending and postponed some capital project plans. The City has benefited from conservative financial management and a healthy reserve balance. Fiscal year 2012 demonstrated the beginning of a significant upwards trend in sales tax which continued in fiscal year 2013, allowing for implementation of more projects and grant matches.



Business-type activities are financed almost entirely by service charges. Service charges remained consistent during the two year period, reflecting an increase of only \$1,189.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

Financial Analysis of the City's Funds

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

Governmental Funds

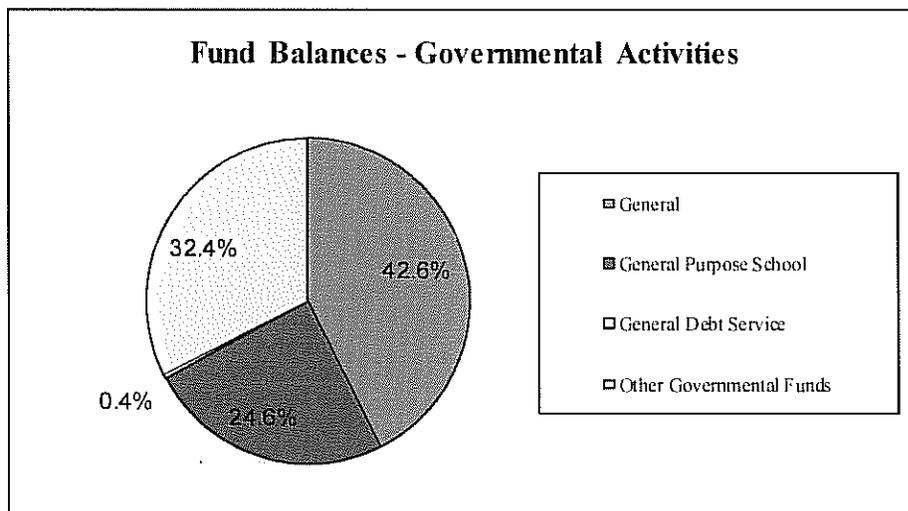
The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tullahoma's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the City of Tullahoma's Governmental Funds reported combined ending fund balances of \$15,218, an increase of \$133 from the prior year, as both the City General Fund and General Purpose School Fund constrained spending decisions to match available revenues.

The City also operates a Solid Waste Fund, but this is not operated as a business-type activity. Although the city charges commercial customers for solid waste collection, residential collection, brush disposal, and litter collection are subsidized by a transfer of property tax dollars from the general fund. Recycling charges in this fund are primarily funded through the revenues generated.

- The General Fund is the chief operating fund of the City. In the governmental fund financial statements, the City has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* where fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,685 while total fund balance amounted to \$6,481. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.
- Unassigned fund balance represents 23.75% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$37 as a result of the current fiscal year operations. The General Fund had \$88 in outstanding encumbrances at year end.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

- The General Purpose School Fund has a total fund balance of \$3,748. Although revenues decreased by \$800, expenditures increased by \$408 resulting in a decrease in fund balance of \$128. The General Purpose School Fund had no outstanding encumbrances at year end.
- The General Debt Service Fund had a beginning fund balance of \$13, which increased to \$55 at year end.
- Non-Major (other) Governmental Funds have an ending fund balance of \$4,934. This grouping consists primarily of city capital projects funds, school federal projects, educational debt service, food services, extended school program and UDAG.

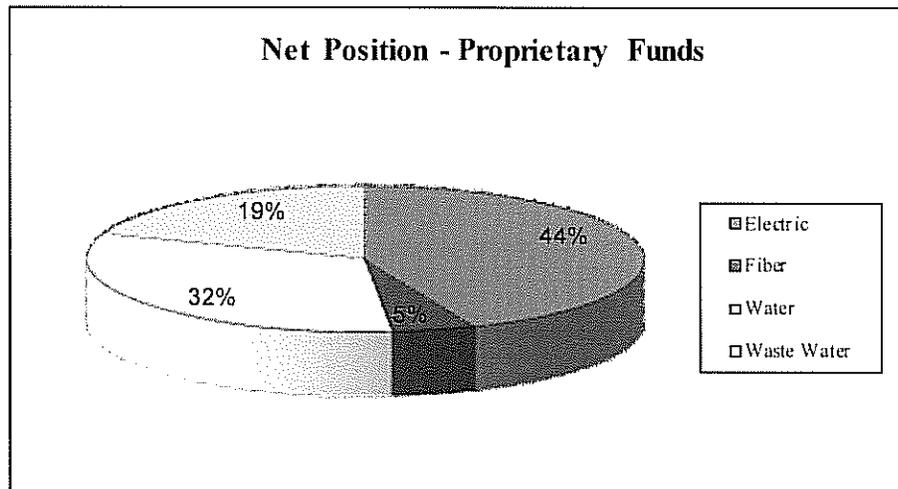


CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

Proprietary Funds

The Business-type Activities at the Tullahoma Utilities Board have seen a change in composition due to the addition of a fourth enterprise fund in 2007 for the construction of a Fiber Optics System which began providing services to Tullahoma residents commencing in October, 2008, and has now expanded to serving over 3,000 customers.

- The Electric System provided an increase in net position of \$927 in 2013, due in part to an accounting change in the recognition of accounts receivable. Accounts receivable increased \$336 (before allowances).
- The Waste Water System reflected a modest increase of \$1,150 or 8.14%, and the Water System net position by \$326 or 3.53%.
- As the Fiber Optics System is still finishing up build out and growing its customer base, their net position decreased by \$140 to (\$2,302). The system plans to show positive net position in 2014.



CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

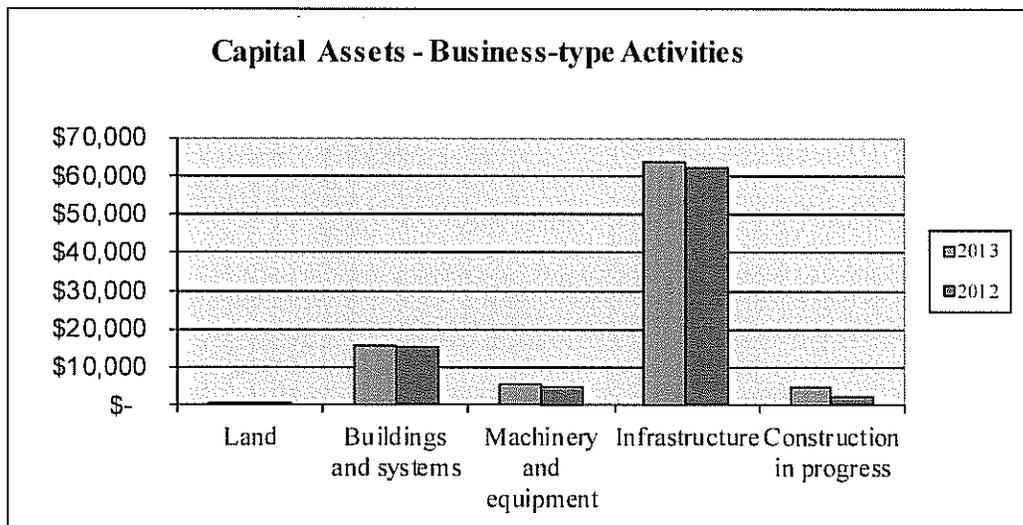
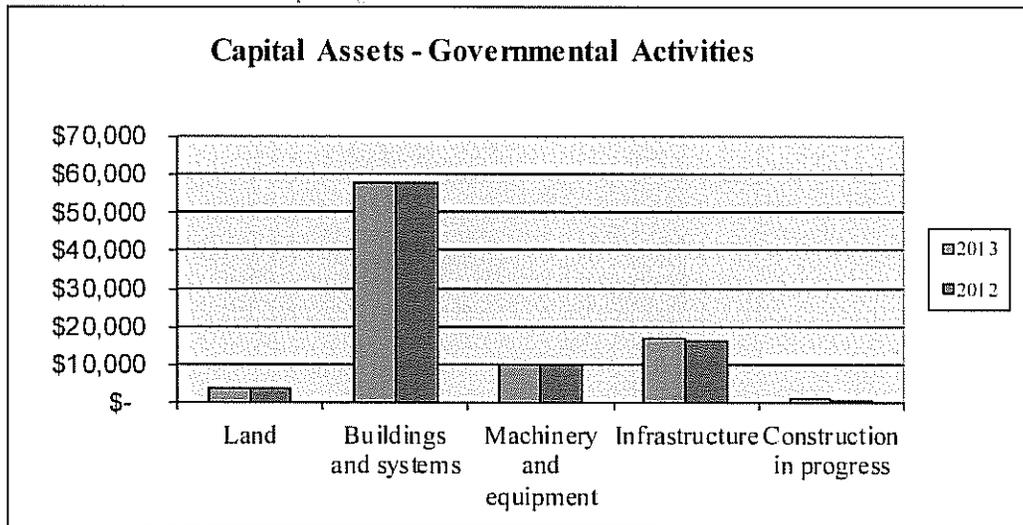
The City's investment in capital assets from its Governmental and Business-type Activities as of June 30, 2013, is shown as follows. The Government Accounting Standards Board required that infrastructure assets be inventoried and carried on the balance sheet as of 2007. Additional information concerning capital assets can be found in Note 5 of the Notes to the Financial Statements.

City of Tullahoma's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,824	\$ 3,824	\$ 476	\$ 476	\$ 4,300	\$ 4,300
Buildings and improvements	57,982	57,780	15,541	15,339	73,523	73,119
Machinery and equipment	10,224	10,165	5,183	5,017	15,407	15,182
Infrastructure	16,807	16,452	63,863	62,101	80,670	78,553
Construction in progress	1,369	197	4,635	2,374	6,004	2,571
Total capital assets	<u>\$ 90,206</u>	<u>\$ 88,418</u>	<u>\$ 89,698</u>	<u>\$ 85,307</u>	<u>\$ 179,904</u>	<u>\$ 173,725</u>

The total capital assets in the Governmental Activities increased by \$1,788. This was primarily due to street paving projects. The largest of these being the expansion of Cedar Lane, a major commercial connector, which accounted for \$1,045 in the construction in progress account. That project will be completed in FY2014.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)



Business-type Activities' capital assets demonstrated a net increase of \$4,391. Construction in progress increased due to sewer line rehabilitation, partially funded through a Community Development Block Grant.

Long-Term Debt

- **Governmental Activities**

The City of Tullahoma did not issue any new debt in fiscal year 2013 for either general purposes or for education, but was able to refund a prior outstanding issue, which will result in interest savings of \$451 over the remaining life of the bond. Principal payments were made in the amount of \$2,418, reducing the governmental outstanding debt to \$39,787. Of this, \$2,252 is due within one year.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(amounts expressed in thousands)

- Business-type Activities
The Tullahoma Utilities Board received approval for a \$5,000 state revolving loan for sewer rehabilitation. As of June 30, 2013, only \$546 had been drawn down. The major amount of construction and associate debt is planned for FY2014.

- Component Units
No direct debt was issued by or on behalf of either the Tullahoma Municipal Airport Authority or the Tullahoma Industrial Development Board in fiscal year 2013. The Authority does have outstanding loans through the UDAG Revolving Loan Program in the amount of \$194. The loan was used to finance construction of a hangar for life flight helicopters. The tenant provides monthly rental payments to the Authority, who in turn pays back into the City's UDAG Revolving Loan Fund. An additional \$9 was borrowed through this program in fiscal year 2012 for the purchase of a used fuel truck.

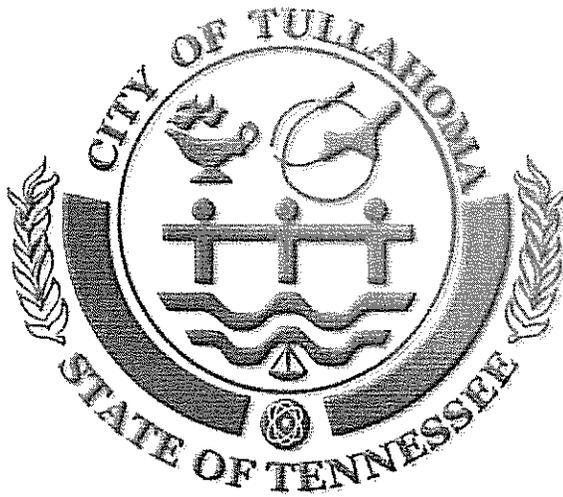
Additional information concerning long-term debt can be found in Note 6 of the Notes to the Financial Statements.

City of Tullahoma's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Notes payable	\$ 380	\$ 466	\$ 7,473	\$ 8,176	\$ 7,853	\$ 8,642
General obligation bonds	39,408	41,571	15,800	16,575	55,208	58,146
Other obligations payable	3,061	2,671	-	-	3,061	2,671
Total long-term debt	<u>\$ 42,849</u>	<u>\$ 44,708</u>	<u>\$ 23,273</u>	<u>\$ 24,751</u>	<u>\$ 66,122</u>	<u>\$ 69,459</u>

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tullahoma, Finance Department, P. O. Box 807, Tullahoma, TN 37388.



CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 15,643,040	\$ 9,582,675	\$ 25,225,715	\$ 158,808
Receivables	10,421,731	4,164,768	14,586,499	722
Allowance for doubtful accounts	(945,585)	(46,434)	(992,019)	-
Unbilled revenue	-	1,977,835	1,977,835	-
Accounts receivable - government	-	-	-	85,359
Internal balances	(2,342)	2,342	-	-
Due from component units	(8,066)	-	(8,066)	-
Due from other governments	2,588,993	-	2,588,993	164,576
Accrued interest receivable	749	-	749	-
Inventory	-	1,472,447	1,472,447	24,170
Other assets	27,217	1,068,888	1,096,105	55,403
Restricted assets:				
Cash and cash equivalents	-	9,888,850	9,888,850	43,925
Notes receivable	1,446,736	1,195,772	2,642,508	-
Capital assets:				
Utility plant in service	-	63,863,463	63,863,463	-
Land	3,824,195	476,080	4,300,275	1,738,799
Buildings and improvements	57,982,371	15,540,651	73,523,022	9,821,455
Furniture, machinery, and equipment	10,224,142	5,182,871	15,407,013	462,433
Construction in progress	1,368,695	4,635,431	6,004,126	676,334
Infrastructure	16,806,631	-	16,806,631	-
Accumulated depreciation	(46,305,474)	(43,485,846)	(89,791,320)	(2,925,736)
Total assets	73,073,033	75,519,793	148,592,826	10,306,248
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	360,079	-	360,079	-
Debt issuance cost	390,658	207,509	598,167	-
Total deferred outflows of resources	750,737	207,509	958,246	-
LIABILITIES:				
Accounts payable	1,882,018	5,708,144	7,590,162	151,352
Accrued liabilities	1,612,371	1,086,070	2,698,441	-
Accrued interest payable	234,531	-	234,531	-
Due to the primary government	-	-	-	15,570
Other liabilities	-	1,824,958	1,824,958	16,767
TVA advances	-	487,700	487,700	-
Liabilities payable from restricted assets:				
Accrued interest	-	334,004	334,004	-
Contracts and retainage	-	96,727	96,727	-
Noncurrent liabilities:				
Due within one year	2,297,000	2,091,350	4,388,350	29,597
Due in more than one year	40,552,300	21,181,478	61,733,778	163,968
Total liabilities	46,578,220	32,810,431	79,388,651	377,254
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	8,871,714	-	8,871,714	14,055
Total deferred inflows of resources	8,871,714	-	8,871,714	14,055
NET POSITION:				
Net investment in capital assets	4,863,118	22,939,822	27,802,940	9,579,720
Restricted:				
Restricted for debt service	2,547,489	992,580	3,540,069	-
Restricted for construction	972,978	8,465,539	9,438,517	-
Restricted for drug enforcement	155,657	-	155,657	-
Restricted-other	4,957,627	-	4,957,627	43,925
Unrestricted	4,876,967	10,518,930	15,395,897	291,294
Total net position	\$ 18,373,836	\$ 42,916,871	\$ 61,290,707	\$ 9,914,939

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities		Total
Primary government							
Governmental activities:							
Public safety:	\$ 2,200,671	\$ 451,699	\$ 3,124,070	\$ -	\$ 1,375,098	\$ -	\$ -
Police	2,703,613	44,739	-	-	(2,658,874)	-	(2,658,874)
Fire	2,210,740	-	-	-	(2,210,740)	-	(2,210,740)
Public works	4,090,510	-	-	-	(4,090,510)	-	(4,090,510)
Community services	428,682	-	565,906	-	137,224	-	137,224
Waste management	1,862,225	733,094	-	-	(1,129,131)	-	(1,129,131)
Education	34,290,366	1,252,068	24,230,324	-	(8,807,974)	-	(8,807,974)
Interest and other debt related costs	1,160,626	-	-	-	(1,160,626)	-	(1,160,626)
Total governmental activities	48,947,433	2,481,600	27,920,300	-	(18,545,533)	-	(18,545,533)
Business-type activities:							
Electric System	27,990,103	29,300,022	-	-	1,309,919	1,309,919	1,309,919
Fiber Optics System	5,854,344	5,710,195	-	-	(144,149)	(144,149)	(144,149)
Waste Water System	3,222,452	3,818,757	-	446,530	1,042,835	1,042,835	1,042,835
Water System	3,401,309	3,567,044	-	-	165,735	165,735	165,735
Total business-type activities	40,468,208	42,396,018	-	446,530	2,374,340	2,374,340	2,374,340
Total primary government	\$ 89,415,641	\$ 44,877,618	\$ 27,920,300	\$ 446,530	(18,545,533)	2,374,340	(16,171,193)
Component units:							
Tulahoma Industrial Development Board	\$ 30,118	\$ 34,725	\$ -	\$ -	-	-	4,607
Tulahoma Municipal Airport Authority	1,268,060	92,969	195,992	582,666	(396,433)	-	(396,433)
Total component units	\$ 1,298,178	\$ 127,694	\$ 195,992	\$ 582,666	\$ -	\$ -	\$ (391,826)
General revenues:							
Taxes:							
Property					9,371,787		9,371,787
Sales					8,441,549		8,441,549
Wholesale beer					538,399		538,399
Wholesale liquor					190,824		190,824
Business					447,990		447,990
Cable tv franchise					208,380		208,380
Hotel/Motel					217,638		217,638
Sale of fuel and oil					-		-
Other revenues					904,568	113,324	1,017,892
Unrestricted investment earnings					115,731	37,439	153,170
Gain on sale of property					4,335	9,546	13,881
Transfers					(89,082)	(271,591)	(360,673)
Total general revenues and transfers					20,352,119	(111,282)	20,240,837
Change in net position					1,806,586	2,263,058	4,069,644
Net position, beginning					16,614,954	40,653,813	57,268,767
Prior period adjustment (See Note 2)					(47,704)	-	(47,704)
Net position, ending					\$ 18,373,836	\$ 42,916,671	\$ 61,290,707

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	General Purpose School	General Debt Services	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 5,094,375	\$ 1,507	\$ 46,778	\$ 4,500,257	\$ 9,642,917
Investments	-	5,858,727	-	-	5,858,727
Accrued interest receivable	-	-	-	749	749
Receivables	10,379,927	-	-	41,804	10,421,731
Allowance for doubtful accounts	(932,072)	-	-	(13,513)	(945,585)
Due from other governments	1,888,732	124,790	-	567,405	2,580,927
Due from other funds	-	638,703	8,066	366,893	1,013,662
Prepaid expenses	25,628	-	-	1,589	27,217
Notes receivable	-	-	-	1,446,736	1,446,736
Total assets	\$ 16,456,590	\$ 6,623,727	\$ 54,844	\$ 6,911,920	\$ 30,047,081
LIABILITIES:					
Accounts payable	\$ 168,352	\$ 1,447,452	\$ -	\$ 266,214	\$ 1,882,018
Retainage payable	-	-	-	-	-
Accrued liabilities	73,152	36,772	-	17,193	127,117
Accrued payroll	93,093	1,391,280	-	881	1,485,254
Due to other funds of the primary government	769,394	-	-	246,610	1,016,004
Total liabilities	1,103,991	2,875,504	-	530,898	4,510,393
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	8,871,714	-	-	-	8,871,714
Unavailable revenue - loans	-	-	-	1,446,736	1,446,736
Total deferred inflows of resources	8,871,714	-	-	1,446,736	10,318,450
FUND BALANCES:					
Nonspendable:					
Prepaid items	25,628	-	-	1,589	27,217
Restricted for:					
Capital improvements	-	-	-	972,978	972,978
Debt service	-	-	54,844	2,492,645	2,547,489
Drug enforcement	57,657	-	-	96,652	154,309
Grant projects	-	-	-	572,792	572,792
School operations	-	3,461,487	-	493,106	3,954,593
Solid waste	-	-	-	198,950	198,950
Extended school	-	-	-	104,504	104,504
Other projects	80,236	-	-	-	80,236
Committed to:					
Encumbrances	87,745	-	-	1,070	88,815
Equipment replacement	544,132	-	-	-	544,132
Assigned to:					
School MOE	-	286,736	-	-	286,736
Unassigned	5,685,487	-	-	-	5,685,487
Total fund balances	6,480,885	3,748,223	54,844	4,934,286	15,218,238
Total liabilities, deferred inflows of resources and fund balances	\$ 16,456,590	\$ 6,623,727	\$ 54,844	\$ 6,911,920	\$ 30,047,081

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013

Fund balances - total governmental funds \$ 15,218,238

Amounts reported for governmental activities in the Statement of Net Position are different from amounts reported for governmental funds in the Balance Sheet because:

Capital assets used in governmental activities are not financial resources and therefore not reported in governmental funds.

Capital assets	90,206,034
Less accumulated depreciation	(46,305,474)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds payable	(39,074,000)
Less deferred charge on refunding	360,078
Less deferred charge for issuance costs	390,659
Add bond premium	(334,179)
Accrued interest payable	(234,531)
Net pension obligation	(1,155,871)
OPEB obligation	(670,794)
Notes payable	(380,000)
Compensated absences	(1,234,456)

An internal service fund is used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.

141,396

Principal payments on notes receivable are revenues for governmental funds and therefore are reported as unearned revenues until they are received.

1,446,736

Net position - total governmental activities \$ 18,373,836

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	General Purpose School	General Debt Services	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 9,371,787	\$ -	\$ -	\$ -	\$ 9,371,787
Sales taxes	8,441,549	-	-	-	8,441,549
Other taxes	1,539,229	-	-	-	1,539,229
Payment in lieu of tax	64,002	-	-	-	64,002
Licenses and permits	60,667	-	-	-	60,667
Fines and forfeitures	285,286	-	-	-	285,286
Intergovernmental	3,121,070	20,236,098	-	4,563,132	27,920,300
Charges for services	105,746	238,767	-	1,746,395	2,090,908
Investment income	61,424	11,042	-	41,577	114,043
Note repayments	-	-	-	231,108	231,108
Sale of property	33,979	-	-	-	33,979
Other revenues	351,945	529,155	-	68,207	949,307
Total revenues	23,436,684	21,015,062	-	6,650,419	51,102,165
EXPENDITURES:					
Current:					
General government	1,094,506	-	-	-	1,094,506
Planning	220,688	-	-	-	220,688
Public safety:					
Police protection	2,642,211	-	-	-	2,642,211
Fire protection	2,274,856	-	-	-	2,274,856
Public works	2,081,867	-	-	-	2,081,867
Parks and recreation	1,286,665	-	-	-	1,286,665
Economic development & Community services	479,868	-	-	-	479,868
Education:					
Administration	-	3,160,357	-	-	3,160,357
Regular education	-	14,508,282	-	1,194,443	15,702,725
Special education	-	3,079,791	-	789,665	3,869,456
Vocational education	-	823,543	-	345	823,888
Adult education	-	162,346	-	-	162,346
Attendance	-	269,784	-	-	269,784
Health services	-	199,586	-	-	199,586
Other student support	-	694,164	-	40,148	734,312
Instructional staff	-	774,286	-	126,850	901,136
Plant operations	-	2,635,185	-	-	2,635,185
Plant maintenance	-	951,375	-	-	951,375
Transportation	-	126,006	-	-	126,006
Community services	-	6,996	-	-	6,996
Program costs	-	-	-	4,101,157	4,101,157
Debt service:					
Principal retirement	-	-	2,323,000	-	2,323,000
Interest	-	-	1,189,464	-	1,189,464
Fiscal charges	-	-	67,050	-	67,050
Capital outlay	1,022,669	982,659	-	2,004,180	4,009,508
Loans disbursed	-	-	-	71,905	71,905
Total expenditures	11,103,330	28,374,360	3,579,514	8,328,693	51,385,897
Excess (deficiency) of revenues over (under) expenditures	12,333,354	(7,359,298)	(3,579,514)	(1,678,274)	(283,732)
OTHER FINANCING SOURCES (USES):					
Bond issuance	-	-	4,700,000	-	4,700,000
Payment to refunded bond escrow agent	-	-	(4,795,000)	-	(4,795,000)
Reoffering premium	-	-	215,561	-	215,561
Transfers in	463,292	7,240,480	3,500,470	4,343,651	15,547,893
Transfers out	(12,833,826)	(9,225)	-	(2,408,251)	(15,251,302)
Total other financing sources (uses)	(12,370,534)	7,231,255	3,621,031	1,935,400	417,152
Net change in fund balances	(37,180)	(128,043)	41,517	257,126	133,420
Fund balances, July 1, 2012	6,518,065	3,876,266	13,327	4,677,160	15,084,818
Fund balances, June 30, 2013	<u>\$ 6,480,885</u>	<u>\$ 3,748,223</u>	<u>\$ 54,844</u>	<u>\$ 4,934,286</u>	<u>\$ 15,218,238</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2013

Net change in fund balances - governmental funds \$ 133,420

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances, because:

Governmental funds report capital outlays which include principal and interest payments on capital leases as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.

Acquisition of capital assets	2,316,396
Depreciation expense	(2,333,719)

The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs in the change in fund balances by the the net book value of the capital assets sold. (29,642)

Bonds proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of principal on bonds and notes payable is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities. Governmental funds include interest paid in debt service expenditures, whereas interest is accrued and expensed as it becomes payable for governmental activities.

Bond and note issuance:	
Refunding bonds	(4,700,000)
Premium on the refunding debt	(215,561)
Cost of issuance	65,350
Bond and note principal repayments:	
To paying agent	4,795,000
To bonds and notes holder	2,323,000
Amortization of issuance costs	(39,820)
Amortization of deferred charges	(26,673)
Amortization of premium	46,035
Decrease in accrued interest expense	50,999
Loans disbursed	71,905
Principal received on notes receivable	(231,108)

An internal service fund is used by management to charge the costs of the employee health insurance program. The net revenue of the internal service fund is included in governmental activities. (29,712)

Some expenses reported for governmental activities do not require the use of current financial resources and therefore not reported as expenditures for governmental funds. Compensated absences are an expenditure when they are paid in the governmental funds, but are accrued and expensed when they are incurred for governmental activities.

Increase in net pension obligation	(55,127)
Increase in OPEB obligation	(358,900)
Decrease in compensated absences	24,743

Change in net position - governmental activities \$ 1,806,586

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Taxes:						
Property	\$ 9,371,787	\$ -	\$ 9,371,787	\$ 9,049,058	\$ 9,269,058	\$ 102,729
Sales	8,441,549	-	8,441,549	8,206,818	8,419,962	21,587
Wholesale beer	538,399	-	538,399	482,118	517,118	21,281
Wholesale liquor	190,824	-	190,824	181,514	181,514	9,310
Business	383,988	-	383,988	260,000	355,000	28,988
Cable tv franchise	208,380	-	208,380	183,000	193,000	15,380
Hotel/motel	217,638	-	217,638	192,500	202,500	15,138
Total taxes	19,352,565	-	19,352,565	18,555,008	19,138,152	214,413
Payment in lieu of taxes	64,002	-	64,002	535,000	499,712	(435,710)
Licenses and permits	60,667	-	60,667	68,170	63,170	(2,503)
Fines and forfeitures	285,286	-	285,286	353,490	293,490	(8,204)
Intergovernmental:						
State of Tennessee sales tax	1,284,432	-	1,284,432	1,174,477	1,174,477	109,955
State of Tennessee gas tax	479,226	-	479,226	509,349	449,349	29,877
State of Tennessee income tax	153,690	-	153,690	180,981	155,981	(2,291)
TVA gross receipts	213,412	-	213,412	207,801	207,801	5,611
State and federal grants	699,187	-	699,187	800,000	806,800	(107,613)
Mixed drink tax	79,083	-	79,083	72,736	72,736	6,347
Excise tax	30,922	-	30,922	75,012	75,012	(44,090)
Streets and transportation	38,227	-	38,227	39,284	39,284	(1,057)
State street contracts	95,621	-	95,621	1,020	81,710	13,911
Supplemental pay	36,600	-	36,600	-	36,600	-
State of Tennessee beer tax	9,223	-	9,223	9,179	9,179	44
Telecommunications tax	1,447	-	1,447	2,364	2,364	(917)
Total intergovernmental	3,121,070	-	3,121,070	3,072,203	3,111,293	9,777
Charges for services	105,746	-	105,746	110,140	101,640	4,106
Investment income	61,424	-	61,424	60,000	60,000	1,424
Sale of property	33,979	-	33,979	-	-	33,979
Other revenues	351,945	-	351,945	502,200	453,939	(101,994)
Total revenues	23,436,684	-	23,436,684	23,256,211	23,721,396	(284,712)

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES:						
General government:						
Legislative and judicial:						
Current:						
Salaries	\$ 37,434	\$ -	\$ 37,434	\$ 37,614	\$ 37,614	\$ 180
Payroll Taxes	2,864	-	2,864	2,878	2,878	14
Benefits	31,622	-	31,622	51,457	34,591	2,969
Contract and professional	88,545	-	88,545	117,700	97,200	8,655
Travel and training	1,668	-	1,668	5,000	2,000	332
Supplies	69	-	69	800	800	731
Telephone and utility	9,346	-	9,346	6,000	10,000	654
Operating insurance	11,451	-	11,451	23,200	11,475	24
Other	33,959	-	33,959	30,415	41,368	7,409
Appropriations	1,700	-	1,700	-	1,700	-
Total legislative and judicial	218,658	-	218,658	275,064	239,626	20,968
Court system:						
Current:						
Salaries	19,638	-	19,638	20,609	20,609	971
Payroll taxes	2,655	-	2,655	2,737	2,737	82
Benefits	4,168	-	4,168	4,385	4,385	217
Contract and professional	14,000	-	14,000	14,000	14,000	-
Repairs and maintenance	1,722	-	1,722	1,625	1,725	3
Travel and training	156	-	156	375	375	219
Supplies	436	-	436	440	440	4
Operating insurance	469	-	469	421	471	2
Other	401	-	401	500	500	99
Total court system	43,645	-	43,645	45,092	45,242	1,597
City administrator:						
Current:						
Salaries	133,046	-	133,046	129,426	133,610	564
Payroll taxes	10,247	-	10,247	10,009	10,319	72
Benefits	38,087	-	38,087	42,092	40,242	2,155
Telephone and utilities	-	-	-	75	75	75
Repairs and maintenance	318	-	318	125	325	7
Travel and training	2,742	-	2,742	1,750	3,000	258
Supplies	81	-	81	250	250	169
Gas and oil	601	-	601	765	765	164
Operating insurance	2,654	-	2,654	2,363	2,658	4
Other	1,049	-	1,049	1,060	1,072	23
Total city administrator	188,825	-	188,825	187,915	192,316	3,491
Finance director:						
Current:						
Salaries	160,946	-	160,946	167,739	168,739	7,793
Payroll taxes	12,308	-	12,308	13,100	13,100	792
Benefits	33,493	-	33,493	42,424	39,424	5,931
Telephone and utilities	15,986	-	15,986	20,600	17,800	1,814
Contract and professional	12,626	-	12,626	22,900	19,900	7,274
Repairs and maintenance	6,082	-	6,082	7,800	7,800	1,718
Travel and training	2,476	-	2,476	2,000	3,000	524
Supplies	846	-	846	900	1,200	354
Operating insurance	2,407	-	2,407	2,189	2,409	2
Other	5,456	-	5,456	7,735	7,235	1,779
Total finance director	252,626	-	252,626	287,387	280,607	27,981

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
City recorder:						
Current:						
Salaries	\$ 94,574	\$ -	\$ 94,574	\$ 94,632	\$ 94,782	\$ 208
Payroll taxes	7,231	-	7,231	7,347	7,347	116
Benefits	25,651	-	25,651	27,859	27,859	2,208
Contract and professional	2,424	-	2,424	3,300	3,300	876
Telephone and utilities	-	-	-	200	200	200
Repairs and maintenance	5,684	-	5,684	5,500	5,685	1
Travel and training	1,496	-	1,496	2,165	2,165	669
Supplies	14,453	-	14,453	14,515	14,515	62
Operating insurance	1,384	-	1,384	1,193	1,393	9
Other	9,115	-	9,115	13,220	10,520	1,405
Total city recorder	162,012	-	162,012	169,931	167,766	5,754
Human resources:						
Current:						
Salaries	71,440	-	71,440	71,156	71,456	16
Payroll taxes	5,468	-	5,468	5,551	5,551	83
Benefits	15,774	-	15,774	16,371	16,371	597
Telephone and utilities	267	-	267	700	465	198
Travel and training	4,995	-	4,995	5,000	4,999	4
Supplies	389	(511)	(122)	380	390	512
Operating insurance	1,135	-	1,135	1,037	1,137	2
Other	7,569	-	7,569	6,650	7,931	362
Total human resources	107,037	(511)	106,526	106,845	108,300	1,774
Community development:						
Current:						
Salaries	40,152	-	40,152	44,952	43,022	2,870
Payroll taxes	2,974	-	2,974	3,493	3,547	573
Benefits	10,480	-	10,480	9,408	10,484	4
Telephone and utility	472	-	472	610	610	138
Travel and training	1,635	-	1,635	500	1,800	165
Supplies	689	-	689	550	1,000	311
Operating insurance	720	-	720	654	799	79
Other	9,836	-	9,836	5,100	10,961	1,125
Total community development	66,958	-	66,958	65,267	72,223	5,265
Planning:						
Current:						
Salaries	115,561	-	115,561	122,080	116,396	835
Payroll taxes	8,557	-	8,557	9,555	9,245	688
Benefits	43,324	-	43,324	44,999	44,749	1,425
Contract and professional	8,103	-	8,103	6,000	9,000	897
Telephone and utilities	5,465	-	5,465	7,225	7,025	1,560
Repairs and maintenance	13,635	(275)	13,360	8,125	13,625	265
Travel and training	6,000	-	6,000	5,000	6,000	-
Supplies	2,398	-	2,398	2,500	2,500	102
Uniforms	1,034	-	1,034	1,000	1,250	216
Gas and oil	1,217	-	1,217	2,305	2,305	1,088
Operating insurance	7,731	-	7,731	6,829	7,779	48
Other	7,663	-	7,663	9,690	8,640	977
Total planning	220,688	(275)	220,413	225,308	228,514	8,101

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
Information technology:						
Current:						
Contract and professional	\$ 9,059	\$ 731	\$ 9,790	\$ 11,000	\$ 11,600	\$ 1,810
Total information technology	9,059	731	9,790	11,000	11,600	1,810
Municipal building:						
Current:						
Telephone and utilities	22,777	-	22,777	26,276	23,276	499
Rent	696	-	696	1,632	1,382	686
Repairs and maintenance	8,776	-	8,776	23,762	11,937	3,161
Operating insurance	13,437	-	13,437	12,592	13,442	5
Total municipal building	45,686	-	45,686	64,262	50,037	4,351
Total current	1,315,194	(55)	1,315,139	1,438,071	1,396,231	81,092
Capital outlay	1,619	(1,109)	510	1,000	12,897	12,387
Total general government	1,316,813	(1,164)	1,315,649	1,439,071	1,409,128	93,479
Public safety:						
Police:						
Current:						
Salaries	1,609,432	-	1,609,432	1,689,592	1,620,768	11,336
Payroll taxes	121,778	-	121,778	131,723	124,028	2,250
Benefits	511,060	-	511,060	568,771	516,381	5,321
Contract and professional	2,400	-	2,400	-	2,400	-
Telephone and utilities	13,295	-	13,295	19,475	16,475	3,180
Repairs and maintenance	84,220	1,051	85,271	52,803	87,269	1,998
Travel and training	17,618	-	17,618	18,452	18,502	884
Supplies	18,494	(616)	17,878	23,857	20,525	2,647
Uniforms	12,895	(259)	12,636	17,400	15,495	2,859
Gas and oil	114,581	-	114,581	118,739	119,739	5,158
Operating insurance	116,878	-	116,878	113,342	117,036	158
Other	19,560	-	19,560	21,973	20,977	1,417
Total current	2,642,211	176	2,642,387	2,776,127	2,679,595	37,208
Capital outlay	153,780	(1,420)	152,360	52,500	154,057	1,697
Total police	2,795,991	(1,244)	2,794,747	2,828,627	2,833,652	38,905
Fire:						
Current:						
Salaries	1,441,581	-	1,441,581	1,383,768	1,443,315	1,734
Payroll taxes	109,221	-	109,221	107,747	110,434	1,213
Benefits	411,652	-	411,652	446,229	414,539	2,887
Contract and professional	1,200	-	1,200	-	1,200	-
Telephone and utilities	32,741	-	32,741	37,599	38,399	5,658
Repairs and maintenance	82,932	4,355	87,287	83,304	88,145	858
Travel and training	11,472	-	11,472	12,425	11,538	66
Supplies	32,834	7,125	39,959	30,700	40,555	596
Uniforms	13,222	-	13,222	21,525	13,328	106
Gas and oil	21,615	-	21,615	20,825	22,055	440
Operating insurance	109,177	-	109,177	98,800	110,070	893
Other	7,209	-	7,209	7,040	7,494	285
Total current	2,274,856	11,480	2,286,336	2,249,962	2,301,072	14,736
Capital outlay	50,051	72,375	122,426	-	122,815	389
Total fire	2,324,907	83,855	2,408,762	2,249,962	2,423,887	15,125
Total public safety	5,120,898	82,611	5,203,509	5,078,589	5,257,539	54,030

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Public works:						
Current:						
Salaries	\$ 762,704	\$ -	\$ 762,704	\$ 748,640	\$ 769,627	\$ 6,923
Payroll taxes	57,322	-	57,322	58,567	59,087	1,765
Benefits	268,473	-	268,473	276,440	271,270	2,797
Telephone and utilities	40,740	-	40,740	46,564	43,908	3,168
Street lights	388,911	-	388,911	437,500	390,195	1,284
Contract and professional	73,718	-	73,718	93,110	80,960	7,242
Repairs and maintenance	147,949	-	147,949	96,402	190,017	42,068
Shop labor reimbursement	(78,997)	-	(78,997)	(64,000)	(77,000)	1,997
Travel and training	1,081	-	1,081	2,400	1,850	769
Supplies	32,648	-	32,648	24,300	34,000	1,352
Uniforms	9,113	-	9,113	8,380	9,180	67
Gas and oil	207,318	-	207,318	189,357	210,077	2,759
Parts and supplies	34,019	-	34,019	42,000	37,050	3,031
Materials	60,854	36	60,890	63,700	63,705	2,815
Operating insurance	69,067	-	69,067	62,080	69,423	356
Other	6,947	-	6,947	6,588	7,663	716
Total current	2,081,867	36	2,081,903	2,092,028	2,161,012	79,109
Capital outlay	740,927	(130,600)	610,327	437,500	640,102	29,775
Total public works	2,822,794	(130,564)	2,692,230	2,529,528	2,801,114	108,884
Parks and recreation:						
Current:						
Salaries	574,960	-	574,960	584,634	577,346	2,386
Payroll taxes	44,968	-	44,968	46,411	46,699	1,731
Benefits	133,745	-	133,745	148,659	136,616	2,871
Telephone and utilities	190,823	-	190,823	205,563	193,824	3,001
Street lights	10,341	-	10,341	15,662	10,640	299
Contract and professional	86,108	-	86,108	56,600	86,200	92
Repairs and maintenance	111,877	-	111,877	203,186	208,622	96,745
Travel and training	4,386	-	4,386	7,800	6,129	1,743
Supplies	41,461	-	41,461	59,246	44,736	3,275
Uniforms	3,081	1,356	4,437	4,450	4,660	223
Gas and oil	12,815	-	12,815	15,109	15,359	2,544
Operating insurance	65,430	-	65,430	59,719	65,987	557
Other	6,670	-	6,670	5,260	8,660	1,990
Total current	1,286,665	1,356	1,288,021	1,412,299	1,405,478	117,457
Capital outlay	76,292	(5,190)	71,102	9,500	72,540	1,438
Total parks and recreation	1,362,957	(3,834)	1,359,123	1,421,799	1,478,018	118,895

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Economic development & Community services:						
Current:						
Salaries	\$ 57,834	\$ -	\$ 57,834	\$ 65,688	\$ 61,273	\$ 3,439
Payroll taxes	4,272	-	4,272	5,091	5,091	819
Benefits	16,482	-	16,482	18,054	17,654	1,172
Telephone and utilities	31,682	-	31,682	29,602	32,118	436
Contract and professional	15,950	-	15,950	17,550	18,500	2,550
Repairs and maintenance	152	-	152	800	800	648
Travel and training	10,881	-	10,881	6,250	11,250	369
Supplies	24,096	-	24,096	19,620	25,525	1,429
Gas and oil	749	-	749	1,500	1,500	751
Operating insurance	9,543	-	9,543	7,915	9,561	18
Other	5,938	-	5,938	9,993	9,163	3,225
Appropriations	302,289	(3,919)	298,370	310,425	300,519	2,149
Total current	479,868	(3,919)	475,949	492,488	492,954	17,005
Capital outlay	-	-	-	-	-	-
Total community services	479,868	(3,919)	475,949	492,488	492,954	17,005
Total expenditures	11,103,330	(56,870)	11,046,460	10,961,475	11,438,753	392,293
Excess revenues over (under) expenditures	12,333,354	56,870	12,390,224	12,294,736	12,282,643	107,581
OTHER FINANCING SOURCES (USES):						
Transfers in	463,292	-	463,292	543,000	425,000	38,292
Transfers out	(12,833,826)	-	(12,833,826)	(12,519,806)	(12,841,263)	7,437
Total other financing sources (uses)	(12,370,534)	-	(12,370,534)	(11,976,806)	(12,416,263)	45,729
Net change in fund balance	(37,180)	56,870	19,690	317,930	(133,620)	153,310
Fund balance, July 1, 2012	6,518,065	(144,615)	6,373,450	6,518,065	6,518,065	(144,615)
Fund balance, June 30, 2013	\$ 6,480,885	\$ (87,745)	\$ 6,393,140	\$ 6,835,995	\$ 6,384,445	\$ 8,695

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental						
Local shared taxes	\$ 5,960,845	\$ -	\$ 5,960,845	\$ 5,680,154	\$ 5,680,154	\$ 280,691
Federal and state	14,275,253	-	14,275,253	14,265,669	14,265,669	9,584
Charges for services	238,767	-	238,767	213,282	213,282	25,485
Interest income	11,042	-	11,042	15,000	15,000	(3,958)
Other	529,155	-	529,155	30,000	30,000	499,155
Total revenues	21,015,062	-	21,015,062	20,204,105	20,204,105	810,957
EXPENDITURES:						
Current:						
Administration:						
Salaries	1,354,723	-	1,354,723	1,392,956	1,362,956	8,233
Payroll taxes	100,807	-	100,807	106,561	106,561	5,754
Benefits	1,016,091	-	1,016,091	1,054,967	1,061,367	45,276
Contract services	281,187	-	281,187	280,000	290,000	8,813
Travel	37,394	-	37,394	10,800	10,800	(26,594)
Supplies	30,476	-	30,476	31,700	31,700	1,224
Other	100,759	-	100,759	134,900	134,900	34,141
Insurance	238,920	-	238,920	220,315	220,315	(18,605)
Total administration	3,160,357	-	3,160,357	3,232,199	3,218,599	58,242
Regular education:						
Salaries	10,365,817	-	10,365,817	11,071,608	10,621,608	255,791
Payroll taxes	746,255	-	746,255	846,978	846,978	100,723
Benefits	2,752,341	-	2,752,341	2,775,187	2,775,187	22,846
Travel	28,220	-	28,220	19,000	19,000	(9,220)
Supplies	295,846	-	295,846	250,000	259,100	(36,746)
Books	288,061	-	288,061	280,000	280,000	(8,061)
Other	31,742	-	31,742	6,000	6,000	(25,742)
Total regular education	14,508,282	-	14,508,282	15,248,773	14,807,873	299,591
Special education:						
Salaries	2,065,072	-	2,065,072	2,041,484	2,144,484	79,412
Payroll taxes	147,178	-	147,178	156,175	156,175	8,997
Benefits	665,447	-	665,447	582,867	627,867	(37,580)
Contract services	111,793	-	111,793	139,000	139,000	27,207
Travel	20,868	-	20,868	5,000	5,000	(15,868)
Supplies	24,992	-	24,992	21,800	21,800	(3,192)
Other	44,441	-	44,441	7,250	7,250	(37,191)
Total special education	3,079,791	-	3,079,791	2,953,576	3,101,576	21,785
Vocational education:						
Salaries	584,928	-	584,928	662,628	592,628	7,700
Payroll taxes	41,929	-	41,929	50,691	50,691	8,762
Benefits	171,686	-	171,686	193,259	193,259	21,573
Travel	5,000	-	5,000	5,000	5,000	-
Supplies	15,000	-	15,000	15,000	15,000	-
Other	5,000	-	5,000	5,000	5,000	-
Total vocational education	823,543	-	823,543	931,578	861,578	38,035
Adult education:						
Salaries	127,480	-	127,480	122,495	140,495	13,015
Payroll taxes	9,407	-	9,407	9,371	9,371	(36)
Benefits	14,022	-	14,022	18,506	18,506	4,484
Contract services	1,977	-	1,977	-	-	(1,977)
Travel	255	-	255	1,300	1,300	1,045
Supplies	4,324	-	4,324	2,000	2,000	(2,324)
Other	4,881	-	4,881	2,400	2,400	(2,481)
Total adult education	162,346	-	162,346	156,072	174,072	11,726

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2013

EXPENDITURES: (Continued)	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Attendance:						
Salaries	\$ 196,882	\$ -	\$ 196,882	\$ 192,271	\$ 197,271	\$ 389
Payroll taxes	14,402	-	14,402	14,708	14,708	306
Benefits	41,364	-	41,364	36,139	44,139	2,775
Travel	6,368	-	6,368	4,500	4,500	(1,868)
Other	10,768	-	10,768	4,500	12,500	1,732
Total attendance	269,784	-	269,784	252,118	273,118	3,334
Health services						
Salaries	128,844	-	128,844	128,540	128,540	(304)
Payroll taxes	9,065	-	9,065	9,833	9,833	768
Benefits	31,215	-	31,215	32,137	32,137	922
Supplies	30,462	-	30,462	30,000	30,000	(462)
Total health services	199,586	-	199,586	200,510	200,510	924
Other student support						
Salaries	504,804	-	504,804	502,407	502,407	(2,397)
Payroll taxes	36,788	-	36,788	38,434	38,434	1,646
Benefits	135,791	-	135,791	136,889	136,889	1,098
Other	16,781	-	16,781	15,000	17,600	819
Total other student support	694,164	-	694,164	692,730	695,330	1,166
Instructional staff						
Salaries	544,570	-	544,570	542,976	542,976	(1,594)
Payroll taxes	40,370	-	40,370	41,538	41,538	1,168
Benefits	125,407	-	125,407	129,699	129,699	4,292
Contract services	6,000	-	6,000	3,500	3,500	(2,500)
Travel	1,482	-	1,482	-	-	(1,482)
Books	54,690	-	54,690	50,000	58,400	3,710
Other	1,767	-	1,767	1,500	1,500	(267)
Total instructional staff	774,286	-	774,286	769,213	777,613	3,327
Plant operations						
Salaries	600,063	-	600,063	630,250	630,250	30,187
Payroll taxes	43,263	-	43,263	48,215	48,215	4,952
Benefits	182,168	-	182,168	197,925	197,925	15,757
Contract services	387,319	-	387,319	475,000	415,000	27,681
Supplies	137,868	-	137,868	150,000	150,000	12,132
Utilities	1,201,982	-	1,201,982	1,517,000	1,237,000	35,018
Insurance	82,522	-	82,522	79,800	79,800	(2,722)
Total plant operations	2,635,185	-	2,635,185	3,098,190	2,758,190	123,005
Plant maintenance						
Salaries	410,418	-	410,418	436,720	436,720	26,302
Payroll taxes	29,513	-	29,513	33,409	33,409	3,896
Benefits	93,096	-	93,096	98,530	98,530	5,434
Maintenance and repairs	417,978	-	417,978	400,000	400,000	(17,978)
Other	370	-	370	4,000	4,000	3,630
Total plant maintenance	951,375	-	951,375	972,659	972,659	21,284
Transportation						
Salaries	44,731	-	44,731	42,937	46,437	1,706
Payroll taxes	3,118	-	3,118	2,665	2,665	(453)
Benefits	1,826	-	1,826	1,450	1,450	(376)
Maintenance and repairs	18,649	-	18,649	20,000	20,000	1,351
Other	36,967	-	36,967	35,000	45,000	8,033
Insurance	20,715	-	20,715	18,000	18,000	(2,715)
Total transportation	126,006	-	126,006	120,052	133,552	7,546

(continued)

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Community services						
Payroll taxes	\$ (1,393)	\$ -	\$ (1,393)	\$ -	\$ -	\$ 1,393
Benefits	1,389	-	1,389	-	-	(1,389)
Other	7,000	-	7,000	7,000	7,000	-
Total community services	6,996	-	6,996	7,000	7,000	4
Capital outlay	982,659	-	982,659	474,000	1,127,000	144,341
Total expenditures	28,374,360	-	28,374,360	29,108,670	29,108,670	734,310
Excess revenues over (under) expenditure	(7,359,298)	-	(7,359,298)	(8,904,565)	(8,904,565)	1,545,267
OTHER FINANCING SOURCES (USES):						
Transfer from the City of Tullahoma	7,240,480	-	7,240,480	7,453,214	7,453,214	(212,734)
Transfer from other funds	-	-	-	-	-	-
Transfer to other funds	(9,225)	-	(9,225)	-	-	(9,225)
Total other financing sources (uses)	7,231,255	-	7,231,255	7,453,214	7,453,214	(221,959)
Net change in fund balance	(128,043)	-	(128,043)	(1,451,351)	(1,451,351)	1,323,308
Fund balance, July 1, 2012	3,876,266	-	3,876,266	3,876,266	3,876,266	-
Fund balance, June 30, 2013	\$ 3,748,223	\$ -	\$ 3,748,223	\$ 2,424,915	\$ 2,424,915	\$ 1,323,308

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 5,565,177	\$ 236,598	\$ 823,522	\$ 2,957,378	\$ 9,582,675	\$ 141,396
Accounts receivable	3,038,092	449,989	346,794	329,893	4,164,768	-
Allowance for doubtful accounts	(27,729)	(9,368)	(4,726)	(4,611)	(46,434)	-
Unbilled revenue	1,977,835	-	-	-	1,977,835	-
Accounts receivable - government	-	-	-	-	-	-
Inventory	563,964	398,721	185,796	323,966	1,472,447	-
Due from other funds	971,441	-	4,566	2,577	978,584	-
Other assets	288,703	46,716	709,782	23,687	1,068,888	-
Restricted assets:						
Bond funds - cash and cash equivalents	68,000	1,090,509	74,220	93,855	1,326,584	-
Construction funds - cash and cash equivalents	6,388,912	1,777,846	164,987	230,521	8,562,266	-
Total current assets	<u>18,834,395</u>	<u>3,991,011</u>	<u>2,304,941</u>	<u>3,957,266</u>	<u>29,087,613</u>	<u>141,396</u>
CAPITAL AND OTHER NONCURRENT ASSETS:						
Capital assets:						
Utility plant in service	20,192,154	13,464,971	19,347,256	10,859,082	63,863,463	-
Land	333,168	-	134,588	8,324	476,080	-
Buildings and improvements	1,562,002	1,330	10,978,178	2,999,141	15,540,651	-
Furniture, machinery, and equipment	2,112,386	941,649	1,391,269	737,567	5,182,871	-
Construction in progress	1,789,272	193,746	1,534,131	1,118,282	4,635,431	-
Less accumulated depreciation	(15,311,501)	(3,679,789)	(17,105,685)	(7,388,871)	(43,485,846)	-
Capital assets, net	<u>10,677,481</u>	<u>10,921,907</u>	<u>16,279,737</u>	<u>8,333,525</u>	<u>46,212,650</u>	<u>-</u>
Other noncurrent assets:						
Notes receivable	468,029	-	1,941	725,802	1,195,772	-
Total capital and other noncurrent assets	<u>11,145,510</u>	<u>10,921,907</u>	<u>16,281,678</u>	<u>9,059,327</u>	<u>47,408,422</u>	<u>-</u>
Total assets	<u>29,979,905</u>	<u>14,912,918</u>	<u>18,586,619</u>	<u>13,016,593</u>	<u>76,496,035</u>	<u>141,396</u>
DEFERRED OUTFLOW OF RESOURCES						
Debt issuance cost	-	188,957	-	18,552	207,509	-
Total deferred outflows of resources	<u>-</u>	<u>188,957</u>	<u>-</u>	<u>18,552</u>	<u>207,509</u>	<u>-</u>
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	5,179,274	143,232	76,405	309,233	5,708,144	-
Accrued expenses and other liabilities	481,405	350,693	134,054	119,918	1,086,070	-
Due to other funds	-	958,783	10,235	7,224	976,242	-
Customer deposits	1,771,696	53,262	-	-	1,824,958	-
Liabilities payable from restricted assets:						
Bonds and notes payable - current portion	136,000	760,000	775,350	420,000	2,091,350	-
Accrued interest	-	330,509	-	3,495	334,004	-
Contracts and retainage payable	-	22,271	74,456	-	96,727	-
Total current liabilities	<u>7,568,375</u>	<u>2,618,750</u>	<u>1,070,500</u>	<u>859,870</u>	<u>12,117,495</u>	<u>-</u>
NONCURRENT LIABILITIES:						
Conservation - TVA program	487,700	-	-	-	487,700	-
Revenue and tax bonds and other obligations payable - non current portion	<u>1,233,000</u>	<u>14,785,000</u>	<u>2,229,478</u>	<u>2,934,000</u>	<u>21,181,478</u>	<u>-</u>
Total noncurrent liabilities	<u>1,720,700</u>	<u>14,785,000</u>	<u>2,229,478</u>	<u>2,934,000</u>	<u>21,669,178</u>	<u>-</u>
Total liabilities	<u>9,289,075</u>	<u>17,403,750</u>	<u>3,299,978</u>	<u>3,793,870</u>	<u>33,786,673</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	9,308,481	(4,623,093)	13,274,909	4,979,535	22,939,822	-
Restricted:						
Restricted for debt service	68,000	760,000	74,220	90,360	992,580	-
Restricted for construction	6,388,912	1,755,575	90,531	230,521	8,465,539	-
Unrestricted	<u>4,925,437</u>	<u>(194,357)</u>	<u>1,846,981</u>	<u>3,940,869</u>	<u>10,518,930</u>	<u>141,396</u>
Total net position	<u>\$ 20,690,830</u>	<u>\$ (2,301,875)</u>	<u>\$ 15,286,641</u>	<u>\$ 9,241,275</u>	<u>\$ 42,916,871</u>	<u>\$ 141,396</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System		
OPERATING REVENUES:						
Charges for services	\$ 28,067,616	\$ 5,710,195	\$ 3,769,134	\$ 3,468,048	\$ 41,014,993	\$ -
Forfeited discounts and penalties	216,006	-	28,636	25,859	270,501	-
Rental income	814,607	-	-	2,520	817,127	-
Other operating revenue	201,793	-	20,987	70,617	293,397	-
Total operating revenues	<u>29,300,022</u>	<u>5,710,195</u>	<u>3,818,757</u>	<u>3,567,044</u>	<u>42,396,018</u>	<u>-</u>
OPERATING EXPENSES:						
Purchased power	23,757,320	-	-	-	23,757,320	-
Purchased water	-	-	-	1,467,352	1,467,352	-
Distribution and transmission	1,292,762	2,624,319	766,124	417,058	5,100,263	-
Customer accounting and collection	427,746	270,302	205,019	209,496	1,112,563	-
Maintenance expense	876,176	247,409	701,075	291,591	2,116,251	-
Administrative and general	812,830	689,869	584,705	563,907	2,651,311	-
Depreciation and amortization	737,070	1,315,174	802,546	374,397	3,229,187	-
Tax and tax equivalents	86,199	45,011	75,983	48,437	255,630	-
Professional services	-	-	-	-	-	6,400
Total operating expenses	<u>27,990,103</u>	<u>5,192,084</u>	<u>3,135,452</u>	<u>3,372,238</u>	<u>39,689,877</u>	<u>6,400</u>
OPERATING INCOME	1,309,919	518,111	683,305	194,806	2,706,141	(6,400)
NONOPERATING REVENUES (EXPENSES):						
Interest income	25,475	3,859	1,856	6,249	37,439	1,688
Other income	3,342	2,889	107,093	-	113,324	-
Gain (loss) on sale of property	(1,379)	(2,892)	(1,707)	15,524	9,546	-
Interest expense	-	(662,260)	(87,000)	(29,071)	(778,331)	-
Total non-operating revenues (expenses)	<u>27,438</u>	<u>(658,404)</u>	<u>20,242</u>	<u>(7,298)</u>	<u>(618,022)</u>	<u>1,688</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,337,357	(140,293)	703,547	187,508	2,088,119	(4,712)
Capital contributions	-	-	446,530	-	446,530	-
Transfers	(410,112)	-	-	138,521	(271,591)	(25,000)
Change in net position	927,245	(140,293)	1,150,077	326,029	2,263,058	(29,712)
Total net position, beginning of year	<u>19,763,585</u>	<u>(2,161,582)</u>	<u>14,136,564</u>	<u>8,915,246</u>	<u>40,653,813</u>	<u>171,108</u>
Total net position, end of year	<u>\$ 20,690,830</u>	<u>\$ (2,301,875)</u>	<u>\$ 15,286,641</u>	<u>\$ 9,241,275</u>	<u>\$ 42,916,871</u>	<u>\$ 141,396</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Power System	Fiber Optics System	Waste Water System	Water System		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 29,011,743	\$ 5,597,280	\$ 3,799,509	\$ 3,654,272	\$ 42,062,804	\$ -
Cash paid to suppliers	(25,566,372)	(3,268,798)	(1,488,430)	(2,312,328)	(32,635,928)	-
Cash paid to employees	(1,653,066)	(625,077)	(1,140,261)	(745,703)	(4,164,107)	-
Other payments	(57,749)	(37,458)	(75,983)	(48,437)	(219,627)	(6,400)
Net cash provided by operating activities	<u>1,734,556</u>	<u>1,665,947</u>	<u>1,094,835</u>	<u>547,804</u>	<u>5,043,142</u>	<u>(6,400)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Repayment and disbursement of notes receivable	16,330	-	(1,941)	90,667	105,056	-
Advances from TVA-Home Weatherization Program	(14,393)	-	-	-	(14,393)	-
Payments from (to) other funds of the primary government	(410,112)	-	-	138,521	(271,591)	(25,000)
Other receipts (payments)	3,342	2,889	107,094	-	113,325	-
Net cash provided (used) by non-capital financing activities	<u>(404,833)</u>	<u>2,889</u>	<u>105,153</u>	<u>229,188</u>	<u>(67,603)</u>	<u>(25,000)</u>
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(2,097,620)	(710,690)	(1,278,903)	(547,532)	(4,634,745)	-
Proceeds from borrowing long-term debt	-	-	546,246	-	546,246	-
Principal paid on long-term debt	(131,000)	(730,000)	(756,910)	(407,000)	(2,024,910)	-
Interest paid on long-term debt	-	(677,773)	(87,000)	(29,684)	(794,457)	-
Capital contributions received	-	-	446,530	-	446,530	-
Net cash provided (used) by capital financing activities	<u>(2,228,620)</u>	<u>(2,118,463)</u>	<u>(1,130,037)</u>	<u>(984,216)</u>	<u>(6,461,336)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and other income	25,475	3,859	1,856	6,249	37,439	1,688
Net cash provided in investing activities	<u>25,475</u>	<u>3,859</u>	<u>1,856</u>	<u>6,249</u>	<u>37,439</u>	<u>1,688</u>
Net increase (decrease) in cash and cash equivalents	(873,422)	(445,768)	71,807	(200,975)	(1,448,358)	(29,712)
Cash and cash equivalents, beginning of year	<u>12,895,511</u>	<u>3,550,721</u>	<u>990,922</u>	<u>3,482,729</u>	<u>20,919,883</u>	<u>171,108</u>
Cash and cash equivalents, end of year	<u>\$ 12,022,089</u>	<u>\$ 3,104,953</u>	<u>\$ 1,062,729</u>	<u>\$ 3,281,754</u>	<u>\$ 19,471,525</u>	<u>\$ 141,396</u>
Cash accounts consists of:						
Cash and cash equivalents	\$ 5,565,177	\$ 236,598	\$ 823,522	\$ 2,957,378	\$ 9,582,675	\$ 141,396
Bond funds - cash and cash equivalents	68,000	1,090,509	74,220	93,855	1,326,584	-
Construction funds - cash and cash equivalents	6,388,912	1,777,846	164,987	230,521	8,562,266	-
	<u>\$ 12,022,089</u>	<u>\$ 3,104,953</u>	<u>\$ 1,062,729</u>	<u>\$ 3,281,754</u>	<u>\$ 19,471,525</u>	<u>\$ 141,396</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS

Operating Income	\$ 1,309,919	\$ 518,111	\$ 683,305	\$ 194,806	\$ 2,706,141	\$ (6,400)
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization	737,070	1,315,174	802,546	374,397	3,229,187	-
(Increase) decrease in:						
Accounts receivable	(288,327)	(112,915)	(19,954)	17,341	(403,855)	-
Inventory	(23,096)	11,496	18,616	(33,206)	(26,190)	-
Other assets	61,783	13,740	(312,835)	(4,297)	(241,609)	-
Due from other funds	48	-	706	69,887	70,641	-
Increase (decrease) in:						
Accounts payable	(205,410)	(17,972)	12,044	(69,457)	(280,795)	-
Due to other funds	-	951	(69,327)	(2,265)	(70,641)	-
Customer deposits	28,450	7,553	-	-	36,003	-
Accrued expenses	114,119	(70,191)	(20,266)	598	24,260	-
Total adjustments	<u>424,637</u>	<u>1,147,836</u>	<u>411,530</u>	<u>352,998</u>	<u>2,337,001</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,734,556</u>	<u>\$ 1,665,947</u>	<u>\$ 1,094,835</u>	<u>\$ 547,804</u>	<u>\$ 5,043,142</u>	<u>\$ (6,400)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2013

	Governmental Type <u>Industrial Development Board</u>	Proprietary Type <u>Municipal Airport Authority</u>	Total Component Units
ASSETS:			
Cash and cash equivalents	\$ 32,366	\$ 126,442	\$ 158,808
Accounts receivable	-	722	722
Grants receivable	-	85,359	85,359
Due from other governments	-	164,576	164,576
Inventory	-	24,170	24,170
Prepaid expenses	-	2,600	2,600
Other assets	-	52,803	52,803
Restricted assets-cash	-	43,925	43,925
Capital assets:			
Land	-	1,738,799	1,738,799
Buildings and improvements	-	9,821,455	9,821,455
Vehicles	-	9,500	9,500
Furniture, machinery, and equipment	-	452,933	452,933
Construction in progress	-	676,334	676,334
Accumulated depreciation	-	(2,925,736)	(2,925,736)
Total assets	<u>32,366</u>	<u>10,273,882</u>	<u>10,306,248</u>
LIABILITIES:			
Accounts payable	-	151,352	151,352
Due to TDOT grants	-	15,570	15,570
Other liabilities	-	16,767	16,767
Long-term liabilities:			
Due within one year	-	29,597	29,597
Due in more than one year	-	163,968	163,968
Total liabilities	<u>-</u>	<u>377,254</u>	<u>377,254</u>
DEFERRED INFLOWS OF RESOURCES	-	14,055	14,055
NET POSITION:			
Net investment in capital assets	-	9,579,720	9,579,720
Restricted	-	43,925	43,925
Unrestricted	<u>32,366</u>	<u>258,928</u>	<u>291,294</u>
Total net position	<u>\$ 32,366</u>	<u>\$ 9,882,573</u>	<u>\$ 9,914,939</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Type			Total Component Units
					Industrial Development Board	Municipal Airport Authority		
Industrial Development Board	\$ 30,118	\$ 34,725	\$ -	\$ -	\$ 4,607	\$ -	\$ 4,607	
Municipal Airport Authority	1,268,060	92,969	195,992	582,666	-	(396,433)	(396,433)	
Total component units	\$ 1,298,178	\$ 127,694	\$ 195,992	\$ 582,666	4,607	(396,433)	(391,826)	
General revenues:								
Unrestricted investment earnings					-	1,229	1,229	
Sale of fuel and oil					-	660,715	660,715	
Other income					65	7,490	7,555	
Total general revenues and transfers					65	669,434	669,499	
Change in net position					4,672	273,001	277,673	
Net position, beginning					27,694	9,604,572	9,632,266	
Prior period adjustment (See Note 2)					-	5,000	5,000	
Net position, ending					\$ 32,366	\$ 9,882,573	\$ 9,914,939	

The accompanying notes are an integral part of this financial statement.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tullahoma, Tennessee (the City) was chartered by private act in 1903. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, health and social services, recreation, public improvements, planning and zoning, general administrative, utility services and public education.

A. Reporting Entity

The financial statements of the City present the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Each discretely presented component unit is reported separately in the basic financial statements to emphasize that it is legally separate from the City.

The financial statements of the following component units have been discretely presented:

Tullahoma Municipal Airport Authority (The Authority) operates and maintains the airport and its related property. The Authority is required to submit an annual budget document to the Mayor and Aldermen for their approval.

Tullahoma Industrial Development Board (The TIDB) was established in order to promote industry and develop trade for the City and surrounding county government. The TIDB is required to have annual budgets and debt issues approved by the Mayor and Aldermen and receive an annual operating subsidy from the City.

The financial statements of the component units are available as part of the City of Tullahoma Comprehensive Annual Financial Report and can be obtained from the City of Tullahoma finance office:

P.O. Box 807
201 West Grundy Street
Tullahoma, Tennessee 37388

All discretely presented component units have a June 30 fiscal year end.

B. Jointly Governed Organizations

Jointly governed organizations are excluded from the financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement 14, due to the City's lack of financial accountability for their operations. The following related agencies provide services within the City:

Duck River Utility Commission:

The City, in conjunction with the City of Manchester, appoints the Board of the Duck River Utility Commission, which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six member board. Neither city has any other responsibility for the commission. The City has no equity interest in the net resources of the Commission. Assets of the Utility are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the Utility. The Commission reported net position of \$2,621,780 as of June 30, 2013. Complete financial statements can be obtained by writing P.O. Box 1237, Tullahoma, TN 37388.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interlocal Solid Waste Authority:

The Interlocal Solid Waste Authority (The ISWA) was created pursuant to an interlocal agreement authorized by State Statutes in March 1993. Its Board is composed of two members from each of the adjoining counties of Lincoln, Giles and Franklin. The purpose of the ISWA is to provide solid waste recycling and disposal services to the City and the three county areas. The ISWA entered into agreement with a waste recycling company for recycling of its solid waste. The City has an ongoing financial responsibility to fund its Pro Rata share of costs incidental to the operation of the ISWA. During 2013, these costs amounted to \$367,479 and were paid from the Solid Waste Fund of the City. The City has no equity interest in the ISWA. The ISWA had reported net position of \$636,540 as of June 30, 2013. Complete financial statements can be obtained by writing Interlocal Solid Waste, C/O City of Tullahoma, P.O. Box 807, Tullahoma, TN 37388.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Position and Statement of Changes in Net Position) report information on the activities of the Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The **Statement of Net Position** presents the Government's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. The outstanding debt is offset by any unspent proceeds for such debt.

Restricted net position results from restrictions placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other net position that does not meet the definition of the two preceding categories.

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

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; nonmajor funds are combined in a single column.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. All material interfund activity has been removed from these statements. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which the levy is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as receivables in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to non-vested sick pay, compensated absences and other long-term commitments and contingencies are recorded only when payment is due.

Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Funds operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The Enterprise Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and expenses are recognized when they are incurred.

The City has adopted GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting. The City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, except for services provided and used, which are not eliminated in the process of consolidation.

Amounts reported as **program revenues** include 1) charges to customers for goods, services or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Amounts reported as **general revenues** include 1) all taxes, 2) unrestricted revenues for the use of money or property, 3) unrestricted revenues from other governmental agencies, and 4) compensation for loss, sale or damage of property.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses reported by function include **direct expenses** that are specifically associated with a service or program and are clearly identifiable to a particular program. Some functions, such as general government and fiscal administration, include expenses that are in essence **indirect expenses** of other functions. The City has elected not to charge these indirect expenses to other functions.

Proprietary funds distinguish **operating** revenues and expenses from **non-operating** items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the fund's principal ongoing operations and consist primarily of charges to customers or departments, cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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.

The Government reports the following major governmental funds:

The **General Fund** is the Government's primary operating fund which is used to account for all financial resources of the general operations of the Government, except those required to be accounted for in another fund.

The **General Purpose School Fund** is used to account for the receipt and disbursement of federal, state and local funds for education purposes, except those required to be accounted for in another fund.

The **General Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the debt.

The Government reports the following major proprietary funds:

The **Electric System** is used to account for the electric operations of the Tullahoma Utilities Board.

The **Fiber Optics System** is used to account for the fiber optics operations of the Tullahoma Utilities Board.

The **Waste Water System** is used to account for the waste water operations of the Tullahoma Utilities Board.

The **Water System** is used to account for the water operations of the Tullahoma Utilities Board.

These funds provide services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

Additionally, the Government reports the following fund types:

An **Internal Service Fund** is used to account for the operations of self-sustaining agencies rendering services to other agencies of the government on a cost reimbursement basis. These services include the medical trust fund used to account for employee health insurance program.

**CITY OF TULLAHOMA, TENNESSEE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits, savings accounts and certificates of deposit having an original maturity date of three months or less.

For purposes of reporting cash flows in the Enterprise Fund, cash and cash equivalents includes designated amounts classified on the balance sheet as “Restricted Assets.”

Investments – The City is reporting investments at fair value, except for investments with a remaining maturity, at the time of purchase, of one year or less, which are reported on an amortized cost basis. Investments consist of Money Market account.

Inventories and Prepaid Items – Material and supply inventories in the enterprise funds are valued at the lower of cost or market, with cost being determined on an average cost basis. All funds account for inventories using the consumption method. Prepaid items in both the government-wide and fund financial statements represent payments to vendors that reflect costs applicable to future periods.

Receivables – All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Interfund Receivables and Payables and Transactions Between Funds – Short-term amounts owed between funds are classified as “Due to/from other funds.” Legally authorized transfers are included in the results of operations of both Governmental and Proprietary Funds.

Restricted Assets – Certain accounts of the Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are generally defined as assets with an individual cost in excess of \$5,000 and a useful life in excess of one year. Such assets are recorded at historical cost at the time of acquisition. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is not capitalized on assets acquired with tax-exempt debt.

Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Utility plant in service	7 - 100 years
Buildings and improvements	30 years
Improvements other than buildings	20 years
Furniture, machinery and equipment	5 - 15 years
Infrastructure	17 - 20 years

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized on the straight-line method over the shorter of the economic useful life of the asset or the remaining lease term.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations – Appropriations to other funds are accounted for as interfund transfers.

Compensated Absences – City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and sick leave, if vested. After five years of employment, employee sick leave vests at varying percentages up to a maximum of 50% after 10 years of service. Accumulated unpaid vacation pay related to proprietary fund type operations is reported as a liability in the appropriate individual proprietary funds.

School Board employees' vacation time must be used in each fiscal year and cannot be carried forward to subsequent fiscal years; therefore, no adjustment has been made for vacation time. For sick time, non-certified personnel, after a minimum of ten years of service with Tullahoma City Schools, will be paid \$25 for each unused accumulated sick day upon termination of employment by resignation or retirement. Sick time for certified personnel is rolled into their retirement time.

Accumulated unpaid vacation and sick pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Position and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources. The current portion of this debt is estimated based on historical trends.

Accumulated unpaid vacation and sick pay amounts related to proprietary fund type operations are accrued when benefits vest to employees and reported as a liability in the appropriate individual proprietary funds.

Reserves, Designations of Fund Balances – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance is reported in the fund financial statements under the following classifications:

Nonspendable fund balance - Amounts that cannot be spent because they are not in a spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact (principal of permanent fund).

Restricted fund balance - Amount of fund balance that can be spent for specific purposes stipulated by external resource or through enabling legislation.

Committed fund balance - Amounts constrained for specific purposes as determined by formal action of the City Board of Mayor and Aldermen, the highest level of decision-making body, by resolution or ordinance. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the City Board of Mayor and Aldermen removes or changes the commitment by taking the same action it employed to impose the commitment.

Assigned fund balance - Amounts are intended to be used by the City but do not meet the criteria of restricted or committed. Intent can be expressed by the Mayor and Board of Aldermen or by an official who has been designated this authority by the City Board. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

Unassigned fund balance - In accordance with GAAP, unassigned fund balance is the residual classification of the General Fund that does not meet any of the other classifications.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves, Designations of Fund Balances (continued)

Stabilization policy - The City has a fund balance policy that requires that the unassigned fund balance be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment of changes resulting from fluctuations of revenue sources. The City will maintain at least 15% of the next year's budget in the unassigned fund balance of the general fund. For the current fiscal year, the City did meet the minimum general fund balance policy.

Spending policy – Unless otherwise stated, the fund balances will be spent in the following order:

- Restricted
- Committed
- Assigned
- Unassigned

Deferred Outflows/Inflows of Resources - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has two items that qualify for reporting in this category. The first item is the deferred charge on bond refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is debt issuance cost that will be expensed in fiscal year 2014 when GASB 65 becomes effective.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in the Statement of Net Position. Property tax levied on January 1, 2013, will not be available for collection until fiscal year 2014, beginning October 1, 2013. A second item, which arises under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the Governmental Fund Balance Sheet. The governmental funds report unavailable revenue from uncollected property taxes (including penalties and interest) and unavailable revenues relating to loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City did not have deferred inflows of resources to report in its Proprietary Fund financial statements for the current year.

F. Revenues, Expenditures and Expenses

Property Tax – The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Public Utility Property	55%
Industrial and Commercial Property – Real	40%
Industrial and Commercial Property – Personal	30%
Farm and Residential Property	25%

Taxes are levied at a rate of \$2.29 for property located in Coffee and \$2.31 for property located in Franklin Counties per \$100 of assessed valuation.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax (continued)

Payments may be made during the period from October 1 through February 28. Current tax collections of \$7,864,609 for the fiscal year ended June 30, 2013 were approximately 95 % of the tax levy.

During March of each tax year, delinquent taxes are turned over to the County for collection.

Estimates – Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Impact of Recently Issued Accounting Pronouncements

In the fiscal year ended June 30, 2013, the City implemented the provision of the new Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity to ensure the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. GASB No. 61 also clarifies the criteria for blending component units and presenting business-type component units. The adoption of GASB No. 61 had no impact on the City's financial statements.

In the fiscal year ended June 30, 2013, the City implemented the provision of the new Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of GASB No. 62 had no impact on the City's financial statements.

In the fiscal year ended June 30, 2013, the City implemented the provision of the new Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of GASB Statement No. 63 was to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement was implemented retroactively and resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the entity-wide and proprietary fund statements.

H. Date of Management's Subsequent Review

Management has evaluated subsequent events through February 28, 2014, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

- a. On or before May 1 of each year, all agencies of the City submit requests for appropriations to the City Administrator and Finance Director so that a budget may be prepared and submitted to the Board of Mayor and Aldermen.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- b. Prior to July 1, the budget is legally enacted through passage of an ordinance for the General, Special Revenue and Debt Service Funds of the City.
- c. The City Administrator and Finance Director are authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Mayor and Board of Aldermen. Expenditures may not exceed appropriations at the fund level.
- d. Budgets for all funds use the encumbrance method of accounting whereby encumbrances are treated as expenditures in the year of incurrence of the commitment to purchase. The adjustments to convert budget basis excess revenues over expenditures to GAAP represent the net changes in encumbrances outstanding at year end after consideration is given to prior year encumbrances liquidated during the current year. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted and as amended by the Board. Individual amendments are not material in relation to the original appropriations. Capital Projects Funds adopt their budgets on a project length basis; therefore, budgetary comparison statements on an annual basis would not provide meaningful information and are not presented.
- e. All appropriations which are not expended or encumbered lapse at year-end.

Encumbrances – Information regarding encumbrances is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances, however, are not treated as expenditures in the governmental fund financial statements. Outstanding encumbrances at June 30, 2013 are as follows:

Fund	Outstanding Encumbrances
General Fund	\$ 87,745
Special Revenue Fund:	
Drug Enforcement	1,070
	\$ 88,815

B. Excess Expenditures

For the year ended June 30, 2013, the following Tullahoma City Schools System funds had total expenditures exceeding total appropriations. These over expenditures were funded by available fund balances.

Budgeted Unit:	Final Budget	Actual	Variance
Extended School Program Fund:			
Expenditures	\$ 326,140	\$ 351,493	\$ (25,353)
Total Extended School Program Fund	\$ 326,140	\$ 351,493	\$ (25,353)

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

C. Deficit Fund Balances

The following fund has a deficit balance as of June 30, 2013:

	<u>Undesignated Fund Balance/Unrestricted Net Position</u>	<u>Reserved</u>	<u>Total Fund Balance/Total Net Position</u>
Proprietary Fund:			
Fiber Optics Fund	\$ (194,357)	\$ (2,107,518)	\$ (2,301,875)

The responsibility for funding the above deficit balance lies with Tullahoma Utilities Board.

D. Prior Period Adjustments

Adjustments to prior period financial statements were made to correct errors discovered during the audit.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City and component units are authorized by policy to invest funds in financial institutions and direct obligations of the Federal Government. During 2013, the City and component units invested funds that are not immediately needed in certificates of deposit, savings accounts, money market accounts, and the State of Tennessee Local Government Investment Pool. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account or in a second bank for the benefit of the City and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

A. Deposits

Custodial Credit Risk: The City's policies limit deposits to those instruments allowed by applicable state laws and described above. As of June 30, 2013, all deposits were fully collateralized or insured.

B. Investments

Credit Risk: The City does not have a formal investment policy, however management's current investment practice is formulated around the prudent-person rule: investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and, in general, avoid speculative investments.

Interest Rate Risk: Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool (the Pool) are available daily. The Pool does not have a credit rating.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - AMOUNTS RECEIVABLE

A. Accounts receivable

A summary of accounts receivable as of June 30, 2013 is as follows:

Primary Government:

	Governmental Activities	Business-type Activities	Total	Component Units
Property tax	\$ 9,519,684	\$ -	\$ 9,519,684	\$ -
Court receivables	860,290	-	860,290	-
Customer accounts receivables	-	4,164,768	4,164,768	722
Other	41,757	-	41,757	-
	<u>\$ 10,421,731</u>	<u>\$ 4,164,768</u>	<u>\$ 14,586,499</u>	<u>\$ 722</u>

NOTE 5 - CAPITAL ASSETS

A. Transaction Summary

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

Primary Government:

Governmental Activities:

	Balance July 1, 2012	Increase	Decrease	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 3,824,195	\$ -	\$ -	\$ 3,824,195
Construction in process	196,987	1,171,708	-	1,368,695
Total capital assets, not being depreciated	4,021,182	1,171,708	-	5,192,890
Capital assets, being depreciated				
Buildings and improvements	57,779,691	202,680	-	57,982,371
Furniture, machinery, and equipment	10,168,330 *	587,359	(531,547)	10,224,142
Infrastructure	16,451,981	354,650	-	16,806,631
Total capital assets, being depreciated	84,400,002	1,144,689	(531,547)	85,013,144
Less accumulated depreciation:				
Buildings and improvements	(25,534,394)	(1,349,782)	-	(26,884,176)
Furniture, machinery, and equipment	(8,100,641) *	(461,903)	501,905	(8,060,639)
Infrastructure	(10,838,625)	(522,034)	-	(11,360,659)
Total accumulated depreciation	(44,473,660)	(2,333,719)	501,905	(46,305,474)
Total capital assets being depreciated, net	39,926,342	(1,189,030)	(29,642)	38,707,670
Governmental activities capital assets, net	<u>\$ 43,947,524</u>	<u>\$ (17,322)</u>	<u>\$ (29,642)</u>	<u>\$ 43,900,560</u>

* See Note - Beginning balances have been adjusted.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities:

	Balance July 1, 2012	Increase	Decrease	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 476,080	\$ -	\$ -	\$ 476,080
Construction in process	2,373,869	4,555,204	(2,293,642)	4,635,431
Total capital assets, not being depreciated	2,849,949	4,555,204	(2,293,642)	5,111,511
Capital assets, being depreciated				
Utility plant in service	62,100,733	2,191,843	(429,113)	63,863,463
Buildings and improvements	15,338,929	201,722	-	15,540,651
Furniture, machinery, and equipment	5,017,140	367,677	(201,946)	5,182,871
Total capital assets, being depreciated	82,456,802	2,761,242	(631,059)	84,586,985
Less accumulated depreciation:				
Utility plant in service	(26,860,938)	(2,631,674)	268,669	(29,223,943)
Buildings and improvements	(10,176,146)	(405,658)	(1,650)	(10,583,454)
Furniture, machinery, and equipment	(3,488,064)	(371,732)	181,347	(3,678,449)
Total accumulated depreciation	(40,525,148)	(3,409,064)	448,366	(43,485,846)
Total capital assets being depreciated, net	41,931,654	(647,822)	(182,693)	41,101,139
Business-type activities capital assets, net	<u>\$ 44,781,603</u>	<u>\$ 3,907,382</u>	<u>\$ (2,476,335)</u>	<u>\$ 46,212,650</u>

Component Units:

Tullahoma Municipal Airport Authority:

	Balance July 1, 2012	Increase	Decrease	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 1,738,799	\$ -	\$ -	\$ 1,738,799
Construction in process	125,660	561,874	(11,200)	676,334
Total capital assets, not being depreciated	1,864,459	561,874	(11,200)	2,415,133
Capital assets, being depreciated				
Buildings and improvements	9,801,243	-	20,212	9,821,455
Furniture, machinery, and equipment	462,433	-	-	462,433
Total capital assets, being depreciated	10,263,676	-	20,212	10,283,888
Less accumulated depreciation:				
Buildings and improvements	(2,158,909)	(407,423)	-	(2,566,332)
Furniture, machinery, and equipment	(340,458)	(18,946)	-	(359,404)
Total accumulated depreciation	(2,499,367)	(426,369)	-	(2,925,736)
Total capital assets being depreciated, net	7,764,309	(426,369)	20,212	7,358,152
Component unit capital assets, net	<u>\$ 9,628,768</u>	<u>\$ 135,505</u>	<u>\$ 9,012</u>	<u>\$ 9,773,285</u>

CITY OF TULLAHOMA, TENNESSEE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS (continued)

B. Depreciation

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental activities:

General government	\$ 736,546
Public works	522,034
Education	1,064,620
Food Service	10,519
Total depreciation expense, governmental activities	\$ 2,333,719

Business-type activities:

Tullahoma Utilities Board	\$ 3,409,064
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Component Units:

Business-type activities:

Tullahoma Municipal Airport Authority	\$ 426,369
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Interest expense and amounts charged to construction in progress for the year ended June 30, 2013 were as follows:

	Total Interest	Capitalized Interest	Expensed Interest
<u>Primary Government:</u>			
Business-type activities:			
Tullahoma Utilities Board	\$ 842,730	\$ 64,399	\$ 778,331

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS

A. Transaction Summary

Bonds, notes, and other obligations activity for the year ended June 30, 2013 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
<u>General Obligation Bonds</u>					
General Obligation School Refunding Bonds, Series 2002	\$ 5,205,000	\$ -	\$ (5,205,000)	\$ -	\$ -
General Public Improvement and Refunding Bonds, Series 2005	7,225,000	-	(615,000)	6,610,000	640,000
General Obligation Refunding Bonds, Series 2006	9,210,000	-	(30,000)	9,180,000	30,000
General Obligation Refunding Bonds, Series 2009	2,585,000	-	(735,000)	1,850,000	755,000
TMBF City Note, Series 2008	1,040,000	-	(31,000)	1,009,000	32,000
TMBF 12M School Note, Series 2008	11,491,000	-	(316,000)	11,175,000	331,000
General Obligation School Bonds, Series 2010	4,650,000	-	(100,000)	4,550,000	100,000
General Obligation School Refunding Bonds, Series 2012	-	4,700,000	-	4,700,000	275,000
	41,406,000	4,700,000	(7,032,000)	39,074,000	2,163,000
Bond premium	164,650	215,561	(46,032)	334,179	-
Total General Obligation Bonds	41,570,650	4,915,561	(7,078,032)	39,408,179	2,163,000
<u>Capital Outlay Notes Payable</u>					
Capital Outlay Notes, Series 2007	466,000	-	(86,000)	380,000	89,000
Total Capital Outlay Notes Payable	466,000	-	(86,000)	380,000	89,000
<u>Other Obligations Payable</u>					
Net OPEB liability-City employees	301,626	118,133	-	419,759	-
Net OPEB liability-School employees	10,268	240,767	-	251,035	-
Net pension obligation (TCSDBP)	1,100,744	55,127	-	1,155,871	-
Compensated absences	1,259,199	4,625	(29,368)	1,234,456	45,000
Total Other Obligations Payable	2,671,837	418,652	(29,368)	3,061,121	45,000
 Total Governmental Activities Long-term Liabilities	 \$ 44,708,487	 \$ 5,334,213	 \$ (7,193,400)	 \$ 42,849,300	 \$ 2,297,000

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

Business-type Activities:

	Balance			Balance	
	July 1, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
<u>Bonds Payable</u>					
Broadband Network Revenue and Tax Bonds, Series 2007	\$ 16,275,000	\$ -	\$ (730,000)	\$ 15,545,000	\$ 760,000
Water and Wastewater Revenue and Tax Bonds, Series 1997	300,000	-	(45,000)	255,000	45,000
Total Bonds Payable	<u>16,575,000</u>	<u>-</u>	<u>(775,000)</u>	<u>15,800,000</u>	<u>805,000</u>
<u>Notes Payable</u>					
Electric System:					
Revenue and Tax Capital Outlay Notes, Series 2011	1,500,000	-	(131,000)	1,369,000	136,000
Total Notes Payable - Electric System	<u>1,500,000</u>	<u>-</u>	<u>(131,000)</u>	<u>1,369,000</u>	<u>136,000</u>
Water System:					
TML Loan 1999	2,561,000	-	(283,000)	2,278,000	293,000
Revenue and Tax Capital Outlay Notes, Series 2011	900,000	-	(79,000)	821,000	82,000
Total Notes Payable - Water System	<u>3,461,000</u>	<u>-</u>	<u>(362,000)</u>	<u>3,099,000</u>	<u>375,000</u>
Wastewater System:					
Loan Fund 319-02, Series 2003	26,852	-	(9,626)	17,226	10,567
Loan Fund 319-03, Series 2003	66,603	-	(38,056)	28,547	28,547
State Revolving Loan Fund, 93-053	1,523,620	-	(461,520)	1,062,100	479,364
State Revolving Loan Fund, 94-077	898,417	-	(186,708)	711,709	193,872
Revenue and Tax Capital Outlay Notes, Series 2011	700,000	-	(61,000)	639,000	63,000
State Revolving Fund Loan*	-	546,246	-	546,246	-
Total Notes Payable - Wastewater System	<u>3,215,492</u>	<u>546,246</u>	<u>(756,910)</u>	<u>3,004,828</u>	<u>775,350</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 24,751,492</u>	<u>\$ 546,246</u>	<u>\$ (2,024,910)</u>	<u>\$ 23,272,828</u>	<u>\$ 2,091,350</u>

* This is a construction loan and terms of the loan will be finalized when construction is complete.

Component Units:

	Balance			Balance	
	July 1, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
UDAG Note Payable (11-05-05)	\$ 221,226	\$ -	\$ (30,845)	\$ 190,381	\$ 28,676
UDAG Note Payable (01-04-12)	9,127	-	(5,943)	3,184	921
UDAG Note Payable	<u>\$ 230,353</u>	<u>\$ -</u>	<u>\$ (36,788)</u>	<u>\$ 193,565</u>	<u>\$ 29,597</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

B. Annual Debt Service Requirements

The annual requirements to amortize all general obligation bonds, notes, and revenue bonds outstanding as of June 30, 2013 are as follows:

Primary Government:

Governmental Activities:

June 30,	General Obligation Bonds		Notes Payable		Total Governmental Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,163,000	\$ 1,460,616	\$ 89,000	\$ 16,264	\$ 2,252,000	\$ 1,476,880
2015	2,290,000	1,381,318	93,000	12,455	2,383,000	1,393,773
2016	2,336,000	1,300,707	97,000	8,474	2,433,000	1,309,181
2017	2,394,000	1,220,185	101,000	4,323	2,495,000	1,224,508
2018	2,502,000	1,159,432	-	-	2,502,000	1,159,432
2019-2023	11,990,000	4,479,695	-	-	11,990,000	4,479,695
2024-2028	8,484,000	2,374,368	-	-	8,484,000	2,374,368
2029-2033	6,117,000	947,794	-	-	6,117,000	947,794
2034	798,000	35,910	-	-	798,000	35,910
	<u>39,074,000</u>	<u>14,360,025</u>	<u>380,000</u>	<u>41,516</u>	<u>39,454,000</u>	<u>14,401,541</u>
Bond premium	334,179	-	-	-	334,179	-
	<u>\$ 39,408,179</u>	<u>\$ 14,360,025</u>	<u>\$ 380,000</u>	<u>\$ 41,516</u>	<u>\$ 39,788,179</u>	<u>\$ 14,401,541</u>

Business-type Activities:

June 30,	Revenue Bonds		Notes Payable *		Total Proprietary Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 805,000	\$ 658,583	\$ 1,286,350	\$ 202,986	\$ 2,091,350	\$ 861,569
2015	840,000	624,993	1,297,873	159,888	2,137,873	784,881
2016	875,000	588,912	904,863	121,561	1,779,863	710,473
2017	915,000	550,218	736,496	95,191	1,651,496	645,409
2018	955,000	509,794	650,000	77,053	1,605,000	586,847
2019-2023	5,095,000	1,935,213	2,051,000	125,963	7,146,000	2,061,176
2024-2028	6,315,000	714,985	-	-	6,315,000	714,985
	<u>\$ 15,800,000</u>	<u>\$ 5,582,698</u>	<u>\$ 6,926,582</u>	<u>\$ 782,642</u>	<u>\$ 22,726,582</u>	<u>\$ 6,365,340</u>

* Since the terms of State Revolving Fund Loan have not been finalized, it is not included in the schedule above. Amount excluded is \$546,246.

**CITY OF TULLAHOMA, TENNESSEE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

Component Units:

June 30,	Notes Payable	
	Principal	Interest
2014	\$ 29,597	\$ 1,402
2015	29,822	1,177
2016	30,049	950
2017	29,722	721
2018	29,549	451
2019-2022	44,826	250
	\$ 193,565	\$ 4,951

C. Other Debt Information

Primary Government:

Governmental Activities:

General Obligation Bonds and Capital Outlay notes of the Primary Government are secured by the City, which is obligated to levy taxes to the extent necessary to serve this debt.

Notes payable by the Tullahoma Utilities Board to the State of Tennessee includes debt assumed by the Duck River Utility Commission. The balance of the debt assumed by the Duck River Utility Commission and included in notes payable and notes receivable is \$725,802 as of June 30, 2013.

The City is secondarily liable for the revenue bonds of the Tullahoma Utilities Board. The primary sources of repayment for the bonds are the board's operating revenues.

Compensated absences and net other postemployment benefit obligation are liquidated in the various funds in which the corresponding salary expenditures are paid, primarily the General Fund and General Purpose School Fund. Net pension obligation will primarily be liquidated by the school funds incurring the related employees' compensation, primarily the General Purpose School Fund.

Business-type Activities:

Revenue bond covenants of the Proprietary Fund generally provide that the related bonds are primarily secured by net revenues of the system. Bond covenants relating to the issues require the establishment of various reserve funds for payment of principal and interest, and for renewal and replacement. These reserves have been satisfactorily maintained during 2013.

Component Units:

The Tullahoma Municipal Airport Authority's UDAG Loan (11-1-05) has a variable rate, determined each November 1 at four percentage points below prime with a .75% floor. The interest rate at June 30, 2013 was 0.75%. Future principal and interest payments have been calculated using this rate.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS (continued)

D. Issuance of Notes

Primary Government:

Governmental Activities:

In November 2012, the City issued \$4,700,000 General Obligation Refunding Bonds, Series 2012 with interest rates ranging from 1% to 2% to refund \$4,795,000 of the callable portion of the General Obligation School Bonds, Series 2002. As a result of the refunding the 2002 bonds were defeased and the liability for the refunded portion of those bonds has been removed from long-term debt in the fiscal year 2013 financial statements.

In prior years, the City has defeased certain other obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements of the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2013, \$22,265,000 of general obligations bonds are considered defeased.

Business-type Activities:

In March 2012, the Revolving Fund Loan agreement with the City of Tullahoma was approved by the Tennessee Local Development Authority for a total project of \$5,000,000. This loan is funded \$4,000,000 State Revolving Fund Base and \$1,000,000 Principal Forgiveness. The interest rate is 1.15%. Fund received in year ended June 30, 2013 total \$682,808 of which \$136,562 represented principal forgiveness. The amount of principal forgiveness is treated as contributed capital in the financial statements.

NOTE 7 - RETIREMENT PLANS

Primary Government:

Governmental Activities:

A. City Plan

The City offers all employees of the governmental activities (exclusive of employees of the Tullahoma City Schools) a defined contribution plan created in accordance with Internal Revenue Code Section 457B. Participation in the plan is optional for full-time employees with one year of service. The contribution rate for the City shall be set by the Board of Mayor and Aldermen during the budget process. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider, ICMA-RC, administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City. For the year ended June 30, 2013, total contributions to the plan totaled \$474,010.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education

The Tullahoma Board of Education (1) maintains a single-employer defined benefit pension plan, the Tullahoma City Schools Defined Benefit Plan (TCSDBP) which covers employees other than teachers, as defined by state statute, and (2) participates in the statewide Tennessee Consolidated Retirement System (TCRS), a multiple-employer, public employer pension plan which covers all of the teachers, as defined by state statute, of the Board. The General Purpose School Fund has been used to liquidate the net pension obligation in prior years.

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description:

All of the Tullahoma City Schools' (the City Schools) employees, except teachers, participate in the Tullahoma City Schools Defined Benefit Plan (TCSDBP) defined benefit pension plan.

Plan assets are invested in annuity contracts with the Principal Financial Group. Separate financial statements of the single-employee pension trust have not been presented as part of these financial statements. That report may be obtained by writing to the Principal Financial Group, 711 West High, Des Moines, IA 50392.

Participants must complete 1,000 hours of service and be at least age 18 to be eligible to join the plan.

Normal retirement occurs upon reaching age 65 and completing one year of service. Monthly benefits are equal to 2.3% of average compensation times accrual service. Average compensation is the average of monthly compensation for the 60 highest consecutive compensation dates. In accordance with federal regulations, participants are always fully vested upon reaching their normal retirement date.

Early retirement is available upon reaching age 55 and completing 5 years of vesting service (measured by plan participation). Monthly benefits are calculated using the accrued benefit on retirement date and an actuarially determined reduction factor.

Death benefits are available to participants that are fully or partially vested in an accrued benefit. For a participant age 55 or older, the single-sum death benefit will be equal to the present value of his vested accrued benefit but not less than his required contribution account. If a participant dies prior to age 55, the single-sum death benefit will be equal to his required contribution account. Required contribution accrued benefit is defined as the amount of a participants required contribution account converted to a monthly straight life benefit using UP-1984 mortality without age setback and interest of 5%. Required contribution account is defined as a participant's required contributions with 5% interest per annum compounded annually.

The amount of disability benefits is defined as a monthly pension payable at normal retirement equal to the participant's accrued monthly pension. A participant must have completed 10 years of service at the date of disability in order to be eligible for disability benefits.

Any employee who terminates after completion of at least 5 years of service and before eligibility for normal retirement or early retirement shall be entitled to the normal retirement benefit, multiplied by the vesting percentage, with income deferred until normal retirement age. A year of vesting shall be credited for each year during which the employee is credited with 1,000 hours of service.

Participants are required to contribute 3% of total annual compensation to the TCSDBP. The City Schools is required to contribute the remaining amounts necessary to fund the TCSDBP. The contribution requirement of plan members and the City Schools are established and may be amended by the Board of Trustees.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - RETIREMENT PLANS (continued)

a. Selected Pension Information

Additional information regarding annual pension cost and net pension obligation, trend information, and participant information for the plan is summarized on the following schedules on pages B-41 and B-42.

b. Required Supplementary Information

As of January 1, 2013, the most recent actuarial valuation date, the plan was 52.21% percent funded. The actuarial accrued liability for benefits was \$8,414,176, and the actuarial value of assets was \$4,392,881, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,021,295. The covered payroll (annual payroll of active employees covered by the plan) was \$2,692,387, and the ratio of the UAAL to the covered payroll was 149.36%.

A Schedule of Funding Progress (Unaudited) and a Schedule of Employer Contributions (Unaudited) as required by GASB No. 25 are included as Required Supplementary Information following the notes to the financial statements on page B-50.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Overfunded (Underfunded) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
January 1, 2013	\$ 4,392,881	\$ 8,414,176	\$ 4,021,295	52.21%	\$ 2,692,387	149.36%

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SELECTED PENSION INFORMATION

ANNUAL PENSION COST AND NET PENSION
OBLIGATION - JUNE 30, 2013

	TCSDBP
Annual required contribution	\$ 587,134
Interest on net pension obligation	74,300
Adjustment to annual required contribution	(86,488)
Annual pension cost	574,946
Contributions made	519,819
Increase (decrease) in net pension obligation	55,127
Net pension obligation beginning of plan year	1,100,744
Net pension obligation end of plan year	\$ 1,155,871

The annual required contribution for the current year was determined as part of December 31, 2012, actuarial valuation using the entry age actuarial cost method.

THREE YEAR TREND INFORMATION

2013	
Annual pension cost (APC)	\$ 574,946
Percentage of APC contributed	90.41%
Net pension obligation	\$ 1,155,871
2012	
Annual pension cost (APC)	\$ 568,340
Percentage of APC contributed	13.51%
Net pension obligation	\$ 1,100,744
2011	
Annual pension cost (APC)	\$ 285,251
Percentage of APC contributed	105.87%
Net pension obligation	\$ 609,198

PARTICIPANTS

Active:	
Fully vested	103
Non-vested and partially vested	24
Total active	127
Retirees and beneficiaries receiving benefits	
Total	10
	137

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SELECTED PENSION INFORMATION**

ACTUARIAL VALUATION	<u>TCSDBP</u>
Valuation date	January 1, 2013
Actuarial cost method	entry age normal
Amortization method	level dollar open
Amortization period	30 years
Asset valuation method	market
Actuarial assumptions:	
Valuation interest:	
Preretirement	6.75%
Postretirement	6.75%
Projected salary increases	3.00%
Interest rate for employee accumulations	5.00%
Retirement age	65
Disability	none

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 - RETIREMENT PLANS (continued)

(2) Tennessee Consolidated Retirement System (TCRS) Plan Description and Provisions

The Tullahoma City Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, 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 to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at age 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in the state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at 3%.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHPEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Tullahoma City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 is 8.88% of annual covered payroll. The employer contribution requirement for Tullahoma City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contribution to TCRS for the years ending June 30, 2013, 2012, and 2011 were \$1,257,238, \$1,230,152, and \$1,232,404 respectively, equal to the required contributions for each year.

Business-type Activities:

The Tullahoma Utilities Board has a defined contribution plan "Tullahoma Utilities Board Employees' Pension Trust" covering all of its eligible employees. The Board is the plan's administrator. The Board has the right to amend or terminate the plan at any time. This plan includes all full-time employees that have attained age 21, and have worked 1,000 hours in a twelve-month period to be eligible on July 1 of that plan year. The employer's costs are determined by the individual level premium cost method using a 6% interest assumption. The financial information for the year ended June 30, 2013 is as follows:

	<u>Target plan</u>	<u>Money Purchase plan</u>
Employee contribution	\$ 47,918	\$ 138,146
Employer contribution	221,734	321,861
Total plan assets as of June 30, 2013	5,261,517	2,377,297

Employee contributions to the plan are required annually in accordance with the plan document. Participating employees must contribute a minimum of 3% of their compensation not to exceed 50% of the total required contribution.

The payroll for employees covered under the plan for the year ended June 30, 2013 was \$4,097,059. Total payroll was \$4,164,107.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Primary Government:

Governmental Activities:

A. City Plan

Plan Description

The City's current single-employer defined benefit post employment healthcare plan only provides health insurance benefits, under a fully insured health plan, to eligible retired City employees and their beneficiaries. There are currently only 7 employees that receive post employment benefits. Benefits for the year ended June 30, 2013 totaled \$31,622. The City currently funds the benefits on a pay-as-you-go basis. The benefits of post employment obligations will be reviewed by the City in the future allowing for any improvements or changes to the present plan. The report may be obtained by contacting the finance director for the City.

Funding Policy

The City intends to continue its policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB 45. The General Fund has been used to liquidate the OPEB obligation in prior years.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period of not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Components of the Net OPEB Obligation

Annual required contribution	\$ 154,296
Interest on net OPEB obligation	13,573
Amortization of prior year net OPEB obligation	<u>(18,114)</u>
Annual OPEB cost (expense)	149,755
Contributions made	<u>(31,622)</u>
Increase in net OPEB obligation	<u><u>\$ 118,133</u></u>
Net OPEB obligation - July 1, 2012	\$ 301,626
Net OPEB obligation - June 30, 2013	\$ 419,759

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-2013 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 111,573	50.45%	\$ 55,279
6/30/2010	112,087	61.91%	97,973
6/30/2011	141,633	37.07%	187,101
6/30/2012	143,108	19.97%	301,626
6/30/2013	149,755	21.12%	419,759

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,528,759, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,528,759. The covered payroll (annual payroll of active employees covered by the plan) was \$5,882,211 and the ratio of the UAAL to the covered payroll was 25.99%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (1.50% real rate of return plus 3% inflation), net of administrative expenses. This assumption is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by the decrements to an ultimate ratio of 5% after 5 years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

B. Tullahoma Board of Education

Certified employees of Tullahoma City Schools belonging to the Tennessee Consolidated Retirement System, who have a minimum of ten years of experience with the City Schools in a certified position, who retire with at least 30 years of creditable service, or who retire having reached the age of 60 years with a minimum of ten years of creditable service prior to the beginning of the next contract year, may elect to continue in the City Schools's medical, dental, and life insurance programs. The ten year minimum employment for certified employees will be waived for certified staff employed prior to the 1999-2000 school year. Non-certified employees of the City Schools who are age 62 with at least 25 years of service in the City Schools, and who meet requirements of the insurance companies for continuation of coverage, may elect to continue in the City Schools' medical, dental, and life insurance programs. The City Schools will assume the cost of the benefit until age 65 or until covered by Medicare or Medicaid if under the age of 65.

The retiring employees may have the same options for the insurance package as current employees, and the City Schools will assume the same percentage of costs for the package as for the current employees. The City Schools currently pays 100% of premiums. For the year ended June 30, 2013, the City Schools paid medical insurance benefits for 40 eligible retirees totaling \$175,481, dental for 49 eligible retirees totaling \$15,518, vision and life insurance benefits for 4 and 49 eligible retirees totaling \$246 and \$4,736, respectively. The General Purpose School Fund has been used to liquidate the OPEB obligation in prior years.

Non-certified employees of Tullahoma City Schools who are age 60 with at least 25 years of service in Tullahoma City Schools, and who meet requirements of the insurance companies for continuation of coverage, may elect to continue in the Tullahoma City Schools medical, dental, and life insurance programs. Tullahoma City Schools will assume the cost of the benefit until age 65 or until covered by Medicare or Medicaid if under the age of 65. The retiring employee may have the same options for the insurance package, and the City Schools will assume the same percentage of costs for the package as for the current employees. A written agreement delineating the conditions will be required between the retiring employee and Tullahoma City Schools.

Information concerning the plan follows:

Components of the Net OPEB Obligation:

Annual required contribution	\$ 447,978
Interest on net OPEB obligation	462
Amortization of prior year net OPEB obligation	<u>(617)</u>
Annual OPEB cost	447,823
Contributions made	<u>(207,056)</u>
Increase in net OPEB obligation	<u><u>\$ 240,767</u></u>
Net OPEB obligation - July 1, 2012	\$ 10,268
Net OPEB obligation - June 30, 2013	\$ 251,035

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

The Tullahoma City Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-2013 is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2011	\$ 11,143	56.28%	\$ 4,872
6/30/2012	11,143	51.58%	10,268
6/30/2013	447,823	46.24%	251,035

Business-type Activities:

The Tullahoma Utilities Board does not provide any post-retirement benefits. As part of the retirement benefits the Board adopted a plan in the current year whereas the employee receives 25% of their accumulated sick leave with the amount being paid into their pension fund. In addition those employees that have 10 years or more service and retire between age 62 and 65 receive the amount equal to the "employee only" monthly health insurance premium for every whole month of early retirement separation prior to reaching age 65. No early retirement separation will be paid to employees who retire prior to age 62.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS

A. Federal and State Financial Assistance

The City has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the programs, the City believes that any required reimbursements would not be material to the basic financial and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

B. Other Commitments

Primary Government:

Governmental Activities:

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired and a liability has been incurred and (2) the amount of loss can be reasonably estimated. Settlement of all potential claims from various lawsuits in which the City is involved would not, in management's estimation, materially affect the financial statements of the City.

Business-type Activities:

In conjunction with the Tennessee Valley Authority, the Power System makes loans to individuals wishing to make their homes more energy efficient. The System is required to use the funds, including repayments, in making further loans, or to reduce the advances to the System by TVA.

At June 30, 2013, Tullahoma Utilities Board had several construction projects in process. The Board takes bids for these projects and awards construction contracts to various companies.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (continued)

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Component Unit:

The Tullahoma Municipal Airport Authority has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the programs, management believes that any required reimbursements would not be material to the financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

The Authority also has several construction projects in progress partially funded by grants.

NOTE 10 – NEW PRONOUNCEMENTS

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial periods beginning after December 15, 2012.

The GASB has issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, required for fiscal periods beginning after December 15, 2012. This statement improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of Statements No. 54 and No. 62.

The GASB has issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*, required for fiscal periods beginning after June 15, 2013. This statement improves financial reporting by state and local government pension plans.

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from the comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for financial periods beginning after June 15, 2014.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2013 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

Transferred To	Transferred From						Total
	General Fund	General Purpose School	Nonmajor Governmental Funds	Internal Service Fund	Power System		
General Fund	\$ -	\$ -	\$ 28,180	\$ 25,000	\$ 410,112	\$	463,292
General Purpose School	7,240,480	-	-	-	-	-	7,240,480
General Debt Service	1,120,399	-	2,380,071	-	-	-	3,500,470
Nonmajor Governmental Funds	4,334,426	9,225	-	-	-	-	4,343,651
Water System	138,521	-	-	-	-	-	138,521
Total	<u>\$ 12,833,826</u>	<u>\$ 9,225</u>	<u>\$ 2,408,251</u>	<u>\$ 25,000</u>	<u>\$ 410,112</u>	<u>\$</u>	<u>\$ 15,936,799</u>

Interfund receivables and payables due to and due from funds of the primary government at June 30, 2013 are attributable to unsettled balances at year-end primarily for charges and transfers between funds. Balances at June 30, 2013 are as follows:

Due To	Due From				Total
	General Fund	Fiber System	Nonmajor Governmental Funds	Water System	
General Purpose School	\$ 402,501	\$ -	\$ 236,202	\$ -	\$ 638,703
General Debt Service	-	-	8,066	-	8,066
Nonmajor Governmental Funds	366,893	-	-	-	366,893
Electric System	-	958,398	-	5,175	971,441
Water System	-	210	-	2,367	2,577
Wastewater System	-	175	2,342	-	4,566
Total	<u>\$ 769,394</u>	<u>\$ 958,783</u>	<u>\$ 246,610</u>	<u>\$ 7,224</u>	<u>\$ 1,992,246</u>

SUPPLEMENTARY INFORMATION

**CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION**

Unaudited - See Accompanying Accountants' Report

SCHEDULE OF FUNDING PROGRESS - TCSDBP

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Underfunded) AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
January 1, 2003	\$ 1,524,160	\$ 3,111,132	\$ (1,586,972)	48.99%	\$ 2,256,294	70.34%
January 1, 2004	1,827,450	3,630,770	(1,803,320)	50.33%	2,303,446	78.29%
January 1, 2005	2,157,555	3,923,687	(1,766,132)	54.99%	2,297,918	76.86%
January 1, 2006	2,483,891	4,309,858	(1,825,967)	57.63%	2,253,954	81.01%
January 1, 2007	2,931,772	5,497,629	(2,565,857)	57.89%	2,272,130	100.88%
January 1, 2008	3,339,880	6,040,767	(2,700,887)	55.29%	2,314,275	116.71%
January 1, 2009	2,761,688	6,813,611	(4,051,923)	40.53%	2,441,280	165.98%
January 1, 2010	3,521,552	7,041,938	(3,520,386)	50.01%	2,639,741	133.36%
January 1, 2011	3,827,500	7,197,574	(3,370,074)	53.18%	2,649,761	127.18%
January 1, 2012	3,518,637	7,481,109	(3,962,472)	47.03%	2,335,316	169.68%
January 1, 2013	4,392,881	8,414,176	(4,021,295)	52.21%	2,692,387	149.36%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCSDBP

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2004	\$ 270,502	77.00%
6/30/2005	307,476	99.00%
6/30/2006	312,088	75.74%
6/30/2007	330,403	51.51%
6/30/2008	442,254	74.11%
6/30/2009	464,393	101.48%
6/30/2010	640,332	61.25%
6/30/2011	591,474	104.75%
6/30/2012	574,231	13.37%
6/30/2013	587,134	88.53%

**CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION**

Unaudited - See Accompanying Accountants' Report

SCHEDULE OF FUNDING PROGRESS - City of Tullahoma Other Post Employment Retirement Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ -	\$ 1,453,099	\$ 1,453,099	0%	\$ 4,657,403	31.20%
07/01/10	-	1,353,250	1,353,250	0%	5,150,789	26.27%
07/01/12	-	1,528,759	1,528,759	0%	5,882,211	25.99%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - City of Tullahoma Other Post Employment Retirement Benefits

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	OPEB Obligation
2009	\$ 111,573	50.45%	\$ 55,279
2010	111,904	61.91%	97,973
2011	143,108	37.07%	187,101
2012	143,108	19.97%	301,626
2013	154,296	21.12%	419,759

SCHEDULE OF FUNDING PROGRESS - Tullahoma Board of Education Other Post Employment Retirement Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/10	\$ -	\$ 3,845,307	\$ 3,845,307	0%	\$ 20,000,000	19.23%
07/01/12	-	3,692,831	3,692,831	0%	17,400,000	21.22%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - Tullahoma Board of Education Other Post Employment Retirement Benefits

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	OPEB Obligation
06/30/11	\$ 11,143	56.28%	\$ 4,872
06/30/12	11,143	51.58%	10,268
06/30/13	447,978	46.24%	251,035



CITY OF TULLAHOMA, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Funds										Debt Service Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Federal Projects	Total	Capital Projects	Federal Projects	Total				
ASSETS:																		
Cash and cash equivalents	\$ 21	\$ 363,219	\$ 99,554	\$ 167,776	\$ 98,172	\$ 374,042	\$ 77,999	\$ 2,133,069	\$ 1,186,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500,257	
Receivables	-	8	6,971	34,825	-	-	-	-	-	-	-	-	-	-	-	-	41,804	
Allowance for doubtful accounts	-	-	(2,021)	(11,492)	-	-	-	-	-	-	-	-	-	-	-	-	(13,513)	
Accrued interest receivable	-	-	-	-	-	-	-	749	-	-	-	-	-	-	-	749	-	
Notes receivable	-	-	-	-	-	1,315,125	131,611	-	-	-	-	-	-	-	-	-	1,446,736	
Due from City of Tullahoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from other governments	361,832	130,073	-	60,441	-	-	-	-	15,059	-	-	-	-	-	-	-	567,405	
Due from other funds	-	-	-	-	-	-	-	366,893	-	-	-	-	-	-	-	-	366,893	
Prepaid expenses	-	-	-	1,311	278	-	-	-	-	-	-	-	-	-	-	-	1,589	
Total assets	\$ 361,853	\$ 493,300	\$ 104,504	\$ 252,861	\$ 98,450	\$ 1,689,167	\$ 209,610	\$ 2,500,711	\$ 1,201,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,911,920	
LIABILITIES:																		
Accrued liabilities	\$ -	\$ -	\$ -	\$ 17,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,193	
Accrued payroll	881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	881	
Accounts payable	4,019	194	-	35,407	450	-	-	-	226,144	-	-	-	-	-	-	-	266,214	
Due to other funds	236,202	-	-	-	-	-	-	-	2,342	-	-	-	-	-	-	-	246,610	
Total liabilities	241,102	194	-	52,600	450	-	-	8,066	228,486	-	-	-	-	-	-	-	530,898	
DEFERRED INFLOWS OF RESOURCES:																		
Unavailable revenue - loans	-	-	-	-	-	1,315,125	131,611	-	-	-	-	-	-	-	-	-	1,446,736	
Total deferred inflows of resources	-	-	-	-	-	1,315,125	131,611	-	-	-	-	-	-	-	-	-	1,446,736	
FUND BALANCES:																		
Nonspendable:																		
Prepaid items	-	-	-	1,311	278	-	-	-	-	-	-	-	-	-	-	-	1,589	
Restricted for:																		
Debt service	-	-	-	-	-	-	-	2,492,645	972,978	-	-	-	-	-	-	-	2,492,645	
Capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	972,978	
Drug enforcement	-	-	-	-	96,652	374,042	77,999	-	-	-	-	-	-	-	-	-	96,652	
Grant projects	120,751	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	572,792	
School operations	-	493,106	-	-	-	-	-	-	-	-	-	-	-	-	-	-	493,106	
Solid Waste	-	-	-	198,950	-	-	-	-	-	-	-	-	-	-	-	-	198,950	
Extended School	-	-	104,504	-	-	-	-	-	-	-	-	-	-	-	-	-	104,504	
Committed to:																		
Encumbrances	-	-	-	-	1,070	-	-	-	-	-	-	-	-	-	-	-	1,070	
Total fund balances	120,751	493,106	104,504	200,261	98,000	374,042	77,999	2,492,645	972,978	-	-	-	-	-	-	-	4,934,286	
Total liabilities, deferred inflows of resources and fund balances	\$ 361,853	\$ 493,300	\$ 104,504	\$ 252,861	\$ 98,450	\$ 1,689,167	\$ 209,610	\$ 2,500,711	\$ 1,201,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,911,920	

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds						Debt Service Fund			Capital Projects Funds		Total Nonmajor Governmental Funds
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Federal Projects		
REVENUES:												
Intergovernmental Charges for services	\$ 2,386,611	\$ 1,240,115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,500	\$ 565,906	\$ 3,000	\$ -	\$ 4,563,132
Investment income	-	695,084	318,217	733,094	-	-	-	-	-	-	-	1,746,395
Note repayments	-	1,422	371	1,404	864	21,704	2,251	5,742	7,819	-	-	41,577
Other revenues	-	-	14,040	-	44,739	188,317	42,791	-	-	-	-	231,108
Total revenues	<u>2,386,611</u>	<u>1,936,621</u>	<u>332,628</u>	<u>734,498</u>	<u>45,603</u>	<u>210,177</u>	<u>45,414</u>	<u>373,242</u>	<u>582,625</u>	<u>3,000</u>	<u>-</u>	<u>6,650,419</u>
EXPENDITURES:												
Current:												
Education:												
Regular education	1,194,443	-	-	-	-	-	-	-	-	-	-	1,194,443
Special education	789,665	-	-	-	-	-	-	-	-	-	-	789,665
Vocational education	345	-	-	-	-	-	-	-	-	-	-	345
Other student support	40,148	-	-	-	-	-	-	-	-	-	-	40,148
Instructional staff	126,850	-	-	-	-	-	-	-	-	-	-	126,850
Program costs	-	1,898,360	351,493	1,833,906	6,575	6,309	1,514	-	-	3,000	-	4,101,157
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	235,161	12,141	-	28,319	30,946	-	-	-	1,697,613	-	-	2,004,180
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Loans disbursed	-	1,910,501	351,493	1,862,225	37,521	5,405	66,500	-	1,697,613	3,000	-	71,905
Total expenditures	<u>2,386,612</u>	<u>1,910,501</u>	<u>351,493</u>	<u>1,862,225</u>	<u>37,521</u>	<u>11,714</u>	<u>68,014</u>	<u>-</u>	<u>1,697,613</u>	<u>3,000</u>	<u>-</u>	<u>8,328,693</u>
Excess (deficiency) revenues over (under) expenditures	(1)	26,120	(18,865)	(1,127,727)	8,082	198,463	(22,600)	373,242	(1,114,988)	-	-	(1,678,274)
OTHER FINANCING SOURCES (USES):												
Transfers in	9,225	-	-	1,173,468	-	-	-	2,048,458	1,112,500	-	-	4,343,651
Transfers out	-	-	-	(28,180)	-	-	-	(2,380,071)	-	-	-	(2,408,251)
Total other financing sources	<u>9,225</u>	<u>-</u>	<u>-</u>	<u>1,145,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(331,613)</u>	<u>1,112,500</u>	<u>-</u>	<u>-</u>	<u>1,935,400</u>
Net change in fund balances	9,224	26,120	(18,865)	17,561	8,082	198,463	(22,600)	41,629	(2,488)	-	-	257,126
Fund balance, July 1, 2012	111,527	466,986	123,369	182,700	89,918	175,579	100,599	2,451,016	975,466	-	-	4,677,160
Fund balance, June 30, 2013	<u>\$ 120,751</u>	<u>\$ 493,106</u>	<u>\$ 104,504</u>	<u>\$ 200,261</u>	<u>\$ 98,000</u>	<u>\$ 374,042</u>	<u>\$ 77,999</u>	<u>\$ 2,492,645</u>	<u>\$ 972,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,934,286</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FEDERAL AND STATE PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
State and federal	\$ 2,386,611	\$ -	\$ 2,386,611	\$ 2,759,308	\$ 2,759,308	\$ (372,697)
Total revenues	2,386,611	-	2,386,611	2,759,308	2,759,308	(372,697)
EXPENDITURES:						
Regular education:						
Salaries	857,401	-	857,401	855,414	855,414	(1,987)
Payroll taxes	58,945	-	58,945	60,641	60,641	1,696
Benefits	172,829	-	172,829	171,136	171,136	(1,693)
Contract services	3,500	-	3,500	66,000	66,000	62,500
Supplies	94,166	-	94,166	116,420	116,420	22,254
Other	7,602	-	7,602	18,022	18,022	10,420
Total regular education	1,194,443	-	1,194,443	1,287,633	1,287,633	93,190
Special education:						
Salaries	548,321	-	548,321	547,155	547,155	(1,166)
Payroll taxes	40,468	-	40,468	37,466	37,466	(3,002)
Benefits	190,847	-	190,847	185,792	185,792	(5,055)
Contract services	6,925	-	6,925	16,148	16,148	9,223
Supplies	2,240	-	2,240	2,451	2,451	211
Other	864	-	864	905	905	41
Total special education	789,665	-	789,665	789,917	789,917	252
Vocational education:						
Maintenance and repairs	345	-	345	2,555	2,555	2,210
Total vocational education	345	-	345	2,555	2,555	2,210
Attendance:						
Other	-	-	-	300	300	300
Total attendance	-	-	-	300	300	300
Other student support:						
Contract services	25,105	-	25,105	29,473	29,473	4,368
Travel	9,325	-	9,325	9,610	9,610	285
Other	5,718	-	5,718	13,000	13,000	7,282
Total other student support	40,148	-	40,148	52,083	52,083	11,935
Instructional staff:						
Contract services	420	-	420	15,500	15,500	15,080
Travel	81,235	-	81,235	72,911	72,911	(8,324)
Maintenance and repairs	16,769	-	16,769	17,035	17,035	266
Other	28,426	-	28,426	56,800	56,800	28,374
Total instructional staff	126,850	-	126,850	162,246	162,246	35,396
Capital outlay	235,161	-	235,161	235,922	235,922	761
Total expenditures	2,386,612	-	2,386,612	2,530,656	2,530,656	144,044
OTHER FINANCING SOURCES (USES):						
Transfers in	9,225	-	9,225	-	-	9,225
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	9,225	-	9,225	-	-	9,225
Net change in fund balance	9,224	-	9,224	228,652	228,652	(219,428)
Fund balance, July 1, 2012	111,527	-	111,527	111,527	111,527	-
Fund balance, June 30, 2013	\$ 120,751	\$ -	\$ 120,751	\$ 340,179	\$ 340,179	\$ (219,428)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FOOD SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
State and federal	\$ 1,240,115	\$ -	\$ 1,240,115	\$ 1,105,000	\$ 1,105,000	\$ 135,115
Charges for services	695,084	-	695,084	950,000	950,000	(254,916)
Interest income	1,422	-	1,422	5,000	5,000	(3,578)
Total revenues	<u>1,936,621</u>	<u>-</u>	<u>1,936,621</u>	<u>2,060,000</u>	<u>2,060,000</u>	<u>(123,379)</u>
EXPENDITURES:						
Current:						
Salaries	641,970	-	641,970	655,000	655,000	13,030
Payroll taxes	43,083	-	43,083	50,000	50,000	6,917
Benefits	185,084	-	185,084	223,000	223,000	37,916
Contract services	10,365	-	10,365	10,000	10,000	(365)
Maintenance and repairs	7,485	-	7,485	15,000	15,000	7,515
Travel	4,098	-	4,098	5,000	5,000	902
Supplies	919,971	-	919,971	975,000	975,000	55,029
Other	86,304	-	86,304	94,000	94,000	7,696
Capital outlay	12,141	-	12,141	33,000	33,000	20,859
Total expenditures	<u>1,910,501</u>	<u>-</u>	<u>1,910,501</u>	<u>2,060,000</u>	<u>2,060,000</u>	<u>149,499</u>
Net change in fund balance	26,120	-	26,120	-	-	26,120
Fund balance, July 1, 2012	466,986	-	466,986	466,986	466,986	-
Fund balance, June 30, 2013	<u>\$ 493,106</u>	<u>\$ -</u>	<u>\$ 493,106</u>	<u>\$ 466,986</u>	<u>\$ 466,986</u>	<u>\$ 26,120</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EXTENDED SCHOOL PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Charges for services	\$ 318,217	\$ -	\$ 318,217	\$ 326,140	\$ 326,140	\$ (7,923)
Interest income	371	-	371	-	-	371
Other income	14,040	-	14,040	-	-	14,040
Total revenues	<u>332,628</u>	<u>-</u>	<u>332,628</u>	<u>326,140</u>	<u>326,140</u>	<u>6,488</u>
EXPENDITURES:						
Salaries	265,360	-	265,360	250,000	250,000	(15,360)
Payroll taxes	20,300	-	20,300	19,125	19,125	(1,175)
Benefits	20,825	-	20,825	22,570	22,570	1,745
Supplies	26,803	-	26,803	30,800	30,800	3,997
Other	18,205	-	18,205	3,645	3,645	(14,560)
Total expenditures	<u>351,493</u>	<u>-</u>	<u>351,493</u>	<u>326,140</u>	<u>326,140</u>	<u>(25,353)</u>
Net change in fund balance	(18,865)	-	(18,865)	-	-	(18,865)
Fund balance, July 1, 2012	<u>123,369</u>	<u>-</u>	<u>123,369</u>	<u>123,369</u>	<u>123,369</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 104,504</u>	<u>\$ -</u>	<u>\$ 104,504</u>	<u>\$ 123,369</u>	<u>\$ 123,369</u>	<u>\$ (18,865)</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SOLID WASTE MANAGEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	733,094	-	733,094	772,480	748,230	(15,136)
Interest income	1,404	-	1,404	900	900	504
Other revenues	-	-	-	-	-	-
Total revenues	<u>734,498</u>	<u>-</u>	<u>734,498</u>	<u>773,380</u>	<u>749,130</u>	<u>(14,632)</u>
EXPENDITURES:						
Current:						
Salaries	687,775	-	687,775	711,991	702,206	14,431
Payroll taxes	52,264	-	52,264	56,262	56,312	4,048
Benefits	243,287	-	243,287	269,956	247,461	4,174
Telephone and utilities	902	-	902	800	920	18
Contract and professional	42,551	-	42,551	38,000	43,000	449
Repairs and maintenance	203,703	-	203,703	171,196	207,310	3,607
Travel and training	611	-	611	1,700	700	89
Supplies	19,633	-	19,633	17,549	21,546	1,913
Uniforms	7,904	-	7,904	10,700	8,500	596
Gas and oil	151,117	-	151,117	157,573	151,900	783
Parts and supplies	1,062	-	1,062	1,290	1,290	228
Operating insurance	54,186	-	54,186	50,386	54,946	760
Landfill	367,479	-	367,479	388,620	368,000	521
Other	1,432	-	1,432	22,500	1,700	268
Total program costs	<u>1,833,906</u>	<u>-</u>	<u>1,833,906</u>	<u>1,898,523</u>	<u>1,865,791</u>	<u>31,885</u>
Capital outlay	<u>28,319</u>	<u>-</u>	<u>28,319</u>	<u>29,247</u>	<u>28,632</u>	<u>313</u>
Total expenditures	<u>1,862,225</u>	<u>-</u>	<u>1,862,225</u>	<u>1,927,770</u>	<u>1,894,423</u>	<u>32,198</u>
Excess (deficiency) of revenues over (under) expenditures	(1,127,727)	-	(1,127,727)	(1,154,390)	(1,145,293)	17,566
OTHER FINANCING SOURCES (USES):						
Transfers in	1,173,468	-	1,173,468	1,173,468	1,173,468	-
Transfers out	(28,180)	-	(28,180)	(19,078)	(28,175)	(5)
Total other financing sources (uses)	<u>1,145,288</u>	<u>-</u>	<u>1,145,288</u>	<u>1,154,390</u>	<u>1,145,293</u>	<u>(5)</u>
Net change in fund balance	17,561	-	17,561	-	-	17,561
Fund balance, July 1, 2012	<u>182,700</u>	<u>-</u>	<u>182,700</u>	<u>182,700</u>	<u>182,700</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 200,261</u>	<u>\$ -</u>	<u>\$ 200,261</u>	<u>\$ 182,700</u>	<u>\$ 182,700</u>	<u>\$ 17,561</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Drug fines	\$ 19,260	\$ -	\$ 19,260	\$ 22,000	\$ 22,000	\$ (2,740)
Confiscated money	7,922	-	7,922	4,000	4,000	3,922
Sale of confiscated equipment	17,557	-	17,557	-	-	17,557
Interest income	864	-	864	750	750	114
Total revenues	45,603	-	45,603	26,750	26,750	18,853
EXPENDITURES:						
Current:						
Salaries	390	-	390	3,000	2,000	1,610
Payroll taxes	30	-	30	232	132	102
Telephone and utility	1	-	1	-	-	(1)
Contract and professional	979	-	979	-	1,000	21
Travel and training	1,384	-	1,384	2,000	2,000	616
Supplies	2,791	-	2,791	4,750	4,850	2,059
Other	1,000	-	1,000	10,000	10,000	9,000
Capital outlay	30,946	1,070	32,016	25,000	25,000	(7,016)
Total expenditures	37,521	1,070	38,591	44,982	44,982	6,391
Excess (deficiency) of revenues over (under) expenditures	8,082	(1,070)	7,012	(18,232)	(18,232)	25,244
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	18,232	18,232	18,232
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	18,232	18,232	18,232
Net change in fund balance	8,082	(1,070)	7,012	-	-	43,476
Fund balance, July 1, 2012	89,918	-	89,918	89,918	89,918	-
Fund balance, June 30, 2013	\$ 98,000	\$ (1,070)	\$ 96,930	\$ 89,918	\$ 89,918	\$ 43,476

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
UDAG FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 188,317	\$ -	\$ 188,317	\$ 198,000	\$ 198,000	\$ (9,683)
Interest income	21,704	-	21,704	1,000	1,000	20,704
Other	156	-	156	-	-	(156)
Total revenues	<u>210,177</u>	<u>-</u>	<u>210,177</u>	<u>199,000</u>	<u>199,000</u>	<u>10,865</u>
EXPENDITURES:						
Fast track grant	-	-	-	260,000	250,800	250,800
Sign grant	6,309	-	6,309	21,200	21,200	14,891
Industrial loans	5,405	-	5,405	-	-	(5,405)
Total expenditures	<u>11,714</u>	<u>-</u>	<u>11,714</u>	<u>281,200</u>	<u>272,000</u>	<u>260,286</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	198,463	-	198,463	(82,200)	(73,000)	271,151
Fund balance, July 1, 2012	<u>175,579</u>	<u>-</u>	<u>175,579</u>	<u>175,579</u>	<u>175,579</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 374,042</u>	<u>\$ -</u>	<u>\$ 374,042</u>	<u>\$ 93,379</u>	<u>\$ 102,579</u>	<u>\$ 271,151</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
USDA REVOLVING LOANS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 42,791	\$ -	\$ 42,791	\$ 30,000	\$ 30,000	\$ 12,791
Interest Income	2,251	-	2,251	600	600	1,651
Other revenues	372	-	372	300	300	72
Total revenues	45,414	-	45,414	30,900	30,900	14,514
EXPENDITURES:						
Program costs	1,514	-	1,514	1,400	1,900	386
Loans disbursed	66,500	-	66,500	75,000	74,500	8,000
Total expenditures	68,014	-	68,014	76,400	76,400	8,386
Excess (deficiency) of revenues over (under) expenditures	(22,600)	-	(22,600)	(45,500)	(45,500)	22,900
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	45,500	45,500	(45,500)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	45,500	45,500	(45,500)
Net change in fund balance	(22,600)	-	(22,600)	-	-	(22,600)
Fund balance, July 1, 2012	100,599	-	100,599	100,599	100,599	-
Fund balance, June 30, 2013	\$ 77,999	\$ -	\$ 77,999	\$ 100,599	\$ 100,599	\$ (22,600)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EDUCATION DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Local shared taxes	\$ 367,500	\$ -	\$ 367,500	\$ -	\$ -	\$ 367,500
Interest income	5,742	-	5,742	6,000	6,000	(258)
Total revenues	373,242	-	373,242	6,000	6,000	367,242
EXPENDITURES:						
Program costs	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	373,242	-	373,242	6,000	6,000	367,242
OTHER FINANCING SOURCES (USES):						
Transfers in	2,048,458	-	2,048,458	2,367,000	2,377,000	(328,542)
Transfers out	(2,380,071)	-	(2,380,071)	(2,373,000)	(2,373,000)	(7,071)
Total other financing sources (uses)	(331,613)	-	(331,613)	(6,000)	4,000	(335,613)
Net change in fund balance	41,629	-	41,629	-	10,000	31,629
Fund balance, July 1, 2012	2,451,016	-	2,451,016	2,451,016	2,451,016	-
Fund balance, June 30, 2013	\$ 2,492,645	\$ -	\$ 2,492,645	\$ 2,451,016	\$ 2,461,016	\$ 31,629

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:						
Principal retirement	2,323,000	-	2,323,000	2,323,000	2,323,000	-
Interest	1,189,464	-	1,189,464	1,688,142	1,688,142	498,678
Fiscal charges	67,050	-	67,050	3,000	3,000	(64,050)
Total expenditures	3,579,514	-	3,579,514	4,014,142	4,014,142	434,628
Excess (deficiency) of revenues over (under) expenditures	(3,579,514)	-	(3,579,514)	(4,014,142)	(4,014,142)	434,628
OTHER FINANCING SOURCES (USES):						
Bond proceeds	4,700,000	-	4,700,000	-	-	4,700,000
Reoffering premium	215,561	-	215,561	-	-	215,561
Transfers in	3,500,470	-	3,500,470	4,014,142	4,014,142	(513,672)
Payment to escrow	(4,795,000)	-	(4,795,000)	-	-	(4,795,000)
Total other financing sources (uses)	3,621,031	-	3,621,031	4,014,142	4,014,142	(393,111)
Net change in fund balance	41,517	-	41,517	-	-	41,517
Fund balance, July 1, 2012	13,327	-	13,327	13,327	13,327	-
Fund balance, June 30, 2013	\$ 54,844	\$ -	\$ 54,844	\$ 13,327	\$ 13,327	\$ 41,517

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SCHOOL FEDERAL AND STATE PROJECTS FUND

The School Federal and State Projects accounts for funds generated through federal and state grants which support various educational programs

SCHOOL FOOD SERVICES FUND

The School Food Services Fund accounts for funds generated through the food service operations of the City Schools, and also includes funds received through state and federal grants for the free and reduced meal programs.

EXTENDED SCHOOL PROGRAM FUND

The Extended School Program Fund accounts for the program revenues and expenses related to the City Schools' extended school program which provides child care services before and after school.

SOLID WASTE FUND

To account for the receipts from garbage collection fees and expenses related to the City's solid waste activities.

DRUG FUND

To account for funds confiscated by the City in drug law enforcement actions.

UDAG

To account for repayment and disbursement of UDAG funds for businesses.

USDA REVOLVING LOAN FUND

To account for loans originally made from funds received from Rural Development.

CAPITAL PROJECTS FUNDS

FEDERAL PROJECTS FUND

To account for grant funds primarily from the Department of Justice for specific law enforcement purposes.

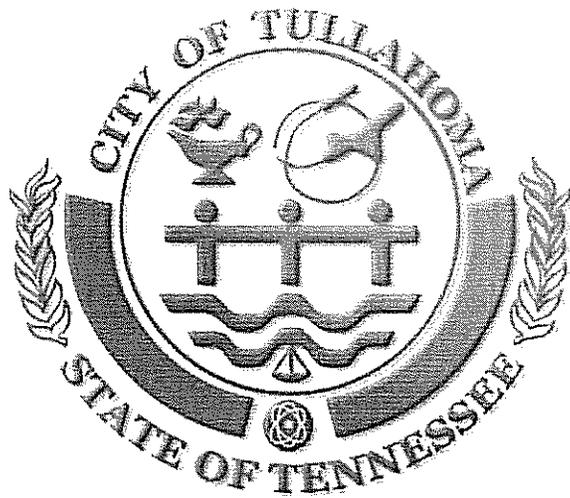
CAPITAL PROJECTS FUNDS

To account for the use of bond proceeds for the construction of public facilities and other public works projects.

DEBT SERVICE FUNDS

EDUCATION DEBT SERVICE FUND

To account for proceeds from the issuance of debt and funds received to make debt service payments for Education.



CITY OF TULLAHOMA, TENNESSEE
 SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
 JUNE 30, 2013

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2013	Interest to Maturity as of June 30, 2013
Governmental Activities:						
<u>General Obligation Bonds Payable</u>						
General Obligation Refunding Bonds, Series 2009	2% - 3.25%	August 27, 2009	October 1, 2017	\$ 4,005,000	\$ 1,850,000	\$ 81,037
General Obligation School Refunding, Series 2002	3.35% - 4.7%	June 1, 2002	October 1, 2017	6,265,000	-	-
General Public Improvement and Refunding Bonds, Series 2005	3.25% - 5%	November 1, 2005	April 1, 2026	9,880,000	6,610,000	1,499,550
General Obligation Refunding Bonds, Series 2006	3.5% - 4%	December 15, 2006	April 1, 2026	9,320,000	9,180,000	3,244,113
General Obligation School Bonds, Series 2010	3% - 4%	August 10, 2010	October 1, 2032	4,750,000	4,550,000	2,260,828
General Obligation School Bonds, Series 2012	1% - 2%	November 28, 2012	April 1, 2021	4,795,000	4,700,000	400,187
TMBF 12M School Note, Series 2008	4.5%	August 6, 2008	May 25, 2033	12,084,000	11,175,000	6,332,175
TMBF City Note, Series 2008	4.5%	December 29, 2008	December 25, 2033	1,125,000	1,009,000	542,135
Total General Obligation Bonds Payable - Governmental Activities				52,224,000	39,074,000	14,360,025
<u>Notes Payable</u>						
Capital Outlay Note, Series 2007	4.28%	February 7, 2007	February 1, 2017	627,000	380,000	41,516
Total Bonds and Notes Payable - Governmental Activities				\$ 52,851,000	\$ 39,454,000	\$ 14,401,541

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2013

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2013	Interest to Maturity as of June 30, 2013
Business-type Activities:						
<u>Revenue Bonds Payable</u>						
Fiber Optics System Revenue and Tax Bonds, Series 2007	4.0% - 4.375%	August 1, 2007	July 1, 2027	\$ 16,975,000	\$ 15,545,000	\$ 5,546,283
Water and Wastewater Revenue and Tax Bonds, Series 1997	4.75% - 6.5%	July 1, 1997	October 1, 2017	720,000	255,000	36,415
Total Revenue Bonds Payable - Business-type Activities				<u>17,695,000</u>	<u>15,800,000</u>	<u>5,582,698</u>
<u>Notes Payable</u>						
Electric System:						
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	1,500,000	1,369,000	195,767
Wastewater System:						
Loan Fund 319-02, Series 2003	7.25% - 10.03%	March 1, 2003	March 1, 2015	94,844	17,226	1,403
Loan Fund 319-03, Series 2003	7.25% - 10.03%	March 1, 2003	March 1, 2014	354,177	28,547	-
State Revolving Loan Fund, 93-053	3.80%	September 1, 1995	August 1, 2015	7,157,000	1,062,100	46,004
State Revolving Loan Fund, 94-077	3.80%	January 1, 1997	December 1, 2016	3,050,000	711,709	47,924
State Revolving Fund Loan	1.15%	March 1, 2012	*	546,246	546,246	-
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	700,000	639,000	91,494
Water System:						
TML Loan 1999	4.50%	May 25, 1999	May 25, 2020	4,708,000	2,278,000	282,750
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	900,000	821,000	117,300
Total Notes Payable - Business-type Activities				<u>19,010,267</u>	<u>7,472,828</u>	<u>782,642</u>
Total Bonds and Notes Payable - Business-type Activities				<u>\$ 36,705,267</u>	<u>\$ 23,272,828</u>	<u>\$ 6,365,340</u>
*This is a construction loan and terms of the loan will be finalized when construction is complete						
Component Units:						
<u>Notes Payable</u>						
Municipal Airport Authority:						
UDAG Note Payable (11-05-05)	0.75%	October 6, 2005	October 1, 2019	369,780	190,381	28,676
UDAG Note Payable (01-04-12)	1.00%	January 4, 2012	February 1, 2017	9,500	3,184	921
Total Notes Payable - Component Units				<u>\$ 379,280</u>	<u>\$ 193,565</u>	<u>\$ 29,597</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
 JUNE 30, 2013

Year	General Obligation School Refunding Bonds Series 2012		General Obligation Refunding Bonds, Series 2009					
	Principal	Interest	General Fund		School Fund		Total	
			Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 275,000	\$ 88,250	\$ 27,191	\$ 1,601	\$ 727,809	\$ 42,849	\$ 755,000	\$ 44,450
2015	325,000	84,437	28,091	772	751,909	20,652	780,000	21,424
2016	1,000,000	72,000	-	-	100,000	8,225	100,000	8,225
2017	1,000,000	52,000	-	-	105,000	5,150	105,000	5,150
2018	375,000	38,250	-	-	110,000	1,788	110,000	1,788
2019	150,000	33,000	-	-	-	-	-	-
2020	750,000	24,000	-	-	-	-	-	-
2021	825,000	8,250	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
	<u>\$ 4,700,000</u>	<u>\$ 400,187</u>	<u>\$ 55,282</u>	<u>\$ 2,373</u>	<u>\$ 1,794,718</u>	<u>\$ 78,664</u>	<u>\$ 1,850,000</u>	<u>\$ 81,037</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
 JUNE 30, 2013

Year	General Obligation Public Improvement Bonds Series 2005		General Obligation Refunding Bonds Series 2006		General Obligation School Bonds Series 2010	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 640,000	\$ 263,005	\$ 30,000	\$ 359,537	\$ 100,000	\$ 157,094
2015	675,000	231,005	30,000	358,413	100,000	154,094
2016	710,000	197,255	30,000	357,288	100,000	151,094
2017	740,000	161,755	35,000	356,162	100,000	148,093
2018	765,000	139,555	820,000	354,850	-	146,594
2019	800,000	116,605	1,065,000	324,100	100,000	145,094
2020	285,000	92,605	1,055,000	284,163	100,000	142,344
2021	300,000	81,490	1,040,000	244,600	100,000	139,781
2022	310,000	69,490	1,035,000	203,000	100,000	137,094
2023	325,000	57,090	1,025,000	161,600	150,000	133,509
2024	340,000	44,090	1,015,000	120,600	150,000	128,969
2025	350,000	30,065	1,005,000	80,000	200,000	123,551
2026	370,000	15,540	995,000	39,800	200,000	117,219
2027	-	-	-	-	375,000	107,641
2028	-	-	-	-	400,000	94,313
2029	-	-	-	-	400,000	80,063
2030	-	-	-	-	425,000	64,843
2031	-	-	-	-	450,000	48,438
2032	-	-	-	-	475,000	30,500
2033	-	-	-	-	525,000	10,500
2034	-	-	-	-	-	-
	<u>\$ 6,610,000</u>	<u>\$ 1,499,550</u>	<u>\$ 9,180,000</u>	<u>\$ 3,244,113</u>	<u>\$ 4,550,000</u>	<u>\$ 2,260,828</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2013

Year	Tennessee Municipal Bond Fund City Note Series 2008		Tennessee Municipal Bond Fund School Note Series 2008		Total General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 32,000	\$ 45,405	\$ 331,000	\$ 502,875	\$ 2,163,000	\$ 1,460,616
2015	34,000	43,965	346,000	487,980	2,290,000	1,381,318
2016	35,000	42,435	361,000	472,410	2,336,000	1,300,707
2017	37,000	40,860	377,000	456,165	2,394,000	1,220,185
2018	38,000	39,195	394,000	439,200	2,502,000	1,159,432
2019	40,000	37,485	412,000	421,470	2,567,000	1,077,754
2020	42,000	35,685	431,000	402,930	2,663,000	981,727
2021	44,000	33,795	450,000	383,535	2,759,000	891,451
2022	46,000	31,815	470,000	363,285	1,961,000	804,684
2023	48,000	29,745	492,000	342,135	2,040,000	724,079
2024	50,000	27,585	514,000	319,995	2,069,000	641,239
2025	52,000	25,335	537,000	296,865	2,144,000	555,816
2026	54,000	22,995	561,000	272,700	2,180,000	468,254
2027	57,000	20,565	586,000	247,455	1,018,000	375,661
2028	60,000	18,000	613,000	221,085	1,073,000	333,398
2029	62,000	15,300	640,000	193,500	1,102,000	288,863
2030	65,000	12,510	669,000	164,700	1,159,000	242,053
2031	68,000	9,585	699,000	134,595	1,217,000	192,618
2032	71,000	6,525	731,000	103,140	1,277,000	140,165
2033	74,000	3,350	763,000	70,245	1,362,000	84,095
2034	-	-	798,000	35,910	798,000	35,910
	<u>\$ 1,009,000</u>	<u>\$ 542,135</u>	<u>\$ 11,175,000</u>	<u>\$ 6,332,175</u>	<u>\$ 39,074,000</u>	<u>\$ 14,360,025</u>
						<u>\$ 53,434,025</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 CAPITAL OUTLAY NOTES
 JUNE 30, 2013

Year	Capital Outlay Notes Series 2007 (2-7-07)		
	Principal	Interest	Total
2014	\$ 89,000	\$ 16,264	\$ 105,264
2015	93,000	12,455	105,455
2016	97,000	8,474	105,474
2017	101,000	4,323	105,323
	<u>\$ 380,000</u>	<u>\$ 41,516</u>	<u>\$ 421,516</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA MUNICIPAL AIRPORT AUTHORITY
JUNE 30, 2013

Year	City of Tullahoma UDAG Loan (11-1-05)			City of Tullahoma UDAG Loan (1-4-12)			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 28,676	\$ 1,324	\$ 30,000	\$ 921	\$ 78	\$ 999	\$ 29,597	\$ 1,402	\$ 30,999
2015	28,892	1,108	30,000	930	69	999	29,822	1,177	30,999
2016	29,109	891	30,000	940	59	999	30,049	950	30,999
2017	29,329	671	30,000	393	50	443	29,722	721	30,443
2018	29,549	451	30,000	-	-	-	29,549	451	30,000
2019	29,772	228	30,000	-	-	-	29,772	228	30,000
2020	15,054	22	15,076	-	-	-	15,054	22	15,076
	<u>\$ 190,381</u>	<u>\$ 4,695</u>	<u>\$ 195,076</u>	<u>\$ 3,184</u>	<u>\$ 256</u>	<u>\$ 3,440</u>	<u>\$ 193,565</u>	<u>\$ 4,951</u>	<u>\$ 198,516</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 TULLAHOMA UTILITIES BOARD
 JUNE 30, 2013

Year	Water & Wastewater Revenue & Tax Bonds Series 1997 (3-1-97)		Fiber Optics System Revenue and Tax Bonds Series 2007 (8-1-07)		Total Proprietary Funds Revenue & Tax Bond Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 45,000	\$ 12,765	\$ 760,000	\$ 645,818	\$ 805,000	\$ 658,583
2015	50,000	10,175	790,000	614,818	840,000	624,993
2016	50,000	7,425	825,000	581,487	875,000	588,912
2017	55,000	4,537	860,000	545,681	915,000	550,218
2018	55,000	1,513	900,000	508,281	955,000	509,794
2019	-	-	935,000	469,872	935,000	469,872
2020	-	-	975,000	430,478	975,000	430,478
2021	-	-	1,020,000	389,331	1,020,000	389,331
2022	-	-	1,060,000	345,769	1,060,000	345,769
2023	-	-	1,105,000	299,763	1,105,000	299,763
2024	-	-	1,155,000	251,016	1,155,000	251,016
2025	-	-	1,205,000	199,391	1,205,000	199,391
2026	-	-	1,260,000	145,469	1,260,000	145,469
2027	-	-	1,320,000	89,031	1,320,000	89,031
2028	-	-	1,375,000	30,078	1,375,000	30,078
	<u>\$ 255,000</u>	<u>\$ 36,415</u>	<u>\$ 15,545,000</u>	<u>\$ 5,546,283</u>	<u>\$ 15,800,000</u>	<u>\$ 5,582,698</u>
						<u>\$ 21,382,698</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2013

Tennessee Local Development Authority									
Year	Loan Fund 319-02		Loan Fund 319-03		Subtotal		Total Wastewater System Note Obligations		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Interest
2014	\$ 10,567	\$ 996	\$ 28,547	\$ -	\$ 39,114	\$ 996	\$ 775,350	\$ 74,202	\$ 74,202
2015	6,659	407	-	-	6,659	407	770,873	45,911	45,911
2016	-	-	-	-	-	-	360,863	22,856	22,856
2017	-	-	-	-	-	-	176,496	12,254	12,254
2018	-	-	-	-	-	-	71,000	10,350	10,350
2019	-	-	-	-	-	-	73,000	8,390	8,390
2020	-	-	-	-	-	-	75,000	6,376	6,376
2021	-	-	-	-	-	-	77,000	4,306	4,306
2022	-	-	-	-	-	-	79,000	2,180	2,180
	\$ 17,226	\$ 1,403	\$ 28,547	\$ -	\$ 45,773	\$ 1,403	\$ 2,412,809	\$ 185,422	\$ 186,825

Year	State Revolving Loan Fund 93-053		State Revolving Loan Fund 94-077		Wastewater Revenue and Tax Capital Outlay, Series 2011		Total Wastewater System Note Obligations		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Interest
2014	\$ 479,364	\$ 32,064	\$ 193,872	\$ 23,506	\$ 63,000	\$ 17,636	\$ 775,350	\$ 74,202	\$ 74,202
2015	497,904	13,536	201,310	16,070	65,000	15,898	770,873	45,911	45,911
2016	84,832	404	209,031	8,348	67,000	14,104	360,863	22,856	22,856
2017	-	-	107,496	-	69,000	12,254	176,496	12,254	12,254
2018	-	-	-	-	71,000	10,350	71,000	10,350	10,350
2019	-	-	-	-	73,000	8,390	73,000	8,390	8,390
2020	-	-	-	-	75,000	6,376	75,000	6,376	6,376
2021	-	-	-	-	77,000	4,306	77,000	4,306	4,306
2022	-	-	-	-	79,000	2,180	79,000	2,180	2,180
	\$ 1,062,100	\$ 46,004	\$ 711,709	\$ 47,924	\$ 639,000	\$ 91,494	\$ 2,458,582	\$ 185,422	\$ 186,825

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 TULLAHOMA UTILITIES BOARD
 JUNE 30, 2013

Year	Water		Water		Total Water System Note	
	TML Loan		Revenue and Tax Capital		Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
			Outlay, Series 2011			
2014	\$ 293,000	\$ 68,340	\$ 82,000	\$ 22,660	\$ 375,000	\$ 91,000
2015	303,000	59,550	84,000	20,396	387,000	79,946
2016	314,000	50,460	86,000	18,078	400,000	68,538
2017	324,000	41,040	89,000	15,704	413,000	56,744
2018	336,000	31,320	91,000	13,248	427,000	44,568
2019	348,000	21,240	93,000	10,736	441,000	31,976
2020	360,000	10,800	96,000	8,170	456,000	18,970
2021	-	-	99,000	5,520	99,000	5,520
2022	-	-	101,000	2,788	101,000	2,788
	<u>\$ 2,278,000</u>	<u>\$ 282,750</u>	<u>\$ 821,000</u>	<u>\$ 117,300</u>	<u>\$ 3,099,000</u>	<u>\$ 400,050</u>

Year	Electric		Wastewater, Water, and		Total Note Obligations	
	Revenue and Tax Capital		Electric System		Total Note Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 136,000	\$ 37,784	\$ 1,286,350	\$ 202,986		
2015	140,000	34,031	1,297,873	159,888		
2016	144,000	30,167	904,863	121,561		
2017	147,000	26,193	736,496	95,191		
2018	152,000	22,135	650,000	77,053		
2019	156,000	17,940	670,000	58,306		
2020	160,000	13,634	691,000	38,980		
2021	165,000	9,218	341,000	19,044		
2022	169,000	4,665	349,000	9,633		
	<u>\$ 1,369,000</u>	<u>\$ 195,767</u>	<u>\$ 6,926,582</u>	<u>\$ 782,642</u>		

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2013

ELECTRIC RATES

RESIDENTIAL SERVICE	<u>Base Rate</u>	<u>Fuel Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Retail Rate</u>
Customer Charge	\$12.00		
All kWh	\$0.06190 kWh	0.02495	\$0.08685

GENERAL POWER SERVICE

GSA-1 (less than 50 kW) (Applicable to commercial and industrial loads wherein the monthly demand is not more than 50 kW and the energy taking does not exceed 15,000 kWh per month)

Customer Charge	\$16.00		
All kWh	\$0.07533 kWh	0.02462	\$0.09995

GSA-2 (51-1000 kW) (Applicable to commercial and industrial loads wherein the demand is greater than 50 kW but not more than 1,000 kW, or the load is less than 50 kW and the energy usage kWh exceeds 15,000 per month)

Customer Charge	\$80.00		
0 - 50 kW	No Charge		
51 - 1,000 kW	\$11.31 kW		
First 15,000 kWh	\$0.07608 kWh	0.02462	\$0.10070
Additional kWh	\$0.03809 kWh	0.02425	\$0.06234

GSA-3 (1001 - 5000 kW) (Applicable to commercial and industrial loads wherein the demand is greater than 1,000 kW but less than 5,000 kW)

Customer Charge	\$200.00		
0 - 1,000 kW	\$10.06 kW		
1,001 - 5,000 kW	\$12.26 kW		
All kWh	\$0.03874 kWh	0.02425	\$0.06299

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2013

ELECTRIC RATES (continued)

Outdoor Lighting for Individual Customers

	<u>Base Rate</u>	<u>Fuel Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Retail Rate</u>
All kWh	\$0.04247 kWh	0.02495	\$0.06742

An additional Facility Charge is applicable

<u>Type Fixture</u>		<u>Rated kWh</u>	<u>Energy</u> <u>Charge</u>	<u>Facility</u> <u>Charge</u>	<u>Monthly</u> <u>Charge</u>
100 Watt High Pressure Sodium	Type A	45	\$3.03	\$5.86	\$8.89
250 Watt HPS Cobra Head	Type B	111	\$7.48	\$7.55	\$15.03
175 Watt Mercury Vapor	Type C	77	\$5.19	\$5.35	\$10.54
400 Watt Mercury Vapor Open	Type D	174	\$11.73	\$7.02	\$18.75
1000 Watt Metal Halide	Type E	394	\$26.56	\$15.45	\$42.01
Steel Pole	Type F	0	\$0.00	\$11.49	\$11.49
100 Watt HPS Cobra Head	Type G	45	\$3.03	\$5.97	\$9.00
150 Watt HPS Acorn w/concrete pole	Type H	68	\$4.58	\$31.66	\$36.24
175 Watt MH Acorn w/concrete pole	Type I	75	\$5.06	\$33.68	\$38.74
250 Watt HPS Flood	Type J	111	\$7.48	\$10.40	\$17.88
250 Watt HPS Acorn w/concrete pole	Type K	111	\$7.48	\$31.80	\$39.28
250 Watt HPS Shoebox w/sq. steel pole	Type L	111	\$7.48	\$55.47	\$62.95
400 Watt HPS Flood	Type M	171	\$11.53	\$10.69	\$22.22
400 Watt MH Cobra Head	Type N	164	\$11.06	\$8.41	\$19.47
400 Watt MH Flood	Type O	164	\$11.06	\$12.59	\$23.65

Pole Charge:

35 ft. or less	\$	3.21	Month
40 ft. steel pole	\$	11.49	Month
13 ft. concrete pole	\$	15.53	Month
Square steel pole	\$	41.52	Month

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2013

WATER RATES

	(Per 1,000 Gallons)		
	City Limits		County Line
	Inside	Outside	Cooperative
First 100,000 gallons	\$2.83	\$4.06	\$4.30
All over 100,000 gallons	\$2.62	\$3.74	\$3.80
Customer charge (minimum)	\$5.50/mo.	\$8.25/mo.	\$10.82/mo.
Multi-unit charge (minimum)	\$4.88/mo.	\$4.88/mo.	\$4.88/mo.

WASTEWATER RATES

	(Per 1,000 Gallons)	
	Inside City Limits	
	Residential	Commercial
First 100,000 gallons	\$5.07	\$5.57
All over 100,000 gallons	\$4.49	\$4.49
Customer charge (minimum)	\$8.79/mo.	\$17.58/mo.
Multi-unit charge (minimum)	\$6.04/mo	\$6.04/mo

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2013

BROADBAND SERVICE RATES

Residential Rates

Video Packages		Bundles	
Lifeline Basic (No Triple Play Discount)	\$ 19.95	LightTUBE Lifeline TriplePlay	\$ 79.95
Expanded Basic	\$ 54.49	Lifeline Basic	
Digital Plus (Includes HD set top)	\$ 73.49	12 Mbps down/3 Mbps upload Internet	
Digital Bronze (1 Premium, includes HD set top)	\$ 88.49	Home Phone	
Digital Silver (2 Premiums, includes HD set top)	\$ 100.49		
Digital Gold (4 Premiums, includes HD set top)	\$ 112.49	LightTUBE TriplePlay	\$ 106.49
Single Service Adder (Subscribe to only one service)	\$ 15.00	Expanded Basic	
		12 Mbps down/3 Mbps upload Internet	
		Home Phone	
Digital Tiers			
Sports Tier	\$ 3.00	LightTUBE TriplePlay Plus	\$ 125.49
Movie Tier	\$ 3.00	Digital Plus with HD	
Latino Tier	\$ 3.00	12 Mbps down/3 Mbps upload Internet	
		Home Phone	
Optional Services			
HBO	\$ 15.00	LightTUBE TriplePlay HD	\$ 132.49
Showtime	\$ 15.00	Digital Plus with HD/DVR	
Cinemax	\$ 15.00	12 Mbps down/3 Mbps upload Internet	
Starz!	\$ 15.00	Home Phone	
		LightTUBE TriplePlay Max	\$ 199.49
		Digital Gold with HD/DVR	
		Sports, Movie and HD Tiers	
		60 Mbps down/20 Mbps upload Internet	
		Home Phone	
Equipment			
HD Digital Box - Primary	Included		
HD Digital Box - Additional	\$ 8.00		
HD/DVR Digital Box - Primary	\$ 7.00		
HD/DVR Digital Box - Additional	\$ 15.00	Telephone Services	
High Capacity HD/DVR Digital Box - Primary	\$ 14.00	Home Phone (26 features & unlimited LD)	\$ 31.95
High Capacity HD/DVR Digital Box - Additional	\$ 22.00	800 Service (Monthly)	\$ 5.00
Unreturned Digital Box	\$ 150.00	Lifeline	\$ 12.95
Unreturned Digital HD Box	\$ 200.00	Additional Line with Unlimited LD	\$ 24.95
Unreturned Digital HD/DVR Box	\$ 350.00	Single Service Adder (Subscribe to only one service)	\$ 15.00
Unreturned High Capacity HD/DVR Box	\$ 500.00		
		Premium Directory Listing	
		Non-Published Listing	\$ 5.50
		Non-Listed Listing	\$ 5.50
		Additional Listing	\$ 5.50
High Speed Internet			
10 Mbps Tier	\$ 37.95	Directory Assistance	
20 Mbps Tier	\$ 49.95	Local	\$ 1.00
30 Mbps Tier	\$ 59.95	National	\$ 1.00
50 Mbps Tier	\$ 149.95	Operator Assisted Service Surcharge	\$ 1.00
100 Mbps Tier	\$ 299.95	International Directory Assistance	\$ 5.00
Single Service Adder (Subscribe to only one service)	\$ 15.00		
Additional Email address (Single)	\$ 1.00		

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2013

BROADBAND SERVICE RATES (continued)

Installation, Repair, & Other		Directory Assistance	
Standard Install - Prewired	\$ 29.95	Call Completion	\$ 0.45
Standard Install - Unwired	\$ 29.95	Local	\$ 0.98
Custom Install Hourly Rate	\$ 39.95	National	\$ 0.98
Change of Service - Technician on site	\$ 24.95	Operated Assisted Service Surcharge	\$ 2.25
Change of Service - Electronic	Free		
Add'l/Relocate Outlet-At initial install-First outlet	\$ 24.95		
Add'l/Relocate Outlet-Separate trip-First outlet	\$ 49.95		
Add'l/Relocate Outlet-Separate trip-Add'l outlet on same trip	\$ 24.95		
Add new STB-Separate trip (Waived if upgrading to digital service)	\$ 24.95		
Service Call - Customer Premise Issue/Customer Request	\$ 49.95		
(Above one hour at custom install hourly rate)			
Trip charge	\$ 24.95		
Wall Fish	\$ 24.95		
NSF Check Fee	\$ 25.00		
Late Fee	5%		
Reactivation Fee	\$ 34.95		
Inside Wire Maintenance (All Services)	\$ 3.95		
Internet Parking (For folks on extended travel)	\$10.00/mo		
Additional charge - each foot beyond 300 ft for underground	\$1.00/ft		
Additional charge - each foot beyond 300 ft for overhead	\$0.25/ft		

Commercial Rates

(Note: Minimum Purchase Level of \$59.90 for all Commercial Accounts)

Video Packages		Telephone Services	
Expanded Basic	\$ 54.49	Business Phone (22 features & unlimited LD)	
Expanded Basic (Hospitality)	Varies	No Term	\$ 39.95
Digital Basic (No music)	\$ 93.49	2 Year Term	\$ 34.95
Commercial Music Only	\$ 39.95	3 Year Term	\$ 29.95
Equipment		Analog T1	
Standard Digital Box - Primary	Included	Fixed fee per T1	\$ 100.00
Standard Digital Box - Additional		Per Channel Charge (minimum of 9)	\$ 20.00
HD Digital Box - Primary	Included	Digital T1 (PRI)	
HD Digital Box - Additional	\$ 8.00	Full 2-Way T1 (23+D)	\$ 500.00
HD/DVR Digital Box - Primary	\$ 10.00	Half 2-Way T1 (12+D)	\$ 300.00
HD/DVR Digital Box - Additional	\$ 15.00	Full Inbound-Only T1 (23+D)	\$ 250.00
High Capacity HD/DVR Digital Box-Primary	\$ 17.00	Block of 20 DID's	\$ 5.00
High Capacity HD/DVR Digital Box-Additional	\$ 22.00		
Unreturned Digital Box	\$ 150.00	Long Distance (per minute)	\$ 0.05
Unreturned Digital HD Box	\$ 200.00	800 Service (monthly)	\$ 5.00
Unreturned Digital HD/DVR Box	\$ 350.00	Remote Call Forward Line (monthly)	\$ 16.00
Unreturned High capacity HD/DVR Box	\$ 500.00	Remote Call Forward Line (per minute)	\$ 0.05
		Toll Free Vanity Search	\$ 5.00
		Account Codes - Verified	\$ 5.00
		Account Codes - Non-Verified	\$ 4.00

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2013

BROADBAND SERVICE RATES (continued)

Commercial Rates (Continued)

High Speed Internet		Premium Directory Listing	
2 Mbps Tier (2m/256k)		Non-Published Listing	\$ 5.50
	No Term \$ 49.95	Non-Listed Listing	\$ 5.50
	36 Month Term \$ 39.95	Additional Listing	\$ 5.50
10 Mbps Tier (10M/1M)		Alternate Listing	\$ 5.50
	No Term \$ 79.95		
	36 Month Term \$ 69.95		
	Non-Profit No Term \$ 69.95	Directory Assistance	
	Non-Profit 36 Month Term \$ 49.95	Directory Assistance (Local & National)	\$ 1.00
15 Mbps Tier (15M/3M)		Operated Assisted Service Surcharge	\$ 1.00
	No Term \$ 129.95	International Directory Assistance	\$ 5.00
	36 Month Term \$ 99.95		
20 Mbps Tier (2M/10M)			
	No Term \$ 249.95	Installation, Repair, & Other	
	36 Month Term \$ 199.95	Standard Install - Prewired/Unwired	Varies
50 Mbps Tier (50M/25M)		Custom Install Hourly Rate	\$ 39.95
	No Term \$ 599.95	Change of Service - Technician	\$ 29.95
	36 Month Term \$ 499.95	Change of Service - Electronic	Free
Static IP Addresses		Add'l/Relocate Outlet-At initial install/first outlet	\$ 24.95
1 Address (None included in 2 Mbps package)	Free	Add'l/Relocate Outlet-Separate trip-first outlet	\$ 49.95
5 Addresses	\$ 10.00	Add'l/Relocate Outlet-Sep. trip-add'l outlet on same trip	\$ 24.95
13 Addresses	\$ 15.00	Add new STB-Separate trip (waived if upgrading to digital service)	\$ 24.95
29 Addresses	\$ 20.00	Service Call - Customer Premise Issue/Customer Request	\$ 49.95
		(Above one hour at custom install hourly rate)	
Additional Email and Hosting Services		Trip Charge	\$ 24.95
LightTUBE Domain	Free	Wall Fish	\$ 24.95
Vanity Domain	\$ 5.00 each	NSF Check Fee	\$ 25.00
Additional email addresses (single)	\$ 2.00	Late Fee	5%
Additional email addresses (block of 25)	\$ 40.00	Reactivation Fee	\$ 34.95
		Additional charge for each foot beyond 300 ft for underground	\$1.00/ft
		Additional charge for each foot beyond 300 ft for overhead	\$0.25/ft

Average number of customers during the year:

Power System	10,943
Water System	9,612
Wastewater System	7,399
Fiber System	3,016

CITY OF TULLAHOMA
AWWA REPORTING WORKSHEET
JUNE 30, 2013

AWWA WACC Free Water Audit Software: Reporting Worksheet

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WAG 14.2

[Back to Instructions](#)

[Click to access definition](#)

Water Audit Report for: **CITY OF TULLAHOMA**

Reporting Year: **2013** / **7/2012 - 6/2013**

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

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

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	<input type="text" value="n/a"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="n/a"/>	MG/Yr
Water imported:	<input type="text" value="8"/> <input type="text" value="1,173.882"/>	MG/Yr
Water exported:	<input type="text" value="8"/> <input type="text" value="238.431"/>	MG/Yr
WATER SUPPLIED:	<input type="text" value="935.451"/>	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="5"/> <input type="text" value="723.263"/>	MG/Yr
Billed unmetered:	<input type="text" value="n/a"/>	MG/Yr
Unbilled metered:	<input type="text" value="n/a"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="5"/> <input type="text" value="11.693"/>	MG/Yr
AUTHORIZED CONSUMPTION:	<input type="text" value="734.956"/>	MG/Yr

Click here: [\[?\]](#) for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption:	<input type="text" value="5"/> <input type="text" value="2.339"/>	MG/Yr
Customer metering inaccuracies:	<input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="7.306"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="7"/> <input type="text" value="1.000"/>	MG/Yr
Apparent Losses:	<input type="text" value="10.644"/>	MG/Yr

Pcnt: Value:

Pcnt: Value:

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="text" value="5"/> <input type="text" value="265.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="7"/> <input type="text" value="11,150"/>	
Connection density:	<input type="text" value="42"/>	conn./mile main
Average length of customer service line:	<input type="text" value="10"/> <input type="text" value="0.0"/>	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	<input type="text" value="4"/> <input type="text" value="65.0"/>	psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="10"/> <input type="text" value="\$3,372,238"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="8"/> <input type="text" value="\$7.44"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="10"/> <input type="text" value="\$1,250.00"/>	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<input text"="" type="text" value="\$79,194"/>
Annual cost of Real Losses:	<input type="text" value="\$237,314"/>

Operational Efficiency Indicators

Apparent Losses per service connection per day:	<input type="text" value="2.62"/> gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="46.65"/> gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="N/A"/>
Real Losses per service connection per day per psi pressure:	<input type="text" value="0.72"/> gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	<input type="text" value="73.69"/> million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="189.85"/> million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="2.58"/>

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 80 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Water imported
- 2: Unauthorized consumption
- 3: Water exported

[For more information, click here to see the Grading Matrix worksheet](#)

CITY OF TULLAHOMA, TENNESSEE
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2013

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2012	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2013
STATE FINANCIAL ASSISTANCE PROGRAMS								
Tennessee Arts Commission:								
Art Student Ticket Subsidy/TN Arts Council	N/A	7/1/12-6/30/13	\$ 1,962	\$ -	\$ -	\$ (1,962)	\$ 1,962	\$ -
The Community Foundation of Middle Tennessee								
Discretionary Grant for the Arts	N/A	12/1/12-11/30/13	\$ 5,000	\$ -	\$ 1,600	\$ (5,000)	\$ 3,400	\$ -
Tennessee Department of Agriculture:								
Child Nutrition Match	N/A	7/1/12-6/30/13	\$ 17,754	\$ -	\$ -	\$ (17,754)	\$ 17,754	\$ -
Tennessee Department of Economic and Community Development:								
Fastrack Infrastructure Development Program	N/A	3/23/11-2/29/16	\$248,220	6,436	\$ -	\$ (185,169)	\$ 191,450	\$ 12,717
Tennessee Department of Education:								
ACT-Explore	N/A	7/1/12-6/30/13	\$ 4,165	\$ -	\$ -	\$ (4,165)	\$ 4,165	\$ -
Career Ladder Supplement	N/A	7/1/12-6/30/13	\$ 152,767	\$ -	\$ -	\$ (151,602)	\$ 152,767	\$ 1,165
Basic Education Program	N/A	7/1/12-6/30/13	\$ 13,269,000	\$ -	\$ -	\$ (13,435,263)	\$ 13,435,263	\$ -
CEO Supplement	N/A	7/1/11-6/30/12	\$ 1,167	\$ 1,167	\$ -	\$ -	\$ -	\$ -
Coordinated School Health-ARRA	GZ8/AAAX9	7/1/11-6/30/12	\$ 95,000	\$ 63,131	\$ -	\$ (63,131)	\$ -	\$ -
Coordinated School Health-ARRA	N/A	7/1/12-6/30/13	\$ 95,000	\$ -	\$ -	\$ (95,000)	\$ 95,000	\$ -
Extended Contract	N/A	2012-2013	\$ 46,300	\$ -	\$ -	\$ (54,000)	\$ 54,000	\$ -
Connectenn	N/A	7/1/12-6/30/13	\$ 11,391	\$ -	\$ -	\$ (10,833)	\$ 10,833	\$ -
Pre-K	MX12AAAX	2011-2012	\$ 362,996	\$ 362,996	\$ -	\$ (362,996)	\$ -	\$ -
Pre-K	N/A	2012-2013	\$ 369,942	\$ -	\$ -	\$ (369,942)	\$ 369,942	\$ -
SSMS-ARRA	N/A	7/1/12-6/30/13	\$ 8,650	\$ -	\$ -	\$ (8,650)	\$ 8,650	\$ -
Total Tennessee Department of Education				\$ 427,294	\$ -	\$ (14,556,749)	\$ 14,130,620	\$ 1,165
Tennessee Department of Environment and Conservation:								
Local Park and Recreation	N/A	7/15/11-7/14/15	\$ 40,000	\$ -	\$ 32,987	\$ (40,000)	\$ 7,013	\$ -
Recycling Equipment Grant	N/A	2/12/10-2/11/15	\$ 15,246	\$ -	\$ 32,987	\$ (40,000)	\$ 7,013	\$ -
Tennessee Department of Labor and Workforce Development:								
Adult Basic Education - State Portion 17%	PO13336/DG1234579	7/1/11-6/30/13	\$ 19,823	\$ 2,117	\$ -	\$ (2,117)	\$ -	\$ -
Adult Basic Education - State Portion 17%	PO18920/DG1338264	7/1/12-6/30/13	\$ 18,170	\$ -	\$ -	\$ (12,923)	\$ 16,247	\$ 3,319
Literacy Council	N/A	7/1/11-6/30/13	\$ 21,326	\$ -	\$ -	\$ -	\$ 1,967	\$ 1,967
Total Tennessee Department of Labor and Workforce Development				\$ 2,117	\$ -	\$ (15,040)	\$ 18,209	\$ 5,286
Total State Financial Assistance Programs				\$ 435,847	\$ 34,587	\$ (14,821,674)	\$ 14,370,408	\$ 19,168

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013

Program Name	State Grant Number	Grant Period	Award Amount	(Deferred) July 1, 2012	Adjustment	Grant Receipts	Grant Expenditures/ Uses	(Deferred) June 30, 2013
Component Units:								
Municipal Airport Authority								
Tennessee Department of Transportation								
Taxiway Drainage repair	10-125-00	11/20/09-09/30/14	\$ 94,000	\$ -	\$ -	(2,000)	\$ 2,000	\$ -
Tree Clearing	10-123-00	11/20/09-09/30/14	\$ 12,000	-	-	(9,013)	9,013	-
Northwest Ramp Expansion-Amendment I	11-168-00	3/1/11-8/31/15	\$ 450,000	-	-	(400,396)	400,396	-
Airport Maintenance and Upkeep	12-164-00	7/1/11-6/30/12	\$ 18,000	6,934	-	(6,934)	-	-
Airport Maintenance and Upkeep	13-331-00	7/1/12-6/30/13	\$ 19,800	-	-	(6,035)	14,972	8,937
NW Taxiway Rehabilitation	AERO 13-190-00	3/31/13-10/23/17	\$ 1,348,337	-	-	(10,790)	22,380	11,590
North Hangar Roof Repair	12-238-00	4/2/12-6/29/16	\$ 13,000	-	-	-	25,302	25,302
Ramp and T/W Pavement Repairs	12-177-00	12/1/11-6/29/16	\$ 300,000	-	-	(4,400)	18,133	13,733
Emergency R/W 6/24 Pavement Repairs	AERO 13-190-00	12/7/12-12/6/17	\$ 5,700	-	-	(6,000)	6,000	-
Total State Financial Assistance Programs			\$ 2,128,037	\$ 6,934	\$ -	\$ (445,568)	\$ 498,196	\$ 59,562

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013**

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2012	Adjustment	Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2013
FEDERAL FINANCIAL ASSISTANCE PROGRAMS									
U.S. Department of Agriculture:									
Passed Through Tennessee Department of Agriculture:									
National School Breakfast Program	10.553	N/A	7/1/12-6/30/13	N/A	\$ -	\$ -	\$ (215,922)	\$ 247,975	\$ 32,053
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	N/A	-	-	(734,883)	831,894	97,011
Fresh Fruits and Vegetables FFPV	10.582	N/A	7/1/12-6/30/13	\$ 34,200	634	-	(23,084)	22,450	-
National Snack	10.555	N/A	7/1/12-6/30/13	N/A	-	-	(19,034)	20,044	1,010
Total U.S. Department of Agriculture					634	-	(992,923)	1,122,363	130,074
U.S. Department of Labor									
Adult Basic Education-Fed 83%	84.002	PO 13336/DG12134579	7/1/11-6/30/13	\$ 99,092	10,337	-	(10,337)	-	-
Adult Basic Education-Fed 83%	84.002A	N/A	7/1/12-6/30/13	\$ 90,831	2,359	-	(63,094)	79,297	16,203
ABE Workforce/Literacy/ITPA	17.259	N/A	7/1/11-6/30/12	\$ 33,420	12,696	-	(25,261)	22,902	16,203
Total U.S. Department of Labor							(98,692)	102,199	16,203
U.S. Department of Education:									
Passed Through Tennessee Department of Education:									
IDEA - Part B	84.027	N/A	7/1/11-9/30/12	\$ 745,965	131,686	-	(131,686)	-	-
IDEA - Part B	84.027A	H0278120052	7/1/12-9/30/13	\$ 751,823	-	-	(751,823)	-	-
IDEA - Part B Competitive Discretionary Behavior	84.027A	N/A	7/1/11-6/30/12	\$ 62,527	24,720	-	(24,720)	751,823	-
IDEA - Part B Discretionary	84.173A	N/A	6/15/12-9/30/12	\$ 8,196	-	-	(8,180)	8,180	-
IDEA - Part B Excess Cost Preschool	84.173A	N/A	7/1/11-6/30/12	\$ 89,579	39,662	-	(39,662)	-	-
IDEA - Preschool	84.173A	N/A	7/1/11-9/30/12	\$ 35,082	6,783	-	(6,783)	-	-
IDEA - Preschool	84.173A	N/A	7/1/12-9/30/13	\$ 34,738	-	-	(34,738)	34,738	-
Title I	84.010	N/A	7/1/11-6/30/12	\$ 774,436	223,433	-	(724,271)	20,751	-
Title I	84.010A	S010A120042	7/1/12-9/30/13	\$ 874,505	-	-	(874,505)	791,722	67,451
Title II, Part A	84.367A	N/A	7/1/10-9/30/11	\$ 165,775	4,698	-	(4,698)	-	-
Title II, Part A	84.367A	N/A	7/1/11-6/30/12	\$ 128,791	33,067	-	(33,067)	8,588	-
Title II, Part A	84.367A	S365A120040	7/1/12-9/30/13	\$ 133,533	-	-	(133,533)	133,533	-
Title III	84.365	N/A	7/1/11-6/30/12	\$ 35,525	35,525	-	(35,525)	-	-
Title III	84.365A	S365A120042	7/1/12-9/30/13	\$ 34,329	-	(1)	(34,329)	34,330	-
Title IV, Part B 21st Century	84.287C	192-10-3-033	7/1/11-6/30/12	\$ 242,500	119,285	-	(119,285)	-	-
Title IV, Part B 21st Century	84.287C	N/A	7/1/12-6/30/13	\$ 247,500	-	-	(93,474)	242,459	148,985
Title VI, Part B, Subpart 2	84.358	N/A	7/1/11-9/30/12	\$ 71,483	21,321	-	(21,321)	-	-
Title VI, Part B, Subpart 2	84.395	S395A100032	7/1/10-7/27/14	\$ 63,605	-	-	(63,605)	63,605	-
Tennessee First to the Top AARA	84.395	S395A100032	7/1/10-7/27/14	\$ 105,000	55,725	-	(55,725)	-	-
Tennessee First to the Top	84.395	S395A100032	9/30/12-9/30/13	\$ 151,457	-	-	(39,934)	80,334	80,334
FTTT AARA	84.395A	S395A100032	4/1/2/13-4/1/2/14	\$ 111,450	-	-	(150)	86,150	46,216
FTTT - Fine Arts Portfolio Model Pilot AARA	84.410	S410A100043	7/1/11-9/30/12	\$ 430,067	-	-	-	150	-
Education Jobs Program Grant Award	84.048A	N/A	7/1/11-6/30/12	\$ 51,110	28,298	-	(28,298)	10,258	10,258
Carl Perkins, Title I Part C	84.048A	N/A	7/1/12-6/30/13	\$ 53,142	-	-	(53,142)	53,142	-
Carl Perkins Reserve	84.048A	N/A	7/1/12-6/30/13	\$ 67,000	-	-	(67,000)	67,000	-
Total U.S. Department of Education					724,223	(1)	(2,749,153)	2,386,763	361,832

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013**

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2012	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2013
U.S. Department of Economic and Community Development:									
Passed Through Tennessee Department of Economic and Community Development:									
CDBG for Sewer Improvement									
	14.228	GG-12-38827-00	11/22/11-10/31/16	\$ 400,000	17,988	-	(318,614)	302,968	2,342
Total U.S. Department of Economic and Community Development					17,988	-	(318,614)	302,968	2,342
U.S. Environmental Protection Agency Direct Program:									
EPA, Office of Water:									
Capitalization Grants for Clean Water State Revolving Funds*									
	66.458	CS470001XX	to March, 2032	\$ 5,000,000	-	-	(682,808)	682,808	-
Total U.S. Environmental Protection Agency Direct Program					-	-	(682,808)	682,808	-
U.S. Department of Justice:									
Passed Through Tennessee Department of Finance and Administration:									
Edward Byrne Memorial Justice Assistance Grant									
Direct Program:	20.607	2009SBB91875	8/2009-2/2013	\$ 60,303	(5,009)	-	-	5,009	-
Bullet Proof Vest Partnership	16.607	N/A	2009-2011	\$ 4,119	1,964	(24)	(2,475)	535	-
Bullet Proof Vest Partnership	16.607	N/A	2012	\$ 2,200	-	-	-	2,408	2,408
Total U.S. Department of Justice					(3,045)	(24)	(2,475)	7,952	2,408
U.S. Department of Transportation:									
Passed Through Tennessee Department of Transportation:									
12 Radar Speed Signs									
	20.600	Z-10-220112-00	9/30/2010	30,000	-	-	-	-	-
Cedar Lane Improvement Project	20.603	STP-M-9209(11)	9/24/09-6/30/14	\$ 2,235,600	140,914	-	(140,914)	689,304	689,304
Safe Routes to School Grant - West Middle School	20.205	PT-11-67	6/11/08-6/30/13	\$ 125,864	2,957	-	(16,457)	13,500	-
Tullahoma Impaired Driver Enforcement Initiative	20.607	Z12GHS339	10/1/11-9/30/12	\$ 14,976	-	-	(1,941)	1,941	-
Tullahoma Safe Roads Traffic Enforcement Program	20.600	Z13GHS366	10/1/12-9/30/13	\$ 16,676	-	-	-	1,700	1,700
Total U.S. Department of Transportation					143,871	-	(159,312)	706,445	691,004
Total Federal Financial Assistance Programs					\$ 896,167	\$ (25)	\$ (5,003,977)	\$ 5,311,498	\$ 1,203,863
FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM									
Non-Cash Federal Assistance:									
U.S. Department of Agriculture									
Food Distribution Program									
	10.555	N/A	7/1/09-6/30/10	N/A	-	-	\$ (100,000)	\$ 100,000	\$ -
Component Units:									
Municipal Airport Authority									
U.S. Department of Transportation:									
Passed Through Tennessee Department of Transportation:									
Approach Lighting System									
	20.106	3-47-SBQP-29	12/1/11-6/29/13	\$ 320,000	\$ -	\$ -	\$ (3,520)	\$ 26,117	\$ 22,597
Airfield Signage System Study	20.106	3-47-27	3/1/11-8/31/15	\$ 20,579	\$ -	\$ -	\$ (17,379)	\$ 20,579	\$ 3,200
Total U.S. Department of Transportation					\$ -	\$ -	\$ (20,899)	\$ 46,696	\$ 25,797

FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM

Non-Cash Federal Assistance:
U.S. Department of Agriculture
Food Distribution Program

Component Units:

Municipal Airport Authority

U.S. Department of Transportation:

Passed Through Tennessee Department of Transportation:
Approach Lighting System
Airfield Signage System Study

Note: As of June 30, 2013 there is an outstanding loan balance of \$546,246 on loan through State Revolving Loan Fund. The loan is 80% federally funded with 20% principal forgiveness.

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE ASSISTANCE
YEAR ENDED JUNE 30, 2013**

NOTE 1 - BASIS OF PRESENTATION

A. Noncash Federal Programs - OMB Circular A-133

The City is the recipient of federal awards that do not result in cash receipts or disbursements, including the distribution of U.S. Department of Agriculture (USDA) Food Commodities (CFDA No. 10.555), which are valued based on a USDA price list obtained from the Tennessee Department of Health. Distributions under such programs are included in the accompanying Schedule of Expenditures of Federal and State Awards in the non-cash assistance section.

B. Federal Financial Assistance without CFDA Numbers

Federal Awards which have no assigned CFDA number have been included in the last section of the appropriate federal agency section.

C. Schedule of Expenditures of State Awards

In compliance with Tennessee state law, the accompanying Schedule of Expenditures of State Awards is included with this report. Such schedule presents all state funded financial awards, as defined by the State Comptroller's Office, and is prepared and presented in a manner consistent with the Schedule of Expenditures of Federal Awards.

NOTE 2 - BASIS OF ACCOUNTING

The expenditures presented in the accompanying Schedule of Expenditures of Federal and State Awards were developed from agency records and federal and state financial reports which have been reconciled to the accounting records of the City Schools. Governmental funds are reported using a modified accrual basis of accounting. The City Schools' records serve as the primary source of information in preparation of the City Schools' basic financial statements.

NOTE 3 - MATCHING COST

The State of Tennessee's portion of joint programs with the City are included in the accompanying Schedule of Expenditures of State Awards except in those cases where the state's portion is combined with the federal portion and cannot be separately identified. In such cases, the state's portion is included in the accompanying Schedule of Expenditures of Federal Awards. The City's portion of such joint awards is not included.

NOTE 4 - INDIRECT COSTS

Along with all other central service costs allowable under OMB Circular A-87 is the amount which may be "allocated" among all programs of the City in a consistent manner, the cost for the audit of the City's financial statements and single audits are included in the City's Cost Allocation Plan.

Many of the City's federal and state funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the Schedule of Expenditures of Federal and State Awards.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE
GENERAL FUND
JUNE 30, 2013

<u>Calendar Year of Levy</u>	<u>Amount</u>
2013	\$ 8,871,714
2012	392,354
2011	86,251
2010	59,632
2009	42,366
2008	23,438
2007	14,183
2006	8,751
2005	3,465
2004	2,572
2003	8,351
2002	6,607
2001	-
Total property tax receivable	<u>9,519,684</u>
Less: allowance for uncollectibles	<u>(647,970)</u>
Net property taxes receivable	<u><u>\$ 8,871,714</u></u>

*Estimated amount of taxes levied on January 1, 2013 based upon estimate of assessment.

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

<u>Tax Year</u>	<u>Balance July 1, 2012</u>	<u>Tax Levy</u>	<u>Payments/ Adjustments</u>	<u>Anticipated Tax Levy</u>	<u>Balance June 30, 2013</u>
2013	\$ -	\$ -	\$ -	\$ 8,871,714	\$ 8,871,714
2012	-	8,871,714	(8,479,360)	-	392,354
2011	432,934	-	(346,683)	-	86,251
2010	128,598	-	(68,966)	-	59,632
2009	82,009	-	(39,643)	-	42,366
2008	46,211	-	(22,773)	-	23,438
2007	29,096	-	(14,913)	-	14,183
2006	12,847	-	(4,096)	-	8,751
2005	3,557	-	(92)	-	3,465
2004	2,589	-	(17)	-	2,572
2003	8,367	-	(16)	-	8,351
2002	6,622	-	(15)	-	6,607
2001	7,289	-	(7,289)	-	-
	<u>\$ 760,119</u>	<u>\$ 8,871,714</u>	<u>\$ (8,983,863)</u>	<u>\$ 8,871,714</u>	<u>\$ 9,519,684</u>

*Estimated amount of taxes levied on January 1, 2013 based upon estimate of assessment.

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PUBLIC OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2013**

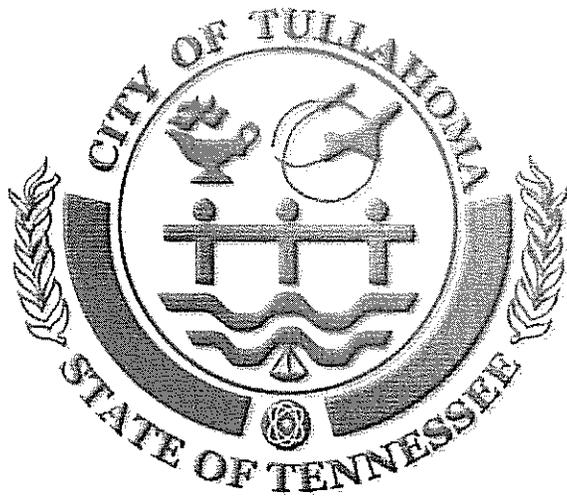
<u>Official</u>	<u>Name</u>	<u>Bond amount</u>
City Administrator	Louis J. Baltz, III	\$ 100,000
Director of Finance	Susan Wilson	\$ 100,000
City Recorder	Rosemary Womack	\$ 100,000
Purchasing Officer	Frances Samples	\$ 100,000
Police Chief	Paul Blackwell	\$ 10,000

Tullahoma Board of Education

All Board Members	Each occurrence with \$2,500 Retention	\$ 1,000,000
Director of Schools	Dr. Dan Lawson	\$ 760,000
All Employees:		
Employee Fidelity	Each and every loss	\$ 150,000

Tullahoma Utilities Board

All Public Officials:		
Liability	Each occurrence/ \$1,000,000 annual aggregate \$5,000 per occurrence deductible	\$ 1,000,000
All Employees		
Employee Fidelity	Each and every loss	\$ 150,000



**STATISTICAL SECTION
(UNAUDITED)**

This part of the City of Tullahoma's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. This section has not been audited by the independent auditors.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	E-2
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	E-6
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	E-10
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	E-15
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.	E-18

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF TULLAHOMA, TENNESSEE
NET POSITION BY COMPONENTS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ (7,801,092)	\$ (5,732,453)	\$ (10,583,923)	\$ (5,641,138)	\$ (2,118,950)	\$ 360,871	\$ 305,935	\$ 235,191	\$ 2,710,459	\$ 4,863,118
Restricted	2,651,408	1,729,969	6,471,142	5,313,488	2,070,179	3,482,921	3,291,781	3,715,245	3,738,226	8,633,751
Unrestricted	13,145,514	10,507,752	10,676,971	10,980,482	12,818,368	9,591,892	10,907,173	11,279,566	10,166,269	4,876,967
Total governmental activities net assets	\$ 7,995,850	\$ 6,505,268	\$ 6,564,190	\$ 10,652,832	\$ 12,769,697	\$ 13,335,681	\$ 14,504,889	\$ 15,230,002	\$ 16,614,954	\$ 18,373,836
Business-type activities										
Net investment in capital assets	\$ 22,200,269	\$ 21,556,609	\$ 26,023,453	\$ 26,837,939	\$ 25,537,051	\$ 26,716,611	\$ 26,259,369	\$ 21,637,303	\$ 20,030,111	\$ 22,939,822
Restricted	949,514	997,246	419,759	426,842	3,630,315	4,609,939	4,635,773	8,179,585	11,141,987	9,458,119
Unrestricted	7,244,500	8,842,918	6,486,202	7,328,172	7,631,662	6,199,522	5,956,844	10,270,015	9,481,715	10,518,930
Total business-type activities net assets	\$ 30,394,283	\$ 31,196,773	\$ 32,929,414	\$ 34,592,953	\$ 36,799,048	\$ 37,526,072	\$ 36,851,986	\$ 40,086,903	\$ 40,633,813	\$ 42,916,871
Primary government										
Net investment in capital assets	\$ 14,399,177	\$ 15,824,156	\$ 15,439,530	\$ 21,196,801	\$ 23,418,201	\$ 27,077,482	\$ 26,565,304	\$ 21,872,494	\$ 22,740,570	\$ 27,802,940
Restricted	3,600,922	2,727,215	6,890,901	5,740,330	5,700,494	8,092,860	7,927,554	11,894,830	14,880,213	18,091,870
Unrestricted	20,390,034	19,350,670	17,163,173	18,308,654	20,450,050	15,791,414	16,864,017	21,549,581	19,647,984	15,395,897
Total primary government net assets	\$ 38,390,133	\$ 37,902,041	\$ 39,493,604	\$ 45,245,785	\$ 49,568,745	\$ 50,961,756	\$ 51,356,875	\$ 55,316,905	\$ 57,268,767	\$ 61,290,707

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF TULLAHOMA, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 3,491,871	\$ 2,060,857	\$ 2,356,527	\$ 2,338,809	\$ 2,507,541	\$ 2,098,177	\$ 2,207,429	\$ 2,064,175	\$ 2,475,135	\$ 2,200,671
Public safety	3,951,629	4,419,039	4,428,570	4,340,678	4,185,343	4,734,512	4,895,286	4,899,328	4,785,495	4,914,353
Public works	2,415,407	1,936,419	2,284,521	2,099,073	3,963,002	4,512,959	3,058,539	4,013,062	4,199,087	4,090,510
Community services	1,096,514	1,111,865	1,147,695	1,317,433	280,122	258,962	196,297	184,212	442,897	428,682
Waste management	1,536,027	1,660,610	1,532,964	1,634,359	1,817,619	1,772,753	1,770,754	1,856,650	1,862,225	1,862,225
Education	24,648,170	27,635,585	28,271,669	28,325,099	31,092,600	31,524,951	31,731,495	33,264,419	33,274,087	34,290,366
Interest and other debt related costs	-	1,004,653	1,610,079	1,333,255	1,367,020	1,333,800	1,237,492	1,335,436	1,300,931	1,160,626
Total governmental activities expenses	37,159,618	40,229,028	41,632,025	41,388,706	45,213,247	46,236,114	45,998,211	47,531,386	48,334,282	48,947,433
Business-type activities:										
Tulahoma Utilities Board	25,619,951	25,548,623	28,085,806	28,726,440	30,033,871	35,217,988	36,521,327	39,907,815	40,547,972	40,468,208
Total primary government expenses	\$ 62,779,569	\$ 65,777,651	\$ 69,717,831	\$ 70,115,146	\$ 75,247,118	\$ 81,454,102	\$ 82,519,538	\$ 87,439,201	\$ 88,882,254	\$ 89,415,641
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 532,885	\$ 553,297	\$ 667,906	\$ 589,999	\$ 672,665	\$ 455,051	\$ 412,598	\$ 458,043	\$ 586,807	\$ 451,699
Public safety	80,637	-	-	-	29,998	82,432	43,081	49,571	30,229	44,739
Waste management	608,230	644,117	702,155	709,810	575,730	702,726	724,926	772,619	782,997	733,094
Education	1,690,839	1,784,840	1,791,503	1,683,500	1,655,108	1,653,950	1,458,684	1,344,984	1,293,993	1,252,068
Operating grants and contributions	19,418,057	20,118,618	21,563,840	21,562,279	24,679,632	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300
Capital grants and contributions	-	-	-	-	15,843	-	-	-	-	-
Total governmental activities program revenues	22,330,648	23,100,872	24,725,404	24,545,588	27,628,976	27,992,120	27,590,305	29,143,061	29,431,414	30,401,900
Business-type activities:										
Charges for services:										
Tulahoma Utilities Board	26,233,252	26,350,363	29,135,117	30,263,169	31,554,533	35,925,238	36,043,815	40,982,582	41,207,244	42,396,018
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	59,657	7,000	-	2,500	59,364	3,000	25,022	317,305	28,896	446,530
Total business-type activities program revenues	26,292,909	26,357,363	29,135,117	30,265,669	31,613,897	35,928,238	36,068,837	41,299,887	41,236,140	42,842,548
Total primary government program revenues	\$ 48,623,557	\$ 49,458,235	\$ 53,860,521	\$ 54,811,257	\$ 59,242,873	\$ 63,920,358	\$ 63,659,142	\$ 70,442,948	\$ 70,667,554	\$ 73,244,448
Net (Expense)/Revenue										
Governmental activities	\$ (14,828,970)	\$ (17,128,156)	\$ (16,906,621)	\$ (16,843,118)	\$ (17,584,271)	\$ (18,243,994)	\$ (18,407,906)	\$ (18,388,325)	\$ (18,902,868)	\$ (18,545,533)
Business-type activities	672,958	808,740	1,049,311	1,469,229	1,580,026	710,250	(452,498)	1,392,072	688,168	2,374,340
Total primary government net (expense)/revenue	\$ (14,156,012)	\$ (16,319,416)	\$ (15,857,310)	\$ (15,373,889)	\$ (16,004,245)	\$ (17,533,744)	\$ (18,860,396)	\$ (16,996,253)	\$ (18,214,700)	\$ (16,171,193)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 7,336,071	\$ 8,582,660	\$ 8,149,382	\$ 8,465,227	\$ 8,592,122	\$ 8,643,741	\$ 8,771,320	\$ 8,859,312	\$ 8,945,804	\$ 9,371,787
Local option sales tax	5,981,793	5,524,615	5,738,417	6,179,743	8,135,657	7,927,112	7,644,114	7,567,686	8,281,290	8,441,549
Other taxes	1,095,301	1,166,282	1,835,898	1,422,193	1,507,065	1,460,558	1,380,041	1,509,462	1,625,657	1,603,231
Investment earnings	226,860	222,363	589,450	916,930	604,899	164,840	153,616	310,219	138,125	115,751
Other revenues	110,665	141,654	254,879	313,487	464,469	364,450	309,968	296,752	1,080,543	904,568
Gain on sale of property	-	-	638,450	4,500	-	-	5,000	6,630	10,315	4,335
Transfers	-	-	-	337,047	396,924	404,579	295,866	348,169	321,649	(89,082)
Total governmental activities	14,750,690	15,637,574	17,206,476	17,639,127	19,701,136	18,965,280	18,659,925	18,898,230	20,323,383	20,352,119
Business-type activities:										
Investment earnings	87,652	156,930	352,934	514,059	989,279	311,483	74,961	36,217	32,161	37,439
Other revenues	32,606	35,647	57,195	46,215	25,713	108,956	81,615	153,804	66,558	113,324
Gain on disposal of equipment	-	1,173	4,523	25,241	8,001	1,000	10,777	-	12,147	9,546
Transfers	-	-	-	(383,085)	(396,924)	(404,579)	(382,884)	(403,406)	(232,124)	(271,591)
Total business-type activities	120,258	193,750	414,652	202,430	626,069	16,869	(215,531)	(213,385)	(121,258)	(111,282)
Total primary government	\$ 14,870,948	\$ 15,831,324	\$ 17,621,128	\$ 17,841,557	\$ 20,327,205	\$ 18,982,140	\$ 18,444,394	\$ 18,684,845	\$ 20,202,125	\$ 20,240,837
Change in Net Position										
Governmental activities	\$ (78,280)	\$ (1,490,582)	\$ 299,855	\$ 796,009	\$ 2,116,865	\$ 721,286	\$ 252,019	\$ 509,905	\$ 1,420,515	\$ 1,806,586
Business-type activities	793,216	1,002,490	1,463,963	1,671,659	2,206,095	727,110	(668,021)	1,178,687	566,910	2,263,058
Total primary government	714,936	(488,092)	1,763,818	2,467,668	4,322,960	1,448,396	(416,002)	1,688,592	1,987,425	4,069,644
Prior period adjustment ⁽¹⁾	821,940	-	(172,255)	3,284,513	-	-	607,843	2,271,438	(35,563)	(47,704)
Total change in net position	\$ 1,536,876	\$ (488,092)	\$ 1,591,563	\$ 5,752,181	\$ 4,322,960	\$ 1,448,396	\$ 191,841	\$ 3,960,030	\$ 1,951,862	\$ 4,021,940

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003

⁽¹⁾The City implemented retro active reporting of infrastructure, as permitted by GASB 34, in FY2007.

CITY OF TULLAHOMA, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011*	2012	2013
General Fund										
Reserved	\$ 447,142	\$ 450,917	\$ 110,677	\$ 141,968	\$ 213,279	\$ 181,327	\$ 75,819	\$ -	\$ -	\$ -
Unreserved	8,876,010	7,086,095	6,732,698	6,356,936	6,804,609	5,543,492	5,428,346	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	-	-	8,432	55,354	25,628
Restricted for:										
Drug enforcement	-	-	-	-	-	-	-	-	-	57,657
Other projects	-	-	-	-	-	-	-	-	-	80,236
Committed to:										
Encumbrances	-	-	-	-	-	-	-	52,887	144,615	87,745
Equipment replacement	-	-	-	-	-	-	-	936,414	-	544,132
Assigned to:										
Paving appropriated by 2012 budget	-	-	-	-	-	-	-	445,000	-	-
Unassigned	-	-	-	-	-	-	-	4,260,389	6,318,096	5,685,487
Total general fund	\$ 9,323,152	\$ 7,537,012	\$ 6,843,375	\$ 6,498,904	\$ 7,017,888	\$ 5,724,819	\$ 5,504,165	\$ 5,703,122	\$ 6,518,065	\$ 6,180,885
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	\$ 126,230	\$ 160,010	\$ 162,207	\$ 1,535,859	\$ 503,586	\$ 236,886	\$ 259,630	\$ -	\$ -	\$ -
Capital projects funds	2,044,692	1,119,042	4,968,801	3,679,499	1,919,975	96,722	213,561	-	-	-
Debt service funds	1,660,611	1,444,108	1,343,576	1,359,445	1,367,538	2,402,922	2,839,340	-	-	-
Unreserved, reported in:										
Special revenue funds	4,882,815	3,818,457	3,736,753	3,827,797	6,177,139	6,029,616	6,477,392	-	-	-
Capital projects funds	-	-	-	-	(1,347,993)	801,140	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	-	-	-	-	1,589
Restricted for:										
Capital improvements	-	-	-	-	-	-	-	711,588	975,466	972,978
Debt Service	-	-	-	-	-	-	-	2,769,685	2,464,343	2,547,489
Drug enforcement	-	-	-	-	-	-	-	84,230	81,250	96,652
Grant projects	-	-	-	-	-	-	-	811,316	387,705	572,792
School operations	-	-	-	-	-	-	-	5,268,135	4,203,984	3,954,593
Solid Waste	-	-	-	-	-	-	-	171,083	182,700	198,950
Extended school	-	-	-	-	-	-	-	117,399	123,369	104,504
Committed to:										
Encumbrances	-	-	-	-	-	-	-	21,806	8,668	1,070
Assigned to:										
School MOE	-	-	-	-	-	-	-	139,268	139,268	286,736
Total all other governmental funds	\$ 8,714,348	\$ 6,541,617	\$ 10,201,337	\$ 10,402,600	\$ 8,620,245	\$ 9,567,286	\$ 9,789,723	\$ 10,094,510	\$ 8,566,753	\$ 8,737,353

Note: For consistency purposes, only the years since implementation of GASB Statement No. 34 are presented. Ultimately, there will be ten years of information provided.

* In 2011 the City implemented GASB 54

CITY OF TULLAHOMA, TENNESSEE
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 14,413,165	\$ 15,273,557	\$ 15,723,697	\$ 19,977,350	\$ 18,075,027	\$ 17,844,188	\$ 17,632,917	\$ 17,752,323	\$ 18,655,100	\$ 19,352,565
Payment in lieu of tax	-	-	-	-	159,317	187,223	162,559	183,937	197,651	64,002
Intergovernmental	19,388,278	20,088,688	21,563,840	17,632,092	24,695,475	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300
Licenses and permits	122,121	127,421	165,487	129,021	146,560	138,158	80,908	78,399	83,580	60,667
Fines and forfeitures	302,838	313,710	368,985	334,293	410,656	244,343	232,525	271,996	401,497	285,286
Charges for services	2,361,749	2,448,006	2,528,097	2,518,375	2,346,287	2,429,226	2,282,775	2,225,251	2,178,720	2,090,908
Investment income	472,244	377,017	372,317	741,567	379,913	164,840	153,614	172,165	136,234	114,043
Sale of property	-	101,775	907,072	4,500	400	19,852	5,000	10,630	263,704	33,979
Note repayments	-	25,174	125,859	130,180	43,009	95,613	132,323	136,012	21,852	231,108
Other	133,976	107,937	530,884	488,851	719,051	446,882	353,049	484,324	1,030,772	949,307
Total revenues	37,194,371	38,863,285	42,286,238	41,976,229	46,976,195	46,668,286	45,986,686	47,833,081	49,706,498	51,102,165
Expenditures										
General government	1,257,003	1,318,757	1,577,057	1,295,275	1,177,901	1,182,578	1,322,151	1,234,081	1,358,035	1,315,194
Public Safety	3,837,478	4,311,464	4,427,745	4,376,307	4,665,946	4,726,599	4,697,942	4,809,616	4,784,089	4,917,067
Public Works	1,780,863	1,727,364	2,148,030	1,876,706	2,056,101	2,087,564	1,928,681	1,947,571	2,036,732	2,081,867
Parks and recreation	-	-	-	-	1,153,305	1,256,631	1,301,424	1,250,197	1,319,151	1,286,665
Community Services	1,074,192	1,092,692	1,152,278	1,177,283	262,571	251,497	176,690	174,919	451,058	479,868
Waste Management	1,527,432	1,634,335	1,508,520	1,599,771	1,832,253	1,807,441	1,733,132	1,717,743	-	-
Public Education	20,528,938	22,949,852	23,340,576	23,441,793	26,937,513	28,075,339	27,812,938	29,354,890	29,040,195	29,543,152
Program Costs	3,894,346	4,044,267	4,465,542	3,966,098	2,292,566	2,616,312	2,051,327	1,924,886	3,985,279	4,101,157
Capital outlay	8,198,295	2,423,705	2,704,993	2,840,558	5,563,226	5,368,217	11,608,444	7,827,750	3,653,411	4,009,508
Loans disbursed	-	280,000	269,780	125,000	7,055	79,650	70,000	468,589	639,500	71,905
Debt service										
Principal	2,087,473	1,615,000	1,170,000	1,233,310	1,312,068	1,463,025	1,484,368	1,917,000	2,174,000	2,323,000
Interest	1,353,671	1,402,123	1,375,461	1,339,747	1,351,364	1,311,479	1,143,371	1,263,774	1,262,493	1,189,464
Fiscal charges	-	2,597	122,294	149,512	2,589	94,828	89,167	67,784	1,465	67,050
Total expenditures	45,539,901	42,822,156	44,262,276	43,421,360	48,636,488	50,323,160	55,419,835	53,958,800	50,705,398	51,385,897
Excess of revenues over (under) expenditures	(8,345,530)	(3,958,871)	(1,976,038)	(1,445,131)	(1,660,293)	(3,654,874)	(9,433,149)	(6,125,719)	(998,900)	(283,732)
Other Financing Sources (Uses)										
Issuance of refunding bonds	-	-	9,880,000	9,320,000	-	2,892,463	12,992,125	4,750,000	-	4,700,000
Issuance of notes	-	-	(4,873,115)	(9,283,450)	-	-	(4,131,287)	-	-	(4,795,000)
Payment to refunding bond escrow agent	-	-	92,183	42,031	-	-	111,388	-	-	215,561
Bond issue premium	-	-	12,639,783	13,122,649	14,196,318	17,838,616	23,703,053	19,785,433	15,816,090	15,547,893
Transfers in	12,167,655	12,061,877	(12,639,783)	(12,785,602)	(13,799,414)	(17,434,037)	(23,249,950)	(19,449,502)	(15,494,411)	(15,251,302)
Transfers out	(12,167,655)	(12,061,877)	(12,639,783)	(12,785,602)	(13,799,414)	(17,434,037)	(23,249,950)	(19,449,502)	(15,494,411)	(15,251,302)
Total other financing sources (uses)	-	-	5,099,068	1,260,628	3,962,924	3,297,042	9,425,329	6,415,343	321,679	417,152
Net change in fund balances	(8,345,530)	(3,958,871)	3,123,030	(184,503)	(1,261,369)	(357,832)	(7,820)	289,624	(677,221)	133,420
Debt service as a percentage of noncapital expenditures	9.93%	7.98%	6.82%	7.21%	6.42%	6.72%	6.30%	7.33%	7.74%	7.87%

Note: For consistency purposes, only the years since implementation of GASB Statement No. 34 are presented. Ultimately, there will be ten years of information provided.

CITY OF TULLAHOMA, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	Residential Property		Commercial Property	Total Taxable Assessed Value	County ^a	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2004	2003	\$ 141,056,575	\$ 137,961,634	\$ 279,018,209		2.39	\$ 933,857,961	29.878%	
2005	2004	144,288,750	140,348,404	284,637,154		2.81	955,604,765	29.786%	
2006	2005	143,179,375	144,416,030	287,595,405		2.81	968,403,216	29.698%	
2007	2006	154,094,200	162,784,471	316,878,671	Coffee	2.49	1,052,832,610	30.098%	
		13,588,000	3,183,952	16,771,952	Franklin	2.84	64,768,674	25.895%	
2008	2007	157,042,475	163,527,494	320,569,969	Coffee	2.44	1,066,319,358	30.063%	
		17,746,850	4,298,649	22,045,499	Franklin	2.44	84,379,680	26.127%	
2009	2008	159,404,850	164,136,385	323,541,235	Coffee	2.44	1,086,798,263	29.770%	
		18,423,550	5,027,499	23,451,049	Franklin	2.44	89,401,911	26.231%	
2010	2009	166,140,275	162,085,710	328,225,985	Coffee	2.44	1,103,987,272	29.731%	
		19,049,450	4,709,942	23,759,392	Franklin	2.44	90,930,491	26.129%	
2011	2010	169,593,225	183,579,854	353,173,079	Coffee	2.29	1,165,946,883	30.291%	
		18,803,125	4,482,745	23,285,870	Franklin	2.42	89,140,759	26.123%	
2012	2011	169,198,875	183,726,208	352,925,083	Coffee	2.29	1,163,428,830	30.335%	
		18,722,900	4,879,356	23,602,256	Franklin	2.42	88,680,716	26.615%	
2013	2012	170,118,350	188,815,256	358,933,606	Coffee	2.29	1,183,144,274	30.337%	
		18,403,050	4,338,099	22,741,149	Franklin	2.31	86,593,425	26.262%	

^a From fiscal year 1999 to fiscal year 2006, Coffee and Franklin Counties were taxed at the same rate.

Ratio of assessed value to appraised value: 25 % Residential, Farm, Agricultural, and Forest
40 % Commercial and Industrial
30 % Personal (equipment)

**CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Coffee County</u>			<u>Franklin County</u>		
	<u>City Direct Rate</u>	<u>Coffee County Rate</u>	<u>Overlapping Rate ⁽¹⁾</u>	<u>City Direct Rate</u>	<u>Franklin County Rate</u>	<u>Overlapping Rate ⁽²⁾</u>
2004	2.39	2.56	4.95	2.39	2.35	4.74
2005	2.81	2.56	5.37	2.81	2.62	5.43
2006	2.81	2.56	5.37	2.81	2.62	5.43
2007	2.49	2.25	4.74	2.84	2.62	5.46
2008	2.44	2.37	4.81	2.44	2.01	4.45
2009	2.44	2.46	4.90	2.44	2.11	4.55
2010	2.44	2.46	4.90	2.44	2.11	4.55
2011	2.29	2.58	4.87	2.42	2.23	4.65
2012	2.29	2.58	4.87	2.42	2.23	4.65
2013	2.29	2.58	4.87	2.31	2.44	4.75

(1) Overlapping rates are those of local and Coffee County governments that apply to property owners within the City of Tullahoma.

(2) Overlapping rates are those of local and Franklin County governments that apply to property owners within the City of Tullahoma.

Property tax rates are per \$100 of assessed value.

Sources: Tennessee Comptroller of the Treasury, Division of Property Assessments, 2013 Property Tax Rates.

**CITY OF TULLAHOMA, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	2013 (for tax year 2012)			2004 (for tax year 2003)		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Tullahoma HMA, Inc.	\$ 9,691,000	1	2.53%	\$ 6,177,280	1	2.21%
Goodrich Aerospace	8,524,820	2	2.23%	-	-	-
Ascend Federal Credit Union	5,147,665	3	1.34%	3,270,375	6	1.17%
Forest Gallery, LLC	4,730,120	4	1.23%	-	-	-
Harton Regional Medical Center	4,444,393	5	1.16%	2,045,085	9	0.73%
Centro NP Commerce Central	4,444,360	6	1.16%	-	-	-
Lowes Home Center, Inc.	3,497,120	7	0.91%	3,183,920	7	1.14%
Ada Ferrell Apartments	2,680,960	8	0.70%	-	-	-
Coffee County Ind. Board	2,520,000	9	0.60%	-	-	-
Bellsouth Telecommunications	2,499,294	10	0.65%	3,491,073	5	1.25%
IRT Partners Bob Mitzel	-	-	-	3,941,720	2	1.41%
Excel Realty Partners LP	-	-	-	3,734,560	3	1.33%
Northgate Limited	-	-	-	3,553,040	4	1.27%
Harton Family Partners	-	-	-	2,586,930	8	0.92%
Continental LTD	-	-	-	2,030,480	10	0.72%
Total	\$ 48,179,732		12.51%	\$ 34,014,463		12.15%

Source: Tullahoma Director of Finance

**CITY OF TULLAHOMA, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
			Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2004	2003	\$ 6,668,968	\$ 6,486,327	97.26%	\$ 174,290	\$ 6,660,617	99.87%	
2005	2004	7,999,287	7,759,253	97.00%	237,462	7,996,715	99.97%	
2006	2005	8,081,892	8,061,326	99.75%	17,101	8,078,427	99.96%	
2007	2006	8,366,611	8,066,479	96.41%	291,381	8,357,860	99.90%	
2008	2007	8,359,817	8,130,511	97.26%	215,123	8,345,634	99.83%	
2009	2008	8,466,612	8,292,213	97.94%	150,961	8,443,174	99.72%	
2010	2009	8,588,443	8,454,948	98.45%	91,129	8,546,077	99.51%	
2011	2010	8,756,655	8,562,514	97.78%	134,509	8,697,023	99.32%	
2012	2011	8,782,720	8,349,786	95.07%	346,683	8,696,469	99.02%	
2013	2012	8,871,714	8,479,360	95.58%	-	8,479,360	95.58%	

Source: City of Tullahoma Finance Department.

CITY OF TULLAHOMA, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Outlay Notes	Capital Leases	Revenue Bonds	Notes	Notes			
2004	\$ 29,295,220	\$ 70,000	\$ 784,940	\$ 4,460,000	\$ 13,542,677	\$ 48,152,837	3.33%	2,676	
2005	27,700,220	50,000	560,320	3,720,000	11,660,404	43,690,944	N/A	2,428	
2006	31,827,794	30,000	336,551	2,960,000	10,760,592	45,914,937	N/A	2,552	
2007	31,349,165	855,000	208,241	2,165,000	9,867,293	44,444,699	N/A	2,470	
2008	30,080,000	775,000	121,393	18,310,000	9,028,508	58,314,901	N/A	3,241	
2009	31,692,463	703,000	10,368	17,390,000	7,840,819	57,636,650	N/A	3,110	
2010	39,166,588	627,000	-	16,975,000	6,977,586	63,746,174	N/A	3,440	
2011	43,498,000	548,000	-	17,315,000	6,020,276	67,381,276	N/A	3,627	
2012	41,406,000	466,000	-	16,575,000	8,176,492	66,623,492	N/A	3,571	
2013	39,408,179	380,000	-	15,800,000	7,472,828	63,061,007	N/A	3,380	

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

**CITY OF TULLAHOMA, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2004	\$ 29,295,220	0.03	\$ 1,628.05
2005	27,700,220	0.03	1,539.41
2006	31,827,794	0.03	1,768.80
2007	31,349,165	0.03	1,742.20
2008	30,080,000	0.03	1,671.67
2009	31,692,463	0.03	1,710.06
2010	39,166,588	0.44	2,113.34
2011	43,498,000	0.04	2,341.25
2012	41,406,000	0.04	2,219.56
2013	39,408,179	0.03	2,112.47

**CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2013**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Coffee County Bonds (exclude school debt)	\$ 26,720,000	37.33%	\$ 9,974,576
Franklin County Bonds (exclude school debt)	8,048,961	2.82%	<u>226,981</u>
Subtotal, overlapping debt			\$ 10,201,557
City of Tullahoma direct debt			<u>39,788,179</u>
Total direct and overlapping debt			<u><u>\$ 49,989,736</u></u>

⁽¹⁾ The percentage of overlapping debt is calculated by dividing the City of Tullahoma's assessed property values by the total of each county's assessments.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Tullahoma. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF TULLAHOMA, TENNESSEE
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: There is no legal debt margin for the City of Tullahoma. Therefore, the calculation is not presented.

**CITY OF TULLAHOMA, TENNESSEE
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Tullahoma Utilities Board Revenue Bonds									
	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service		Debt Service Requirements		Coverage			
			Operating Expense	Debt Service	Principal	Interest		Total		
2013	\$ 42,396,018	\$ 36,460,690	\$ 5,935,328	\$ 805,000	\$ 658,583	\$ 1,463,583	4.06			
2012	41,207,244	36,567,388	4,639,856	775,000	691,737	1,466,737	3.16			
2011	40,982,582	36,141,123	4,841,459	740,000	723,557	1,463,557	3.31			
2010	36,043,815	33,982,877	2,060,938	40,000	739,677	779,677	2.64			
2009	35,925,238	32,764,516	3,160,722	35,000	741,635	776,635	4.07			
2008	31,554,533	27,973,540	3,580,993	830,000	101,249	931,249	3.85			
2007	30,263,169	26,305,850	3,957,319	795,000	132,590	927,590	4.27			
2006	29,135,117	25,556,218	3,578,899	760,000	161,408	921,408	3.88			
2005	26,350,363	23,013,236	3,337,127	740,000	189,316	929,316	3.59			
2004	26,233,252	22,941,866	3,291,386	710,000	214,718	924,718	3.56			

* Net of depreciation and amortization

**CITY OF TULLAHOMA, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income*</u>	<u>Median Age**</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2003	17,994	1,343,451	N/A	38.3	3,631	4.3%
2004	17,994	1,447,873	N/A	38.0	3,650	4.0%
2005	17,994	N/A	N/A	38.1	3,646	5.0%
2006	17,994	N/A	N/A	38.2	3,597	4.2%
2007	17,994	N/A	28,716	38.2	3,631	5.7%
2008	17,994	N/A	28,716	38.2	3,636	5.5%
2009	18,533	N/A	24,718	38.1	3,712	6.9%
2010	18,533	N/A	24,718	38.1	3,802	6.9%
2011	18,579	N/A	23,129	38.1	3,542	9.8%
2012	18,655	N/A	23,129	38.1	3,370	7.6%
2013	18,655	N/A	23,129	38.1	3,373	9.3%

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

*The latest per capita personal income published was in 2011.

**The latest median age available was the 2010 census.

Sources: Population estimates provided by Middle Tennessee Industrial Development Association. Personal income and per capita personal income provided by U.S. Bureau of Economic Analysis. School enrollment provided by the Tennessee Department of Education, Average Daily Membership Report.

**CITY OF TULLAHOMA, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2013			2004		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Harton Regional Medical Center	550	1	2.07%	591	1	2.45%
Ascend Federal Credit Union	295	2	1.11%	-	-	-
Goodrich Aerospace	285	3	1.07%	247	4	1.02%
Cubic Transportation System	215	4	0.81%	242	5	1.00%
JSP International	196	5	0.73%	-	-	-
Coca Cola Bottling Works	165	6	0.62%	94	10	-
Wisco Envelope Co., Inc.	159	7	0.59%	234	6	0.97%
Schmiede Corporation	157	8	0.59%	-	0	0.56%
Createc Corporation	130	9	0.49%	140	9	0.58%
Tennessee Apparel	115	10	0.43%	370	2	1.53%
Worth Sporting Goods Co.	-	-	-	158	8	0.65%
Jacobs Sverdrup Tech.	-	-	-	253	3	1.05%
Fuji Color Processing	-	-	-	178	7	0.74%
Tullahoma Industries	-	-	-	-	-	0.74%
Total	2,267		8.51%	2,507		11.29%

Source: Middle Tennessee Industrial Development Association and Industrial Board of Coffee County.

**CITY OF TULLAHOMA, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST NINE FISCAL YEARS**

	Fiscal year ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:									
Administrative	7	6	4	4	4	7	7	7	7
Finance	7	8	7	6	6	4	3	4	4
Planning	3	4	4	4	4	4	4	4	4
Building	2	2	2	2	2	2	2	2	2
Police:									
Personnel and officers	45	41	44	46	47	45	44	44	44
Fire:									
Firefighters and officers	38	38	38	38	40	39	34	34	34
Public Works	40	41	42	42	42	42	42	42	42
Parks and recreation	51	51	36	35	35	35	14	14	14
Education	493	491	490	517	502	502	502	492	492
Business-type Activities:									
Tullahoma Utilities Board	69	66	70	72	77	75	79	79	80
Total	<u>755</u>	<u>748</u>	<u>737</u>	<u>766</u>	<u>759</u>	<u>755</u>	<u>729</u>	<u>722</u>	<u>723</u>

Note: This format was not required until fiscal year 2004; there will ultimately be ten years of information provided.

Source: Various city departments.

CITY OF TULLAHOMA, TENNESSEE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Physical arrests	1,174	1,180	1,203	866	2,294	1,534	1,765	1,699	1,236	1,193
Traffic violations	N/A	N/A	N/A	4,513	6,414	2,757	2,626	2,992	4,247	4,193
Fire:										
Emergency response	457	422	449	457	564	487	495	600	536	699
Inspections	995	1,116	1,127	1,389	652	463	599	750	649	295
Business-type activities										
Average number of customers:										
Power System	9,938	10,180	10,284	10,393	11,004	10,287	10,359	10,359	10,376	10,396
Water System	9,167	9,365	9,364	9,439	9,463	9,500	9,504	9,540	9,597	9,637
Wastewater System	6,979	7,136	7,212	7,320	7,321	7,321	7,310	7,335	7,390	7,415
Fiber Optics System	N/A	N/A	N/A	N/A	N/A	1,393	1,756	2,565	2,852	3,131

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

Source: Various city departments.

CITY OF TULLAHOMA, TENNESSEE
CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works:										
Streets (miles)	187	187	187	187	330	330	330	330	330	330
Parks and recreation:										
Parks	8	8	8	8	8	8	8	8	8	8
Acreage	161	161	161	200	200	200	590	590	590	590
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer fields	7	7	7	7	11	11	11	11	11	11
Baseball fields	6	6	6	6	6	6	6	6	6	6
Softball fields	.	.	.	.	.	4	4	4	4	4
Business-type activities										
Tullahoma Utilities Board:										
Electric:										
Streetlights	2,951	2,951	2,951	2,829	2,829	2,854	2,854	2,854	2,882	2,886
Water:										
Water mains (miles)	240	240	240	265	265	270	260	260	260	270
Fire hydrants	1,100	1,100	1,100	1,009	1,009	1,032	1,024	1,024	1,024	1,093
Storage capacity (thousand gallons)	N/A	N/A	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Wastewater:										
Sanitary sewers (miles)	160	160	160	155	160	160	160	160	160	200
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	7
Daily treatment capacity (thousand gallons)	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

Source: Various city departments.

REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

**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***

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Tullahoma, Tennessee's basic financial statements and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-1 to 2013-5 that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Tullahoma, Tennessee's Response to Findings

City of Tullahoma, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. City of Tullahoma, Tennessee's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Horsfelder Antman PLLC

February 28, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Tullahoma, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Tullahoma, Tennessee's major federal programs for the year ended June 30, 2013. The City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the City of Tullahoma, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Tullahoma, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance 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 of Tullahoma, Tennessee'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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Honsholder Artman PLLC

February 28, 2014

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

I. Summary of Auditor's Results

1. The June 30, 2013 Auditor's Report on the Financial Statements is an unqualified opinion.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements – see part II.
3. The audit did not disclose any instances of noncompliance which is material to the financial statements.
4. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. The June 30, 2013 report on compliance for major programs is an unqualified opinion.
6. No audit findings required to be reported under § 510(a) of Circular A-133 were noted.
7. Major Programs include:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
Special Education Cluster:	
84.027	IDEA, Part B
84.173	IDEA, Preschool
84.392	IDEA, Preschool, ARRA
84.391	IDEA, Part B, ARRA
Child Nutrition Cluster:	
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	Commodities
Title I, Part A Cluster:	
84.010	Title I
84.389	Title I, ARRA
Department of Transportation:	
20.603	Federal Highway Safety Improvements
United States Environmental Protection Agency:	
66.458	Clean Water State Revolving Funds
HUD	
14.228	Community Development Block Grant

8. Type A programs have been distinguished as those programs with expenditures greater than \$300,000.
9. City of Tullahoma does not qualify to be a low risk auditee.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

II. Findings related to the Financial Statements reported in accordance with *Government Auditing Standards*:

TULLAHOMA UTILITIES BOARD

Finding 2013-1: Deficit fund balance for Fiber Optics Fund

As of June 30, 2013 the Fiber Optics Fund has a deficit fund balance of \$2,301,875

Recommendation:

The Board of Directors and management should develop plans to bring the fund balance of the Fiber Optics Fund into compliance with regulatory requirements.

Management's Response:

The business plan showed that we would operate at a loss for the first three years. Actuals are closely following the original plan. At the end of June 30, 2013, we are 54 months into this business plan and are cash positive with only depreciation keeping the Fiber Department from being net positive. We project we will be cash positive including depreciation during fiscal year 2014.

TULLAHOMA BOARD OF EDUCATION

Finding 2013-2: Preparation of Financial Statements and Related Disclosures

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Recommendation:

We recommend management develop compensating controls such as by engaging the services of other CPA's to draft the financial statements and related disclosures or to review a draft of the financial statements and related disclosures.

Management's Response:

We concur with the auditor's finding and recommendation.

Finding 2013-3: Audit Adjustments

We identified the following audit adjustments through the performance of our audit procedures:

- Grants receivables were understated by \$78,709 in the General Fund and overstated by \$79,915 in the Federal Projects Fund.
- Revenue for sanitation charges from the City of Tullahoma of \$67,338 was not recorded in the General fund.

Recommendation:

We recommend that management implement more stringent cut-off review procedures to identify possible unrecorded transactions.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Finding 2013-3: Audit Adjustments (continued)

Management's Response:

We concur with the auditors' finding and recommendation.

Finding 2013-4: Excess Expenditures

The Extended School Program had several expenditures that exceeded total appropriations.

Recommendation:

We recommend that the budget be amended before year end in order to avoid excess expenditures.

Management's Response:

We concur with the auditors' finding and recommendation.

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

Finding 2013-5: Preparation of Financial Statements and Related Disclosures

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards. This is a repeat finding.

Recommendation:

Management may wish to acknowledge and accept this deficiency or develop compensating controls.

Management's Response:

We concur with the auditors' finding and recommendation.

III. Findings related to Federal Awards (no questioned costs):

There were no findings related to the Federal awards for the year ended June 30, 2013.

**CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2013**

TULLAHOMA UTILITIES BOARD

Finding 2012-1: Preparation of Financial Statements and Related Disclosures

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Due to the nature and size of the Organization, it is not practical nor would it be financially feasible for the Organization to perform these functions internally. Therefore, management may wish to acknowledge and accept this deficiency or develop compensating controls.

Current Status:
Implemented.

Finding 2012-2: Deficit fund balance for Fiber Optics Fund

As of June 30, 2012 the Fiber Optics Fund has a deficit fund balance of \$2,161,582.

The Board of Directors and management should develop plans to bring the fund balance of the Fiber Optics Fund into compliance with regulatory requirements.

Current Status:
See Finding 2013-1.

TULLAHOMA BOARD OF EDUCATION

Finding 2012-3: Preparation of Financial Statements and Related Disclosures

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

We recommend management develop compensating controls such as by engaging the services of other CPA's to draft the financial statements and related disclosures or to review a draft of the financial statements and related disclosures.

Current Status:
See Finding 2013-2.

**CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2013**

Finding 2012-4: Audit Adjustments

We identified the following audit adjustments through the performance of our audit procedures:

- Grants receivables were understated by \$108,002 in the General Fund and overstated by \$45,832 in the Federal Projects Fund.
- Revenue for sanitation charges from the City of Tullahoma of \$67,338 was not recorded in the General fund.

We recommend that management implement more stringent cut-off review procedures to identify possible unrecorded transactions.

Current Status:

See Finding 2013-3.

Finding 2012-5: Excess Expenditures

The General Fund and the School Federal and State Projects Fund had several expenditures that exceeded total appropriations.

We recommend that the budget be amended before year end in order to avoid excess expenditures.

Current Status:

See Finding 2013-4.

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

Finding 2012-6: Preparation of Financial Statements and Related Disclosures

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Management may wish to acknowledge and accept this deficiency or develop compensating controls.

Current Status:

See Finding 2013-5.

IV. Findings related to Federal Awards (no questioned costs):

There were no findings related to the Federal awards for the year ended June 30, 2012.