

City of Crossville, Tennessee

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

June 30, 2005

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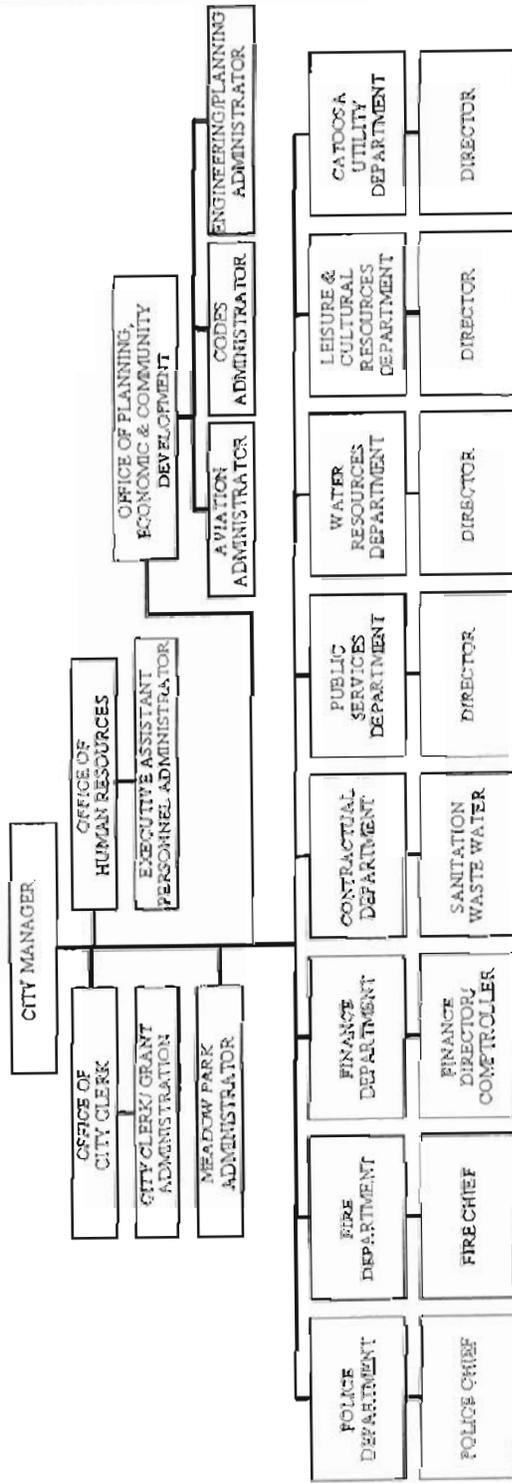
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INTRODUCTORY SECTION

MANAGEMENT STRUCTURE - EXECUTIVE BRANCH CROSSVILLE CITY GOVERNMENT



City of Crossville, Tennessee
DIRECTORY OF PUBLIC OFFICIALS
June 30, 2005

ELECTED OFFICIALS

Mayor	J. H. Graham, III
Mayor Pro-Tem	Boyd Wyatt, Sr.
Council Member	Carl Duer
Council Member	Billy Loggins
Council Member	Earl Dean

APPOINTED OFFICIALS

City Manager	Jack E. Miller, PhD
City Clerk	Sally Oglesby
Finance Director	Amanda Houston
City Attorney	Kenneth Chadwell
City Judge	Thomas L. Bean

FINANCIAL SECTION

PLEMMONS-JACKSON & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Crossville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crossville, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

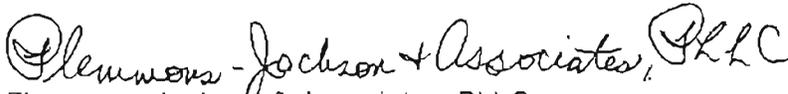
As described in Note 3, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, as of July 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005, on our consideration of the City of Crossville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, pension funding information, and budgetary comparison information on pages 3 through 14, page 47, and pages 48 through 56 are not a required part of the basic financial statements but are supplementary information required by the **Governmental** Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crossville, Tennessee basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, and is also not a required part of the basic financial statements of the City of Crossville, Tennessee. The combining and individual nonmajor fund financial statements, the other supplementary information, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Plemmons-Jackson & Associates, PLLC

Crossville, Tennessee
October 19, 2005

REQUIRED SUPPLEMENTARY INFORMATION



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Crossville's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City as a whole. They show whether or not the City's financial condition is better or worse as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Basically, the reporting shows what was earned or owed at June 30.

These two statements report the City's net assets and changes in them. Net assets, or the difference between assets and liabilities, are one way to measure the City's financial health. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors such as changes in the City's property tax base, sales tax collections, and road conditions, also measure the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

1. Governmental activities – Most of the City’s basic services are reported here, including the police, fire, general administration, streets, and leisure and cultural activities. Sales taxes, state-shared taxes, franchise fees, fines, and property taxes finance most of these activities.
2. Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system is reported here.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City Council establishes many other funds to help it control and manage money for particular purposes, like the Industrial Development Fund. Other funds show that the City is meeting legal responsibilities for using certain taxes, grants, and other money, like the Drug Fund and State Street Aid Fund. The City’s two kinds of funds, governmental and proprietary, use different accounting methods.

- Governmental funds – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left at the end of the year are available for the next year’s spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the City’s programs. The difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is shown in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City--these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City’s enterprise fund is the same as the business-type activities reported in the government-wide statements but with more information such as cash flows.

THE CITY AS A WHOLE

For the year ended June 30, 2005, net assets changed as follows:

	NET ASSETS					
	Governmental Activities		Business-Type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	15,831,325	13,402,013	7,721,407	7,345,996	23,552,732	20,748,009
Capital assets	23,466,279	21,214,271	39,352,781	39,836,900	62,819,060	61,051,171
Total assets	39,297,604	34,616,284	47,074,188	47,182,896	86,371,792	81,799,180
Other liabilities	2,875,180	2,980,606	424,740	502,884	3,299,920	3,483,490
Long-term liabilities outstanding	1,285,745	296,765	17,686,040	18,887,717	18,971,785	19,184,482
Total liabilities	4,160,925	3,277,371	18,110,780	19,390,601	22,271,705	22,667,972
Net assets:						
Investment in capital assets, net of related debt	23,366,279	21,089,271	21,666,741	20,949,183	45,033,020	42,038,454
Restricted	-	-	617,639	617,307	617,639	617,307
Unrestricted	11,770,400	10,249,642	6,679,028	6,225,805	18,449,428	16,475,447
Total net assets (deficit)	35,136,679	31,338,913	28,963,408	27,792,295	64,100,087	59,131,208

By far, the largest portion of the City's net assets (70%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (1%) represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net assets of \$18,449,428 may be used to meet the City's ongoing obligations to citizens and creditors. Of the unrestricted net assets, \$6.7 Million is attributable to business-type activities and \$11.7 Million is attributed to governmental activities. The governmental activities do not have any restricted net assets, primarily due to the minimal debt, which is a sole interest free capital outlay note.

CHANGE IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
REVENUES						
Program revenues:						
Charges for services	3,268,815	991,130	6,030,440	5,454,495	9,299,255	6,445,625
Operating grants and contributions	635,254	44,327	-	-	635,254	44,327
Capital grants and contributions	72,990	95,104	520,714	1,145,082	593,704	1,240,186
General revenues:					-	-
Taxes:					-	-
Property taxes	1,682,179	1,750,136	-	-	1,682,179	1,750,136
Local options sales tax	6,273,545	5,947,565	-	-	6,273,545	5,947,565
State shared taxes	755,981	1,029,124	-	-	755,981	1,029,124
Other taxes	1,096,342	1,024,713	-	-	1,096,342	1,024,713
Unrestricted investment earnings	203,954	106,272	153,088	69,153	357,042	175,425
Gain (loss) on sale of capital assets	(5,282)	195,143	-	-	(5,282)	195,143
Total revenues	13,983,778	11,183,514	6,704,242	6,668,730	20,688,020	17,852,244
EXPENSES						
Governmental activities:						
General government	3,047,111	2,409,923	-	-	3,047,111	2,409,923
Public safety	3,973,535	3,854,000	-	-	3,973,535	3,854,000
Highways and streets	1,421,950	1,238,765	-	-	1,421,950	1,238,765
Sanitation	334,538	295,999	-	-	334,538	295,999
Leisure and culture	1,015,666	969,148	-	-	1,015,666	969,148
Airport	172,048	170,938	-	-	172,048	170,938
Industrial development	15,411	9,978	-	-	15,411	9,978
Tourism development	72,284	-	-	-	-	-
Cemeteries	26,227	86,328	-	-	26,227	86,328
Interest on long-term debt	13,008	26,850	-	-	13,008	26,850
Business-type activities:					-	-
Water and sewer	-	-	5,477,863	5,022,271	5,477,863	5,022,271
Total expenses	10,091,778	9,061,929	5,477,863	5,022,271	15,569,641	14,084,200
Excess (deficiency) before special item and transfers	3,892,000	2,121,585	1,226,379	1,646,459	5,118,379	3,768,044
Impairment loss on water plant		-		(1,063,297)	-	(1,063,297)
Transfers in (out)	55,266	48,542	(55,266)	(48,542)	-	-
Increase (decrease) in net assets	3,947,266	2,170,127	1,171,113	534,620	5,118,379	2,704,747

Governmental Activities

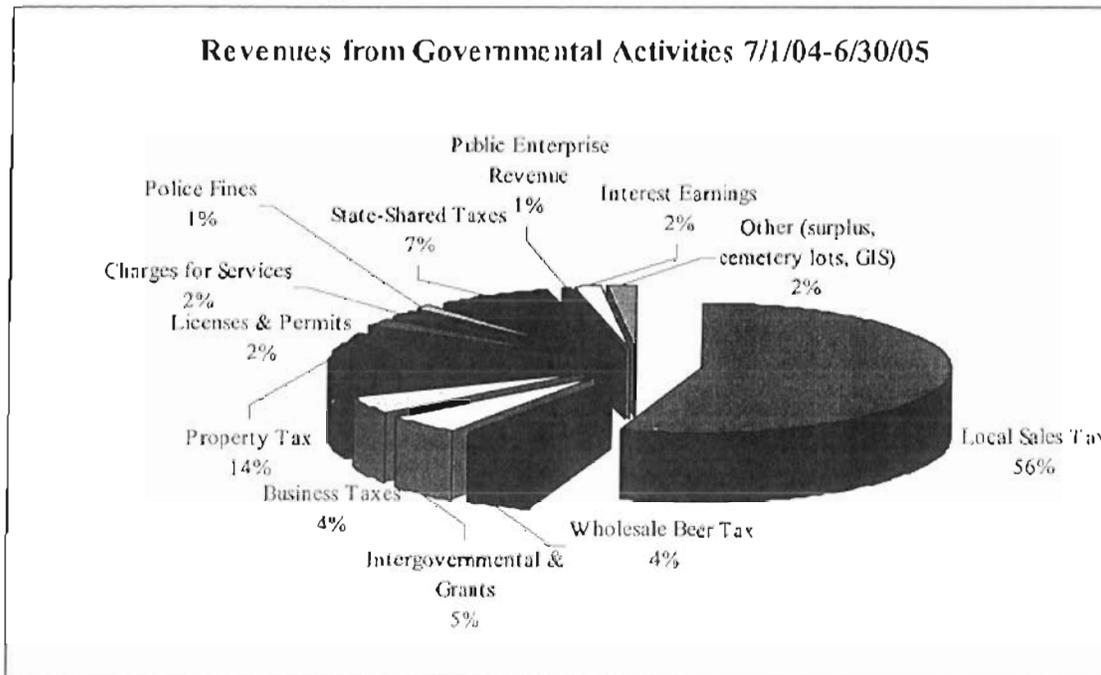
In comparison to last year, revenues for the City's governmental activities increased 25% while total expenses increased 11.3%. The street and leisure and cultural departments had the biggest increase in expenses, compared to last year, due to capital outlay. Property tax revenues decreased 4%; however, local sales tax collections increased 5% over the previous year, with some months of record high collections. Building permits almost doubled in collection, with all permits and licenses increasing 68%, which proves the significant growth in the area.

Additional information may be needed to understand the Statement of Activities. The format is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues and departments reported for major functions are:

Public safety	Revenues include Federal grants for vests, State education grants, TEMA disaster relief grants, State operating grants, and city court fines. Departmental expenses include police, fire, auxiliary police, public safety building, animal control, Drug Fund, and Block Grant Fund.
General government	Revenues include licenses and permits, franchise fees, interest earnings, sale of property, GIS contributions, public works transfers from the water and sewer fund to share costs, and insurance recoveries. Departmental expenses include administrative costs, City Hall, central staff, city court, legislative, codes administration, public works building, maintenance department, tree board, engineering, and planning and zoning.
Tourism	Revenues include proceeds and sponsorships for local and regional golf tournaments. Department expenses include advertisements, travel guides, tourism video, maps, Chamber of Commerce publications, and golf tournament sponsorships promoting the City of Crossville as the Golf Capitol of Tennessee.

Cemetery	Revenues are from the sale of cemetery lots in the Crossville City Cemetery. Expenses are for labor, equipment, and materials in maintaining the grounds.
Leisure and cultural resources	Revenues include concessions stand operations, tournament fees, Palace Theatre souvenirs, Meadow Park Lake fishing derby sponsors, Palace Theatre donations, State Arts Commission grants, and private donations for the construction of the horseshoe pit area. Departmental expenses include operations of the Centennial Park, Garrison Park, Meadow Park Lake, and the Palace Theatre.
Streets	Includes all street operations. During the last fiscal year, the Street Department received revenue from servicing Cumberland County's traffic signals.
Airport	Revenues include State grants for maintenance, FBO operating revenue, hangar rentals, and miscellaneous revenues for FAA rent, charts, and maps.
Industrial development	Revenues include a State TIIP Grant, contributions from Granitifiandre/Stone Peak Ceramics, and interest earnings on specially designated funds. The original source of revenue was a UDAG Grant for industrial development.
Sanitation	Revenues include refuse disposal charges and sale of garbage container. The General Fund transfers money for all other operations.

All other governmental revenues are reported as general. It is important to note that all taxes, except for business taxes and licenses and state shared gasoline taxes, are classified as general revenue even if restricted for a specific purpose. The following graph summarizes revenues for the governmental activities.



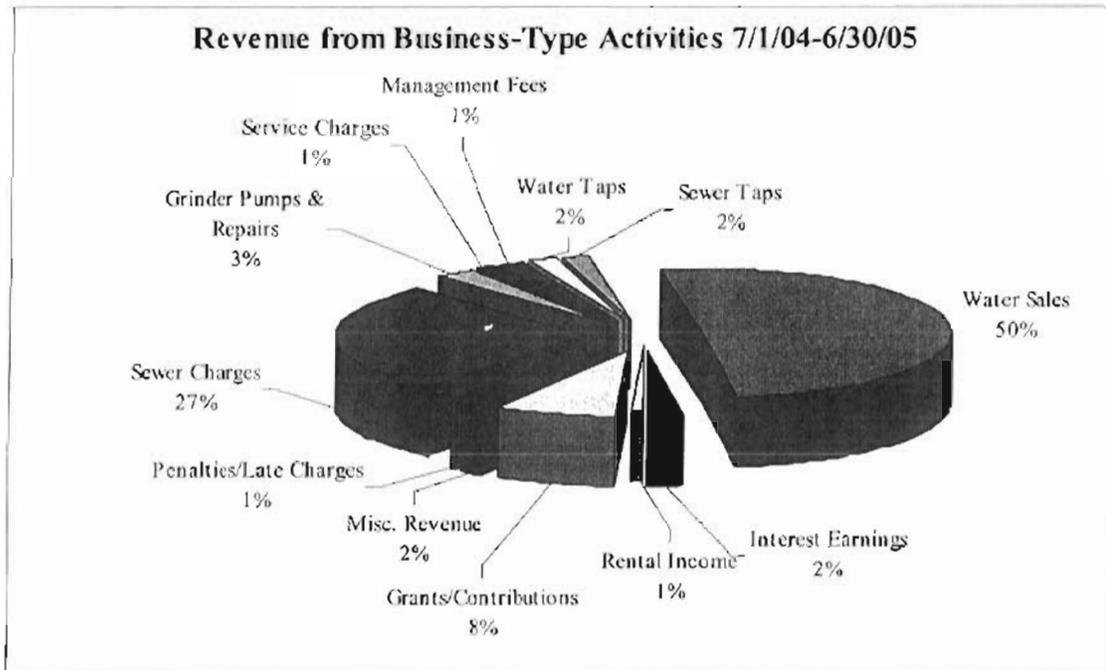
Business-Type Activities

Revenues of the City's business-type activities increased by \$35,512, which is less than 1%. The main reason for the slight overall increase is connected to prior year grant revenues; however, some of the other operational revenues increased by more percentages. Expenses decreased 9%, mainly due to last year's impairment loss for the decreased value of the former Meadow Park Lake Plant. Other factors driving these results include:

- In 2004, the City received over \$1.1 Million in outside grants and contributions for water and sewer lines. In comparison, the fund received \$520,714 in value of contributed water and sewer lines during the current year.
- Interest earnings more than doubled, with only \$69,153 earned in 2004 and \$153,088 in 2005.
- Water tap fees increased 95%, up to \$135,104 in 2005 from \$69,200 in 2004. This was due to some large new commercial and residential developments.
- Sewer service charges increased 6% and water sales increased 7% over the prior year.
- Depreciation expense for water assets increased by over \$146,000 due to the completion of the large capital projects.
- Interest expense increased over \$87,000 due to loan payments connected to completed projects.

- The City managed the Catoosa Utility District between April 1, 2005-June 30, 2005. This resulted in \$100,664 in management revenues and \$154,560 in expenses.

The following graph summarizes the revenue sources for the business-type activities.



THE CITY'S FUNDS

At the close of the City's fiscal year on June 30, 2005, the governmental funds of the City reported a combined fund balance of \$11,898,155. This ending balance includes an increase in fund balance of \$1,736,823 in the City's General Fund. In addition, these other changes in fund balances should be noted:

- The City received \$282,910 in State of Tennessee Street Aid funding and only spent \$201,829. This ultimately led to an increase in the fund balance of \$81,081, which left an ending fund balance of \$566,776.
- The Industrial Development Fund decreased \$326,163, with an ending balance of \$423,328. The main reason for the decrease is related to a repurchase of a spec building in the industrial park.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. The significant amendments can be categorized as follows:

1. Emergency in nature The former train depot meeting room suffered damage from a fire. A police vehicle was stolen and burned beyond repair. As a result of both incidents, the budget was amended to cover the repairs and/or replacement and insurance reimbursement.

2. Grant projects—The airport received a state grant for airport hangars. The budget was amended to accept the grant. The City amended the budget to donate the water and sewer infrastructure construction costs to the Cumberland County Youth Center's gymnasium. The City received a private donation to cover the cost of a new horseshoe pit area at the Centennial Park.
3. Increases to prevent budget overrun—Worker's compensation, property, and liability insurance was higher than the amount originally budgeted. The insurance company pool is adjusted every three years for the State of Tennessee, which is the main reason for the increase. The City's staffing needs required the conversion of a part-time computer information technology employee to full-time status. As a result of the additional wage hours, the budget had to be amended. The City's bid results for the handicapped playground were larger than the original budgeted amount. The budget was amended to cover the additional, unexpected costs.
4. Carryover—A few budget items from 6/30/04 fiscal year end were not used, and the appropriations were funded in the 6/30/05 fiscal year through a budget amendment. The construction of a salt storage building, recreation department equipment, and remaining airport corporate sponsor funds were carried over into the 6/30/05 fiscal year.
5. Creation of the Tourism Development Department—During the year, the City decided to organize its tourism efforts into one centralized department. Most of the funds were already budgeted in administration and recreation departments. Budgeted funds were moved between the existing departments to create the new Tourism Development Department. The City also updated its tourism video, and funds were not originally included in the 6/30/05 budget for the update.
6. Operating/managerial agreement with the Catoosa Utility District—The City entered into an operating agreement which was the first step in an eventual merger between the City of Crossville and Catoosa Utility District. The enterprise fund budget was amended to cover the revenues and expenses connected to the managerial agreement.

Even with these adjustments, the actual charges to expenditures were \$1.8 Million below the final budget amounts for the General Fund and \$835,761 Million below final budget amounts for the Water and Sewer Enterprise Fund. The most significant favorable variances occurred in the General Fund's transfer to Capital Projects (\$616,576), Street Department (\$207,728), and the Municipal Airport (\$179,380). Street traffic signal and lighting projects were not completed by 6/30/05, and the expenses were carried over into the following year's budget. The airport is in the process of obtaining grant funding that will also be expensed in future years. The enterprise fund's interest expense was significantly less than budget due to variable rates that were lower than the budget, and depreciation expense was also lower than originally budgeted due to a later project completion time.

On the other hand, actual revenues were \$228,734 above the final budgeted amount in the General Fund, mainly due to interest earnings, building permits, and local sales tax increases. The budgeted operating revenues and expenses were consistent with that of

prior years, with expenses being well below the budgeted figures. As noted above, revenue budgets were conservative in comparison to actual receipts which also led to increased fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/2005, the City had \$62.8 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, water and sewer lines. This represents a net increase (including additions and deductions) of 2.9% over last year.

	Capital Assets at Year-End (In Millions)					
	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	2.45	2.25	0.29	0.29	2.75	2.54
Water and Sewer Treatment and Distribution Plant	-	-	54.54	53.84	54.54	53.84
Buildings & Improvements	12.93	12.34	-	-	12.93	12.34
Machinery & Equipment	4.33	4.33	2.60	2.47	6.93	6.80
Infrastructure	12.10	9.95	-	-	12.10	9.95
Construction In Progress Less Accumulated Depreciation	0.16	0.05	0.88	0.64	1.04	0.68
	(8.50)	(7.69)	(18.97)	(17.41)	(27.47)	(25.10)
Net	23.47	21.21	39.35	39.84	62.82	61.05

This year's major additions include over \$2.1 Million for street infrastructure, mostly through developers' contributions, annexations, and some completed projects through the Tennessee Department of Transportation. For the business-type activities, over \$700,000 was added for water and sewer lines, several of which were donated by developers as well. A new project, the raising of the Meadow Park Lake Dam, also added over \$400,000 to construction in progress.

Debt

At year-end, the City had \$18.97 Million in bonds and notes outstanding versus \$19.1 Million last year – a decrease of 1% as shown below.

	Outstanding Debt at Year-End					
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation bonds (backed by the City)	307,745	296,765	5,361,970	5,866,270	5,669,715	6,163,035
Revenue bonds and notes (backed by specific tax and fee revenues)	978,000	-	12,324,070	13,021,447	13,302,070	13,021,447
Totals	1,285,745	296,765	17,686,040	18,887,717	18,971,785	19,184,482

New debt of \$138,201 resulted from finishing the construction of the Meadow Park Lake Water Plant and the Southern Distribution Water Line from Meadow Park Lake to the Homestead area in the business-type activities. In the governmental activities, the City of Crossville took out a \$1 Million loan from the Tennessee Municipal Bond Fund on behalf of the Cumberland County E-911. An interlocal agreement was signed between the City of Crossville, Cumberland County, and Cumberland County E-911, which obligates the Cumberland County E-911 to repay the debt. This agreement is reflected in the Government-Wide Statement of Net Assets as outstanding debt to the Tennessee Municipal Bond Fund and as a receivable from Cumberland County E-911.

During the year, the City of Crossville received an updated bond rating. Moody's Investors Service upgraded the City's bond rating to A3 from Baa1. According to Moody's, the "upgrade to A3 is based on the city's strong financial position, characterized by strong reserves, a doubling of its property values over the past ten years, significant population gains and improving wealth levels."

The City also approved the establishment of a public building authority which was used to refinance debt of the Catoosa Utility District in order to facilitate the merger with the district as well as aid future qualifying entities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The new General Fund Budget effective July 1, 2005 maintained the same tax rate as the fiscal year ended June 30, 2005. Since the last sales tax increase in 1999, the City has had an average growth rate, excluding the rate increase, of 16% in comparison to the 1998 level of sales. This sales tax trend has prevented property tax rate increases. For the second year in a row, the State of Tennessee also restored some of the past tax cuts, by raising state shared taxes overall by approximately 5%. This restoration of taxes will bring approximately \$47,055 more in revenue from the State of Tennessee annually.

Some of the significant capital asset items budgeted for next year include \$325,000 for improvements to the Public Safety Building, \$200,000 for five fully-equipped police vehicles, \$378,000 for a fully-equipped fire engine, \$450,000 for the Tulip Drive Extension, \$400,000 for the Holiday Hills bridge repair, and \$667,000 on other street related capital projects. Grants and specially designated state funding will offset some of these large expenses.

As mentioned above the Crossville Water and Sewer Fund is preparing for a merger with the Catoosa Utility District. The City of Crossville is merging by annexation of water territory and infrastructure of the Catoosa Utility District, effective October 1, 2005. The City will absorb all of the District's employees, assets, debt, and over 3,800 customers. As a result of the merger, the former Catoosa customers will experience rate savings and the City of Crossville will absorb over \$4.8 Million in Net Assets. All of the existing and newly merged City customer water rates are budgeted for the same rates as the previous fiscal year. Major capital additions planned for this fund are: \$436,000 for Water Tank Hill and Miller Avenue waterline rehabilitation, \$600,000 for the Holiday Hills Dam Overflow correction, \$770,000 for raising the dam at Meadow Park Lake and \$400,000 for wastewater improvements. Loans and grants from state and federal agencies, as well as savings, will fund construction costs. Some of these projects will be finished within the fiscal year while others will progress into the next few fiscal years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's integrity and accountability. If you have questions about these financial statements or need additional information, contact the Finance Department at 99 Municipal Avenue, Crossville, Tennessee.


Jack E. Miller, PHD
City Manager


Amanda Dodson Houston, CPA
Finance Director

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

City of Crossville, Tennessee
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,988,748	\$ 6,067,704	\$ 17,056,452
Investments	0	421,738	421,738
Receivables (net)	4,673,734	807,510	5,481,244
Inventories	110,551	163,912	274,463
Deferred financing costs	0	45,070	45,070
Restricted cash and cash equivalents	58,292	215,473	273,765
Capital assets			
Land & construction in progress	2,296,901	1,176,209	3,473,110
Other capital assets, net of depreciation	<u>21,169,378</u>	<u>38,176,572</u>	<u>59,345,950</u>
Total capital assets	<u>23,466,279</u>	<u>39,352,781</u>	<u>62,819,060</u>
Total assets	<u>39,297,604</u>	<u>47,074,188</u>	<u>86,371,792</u>
LIABILITIES			
Accounts payable & accrued expenses	1,170,461	424,740	1,595,201
Deferred revenue	1,704,719	0	1,704,719
Long-term liabilities			
Due within one year	64,000	1,365,484	1,429,484
Due in more than one year	<u>1,221,745</u>	<u>16,320,556</u>	<u>17,542,301</u>
Total liabilities	<u>4,160,925</u>	<u>18,110,780</u>	<u>22,271,705</u>
NET ASSETS			
Investment in capital assets, net of related debt	23,366,279	21,666,741	45,033,020
Restricted	0	617,639	617,639
Unrestricted	<u>11,770,400</u>	<u>6,679,028</u>	<u>18,449,428</u>
Total net assets	<u>\$ 35,136,679</u>	<u>\$ 28,963,408</u>	<u>\$ 64,100,087</u>

The notes to the basic financial statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
0	\$ (49,890)	\$ 0	\$ (49,890)
0	(3,764,340)	0	(3,764,340)
0	(1,110,050)	0	(1,110,050)
0	(334,538)	0	(334,538)
0	(836,396)	0	(836,396)
0	(86,780)	0	(86,780)
12,990	153,820	0	153,820
0	(72,284)	0	(72,284)
0	(1,253)	0	(1,253)
0	(13,008)	0	(13,008)
<u>72,990</u>	<u>(6,114,719)</u>	<u>0</u>	<u>(6,114,719)</u>
<u>520,714</u>	<u>0</u>	<u>1,073,291</u>	<u>1,073,291</u>
<u>520,714</u>	<u>0</u>	<u>1,073,291</u>	<u>1,073,291</u>
<u>\$ 593,704</u>			
	1,682,179	0	1,682,179
	6,273,545	0	6,273,545
	755,981	0	755,981
	457,685	0	457,685
	487,987	0	487,987
	150,670	0	150,670
	203,954	153,088	357,042
	(5,282)		(5,282)
	<u>55,266</u>	<u>(55,266)</u>	<u>-</u>
	<u>10,061,985</u>	<u>97,822</u>	<u>10,159,807</u>
	3,947,266	1,171,113	5,118,379
	31,338,913	27,792,295	59,131,208
	<u>(149,500)</u>	<u>0</u>	<u>(149,500)</u>
	<u>\$ 35,136,679</u>	<u>\$ 28,963,408</u>	<u>\$ 64,100,087</u>

The notes to the basic financial statements are an integral part of this statement.

Fund Financial Statements

City of Crossville, Tennessee
BALANCE SHEET
 Governmental Funds
 June 30, 2005

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 9,363,021	\$ 795,830	\$ 829,897	\$ 10,988,748
Cash - restricted	19,917	0	38,375	58,292
Receivables, net of allowance for uncollectible				
Property taxes	1,720,144	0	0	1,720,144
Accounts	96,398	0	96,241	192,639
Grants	247,511	0	72,990	320,501
Notes	4,685	0	0	4,685
Due from other governments	1,410,775	0	46,990	1,457,765
Inventories	109,577	0	974	110,551
TOTAL ASSETS	\$ 12,972,028	\$ 795,830	\$ 1,085,467	\$ 14,853,325
LIABILITIES & FUND BALANCES				
Liabilities				
Accounts payable	\$ 265,186	\$ 795,830	\$ 5,792	1,066,808
Customer deposits	440	0	0	440
Accrued expenses	103,213	0	0	103,213
Deferred tax revenues	1,784,709	0	0	1,784,709
Total liabilities	2,153,548	795,830	5,792	2,955,170
Fund balances				
Unreserved	10,818,480	0	0	10,818,480
Unreserved, reported in nonmajor				
Special revenue funds	0	0	1,079,675	1,079,675
Total fund balances	10,818,480	0	1,079,675	11,898,155
TOTAL LIABILITIES & FUND BALANCES	\$ 12,972,028	\$ 795,830	\$ 1,085,467	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				23,466,279
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.				1,057,990
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(1,285,745)
Net assets of governmental activities				\$ 35,136,679

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2005

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Local taxes	\$ 9,021,075	\$ 0	\$ 0	\$ 9,021,075
Licenses and permits	229,755	0	0	229,755
Intergovernmental revenue	777,578	0	272,303	1,049,881
Interest income	183,240	0	20,714	203,954
Fines and forfeits	128,601	0	17,704	146,305
Charges and services	224,751	0	96,241	320,992
Public enterprise revenue	0	0	36,750	36,750
Grants	328,346	0	72,990	401,336
Donations	31,900	0	0	31,900
Miscellaneous	361,499	0	250	361,749
Total Revenue	<u>11,286,745</u>	<u>0</u>	<u>516,952</u>	<u>11,803,697</u>
EXPENDITURES				
Current				
General government	2,926,610	0	0	2,926,610
Public safety	3,909,701	0	23,332	3,933,033
Street	1,005,248	0	172,105	1,177,353
Sanitation	0	0	333,043	333,043
Leisure and culture	956,244	0	0	956,244
Airport	70,641	0	0	70,641
Industrial development	0	0	6,937	6,937
Tourism development	72,284	0	0	72,284
Cemeteries	42,511	0	0	42,511
Debt service				
Principal retirement	47,000	0	0	47,000
Interest charges	13,008	0	13,008	26,016
Capital outlay - facilities acquisition and construction				
	<u>0</u>	<u>78,424</u>	<u>526,627</u>	<u>605,051</u>
Total expenditures	<u>9,043,247</u>	<u>78,424</u>	<u>1,075,052</u>	<u>10,196,723</u>
EXCESS (DEFICIENCY) REVENUE OVER EXPENDITURES	<u>2,243,498</u>	<u>(78,424)</u>	<u>(558,100)</u>	<u>1,606,974</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	76,544	78,424	334,017	488,985
Operating transfers (out)	(433,719)	0	0	(433,719)
Total other financial sources (uses)	<u>(357,175)</u>	<u>78,424</u>	<u>334,017</u>	<u>55,266</u>
EXCESS (DEFICIENCY) REVENUE & OTHER SOURCES OVER EXPENDITURES & OTHER USES	1,886,323	0	(224,083)	1,662,240
FUND BALANCES, beginning of year	9,081,657	0	1,290,751	10,372,408
Prior period adjustment	(149,500)	0	0	(149,500)
FUND BALANCES, end of year	<u>\$ 10,818,480</u>	<u>\$ 0</u>	<u>\$ 1,066,668</u>	<u>\$ 11,885,148</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL ACTIVITIES**
For the Year Ended June 30, 2005

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS	\$ 1,675,247
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,137,205) exceeded depreciation (\$1,056,287) in the current period.	80,918
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	2,171,090
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,008,991
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(953,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(35,980)</u>
Change in net assets of governmental activities	<u>\$ 3,947,268</u>

City of Crossville, Tennessee
STATEMENT OF NET ASSETS
 Proprietary Funds
 June 30, 2005

	<u>Enterprise Funds</u>
	<u>Water & Sewer</u>
ASSETS	
Current assets	
Cash	\$ 6,067,704
Investments	421,738
Accounts receivable, net of allowance for doubtful accounts	789,324
Inventories of materials	163,912
Total current assets	<u>7,442,678</u>
Noncurrent assets	
Restricted cash	215,473
Capital assets	
Land	294,010
Plant in service	53,655,298
Construction in progress	882,199
Machinery and equipment	3,491,262
Less accumulated depreciation	(18,969,988)
Deferred financing cost	45,070
Special assessment receivable	18,186
Total other assets	<u>39,631,510</u>
Total assets	<u>47,074,188</u>
LIABILITIES	
Current liabilities	
Accounts payable	332,134
Accrued liabilities	92,606
Current portion of notes/bond payable	1,365,484
Total current liabilities	<u>1,790,224</u>
Noncurrent liabilities	
Notes and bonds payable, less current portion	<u>16,320,556</u>
Total noncurrent liabilities	<u>16,320,556</u>
Total liabilities	<u>18,110,780</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,666,741
Restricted for debt service	617,639
Unrestricted	6,679,028
Total net assets	<u>\$ 28,963,408</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 Proprietary Fund
 For the Year Ended June 30, 2005

	<u>Enterprise Funds</u>
	<u>Water & Sewer</u>
OPERATING REVENUE	
Charges for services	\$ 6,030,440
Total operating revenue	6,030,440
OPERATING EXPENSES	
Personnel services	1,275,146
Repair and maintenance	61,246
Materials and supplies	393,393
Contractual services	1,490,140
Other	118,193
Depreciation and amortization	1,650,543
Total operating expenses	4,988,661
OPERATING INCOME (LOSS)	1,041,779
NONOPERATING REVENUE (EXPENSES)	
Interest expense	(489,202)
Interest income	153,088
Total nonoperating revenue (expenses)	(336,114)
INCOME (LOSS) BEFORE OTHER REVENUES, SPECIAL ITEMS AND TRANSFERS	705,665
Contributions in aid of construction	520,714
Net transfers	(58,266)
CHANGE IN NET ASSETS	1,171,113
Total Net Assets--beginning of year	27,792,295
Total Net Assets--end of year	\$ 28,963,408

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
STATEMENT OF CASH FLOWS
Proprietary Fund
For the Year Ended June 30, 2005

Enterprise Funds

Water & Sewer

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,012,861
Payments to suppliers	(2,150,794)
Payments to employees	(1,275,146)
Other receipts (payments)	(87,033)
Net cash provided by operating activities	<u>2,499,888</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	138,201
Principal paid on capital debt	(1,339,877)
Interest paid on capital debt	(489,202)
Purchases of capital assets	(1,079,391)
Contributions in aid of construction	520,714
Other receipts (payments)	19,170
Net cash provided (used) by capital and financing activities	<u>(2,230,385)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer to General Fund, net	(55,266)
Net cash (used) by noncapital financing activities	<u>(55,266)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	153,088
Net cash provided (used) by investing activities	<u>153,088</u>
NET INCREASE (DECREASE) IN CASH	367,325
CASH AND RESTRICTED CASH, beginning of year	<u>5,915,852</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 6,283,177</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,041,779
Adjustments to reconcile operating income to net cash provided	
by operating activities:	
Depreciation expense	1,563,510
Change in assets and liabilities	
Receivables, net	(17,579)
Inventories	(9,678)
Accounts and other payables	(98,816)
Accrued expenses	20,672
Net cash provided by operating activities	<u>\$ 2,499,888</u>

The notes to the basic financial statements are an integral part of this statement

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Crossville (the "City") is a municipal corporation, incorporated under the laws of the State of Tennessee in 1901. The City is organized as a Mayor/Council form of government. The Mayor and Council are elected to four-year terms. The Council appoints the City Manager; other positions of management are appointed by the City Manager.

Reporting Entity

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Crossville, this includes various services including police and fire protection, animal control, recreation (including parks, Meadow Park Lake, and the Palace Theatre), planning and zoning, street maintenance and repair, sanitation, water and sewer services, and general administrative services. The operation of each of these activities is directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City has no component units.

Related Organizations

The City's officials are responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond the appointments.

The following are related organizations, which have not been included in the reporting entity:

Crossville Housing Authority—The Board of the Authority is appointed by the Mayor, but the City provides no funding and has no obligation for the debt issued by the Authority. The City has no means to impose will upon the operations of the Authority.

Public Building Authority of City of Crossville, Tennessee—The Board of the Authority is appointed by City Council, but the City provides no funding and has no obligation for the debt issued by the Authority. The City has no means to impose will upon the operations of the Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Crossville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989 to its business-type activities or enterprise funds. The most significant of the City's accounting policies are described below:

A. BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements—The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements—During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. FUND ACCOUNTING

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds:

Governmental Funds—Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund—The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund is available to the City for any purpose provided it is expended or transferred according to the general laws of Tennessee.

Capital Projects Fund—The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds—Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

Water and Sewer Fund—The water and sewer fund is used to account for the revenues generated from the charges for the distribution of water and for sanitary sewer services provided to the residential and commercial users of the City.

Fiduciary Funds—Fiduciary fund reporting focuses on net assets and changes in net assets. The City has no fiduciary funds.

C. MEASUREMENT FOCUS

Government-wide Financial Statements—The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements—All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about the City finances and meets the cash flow needs of its proprietary activities.

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

Revenues—Exchange and Non-exchange Transactions—Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City received value without directly giving equal value in return, includes income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer earns income. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a non-exchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income taxes, hotel taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees, and rentals.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

Deferred Revenue—Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, 2005, but which were levied to finance year 2006 operations, have been reported as deferred revenue. Grants and entitlements received before the eligibility requirements were met also have been reported as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period also have been reflected as deferred revenue.

Expenses/Expenditures—On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Grant Policy—Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

E. BUDGET PROCESS

The City charter established the fiscal year as a twelve-month period beginning July 1. The departments submit to the Finance Director and the City Manager a budget of estimated expenditures for the ensuing fiscal year, after which the budget of estimated expenditures and revenues is submitted to the City Council by May 15.

Upon receipt of the budget estimates, the Council holds a public hearing on the proposed budget to obtain taxpayer comments

Prior to June 30, the budget is legally enacted through passage of an ordinance.

The City Manager is authorized to transfer budgeted amounts between line items within any department; however, any revisions that alter the total appropriations of any department or fund must be approved by City Council.

Budgeted amounts are as originally adopted or as amended by the City Council.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

The Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual presents a comparison of budgetary data to actual results. The funds of the City utilize the same basis of accounting for both budgetary purposes and actual results. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

F. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records.

The City has segregated cash accounts for various amounts that are invested with the State of Tennessee in the Local Government Investment Pool (LGIP). During the fiscal year ended June 30, 2005, investments were limited to deposits with the State of Tennessee in the Local Government Investment Pool. The pool's investments are reported at fair value at June 30, 2005 based on market prices. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash and cash equivalents because the LGIP is sufficiently liquid to permit withdrawal of cash at any time with prior notice or penalty.

G. INVENTORY

Inventory consists of expendable supplies held for consumption.

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is reported as an expenditure in the governmental fund types when used, and inventories of the proprietary funds are expensed when used.

H. ACCRUED UNBILLED REVENUE

During the year, customer water meters are read and bills rendered throughout monthly periods. Because not every meter is read on the same date, revenue for water distributed but not yet billed is accrued at fiscal year-end to match revenues with related expenses. At June 30, 2005, accrued unbilled revenues were \$260,665.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. RESTRICTED ASSETS

Restricted assets are liquid assets (generated from revenues and not bond proceeds) that have third party (statutory, bond covenant, or granting agency) limitations on their use. The restricted assets in the enterprise fund represent cash and cash equivalents and investments set aside for bond interest and sinking funds.

<u>Governmental Activities</u>	<u>Amount</u>
Restricted for specific uses	\$ 58,292
<u>Business-Type Activities</u>	
Restricted for bond interest and sinking funds	<u>215,473</u>
Total government-wide restricted assets	<u>\$ 273,765</u>

J. CAPITAL ASSETS

General capital assets are capital assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The City maintains a capitalization threshold ranging from \$5,000 for land, buildings, equipment, and improvements to \$20,000 for streetlights, traffic signals, and drainage systems. The City's infrastructure consists of City streets, curbs and guttering, streetlights, traffic signals, drainage systems, and water and sewer systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvement and replacement. Depreciation is computed using the straight-line method over the following useful lives:

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20--40 years	20--40 years
Machinery and Equipment	3--10 years	3--10 years
Vehicles	5 years	5 years
Infrastructure	40 years	40 years

K. CAPITALIZATION OF INTEREST

In conformity with Financial Accounting Standards No. 34, "Capitalization of Interest Cost," the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During the fiscal year ended June 30, 2005, no interest costs were capitalized as fixed assets in the Water and Sewer Fund as part of the costs of constructing various projects. Total interest costs for the Water and Sewer fund amounted to approximately \$489,202.

L. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is reported as "compensated absences".

City policy provides for the accumulation of unused vacation days above those earned in the current year to a maximum accumulation of 240 hours. It also provides for the accumulation of sick days, which has no maximum limitation. When an employee accumulates over 240 hours of vacation, it is transferred to sick hours. No amounts of sick leave are vested in the event of employee termination. However, sick leave time is credited to service time upon retirement.

Amounts accrued at June 30, 2005 for compensated absences are not expected to be liquidated with expendable available financial resources, and accordingly, the liability is not reported on the governmental fund financial statements. The government-wide statement of net assets does include the liability for compensated absences.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

N. FUND BALANCE RESERVES

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure.

O. EQUITY CLASSIFICATIONS—NET ASSETS

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- 1) **Invested in capital assets, net of related debt**—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) **Restricted net assets**—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3) **Unrestricted net assets**—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

P. OPERATING REVENUES AND EXPENSES

Proprietary funds distinguish *operating revenues* and expenses from nonoperating items. Operating *revenues* and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Q. CONTRIBUTIONS OF CAPITAL

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction

R. INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported other financing sources/uses in governmental funds and after nonoperating revenue/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2005, the City has implemented GASB Statement No. 40 (GASB 40), "Deposit and Investment Risk Disclosures". GASB 40 established and modifies disclosure requirements related to investment and deposit risks. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Disclosures per GASB 40 are included Note 4.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

NOTE 4: DEPOSITS AND INVESTMENTS

Deposits—State statutes require that all deposits in financial institutions be fully collateralized by an amount equal to 105 percent of the face amount of uninsured deposits. The collateral must be

considered as category 1 for credit risk. The City's deposits were fully insured or collateralized as required by state statutes at June 30, 2005. At year-end, the carrying amount of the City's deposits was \$17,901,454 and the respective bank balances totaled \$18,420,001.

Deposits of \$17,123,936 were held in the State of Tennessee Local Government Investment Pool (LGIP): cash held in checking was covered by the Federal Depository Insurance Corporation (FDIC) for \$100,000; additionally the bank had assets pledged to the City with collateral at a value of \$2,000,000.

Cash on Hand—At year end; the City had \$2,058 in undeposited cash on hand, which is included on the balance sheet of the City as part of "Cash and cash equivalents".

Investment—At June 30, 2005, \$421,738 of funds were held in trust funds from the issue of a loan. Such funds will be withdrawn as needed for capital projects. These funds have been classified as investments, as they will be held typically longer than three months.

Cash and cash equivalents are all highly liquid investments with a maturity of three months or less when purchased.

Custodial Credit Risk—Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City does not have an investment policy, but adheres to the requirements of the State of Tennessee that 105% of deposits must be secured by collateral valued at market or par, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC).

NOTE 5: RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, intergovernmental taxes, and grants. Business-type activities report utilities as its major receivable. A long-term note receivable of \$978,000 is also included, which represents long-term debt to the Tennessee Municipal League Bond Fund as more detailed in Note 12.

Property Taxes—Property taxes include amounts levied against all real, public utilities, and also for industrial and commercial taxpayers on tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

2005 real property taxes are levied each July 1 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Public utility property	55% (Railroads 40%)
Industrial and commercial property	
Real	40%
Personal	30%
Residential property	25%

Taxes were levied at the rate of \$.70 per \$100. Payment may be made during the period from August 1 through November 30 and become delinquent on December 1 of each tax year. Current tax collections of \$1,640,193 for the fiscal year ended June 30, 2005 were approximately 97.12% of the tax levy for 2004 taxes.

Intergovernmental Receivables—A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Local option sales tax	\$ 1,137,459
State sales tax	101,422
Telecommunications sales tax	273
Gasoline taxes	50,573
Mixed drink tax	8,723
State income tax	<u>66,435</u>
Total Governmental Activities	<u>1,364,885</u>
<u>Business-Type Activities</u>	
Intergovernmental receivable	<u>0</u>
Total Intergovernmental Receivables	<u>\$ 1,364,885</u>

NOTE 6—RISK MANAGEMENT

The City of Crossville is exposed to various risks, general liability and property and casualty losses. The City has decided it is more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City participates in the TML Insurance Pool, which is a public entity risk pool established by the Tennessee Municipal League. The City pays an annual premium to TML for its general liability, property and casualty insurance coverage. The pool reinsures through commercial insurance companies.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

NOTE 7—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, is as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2005</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,249,449	\$ 219,549	\$ 15,900	\$ 2,453,098
Construction in progress	<u>47,452</u>	<u>293,188</u>	<u>180,876</u>	<u>159,764</u>
Total capital assets not being depreciated	<u>2,296,901</u>	<u>512,737</u>	<u>196,776</u>	<u>2,612,862</u>
Capital assets being depreciated				
Buildings	5,333,836	538,284	0	5,872,120
Machinery and equipment	4,327,183	255,830	257,155	4,325,858
Improvements other than bldgs	7,002,788	54,524	0	7,057,312
Infrastructure	<u>9,946,993</u>	<u>2,148,978</u>	<u>0</u>	<u>12,095,971</u>
Total capital assets being depreciated	<u>26,610,800</u>	<u>2,997,616</u>	<u>257,155</u>	<u>29,351,261</u>
Less accumulated depreciation				
Buildings	(1,175,774)	(139,498)	0	(1,315,272)
Machinery and equipment	(3,329,064)	(400,290)	(251,873)	(3,477,481)
Improvements other than bldgs	(820,450)	(179,035)	0	(999,485)
Infrastructure	<u>(2,368,142)</u>	<u>(337,464)</u>	<u>0</u>	<u>(2,705,606)</u>
Total accumulated depreciation	<u>(7,693,430)</u>	<u>(1,056,287)</u>	<u>(251,873)</u>	<u>(8,497,844)</u>
Net capital assets being depreciated	<u>18,917,370</u>	<u>1,941,329</u>	<u>5,282</u>	<u>20,853,417</u>
Governmental Activities Capital				
Assets, Net	<u>\$ 21,214,271</u>	<u>\$ 2,454,066</u>	<u>\$ 202,058</u>	<u>\$ 23,466,279</u>

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>
			<u>June 30, 2005</u>
Business-Type Activities			
Capital assets not being depreciated			
Land	\$ 294,010	\$ 0	\$ 0
Construction in progress	<u>636,873</u>	<u>524,540</u>	<u>279,214</u>
Total capital assets not being depreciated	<u>930,883</u>	<u>524,540</u>	<u>279,214</u>
Capital assets being depreciated			
Buildings and distribution lines	53,841,557	710,361	10,300
Machinery and equipment	<u>2,470,938</u>	<u>181,696</u>	<u>47,692</u>
Total capital assets being depreciated	<u>56,312,495</u>	<u>892,057</u>	<u>57,992</u>
Less accumulated depreciation			
Buildings and distribution lines	(15,660,256)	(1,421,605)	0
Machinery and equipment	<u>(1,746,222)</u>	<u>(185,354)</u>	<u>(43,449)</u>
Total accumulated depreciation	<u>(17,406,478)</u>	<u>(1,606,959)</u>	<u>(43,449)</u>
Net capital assets being depreciated	<u>38,906,017</u>	<u>(714,902)</u>	<u>14,543</u>
Business-Type Activities Capital Assets, Net	<u>\$ 39,836,900</u>	<u>\$ (190,362)</u>	<u>\$ 293,757</u>
			<u>\$ 39,352,781</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 176,677
Public safety	194,073
Streets	394,798
Cemeteries	4,994
Leisure and cultural	182,843
Airport	101,407
Sanitation	<u>1,495</u>
Total depreciation expense	<u>\$ 1,056,287</u>

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

Construction in progress for the City of Crossville consists of the following:

Governmental Activities:

	Total	Expended to	Remaining	
	<u>Project Cost</u>	<u>June 30, 2005</u>	<u>Costs</u>	<u>Source of Funds</u>
Horseshoe pits	\$ 70,000	\$ 39,811	\$ 30,189	Citizen donations and City funds
Public safety building imp.	325,000	9,833	315,167	City funds
GIS digital imagery mapping	67,940	30,700	37,240	City funds
Tulip Drive extension	450,000	24,500	425,500	State street aid funds
Centennial Pk playground eq.	<u>59,920</u>	<u>54,920</u>	<u>5,000</u>	City funds
Total Government Activities	<u>\$ 972,860</u>	<u>\$ 159,764</u>	<u>\$ 813,096</u>	

Business-Type Activities:

	Total	Expended to	Remaining	
	<u>Project Cost</u>	<u>June 30, 2005</u>	<u>Costs</u>	<u>Source of Funds</u>
127S utility relocation	\$ 686,000	\$ 9,993	\$ 676,007	City rehabilitation savings or State
I/I Wastewater improvements	400,000	7,800	392,200	City funds
MP Lake Containment Pond	15,000	12,010	2,990	City funds
Miller Ave utility relocation				
City match	348,339	314,590	33,749	City funds
Holiday Hills dam overflow	600,000	104,193	495,807	City funds
Meadow Park Lake				
Dam project	<u>10,000,000</u>	<u>433,613</u>	<u>9,566,387</u>	City funding preliminary, fed grants
Total Business-Type Act.	<u>\$ 12,049,339</u>	<u>\$ 882,199</u>	<u>\$ 11,167,140</u>	

NOTE 8: LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

As of June 30, 2005, the governmental long-term debt of the City of Crossville consisted of the following:

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

\$1,000,000 note dated 11/17/04, variable interest rate est. average 3.5% with principal ranging from \$22,000--\$66,000 annually	\$ 978,000
\$250,000 Capital outlay note, date 1/26/00, annual payment of \$25,000 with 0% interest.	100,000
Accrued compensated absences	<u>207,745</u>
Total Governmental Activities Debt	\$ 1,285,745

Business-Type Activities

As of June 30, 2005, the business-type long-term debt of the City of Crossville consisted of the following:

\$1,931,989 dated April 1, 1985, State of Tennessee bonds, monthly payments of \$14,224 through March 2014, average interest rate of 3.31%	\$ 1,157,475
\$4,713,500 General obligation loan dated February 25, 1999, interest payable monthly at variable rates, annual principal payments of \$154,340 - \$371,450 beginning May 25, 2001	3,860,670
\$2,550,000 General obligation refunding bonds, Series 1993, due in annual installments from \$30,000 - \$305,000 through 2006, interest at 3.0% - 5.45%	240,000
\$2,650,000 State of Tennessee loan dated May 5, 1992, monthly payments of \$14,224 at 2.64% interest through July 2014	1,377,151
\$4,200,000 General obligation loan dated June 26, 1996, interest payable monthly at variable rate, annual principal payment of \$229,700 - \$436,000 began May 1999	1,501,300
\$7,500,000 State of Tennessee loan, initial amounts drawn down of \$5,759,366 with \$1,740,634 available for one year; monthly payment of \$28,512 at 1.77% interest through March 2024	5,421,893

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

\$1,675,000 State of Tennessee loan, initial amounts drawn down of \$1,210,042 with \$464,958 available for one year; monthly Payments of \$5,822 at 1.47% interest through November 2024	1,162,960
\$575,000 State of Tennessee loan, initial rate of 1.47%--initial amount being drawn down, but loan not finalized; monthly payments of \$2,284 until February 2023	457,526
\$2,600,000 RUD loan dated November 12, 2003, monthly payments of \$11,518 at 4.25% interest through April 2042	2,531,479
Less: deferred amount on refunding	<u>(24,414)</u>
Total Business-Type Debt	<u>\$17,686,040</u>

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2005</u>	Due Within <u>One Year</u>
Governmental Activities:					
TML 2004 note	\$ 0	\$1,000,000	\$ 22,000	\$ 978,000	\$ 39,000
Gen Obligation Capital Outlay Note	125,000	0	25,000	100,000	25,000
Compensated absences	<u>171,765</u>	<u>35,980</u>	<u>0</u>	<u>207,745</u>	<u>0</u>
Total Governmental Activ.	<u>\$ 296,765</u>	<u>\$1,035,980</u>	<u>\$ 47,000</u>	<u>\$ 1,285,745</u>	<u>\$ 64,000</u>

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

	Balance			Balance	Amounts
	<u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2005</u>	<u>Due Within</u>
					<u>One Year</u>
Business-Type Activities:					
Gen Obligation loan					
1999 TMBF	\$ 4,048,270	\$ 0	\$ 187,600	\$ 3,860,670	\$ 196,990
Gen Obligation loan					
1996 TMBF	1,818,000	0	316,700	1,501,300	334,000
Tennessee Local					
Dev Authority loan	1,509,583	0	132,432	1,377,151	135,968
Tennessee Local					
Dev Authority loan	1,258,299	0	100,824	1,157,475	98,754
Series 1993 Refunding					
Bonds	495,000	0	255,000	240,000	240,000
SRF loan	5,578,151	91,006	247,264	5,421,893	253,991
RUD loan	2,586,018	0	54,539	2,531,479	31,232
SRF loan	437,521	37,125	17,120	457,526	20,820
SRF loan	<u>1,205,702</u>	<u>10,070</u>	<u>52,812</u>	<u>1,162,960</u>	<u>53,729</u>
Total Business-Type Act.	18,936,544	138,201	1,364,291	17,710,454	1,365,484
Less deferred amount					
on refunding	<u>(48,827)</u>	<u>0</u>	<u>(24,413)</u>	<u>(24,414)</u>	<u>(24,414)</u>
Net Business-Type					
Activities Debt	<u>\$18,887,717</u>	<u>\$ 138,201</u>	<u>\$1,339,878</u>	<u>\$ 17,686,040</u>	<u>\$ 1,341,070</u>

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2005 are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 64,000	\$ 34,230	\$ 1,365,484	\$ 585,197
2007	65,000	32,865	1,171,213	534,846
2008	66,000	31,465	1,219,062	495,839
2009	68,000	30,030	1,269,170	454,968
2010	44,000	28,525	958,523	412,152
2011 -- 2015	239,000	118,720	4,702,006	1,542,457
2016 -- 2020	278,000	74,235	3,658,703	821,366
2021 -- 2025	254,000	22,505	1,797,717	413,430
2026 -- 2030	0	0	397,830	293,250
2031 -- 2035	0	0	491,838	199,242
2036 -- 2040	0	0	608,060	83,021
2041 -- 2042	0	0	70,848	904
Less deferred amount on refunding	<u>0</u>	<u>0</u>	<u>(24,414)</u>	<u>0</u>
	<u>\$ 1,078,000</u>	<u>\$ 372,575</u>	<u>\$ 17,686,040</u>	<u>\$ 5,836,672</u>

NOTE 9—INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

<u>Transfers From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Sanitation fund	\$ 334,017	Residential garbage collection costs
General fund	Capital Projects fund	78,424	Construction costs for capital assets
General fund	Water & Sewer fund	21,278	Depreciation costs of public works
Water and Sewer fund	General fund	76,544	Public works costs allocation

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to segregate money for anticipated capital projects.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

NOTE 10—PENSION FUND

Plan Description

Employees of Crossville are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 17, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Crossville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Crossville has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Crossville is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2005 was 13.61% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Crossville is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2005, Crossville's annual pension cost of \$585,068 to TCRS was equal to Crossville's required and actual contributions. The required contribution was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

(b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Crossville's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003 was 12 years.

An actuarial valuation was performed as of July 1, 2003, which established contribution rates effective July 1, 2004.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$585,068	100.00%	\$ 0
June 30, 2004	\$467,761	100.00%	\$ 0
June 30, 2003	\$454,079	100.00%	\$ 0

NOTE 11: GARBAGE COLLECTION AND WASTEWATER TREATMENT CONTRACTS

The City executed a contract with Waste Industries of Tennessee, LLC doing business as Cumberland Waste Disposal on July 31, 2002 for a five-year period for the City's garbage collection. The rates for residential customers provide for one pickup per week. The prior contract had provided for commercial and residential pickups; with the new contract, commercial customers pay fees directly to the contractor. Annual garbage fees paid during the fiscal year ended June 30, 2005 for residential pickups were \$319,075.

On November 1, 1999, the City contracted with U.S. Filter for operation of wastewater and related treatment facilities, and to provide service for the collection system rehabilitation program for a period of five years. The annual expense for the year ended June 30, 2005 was \$179,606 for sewer rehabilitation and \$807,767 for wastewater facilities operations. The contract was renewed in November 2004 for an additional five-year period.

NOTE 12: OPERATING AGREEMENT AND MERGER OF WATER DISTRICT

On July 20, 2004, the City of Crossville, Tennessee and Catoosa Utility District of Cumberland and Fentress Counties, Tennessee entered into a consolidation agreement whereby they agreed to consolidate the District's System into the City's utility system as a separate department pursuant to TCA 7-82-202(f) by transferring all of the District's property and obligations to the City.

In accordance with the Act and the requirements of the Consolidation Agreement, the District submitted a petition for consolidation with the Utilities Management Review Board (UMRB) for its review and comment. The UMRB reviewed the Petition of Consolidation at its meeting on August 5, 2004 and issued favorable comments on the proposed consolidation, which were forwarded with

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

the original Petition for Consolidation to the Cumberland County Mayor in accordance with the Act. On October 29, 2004, the Cumberland County Mayor held a public hearing on the Petition for Consolidation in order to determine whether the public convenience and necessity required such consolidation pursuant to the requirements of the Act. On November 5, 2004, the Cumberland County Mayor issued an order denying the Petition for Consolidation. The District filed an appeal of the Mayor's order on November 15, 2004 in the Cumberland County Circuit Court pursuant to TCA 7-82-202 and the City has filed a motion to intervene, but the appeal has not yet gone to trial.

In order to immediately achieve certain operation efficiencies and lower rates for the District's customers, and to facilitate other benefits of consolidation for their respective utility customers, the City and District entered into an Interim Operating Agreement dated December 28, 2004.

The Operating Agreement, effective April 1, 2005, appointed the City as the District's Agent with authority to exercise all of the powers that can be lawfully delegated to the City and perform all of the duties of the District in connection with the operations of the District's entire water system and all of the District's operations.

Effective October 1, 2005, the City and District have approved the annexation and consolidation into the City of Crossville, Tennessee as a separate department of the City of Crossville.

NOTE 13: LOAN RECEIVABLE AND PAYABLE FOR E911 PROJECT

On November 17, 2004, the City closed a \$1,000,000 loan from the Tennessee Municipal League Bond Fund for the benefit of the Cumberland County Emergency Communications District. These funds were used by the District to construct a facility to house the 911 Call Center, the Crossville/Cumberland County Central Communications Center, the 911 Addressing Office, the Crossville/Cumberland County Emergency Management Office, and the Crossville, Cumberland County Emergency Operations Center. The District and Cumberland County have encumbered the property and the funds of the District to secure the indebtedness incurred by the City. Repayment of the loan is being made by the District over a 20-year period at a variable rate.

The government-wide balance sheet includes the loan receivable from the District at June 30, 2005 of \$978,000 and reflects the City's related liability to the Tennessee Municipal League Bond Fund of the same. Principal paid during the fiscal year of \$22,000 and interest and expenses paid of \$13,008 have been included in the financial statements by the City as operating grants and contributions and debt expenditures.

NOTE 13: RESTRICTIONS AND CONTINGENCIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the City's financial position.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

NOTE 14: OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits described in Note 10, the City provides post-employment benefit options for health care to eligible retirees, disabled employees, and their families. The benefits are provided in accordance with City ordinances and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, disability due to line of duty. The City funds the benefits on a pay-as-you-go basis. The City pays the cost of the health insurance premiums until they are eligible for Medicare benefits. During the fiscal year ended June 30, 2005, expenses of \$16,271 were recognized for post-employment benefits. There are 3 participants currently eligible. Expenses for post-retirement health care benefits are recognized as eligible employee claims are paid.

NOTE 15: OTHER COMMITMENTS

The State of Tennessee has a road project on Miller Avenue that required relocation of utility lines at an estimated cost to the City of \$348,339. These funds were transferred to a LGIP account during September 2001. Utility relocations are completed, but the project has not been closed out.

The City's commitment to purchase right of way and the relocation of all utilities for the Genesis Road expansion costs were originally estimated at \$1,414,500 but estimates have been raised to \$2,351,522. The State is providing approximately \$1,030,424 and the City will be responsible for all other costs. To date the city has expended \$1,450,876 for water and sewer line relocation. The City has deposited \$510,603 in an LGIP account for this purpose.

The City is still holding \$45,006 in retainage from Milbourn Construction for the construction of the Greenbriar sewer project.

Interchange lighting at I-40 and 127N was contracted on November 14, 2005 for \$170,276. The City has previously deposited \$55,000 into a LGIP account, and will owe an additional \$30,138. The State of Tennessee is providing 50% of the cost through a grant to the City.

The City has contracted with an engineering firm to perform preliminary work and a feasibility study, obtain permits, and do the necessary planning to raise the dam at Meadow Park Lake for \$620,370 to date. Total project costs are unknown at this time, but \$10 million is estimated for construction in progress projections.

The State of Tennessee is requiring the City to repair and improve the dam at Holiday Lake, along with repair to the bridge and enlarging the spillway. The costs for this project are estimated to be near \$1,000,000. Plans for the dam repair have been approved by the State. A 50% grant from TDOT is expected of \$200,000 for bridge improvements.

The City is holding retainage fees of \$40,000 from MPACT Construction Company for problems with retaining walls at the recreation parks additional fields. The money is escrowed at a local bank. Additionally, the bonding company has been contacted to request additional funds to pay for the correctional work.

City of Crossville, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

The City was awarded a \$500,000 CDBG grant and \$75,000 HPG for housing rehabilitation; approximately 75% of the grant funds have been utilized. The grant requires no local match, but grant funds are paid to the City after work has been performed as a reimbursement of approved costs.

A \$250,000 contract has been executed for road, water and sewer for an Iris Lane abutment project. Taxpayers will pay back 75% of the original estimated cost over a five-year period.

Extension of Tulip Drive has been contracted with Freitag Construction for \$323,095. Also, a contract for stream mitigation of \$66,500 is near completion with this contractor.

Contracts with various engineering firms have been executed totaling \$169,100 for several projects requiring studies, engineering and design. The costs for these projects are unknown at the present time, but two projects have estimated costs of \$725,000.

A joint project with TDOT to build the northwest connector is beginning, with a current commitment of \$264,000 by the City for engineering for Phase I and II of the project. Total cost has not been determined.

The City has agreed to annex Cumberland Mountain State Park and provide sanitary sewer services to the park. A grant of approximately \$950,000 will provide funding to extend sewer lines to the area, and the State of Tennessee will pay the costs of sewer within the park boundaries.

A fire pumper truck was ordered during the fiscal year at an estimated cost of \$353,000, which will be paid during the fall of 2005.

The City of Crossville, Tennessee has committed to pay \$112,000 to fund retirement costs for the employees brought into the plan from the merger of Catoosa Utility District.

NOTE 16: PRIOR PERIOD ADJUSTMENT

The City paid \$149,500 for roadwork and utility relocation in a prior year that had been recorded as construction in progress in the water and sewer fund. The general fund reimbursed the water and sewer fund for this expenditure, which had been properly recorded in capital assets.

NOTE 17: SUBSEQUENT EVENTS

The City bought back the speculative building at the buyer's cost during the 2005 fiscal year. In September 2005, the building was sold to another buyer for \$550,000.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

City of Crossville, Tennessee
SCHEDULE OF FUNDING PROGRESS - PENSION PLAN
(Dollar amounts in thousands)

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)
07/01/03	\$ 7,705	\$ 9,076	\$ 1,371	84.89%	\$ 4,100	33.44%
07/01/01	6,658	8,107	1,449	82.13%	3,508	41.31%
07/01/99	5,674	6,579	905	86.24%	3,026	29.91%

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
 General Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with
	Original	Final		Final Budget
				Fav. (Unfavorable)
REVENUE				
Taxes				
Property taxes	\$ 1,679,000	\$ 1,679,000	\$ 1,612,003	\$ (66,997)
Business taxes	425,000	425,000	457,685	32,685
Penalties and interest on taxes	18,000	18,000	31,912	13,912
Wholesale beer and liquor taxes	460,000	460,000	487,987	27,987
Payments in lieu of taxes	147,800	147,800	150,670	2,870
Local option sales taxes	5,700,000	5,700,000	6,273,545	573,545
Special tax assessments	7,273	7,273	7,273	0
Total taxes	8,437,073	8,437,073	9,021,075	584,002
Licenses and Permits				
Building, plumbing, and related p	102,000	102,000	214,745	112,745
Beer permits and other	19,500	19,500	15,010	(4,490)
Total licenses and permits	121,500	121,500	229,755	108,255
Intergovernmental Revenues				
State income tax	120,000	120,000	71,149	(48,851)
State beer and liquor tax	45,400	45,400	51,751	6,351
State sales tax	565,600	565,600	583,550	17,950
Excise taxes	27,000	27,000	47,906	20,906
City street and transportation	21,400	21,400	21,597	197
Grant revenue	823,000	973,000	328,346	(644,654)
Telecommunications tax	1,600	1,600	1,625	25
Total intergovernmental revenue	1,604,000	1,754,000	1,105,924	(648,076)
Interest	100,000	100,000	183,240	83,240
Fines and Forfeits				
City court fines and other	126,500	126,500	128,601	2,101
Charges for Services				
Clerk fees	5,000	5,000	4,705	(295)
Park and recreation charges	140,300	140,300	177,020	36,720
Traffic signal maintenance	0	0	18,000	18,000
Driver and safety school fees	26,000	26,000	25,026	(974)
Total charge for services	171,300	171,300	224,751	53,451

The notes to the basic financial statements are an integral part of this statement

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
General Fund
For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with
	Original	Final		Final Budget
				Fav. (Unfavorable)
Miscellaneous Revenue				
Cemetery revenue	20,000	20,000	24,974	4,974
Sale of land and equipment	3,250	3,250	21,660	18,410
Airport	84,900	84,900	79,296	(5,604)
Donations	4,700	29,700	31,900	2,200
Cable tv royalties	100,000	100,000	108,630	8,630
GIS revenue	7,500	7,500	12,723	5,223
Other miscellaneous	18,150	67,280	114,216	46,936
Total miscellaneous revenue	<u>238,500</u>	<u>312,630</u>	<u>393,399</u>	<u>80,769</u>
TOTAL REVENUE	<u>10,798,873</u>	<u>11,023,003</u>	<u>11,286,745</u>	<u>263,742</u>
 EXPENDITURES				
General government				
Legislative				
Personnel services	38,345	38,377	33,062	5,315
Contractual services	5,900	5,650	3,552	2,098
Materials & supplies	1,400	1,650	883	767
Total legislative	<u>45,645</u>	<u>45,677</u>	<u>37,497</u>	<u>8,180</u>
City court				
Personnel services	11,750	11,750	10,837	913
Contractual services	350	350	0	350
Materials & supplies	1,500	1,500	1,024	476
Total city court	<u>13,600</u>	<u>13,600</u>	<u>11,861</u>	<u>1,739</u>
Central staff				
Personnel services	557,850	558,524	546,274	12,250
Contractual services	38,750	38,750	32,559	6,191
Materials & supplies	16,090	16,090	27,310	(11,220)
Other services & charges	500	500	0	500
Capital outlay	36,500	36,500	13,908	22,592
Total central staff	<u>649,690</u>	<u>650,364</u>	<u>620,051</u>	<u>30,313</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 General Fund
 For the Year Ended June 30, 2005**

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav. (Unfavorable)
Engineering				
Personnel services	175,900	198,176	183,689	14,487
Contractual services	43,550	28,050	13,387	14,663
Materials & supplies	9,250	18,250	12,105	6,145
Other services & charges	1,000	1,000	135	865
Capital outlay	97,000	103,500	47,376	56,124
Total engineering	<u>326,700</u>	<u>348,976</u>	<u>256,692</u>	<u>92,284</u>
Planning & zoning				
Personnel services	1,350	1,450	1,364	86
Contractual services	9,200	9,200	8,801	399
Materials & supplies	1,500	1,400	247	1,153
Total planning & zoning	<u>12,050</u>	<u>12,050</u>	<u>10,412</u>	<u>1,638</u>
Municipal buildings				
Personnel services	32,424	32,803	30,518	2,285
Contractual services	61,500	59,900	37,404	22,496
Materials & supplies	4,400	5,400	4,345	1,055
Other services & charges	2,000	2,000	688	1,312
Capital outlay	10,000	10,600	10,525	75
Total municipal buildings	<u>110,324</u>	<u>110,703</u>	<u>83,480</u>	<u>27,223</u>
Maintenance				
Personnel services	513,100	531,777	522,774	9,003
Contractual services	60,600	56,492	38,729	17,763
Materials & supplies	76,350	73,500	70,943	2,557
Other services & charges	1,200	1,200	612	588
Capital outlay	55,500	48,758	41,595	7,163
Total maintenance	<u>706,750</u>	<u>711,727</u>	<u>674,653</u>	<u>37,074</u>
Administrative				
Personnel services	117,900	108,578	90,654	17,924
Contractual services	149,400	128,035	87,646	40,389
Materials & supplies	3,500	3,500	3,225	275
Other services & charges	140,500	175,310	173,176	2,134
Grants, contributions & other	527,300	507,150	438,493	68,657
Total administrative	<u>938,600</u>	<u>922,573</u>	<u>793,194</u>	<u>129,379</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
General Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav. (Unfavorable)
Tree board				
Personnel services	750	850	780	70
Materials & supplies	15,750	15,650	7,907	7,743
Total tree board	16,500	16,500	8,687	7,813
Nonprofit organizations				
Grants, contributions & other	188,152	209,952	200,732	9,220
Total nonprofit organizations				
Public works				
Personnel services	204,497	205,233	196,570	8,663
Contractual services	43,650	43,986	23,194	20,792
Materials & supplies	15,400	14,600	9,136	5,464
Other services & charges	2,200	2,200	451	1,749
Total public works	265,747	266,019	229,351	36,668
Total general government	3,273,758	3,308,141	2,926,610	381,531
Public safety				
Public safety building				
Personnel services	35,249	35,578	32,401	3,177
Contractual services	259,617	259,617	253,615	6,002
Materials & supplies	5,100	5,100	3,932	1,168
Other services & charges	1,500	1,500	706	794
Grants, contributions & other	8,500	8,500	8,500	0
Capital outlay	10,000	10,000	0	10,000
Total public safety building	319,966	320,295	299,154	21,141
Auxiliary police				
Personnel services	11,130	11,130	5,663	5,467
Contractual services	250	250	0	250
Materials & supplies	4,000	4,000	204	3,796
Total auxiliary police	15,380	15,380	5,867	9,513

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
 General Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav. (Unfavorable)
Police				
Personnel services	1,763,860	1,787,703	1,771,411	16,292
Contractual services	96,500	103,300	94,228	9,072
Materials & supplies	116,900	121,600	101,991	19,609
Other services & charges	3,800	3,800	1,606	2,194
Grants, contributions & other	2,000	200	200	0
Capital outlay	162,000	171,430	145,096	26,334
Total police	<u>2,145,060</u>	<u>2,188,033</u>	<u>2,114,532</u>	<u>73,501</u>
Fire				
Personnel services	1,048,320	1,055,846	1,028,410	27,436
Contractual services	126,283	133,333	115,006	18,327
Materials & supplies	96,000	101,550	110,930	(9,380)
Other services & charges	1,200	1,200	974	226
Grants, contributions & other	21,129	21,129	21,129	0
Capital outlay	47,400	42,275	8,475	33,800
Total fire	<u>1,340,332</u>	<u>1,355,333</u>	<u>1,284,924</u>	<u>70,409</u>
Codes administration				
Personnel services	160,572	162,205	129,066	33,139
Contractual services	7,400	7,400	4,021	3,379
Materials & supplies	11,250	11,095	3,965	7,130
Total codes administration	<u>179,222</u>	<u>180,700</u>	<u>137,052</u>	<u>43,648</u>
Animal control				
Personnel services	34,249	34,383	32,213	2,170
Contractual services	2,500	2,806	2,237	569
Materials & supplies	4,000	4,000	2,972	1,028
Other services & charges	200	100	0	100
Grants, contributions & other	30,750	30,750	30,750	0
Total animal control	<u>71,699</u>	<u>72,039</u>	<u>68,172</u>	<u>3,867</u>
Total public safety	<u>4,071,559</u>	<u>4,131,780</u>	<u>3,909,701</u>	<u>222,079</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 General Fund
 For the Year Ended June 30, 2005**

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav. (Unfavorable)
Highways and streets				
Personnel services	463,539	470,512	453,771	16,741
Contractual services	123,375	116,455	69,570	46,885
Materials & supplies	348,450	348,939	355,897	(6,958)
Other services & charges	6,000	6,000	5,531	469
Capital outlay	227,000	271,070	120,479	150,591
Total highways and streets	<u>1,168,364</u>	<u>1,212,976</u>	<u>1,005,248</u>	<u>207,728</u>
Cemeteries				
Personnel services	76,498	77,664	38,983	38,681
Contractual services	14,125	14,125	1,772	12,353
Materials & supplies	6,250	6,003	1,756	4,247
Grants, contributions & other:	1,000	1,000	0	1,000
Total cemeteries	<u>97,873</u>	<u>98,792</u>	<u>42,511</u>	<u>56,281</u>
Leisure and cultural				
Recreation parks				
Personnel services	318,965	317,799	285,288	32,511
Contractual services	177,850	168,486	146,821	21,665
Materials & supplies	102,700	110,100	116,194	(6,094)
Other services & charges	1,500	1,500	1,172	328
Grants, contributions & other	15,500	10,050	10,050	0
Capital outlay	83,500	147,214	108,730	38,484
Total recreation parks	<u>700,015</u>	<u>755,149</u>	<u>668,255</u>	<u>86,894</u>
Meadow Park Lake				
Personnel services	61,600	63,861	59,458	4,403
Contractual services	28,900	29,025	15,317	13,708
Materials & supplies	17,550	16,625	19,714	(3,089)
Capital outlay	14,650	13,758	9,250	4,508
Total Meadow Park Lake	<u>122,700</u>	<u>123,269</u>	<u>103,739</u>	<u>19,530</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
General Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav. (Unfavorable)
Palace Theatre				
Personnel services	69,448	68,459	65,667	2,792
Contractual services	85,700	83,470	73,790	9,680
Materials & supplies	44,000	42,100	39,018	3,082
Other services & charges	1,250	1,000	334	666
Capital outlay	3,500	9,600	5,441	4,159
Total Palace Theatre	<u>203,898</u>	<u>204,629</u>	<u>184,250</u>	<u>20,379</u>
Total Leisure and cultural	<u>1,026,613</u>	<u>1,083,047</u>	<u>956,244</u>	<u>126,803</u>
Airport				
Personnel services	22,549	23,264	22,750	514
Contractual services	50,590	50,190	38,619	11,571
Materials & supplies	4,200	4,300	3,858	442
Other services & charges	5,450	5,450	5,414	36
Capital outlay	0	166,817	0	166,817
Total airport	<u>82,789</u>	<u>250,021</u>	<u>70,641</u>	<u>179,380</u>
Tourism Development				
Contractual services	0	11,250	10,531	719
Supplies	0	400	400	0
Grants, contributions & others	0	63,465	61,353	2,112
Total Tourism Development	<u>0</u>	<u>75,115</u>	<u>72,284</u>	<u>2,831</u>
Debt service				
Principal	25,000	25,000	47,000	(22,000)
Interest	0	0	13,008	(13,008)
Fiscal agent fees	5,000	5,000	0	5,000
Total debt service	<u>30,000</u>	<u>30,000</u>	<u>60,008</u>	<u>(30,008)</u>
TOTAL EXPENDITURES	<u>9,751,056</u>	<u>10,189,872</u>	<u>9,043,247</u>	<u>1,146,625</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
General Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav. (Unfavorable)
REVENUE OVER (UNDER) EXPENDITURES	1,047,817	833,131	2,243,498	1,410,367
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Water and sewer fund	94,000	94,000	76,544	(17,456)
Operating transfers out				
Solid waste fund	(337,350)	(337,350)	(334,017)	3,333
Water and sewer fund	(25,000)	(25,000)	(21,278)	3,722
Capital projects fund	(670,000)	(695,000)	(78,424)	616,576
Total other finan. sources (uses)	(938,350)	(963,350)	(357,175)	606,175
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	109,467	(130,219)	1,886,323	2,016,542
FUND BALANCE, beginning of yr	9,081,657	9,081,657	9,081,657	0
Prior period adjustment	0	0	(149,500)	0
FUND BALANCE, end of year	\$ 9,191,124	\$ 8,951,438	\$ 10,818,480	\$ 2,016,542

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
Capital Projects Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with
	Original	Final		Final Budget
				Fav. (Unfavorable)
REVENUE				
Intergovernmental revenue	\$ 0	\$ 0	\$ 0	\$ 0
Charges for services	0	0	0	0
Fines and costs	0	0	0	0
Public enterprise revenue	0	0	0	0
Interest income	0	0	0	0
Donations--DARE	0	0	0	0
Grants	0	0	0	0
Miscellaneous	0	0	0	0
Total revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXPENDITURES				
Capital outlay	670,000	695,000	78,424	616,576
Total expenditures	<u>670,000</u>	<u>695,000</u>	<u>78,424</u>	<u>616,576</u>
EXCESS (DEFICIENCY OF REVENUE OVER EXPENDITURES	(670,000)	(695,000)	(78,424)	616,576
OTHER FINANCING SOURCES (USES)				
Operating transfers in	670,000	695,000	78,424	(616,576)
REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES	0	0	0	0
FUND BALANCE , beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the basic financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

City of Crossville, Tennessee
COMBINING BALANCE SHEET
 Nonmajor Governmental Funds
 June 30, 2005

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENT FUNDS
	State Street Aid	Solid Waste Management	Drug Fund	UDAG Ind. Development Fund	
ASSETS					
Cash	\$ 524,878	\$ 0	\$ 50,922	\$ 254,097	\$ 829,897
Cash - restricted	0	0	38,375	0	38,375
Accounts receivable, net	0	0	0	96,241	96,241
Inventory	0	974	0	0	974
Due from other governments	46,990	0	0	72,990	119,980
	<u>\$ 571,868</u>	<u>\$ 974</u>	<u>\$ 89,297</u>	<u>\$ 423,328</u>	<u>\$ 1,085,467</u>
TOTAL ASSETS					
 LIABILITIES & FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 5,092	\$ 0	\$ 700	\$ 0	\$ 5,792
Unearned grant revenue	0	0	0	0	0
	<u>5,092</u>	<u>0</u>	<u>700</u>	<u>0</u>	<u>5,792</u>
	Total liabilities				
 FUND BALANCE					
Designated	0	0	0	0	0
Undesignated	566,776	974	88,597	423,328	1,079,675
	<u>566,776</u>	<u>974</u>	<u>88,597</u>	<u>423,328</u>	<u>1,079,675</u>
	Total fund equity				
	<u>\$ 571,868</u>	<u>\$ 974</u>	<u>\$ 89,297</u>	<u>\$ 423,328</u>	<u>\$ 1,085,467</u>
TOTAL LIABILITIES AND FUND BALANCE					

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE**
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR
	State Street Aid Fund	Solid Waste Fund	Drug Fund	UDAG Industrial Development Fund	GOVERNMENTAL FUNDS
REVENUE					
Intergovernmental revenue	\$ 272,303	\$ 0	\$ 0	\$ 0	\$ 272,303
Charges for services	0	0	0	96,241	96,241
Fines and forfeits	0	0	17,704	0	17,704
Public enterprise revenue	0	0	36,750	0	36,750
Interest income	10,607	0	1,909	8,198	20,714
Donations	0	0	0	0	0
Grants	0	0	0	72,990	72,990
Miscellaneous	0	0	0	250	250
Total revenue	<u>282,910</u>	<u>0</u>	<u>56,363</u>	<u>177,679</u>	<u>516,952</u>
EXPENDITURES					
Street lighting	172,106	0	0	0	172,106
Collection fees	0	319,075	0	0	319,075
DARE program	0	0	4,282	0	4,282
Landfill	0	10,816	0	0	10,816
Drug enforcement	0	0	19,050	0	19,050
Capital outlay	29,722	0	0	496,905	526,627
Materials and supplies	0	3,152	0	0	3,152
Repairs and maintenance	0	0	0	0	0
Debt service	0	0	0	0	0
Other	0	0	0	6,937	6,937
Total expenditures	<u>201,828</u>	<u>333,043</u>	<u>23,332</u>	<u>503,842</u>	<u>1,062,045</u>
EXCESS (DEFICIENCY) REVENUE OVER EXPENDITURES	<u>81,082</u>	<u>(333,043)</u>	<u>33,031</u>	<u>(326,163)</u>	<u>(545,093)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	0	0	0	0	0
Operating transfers in	0	334,017	0	0	334,017
Operating transfers (out)	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>334,017</u>	<u>0</u>	<u>0</u>	<u>334,017</u>
EXCESS (DEFICIENCY) REVENUE & OTHER SOURCES OVER EXPENDITURE:	<u>81,082</u>	<u>974</u>	<u>33,031</u>	<u>(326,163)</u>	<u>(211,076)</u>
FUND BALANCE, beginning	<u>485,694</u>	<u>0</u>	<u>55,566</u>	<u>749,491</u>	<u>1,290,751</u>
FUND BALANCE, ending	<u>\$ 566,776</u>	<u>\$ 974</u>	<u>\$ 88,597</u>	<u>\$ 423,328</u>	<u>\$ 1,079,675</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
 State Street Aid Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with
	Original	Final		Final Budget
				Fav. (Unfavorable)
REVENUE				
Intergovernmental revenue	\$ 267,635	\$ 267,635	\$ 272,303	\$ 4,668
Charges for services	0	0	0	0
Fines and costs	0	0	0	0
Public enterprise revenue	0	0	0	0
Interest income	8,500	8,500	10,607	2,107
Grants	0	0	0	0
Miscellaneous	0	0	0	0
Total revenue	<u>276,135</u>	<u>276,135</u>	<u>282,910</u>	<u>6,775</u>
EXPENDITURES				
Street lighting	185,000	185,000	172,106	12,894
Capital outlay	515,000	521,000	29,723	491,277
Materials and supplies	17,635	11,635	0	11,635
Total expenditures	<u>717,635</u>	<u>717,635</u>	<u>201,829</u>	<u>515,806</u>
EXCESS (DEFICIENCY OF REVENUE OVER EXPENDITURES	(441,500)	(441,500)	81,081	522,581
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES	(441,500)	(441,500)	81,081	522,581
FUND BALANCE , beginning of year	<u>485,694</u>	<u>485,694</u>	<u>485,694</u>	<u>0</u>
FUND BALANCE, end of year	<u>\$ 44,194</u>	<u>\$ 44,194</u>	<u>\$ 566,775</u>	<u>\$ 522,581</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Solid Waste Fund
For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with
	Original	Final		Final Budget
				Fav. (Unfavorable)
REVENUE				
Intergovernmental revenue	\$ 0	\$ 0	\$ 0	\$ 0
Charges for services	150	150	0	(150)
Fines and costs	0	0	0	0
Public enterprise revenue	0	0	0	0
Interest income	0	0	0	0
Grants	0	0	0	0
Miscellaneous	0	0	0	0
Total revenue	<u>150</u>	<u>150</u>	<u>0</u>	<u>(150)</u>
EXPENDITURES				
Collection fees	323,500	323,500	322,227	1,273
Landfill	14,000	14,000	10,816	3,184
Total expenditures	<u>337,500</u>	<u>337,500</u>	<u>333,043</u>	<u>4,457</u>
EXCESS (DEFICIENCY OF REVENUE OVER EXPENDITURES)	(337,350)	(337,350)	(333,043)	4,307
OTHER FINANCING SOURCES (USES)				
Operating transfers in	337,350	337,350	334,017	(3,333)
REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES	0	0	974	974
FUND BALANCE , beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 974</u>	<u>\$ 974</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 Drug Fund
 For the Year Ended June 30, 2005**

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav (Unfavorable)
REVENUE				
Intergovernmental revenue	\$ 0	\$ 0	\$ 0	0
Charges for services	0	0	0	0
Fines and costs	14,500	14,500	17,704	3,204
Public enterprise revenue	20,000	20,000	36,750	16,750
Interest income	700	700	1,909	1,209
Donations--DARE	0	0	0	0
Miscellaneous	2,200	2,200	0	(2,200)
Total revenue	<u>37,400</u>	<u>37,400</u>	<u>56,363</u>	<u>18,963</u>
EXPENDITURES				
DARE program	7,500	7,500	4,282	3,218
Drug enforcement	69,500	69,500	18,146	51,354
Capital outlay	0	0	0	0
Materials and supplies	2,500	2,500	904	1,596
Total expenditures	<u>79,500</u>	<u>79,500</u>	<u>23,332</u>	<u>56,168</u>
EXCESS (DEFICIENCY OF REVENUE OVER EXPENDITURES	(42,100)	(42,100)	33,031	75,131
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES	(42,100)	(42,100)	33,031	75,131
FUND BALANCE , beginning of year	<u>55,566</u>	<u>55,566</u>	<u>55,566</u>	<u>0</u>
FUND BALANCE, end of year	<u>\$ 13,466</u>	<u>\$ 13,466</u>	<u>\$ 88,597</u>	<u>\$ 75,131</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**
UDAG Industrial Development Fund
 For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with
	Original	Final		Final Budget
				Fav. (Unfavorable)
REVENUE				
Intergovernmental revenue	\$ 0	\$ 0	\$ 0	\$ 0
Charges for services	25,000	25,000	96,241	71,241
Interest income	0	0	8,198	8,198
Other income	0	0	250	250
Grants	<u>19,300</u>	<u>19,300</u>	<u>72,990</u>	<u>53,690</u>
 Total revenue	 <u>44,300</u>	 <u>44,300</u>	 <u>177,679</u>	 <u>133,379</u>
EXPENDITURES				
Capital outlay	535,000	535,000	496,905	38,095
Contractual services	<u>30,000</u>	<u>30,000</u>	<u>6,937</u>	<u>23,063</u>
 Total expenditures	 <u>565,000</u>	 <u>565,000</u>	 <u>503,842</u>	 <u>61,158</u>
 EXCESS (DEFICIENCY OF REVENUE OVER EXPENDITURES	 (520,700)	 (520,700)	 (326,163)	 194,537
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>(500,000)</u>
 REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES	 (20,700)	 (20,700)	 (326,163)	 (305,463)
 FUND BALANCE , beginning of year	 <u>749,491</u>	 <u>749,491</u>	 <u>749,491</u>	 <u>0</u>
 FUND BALANCE, end of year	 <u>\$ 728,791</u>	 <u>\$ 728,791</u>	 <u>\$ 423,328</u>	 <u>\$ (305,463)</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
STATEMENT OF NET ASSETS
 Proprietary Funds
 June 30, 2005

	<u>Enterprise Funds</u>
	<u>Water & Sewer</u>
ASSETS	
Current assets	
Cash	\$ 6,067,704
Investments	421,738
Accounts receivable, net of allowance for doubtful accounts	789,324
Inventories of materials	<u>163,912</u>
Total current assets	<u>7,442,678</u>
Noncurrent assets	
Restricted cash	215,473
Capital assets	
Land	294,010
Plant in service	53,655,298
Construction in progress	882,199
Machinery and equipment	3,491,262
Less accumulated depreciation	(18,969,988)
Deferred financing cost	45,070
Special assessment receivable	<u>18,186</u>
Total other assets	<u>39,631,510</u>
TOTAL ASSETS	<u>\$ 47,074,188</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 332,134
Accrued liabilities	92,606
Current portion of notes/bond payable	<u>1,365,484</u>
Total current liabilities	<u>1,790,224</u>
Noncurrent liabilities	
Notes and bonds payable, less current portion	<u>16,320,556</u>
Total noncurrent liabilities	<u>16,320,556</u>
Total liabilities	<u>18,110,780</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,666,741
Restricted for debt service	617,639
Unrestricted	<u>6,679,028</u>
Total net assets	<u>\$ 28,963,408</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS--BUDGET TO ACTUAL
Water and Sewer Fund
For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with
	Original	Final		Final Budget
				Fav. (Unfavorable)
OPERATING REVENUE				
Metered water sales	\$ 3,427,000	\$ 3,427,000	\$ 3,405,742	\$ (21,258)
Sewer services charges	1,725,000	1,725,000	1,769,735	44,735
Tap fees	185,000	185,000	246,671	61,671
Grinder pump sales and repairs	201,500	201,500	174,979	(26,521)
Rental	54,633	54,633	54,633	0
Forfeited discount and penalties	50,250	50,250	39,945	(10,305)
Other operating revenues	<u>134,400</u>	<u>235,400</u>	<u>338,735</u>	<u>103,335</u>
Total operating revenue	<u>5,777,783</u>	<u>5,878,783</u>	<u>6,030,440</u>	<u>151,657</u>
OPERATING EXPENSES				
Water plant				
Personnel services	591,037	611,140	591,574	19,566
Contractual services	407,650	353,644	289,702	63,942
Fixed charges	13,000	13,000	7,630	5,370
Supplies	159,300	206,730	167,615	39,115
Other	<u>0</u>	<u>-</u>	<u>9,859</u>	<u>(9,859)</u>
Total water plant	<u>1,170,987</u>	<u>1,184,514</u>	<u>1,066,380</u>	<u>118,134</u>
Water distribution				
Personnel services	325,392	329,457	277,361	52,096
Contractual services	28,300	29,400	11,367	18,033
Repair and maintenance	82,500	77,200	37,350	39,850
Materials and supplies	28,600	32,900	19,892	13,008
Other	<u>4,350</u>	<u>3,402</u>	<u>540</u>	<u>2,862</u>
Total water distribution	<u>469,142</u>	<u>472,359</u>	<u>346,510</u>	<u>125,849</u>
Sewer plant and collection				
Personnel services	279,494	265,296	193,574	71,722
Material and supplies	233,070	249,070	198,634	50,436
Contract service	851,517	851,517	828,044	23,473
Repair and maintenance	18,500	18,500	5,004	13,496
Other	<u>12,950</u>	<u>11,950</u>	<u>16,089</u>	<u>(4,139)</u>
Total sewer plant and collection	<u>1,395,531</u>	<u>1,396,333</u>	<u>1,241,345</u>	<u>154,988</u>
Sewer rehabilitation				
Contract services	179,606	179,606	179,606	0
Repair and maintenance	<u>30,000</u>	<u>45,000</u>	<u>18,892</u>	<u>26,108</u>
Total sewer rehabilitation	<u>209,606</u>	<u>224,606</u>	<u>198,498</u>	<u>26,108</u>

The notes to the basic financial statements are an integral part of this statement

City of Crossville, Tennessee
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS--BUDGET TO ACTUAL
Water and Sewer Fund
For the Year Ended June 30, 2005

	BUDGET		Actual	Variance with Final Budget
	Original	Final		Fav. (Unfavorable)
Catoosa operating phase				
Personnel services	0	99,720	99,589	131
Contractual services	0	52,545	52,534	11
Supplies	0	2,445	2,437	8
Total Catoosa operating phase	<u>0</u>	<u>154,710</u>	<u>154,560</u>	<u>150</u>
General and administrative				
Personnel services	149,222	147,867	113,048	34,819
Contractual services	198,450	180,850	128,887	51,963
Supplies	31,700	10,100	4,815	5,285
Other	100,750	132,170	84,075	48,095
Total general and administrative	<u>480,122</u>	<u>470,987</u>	<u>330,825</u>	<u>140,162</u>
Depreciation and amortization	<u>1,811,413</u>	<u>1,820,614</u>	<u>1,650,543</u>	<u>170,071</u>
Total operating expenses	<u>5,536,801</u>	<u>5,724,123</u>	<u>4,988,661</u>	<u>735,462</u>
OPERATING INCOME	<u>240,982</u>	<u>154,660</u>	<u>1,041,779</u>	<u>887,119</u>
NONOPERATING REVENUE (EXPENSES)				
Interest expense	(660,404)	(660,403)	(489,202)	171,201
Interest income	60,000	60,000	153,088	93,088
Total nonoperating revenue (expenses)	<u>(600,404)</u>	<u>(600,403)</u>	<u>(336,114)</u>	<u>264,289</u>
INCOME (LOSS) BEFORE OTHER REVENUES, SPECIAL ITEMS, AND TRANSFERS	(359,422)	(445,743)	705,665	1,151,408
Contributions in aid of construction	50,000	103,710	520,714	417,004
Transfer in	25,000	25,000	21,278	(3,722)
Transfer out	<u>(94,000)</u>	<u>(94,000)</u>	<u>(76,544)</u>	<u>17,456</u>
CHANGE IN NET ASSETS	(378,422)	(411,033)	1,171,113	1,582,146
Total Net Assets--beginning of year	<u>27,792,295</u>	<u>27,792,295</u>	<u>27,792,295</u>	<u>0</u>
Total Net Assets--end of year	<u>\$ 27,413,873</u>	<u>\$ 27,381,262</u>	<u>\$ 28,963,408</u>	<u>\$ 1,582,146</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
STATEMENT OF CASH FLOWS
 Enterprise Fund
 For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,012,861
Payments to suppliers	(2,150,794)
Payments to employees	(1,275,146)
Other receipts (payments)	<u>(87,033)</u>
Net cash provided by operating activities	<u>2,499,888</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	138,201
Principal paid on capital debt	(1,339,877)
Interest paid on capital debt	(489,202)
Purchases of capital assets	(1,079,391)
Other receipts (payments)	19,171
Contributions in aid of construction	<u>520,714</u>
Net cash provided (used) by capital and financing activities	<u>(2,230,384)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer to General Fund, net	<u>(55,266)</u>
Net cash (used) by noncapital financing activities	<u>(55,266)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>153,088</u>
Net cash provided (used) by investing activities	<u>153,088</u>
NET INCREASE (DECREASE) IN CASH	367,326
CASH AND RESTRICTED CASH, beginning of year	<u>5,915,852</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 6,283,178</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,041,779
Adjustments to reconcile operating income to net cash provided	
by operating activities:	
Depreciation & amortization expense	1,563,510
Change in assets and liabilities	
Receivables, net	(17,579)
Inventories	(9,678)
Accounts and other payables	(98,816)
Accrued expenses	<u>20,672</u>
Net cash provided by operating activities	<u>\$ 2,499,888</u>

The notes to the basic financial statements are an integral part of this statement.

City of Crossville, Tennessee
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLES
 General Fund
 For the Year Ended June 30, 2005

<u>Tax Year</u>	<u>Balance June 30, 2004</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Exemptions and Abatements</u>	<u>Balance June 30, 2005</u>
2005	\$ 0	\$ 1,704,719	\$ 0	\$ 0	\$ 1,704,719
2004	1,698,824	0	1,640,193	(10,033)	48,598
2003	33,923	0	20,644	591	13,870
2002	23,757	0	14,237	(79)	9,441
2001	10,151	0	6,861	(23)	3,267
2000	11,308	0	6,829	0	4,479
1999	4,679	0	3,350	(7)	1,322
1998	2,440	0	1,127	(6)	1,307
1997	935	0	335	(4)	596
1996	42	0	0	0	42
1995	376	0	0	0	376
	1,786,435				1,788,017
Less Allowance for Uncollectible Taxes	<u>(67,222)</u>				<u>(67,222)</u>
TAXES RECEIVABLE, June 30, 2005	<u>\$ 1,719,213</u>	<u>\$ 0</u>	<u>\$ 1,693,576</u>	<u>\$ (9,561)</u>	<u>\$ 1,720,795</u>

Delinquent taxes are turned over to the County Clerk and Master for collection.

The notes to the basic financial statement are an integral part of this schedule.

City of Crossville, Tennessee
SCHEDULE OF DEBT SERVICE REQUIREMENTS
General Obligation Debt
June 30, 2005

Fiscal Year	Capital Outlay Note		TML Bond Fund Note 2005		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 25,000	\$ 0	\$ 39,000	\$ 34,230	\$ 64,000	\$ 34,230
2007	25,000	0	40,000	32,865	65,000	32,865
2008	25,000	0	41,000	31,465	66,000	31,465
2009	25,000	0	43,000	30,030	68,000	30,030
2010	0	0	44,000	28,525	44,000	28,525
2011	0	0	45,000	26,985	45,000	26,985
2012	0	0	46,000	25,410	46,000	25,410
2013	0	0	48,000	23,800	48,000	23,800
2014	0	0	49,000	22,120	49,000	22,120
2015	0	0	51,000	20,405	51,000	20,405
2016	0	0	52,000	18,620	52,000	18,620
2017	0	0	54,000	16,800	54,000	16,800
2018	0	0	56,000	14,910	56,000	14,910
2019	0	0	57,000	12,950	57,000	12,950
2020	0	0	59,000	10,955	59,000	10,955
2021	0	0	61,000	8,890	61,000	8,890
2022	0	0	63,000	6,755	63,000	6,755
2023	0	0	64,000	4,550	64,000	4,550
2024	0	0	66,000	2,310	66,000	2,310
Total	\$ 100,000	\$ 0	\$ 978,000	\$ 372,575	\$ 1,078,000	\$ 372,575

The notes to the general purpose financial statements are an integral part of this schedule.

City of Crossville, Tennessee
SCHEDULE OF DEBT SERVICE REQUIREMENTS
 Water and Sewer Fund
 June 30, 2005

Fiscal Year	Refunding Bonds Series 1993		General Obligation Loan - TMBF 1996		General Obligation Loan - TMBF 1999		State of TN Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 240,000	\$ 13,080	\$ 334,000	\$ 45,039	\$ 196,990	\$ 193,034	\$ 98,754	\$ 75,088
2007	0	0	352,500	35,019	206,830	183,184	105,515	68,327
2008	0	0	371,900	24,444	217,180	172,843	112,740	61,102
2009	0	0	392,300	13,287	228,040	161,984	120,460	53,382
2010	0	0	50,600	1,518	239,440	150,582	128,708	45,135
2011	0	0	0	0	251,410	138,610	137,520	36,322
2012	0	0	0	0	263,980	126,039	146,936	26,906
2013	0	0	0	0	277,180	112,840	156,997	16,845
2014	0	0	0	0	291,040	98,981	149,845	6,095
2015	0	0	0	0	305,590	84,429	0	0
2016	0	0	0	0	320,870	69,150	0	0
2017	0	0	0	0	336,910	53,106	0	0
2018	0	0	0	0	353,760	36,261	0	0
2019	0	0	0	0	371,450	18,573	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0
	<u>\$ 240,000</u>	<u>\$ 13,080</u>	<u>\$ 1,501,300</u>	<u>\$ 119,307</u>	<u>\$ 3,860,670</u>	<u>\$ 1,599,616</u>	<u>\$ 1,157,475</u>	<u>\$ 389,202</u>

The notes to the basic financial statements are an integral part of this schedule.

City of Crossville, Tennessee
SCHEDULE OF DEBT SERVICE REQUIREMENTS
 Water and Sewer Fund
 June 30, 2005

Fiscal Year	State Revolving Fund 00-020		State Revolving Fund 00-033		RUD Loan		State Revolving Fund 01-156	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005								
2006	\$ 253,991	\$ 93,924	\$ 53,729	\$ 16,740	\$ 31,232	\$ 106,984	\$ 20,820	\$ 6,588
2007	258,523	89,388	54,525	15,936	32,586	105,630	21,132	6,276
2008	263,136	84,780	55,332	15,132	33,998	104,218	21,444	5,964
2009	267,831	80,076	56,150	14,316	35,471	102,745	21,756	5,652
2010	272,611	75,300	56,981	13,488	37,008	101,208	22,080	5,328
2011	277,475	70,440	57,825	12,636	38,612	99,604	22,404	5,004
2012	282,426	65,484	58,681	11,784	40,285	97,931	22,740	4,668
2013	287,466	60,444	59,549	10,920	42,031	96,185	23,076	4,332
2014	292,596	55,320	60,430	10,032	43,853	94,363	23,412	3,984
2015	297,817	50,100	61,325	9,144	45,753	92,463	23,760	3,648
2016	303,131	44,784	62,232	8,232	47,736	90,480	24,120	3,288
2017	308,540	39,372	63,153	7,308	49,805	88,411	24,468	2,940
2018	314,046	33,864	64,088	6,372	51,963	86,253	24,840	2,568
2019	319,650	28,260	65,036	5,424	54,215	84,001	25,200	2,208
2020	325,354	22,560	65,999	4,464	56,565	81,651	25,572	1,836
2021	331,160	16,752	66,976	3,492	59,016	79,200	25,956	1,452
2022	337,069	10,848	67,967	2,496	61,574	76,642	26,340	1,068
2023	343,084	4,836	68,973	1,488	64,242	73,974	26,724	684
2024	85,987	255	64,009	473	67,027	71,189	27,120	288
2025	0	0	0	0	69,931	68,285	4,562	8
2026	0	0	0	0	72,962	65,254	0	0
2027	0	0	0	0	76,124	62,092	0	0
2028	0	0	0	0	79,423	58,793	0	0
2029	0	0	0	0	82,865	55,351	0	0
2030	0	0	0	0	86,456	51,760	0	0
2031	0	0	0	0	90,203	48,013	0	0
2032	0	0	0	0	94,112	44,104	0	0
2033	0	0	0	0	98,191	40,025	0	0
2034	0	0	0	0	102,446	35,770	0	0
2035	0	0	0	0	106,886	31,330	0	0
2036	0	0	0	0	111,518	26,698	0	0
2037	0	0	0	0	116,351	21,865	0	0
2038	0	0	0	0	121,394	16,823	0	0
2039	0	0	0	0	126,654	11,562	0	0
2040	0	0	0	0	132,143	6,073	0	0
2041	0	0	0	0	70,848	904	0	0
2042	0	0	0	0	0	0	0	0
	<u>\$ 5,421,893</u>	<u>\$ 926,787</u>	<u>\$ 1,162,960</u>	<u>\$ 169,877</u>	<u>\$ 2,531,479</u>	<u>\$ 2,377,834</u>	<u>\$ 457,526</u>	<u>\$ 67,784</u>

The notes to the basic financial statements are an integral part of this schedule.

City of Crossville, Tennessee
SCHEDULE OF DEBT SERVICE REQUIREMENTS
 Water and Sewer Fund
 June 30, 2005

Fiscal Year	State of TN Loan		Totals	
	Principal	Interest	Principal	Interest
2006	\$ 135,968	\$ 34,720	\$ 1,365,484	\$ 585,197
2007	139,602	31,066	1,171,213	534,846
2008	143,332	27,356	1,219,062	495,839
2009	147,162	23,526	1,269,170	454,968
2010	151,095	19,593	958,523	412,152
2011	155,132	15,556	940,378	378,172
2012	159,278	11,410	974,326	344,222
2013	163,534	7,154	1,009,833	308,720
2014	182,048	2,784	1,043,224	271,559
2015	0	0	734,245	239,784
2016	0	0	758,089	215,934
2017	0	0	782,876	191,137
2018	0	0	808,697	165,318
2019	0	0	835,551	138,466
2020	0	0	473,490	110,511
2021	0	0	483,108	100,896
2022	0	0	492,950	91,054
2023	0	0	503,023	80,982
2024	0	0	244,143	72,205
2025	0	0	74,493	68,293
2026	0	0	72,962	65,254
2027	0	0	76,124	62,092
2028	0	0	79,423	58,793
2029	0	0	82,865	55,351
2030	0	0	86,455	51,760
2031	0	0	90,203	48,013
2032	0	0	94,112	44,104
2033	0	0	98,191	40,025
2034	0	0	102,446	35,770
2035	0	0	106,886	31,330
2036	0	0	111,518	26,698
2037	0	0	116,351	21,865
2038	0	0	121,394	16,823
2039	0	0	126,654	11,562
2040	0	0	132,143	6,073
2041	0	0	78,848	904
2042	0	0	-	-
	<u>\$ 1,377,151</u>	<u>\$ 173,185</u>	<u>17,710,454</u>	<u>5,836,672</u>
Less: deferred amount on refunding			(24,414)	0
			<u>\$ 17,686,040</u>	<u>\$ 5,836,672</u>

The notes to the basic financial statements are an integral part of this schedule.

City of Crossville, Tennessee
SCHEDULE OF PRINCIPAL OFFICIALS' AND SURETY BONDS
For the Year Ended June 30, 2005

<u>OFFICIAL TITLE</u>	<u>SURETY BOND</u>
Mayor	\$ 155,000
City Manager	100,000
City Clerk	100,000
City Finance Director	155,000
Council Members	10,000

City of Crossville, Tennessee
 SCHEDULE OF INSURANCE COVERAGE
 June 30, 2005

<u>Subject of Insurance</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Buildings and contents	Fire, lightning, extended coverage, 80% coinsurance. \$1,000 deductible	\$ 21,858,381
General liability	Comprehensive general & personal injury liability	1,000,000
	Public officials personal liability (\$5,000 deductible)	100,000
Automobile liability	Bodily injury or personal injury liability	
	Per person	250,000
	Per occurrence	600,000
	Property damage	85,000
	Automobile physical damage Actual cash value (collision deductible ranges up to \$1,000)	
	Excess auto physical damage fire department - aggregate	2,137,000
Employee Dishonesty		100,000
Workmen's compensation	Statutory limits Employer's liability	600,000
Running surety bond	Contract replacement	2,500
Equipment	Extended coverage (deductible range up to \$1,000)	2,129,039
Airport	Bodily injury and property damage liability	5,000,000

City of Crossville, Tennessee
SUPPLEMENTARY SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues June 30, 2004	Grant Revenues Received	Contributions and Miscellaneous Revenues	Expenditures	Accrued (Deferred) Grant Revenues June 30, 2005
U.S. DEPARTMENT OF JUSTICE							
Office of Justice Programs							
Police Vests	none	none	\$ 1,423	\$ 1,423	\$ 0	\$ 1,114	\$ 1,114
FEDERAL EMERGENCY MANAGEMENT AGENCY							
TN Dept of Military TEMA	97.036	Z-05-024718-00	0	7,636	0	7,636	0
U.S. DEPARTMENT OF AGRICULTURE							
Water & Waste Disposals for Rural Communities	10.760		0	0	0	0	0
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (HUD)							
TN Dept of Economic & Community Development Housing Rehabilitation Program	14.228	GC-04-10903-00	0	64,134	0	306,598	242,465
TOTAL FEDERAL GRANTS			\$ 1,423	\$ 73,193	\$ 0	\$ 315,348	\$ 243,579
STATE GRANTS							
TIIP Grant - Granitifiandre/Tris Phase 2	n/a	Z-02-08511-00	0	0	0	\$ 72,990	\$ 72,990
TN Dept of Military TEMA	97.036	Z-05-024718-00	0	1,224	0	1,224	0
Airport Maintenance	n/a	Z-05-023854-00	0	4,291	0	5,972	1,681
TN Arts Commission Touring Arts	n/a	Z-05-023416-00	0	0	0	2,250	2,250
Airport Maintenance - Sealing	n/a	Z-04-018961-00	26,997	26,997	0	0	0
Airport Maintenance	n/a	Z-04-018078-00	7,500	7,500	0	0	0
State Tree Grant	n/a	Z-05-021089-00	0	3,553	0	3,553	0
LPRS Grant	n/a	Z-02-005133-00	19,082	19,082	0	0	0
TOTAL STATE GRANTS			\$ 53,579	\$ 62,647	\$ 0	\$ 85,989	\$ 76,921
TOTAL GRANTS			\$ 55,002	\$ 135,840	\$ 0	\$ 401,337	\$ 320,500

The notes to the basic financial statements are an integral part of this schedule.

STATISTICAL SECTION

City of Crossville, Tennessee
TAX RATES AND ASSESSMENTS
 Ten Year Summary

<u>Tax Year</u>	<u>Assessments</u>	<u>Rate</u>	<u>Levy</u>	<u>Collections in Year of Levy</u>	
				<u>Amount</u>	<u>Percentage</u>
2005	\$ 243,531,287	\$ 0.70	\$ 1,704,719	\$ 0	0.00%
2004	242,689,143	0.70	1,688,791	1,640,193	97.12
2003	236,291,000	0.70	1,654,037	1,618,668	97.86
2002	228,255,500	0.60	1,361,574	1,319,769	96.93
2001	188,585,615	0.70	1,321,018	1,283,796	97.18
2000	188,252,571	0.70	1,317,768	1,273,232	96.62
1999	175,403,000	0.70	1,227,821	1,199,275	97.68
1998	172,378,000	0.70	1,206,646	1,171,755	97.11
1997	165,294,463	0.56	925,764	883,178	95.40
1996	121,249,137	0.70	848,599	822,045	96.87

City of Crossville, Tennessee
 UTILITY STATISTICAL DATA
 For the Year Ended June 30, 2005

RATES

Water and Sewer Rates	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 2,000 gallons - water	\$7.38 minimum bill	\$9.00 minimum bill
- sewer	\$9.00 minimum bill	\$13.50 minimum bill
All over 2,000 gallons - water	\$3.69 per 1,000 gallons	\$4.50 per 1,000 gallons
- sewer	\$4.50 per 1,000 gallons	\$6.75 per 1,000 gallons
Utility districts (except CUD)		\$2.49 per 1,000 gallons
Catoosa Utility District (after 4/1/05)		\$1.00 per 1,000 gallons

NUMBER OF CUSTOMERS AT YEAR'S END

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Water Customers		
Residential	3,363	2,631
Commercial	970	85
Industrial	28	2
Utility district (taps)	0	10
TOTAL WATER CUSTOMERS	4,361	2,728
TOTAL SEWER CUSTOMERS	4,206	17

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

PLEMMONS-JACKSON & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**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 Council Members
Crossville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise City of Crossville, Tennessee's basic financial statements and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Crossville, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crossville, 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*.

This report is intended solely for the information of the City of Crossville, Tennessee management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plemmons-Jackson & Associates, PLLC

Plemmons-Jackson & Associates, PLLC
Certified Public Accountants

Crossville, Tennessee
October 19, 2005