CITY OF TULLAHOMA, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

PREPARED BY:

DEPARTMENT OF FINANCE

CITY OF TULLAHOMA, TENNESSEE
TABLE OF CONTENTS
JUNE 30, 2012

	Page No.
INTRODUCTORY SECTION	
Letter of Transmittal	i
GFOA Certificate of Achievement	vii
Public Officials	viii
Organizational Charts	
City of Tullahoma	ix
Tullahoma Utilities Board	x
Tullahoma School Board	xi
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	A-1
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	B-1
Statement of Activities	B-2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	B-3
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	B-4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	B-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Funds Balances of Governmental Funds to the Statement of Activities	B-6
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis (Non-GAAP) -	
General Fund	B-7
General Purpose School Fund	B-12
UDAG	B-14
Statement of Fund Net Assets - Proprietary Funds	B-15
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	B-16
Statement of Cash Flows - Proprietary Funds	B-17
Statement of Net Assets - Component Units	B-18
Statement of Activities - Component Units	B-19
Notes to the Basic Financial Statements	B-20
Required Supplementary Information (Unaudited) – Schedule of Funding Progress and Schedule of Employer Contributions	B-48
Governmental Funds	
Combining Balance Sheet - Nonmajor Governmental Funds	C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	C-2

CITY OF TULLAHOMA, TENNESSEE
TABLE OF CONTENTS
JUNE 30, 2012

	Page No.
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis (Non-GAAP) -	
School Federal and State Projects	C-3
School Food Services	C-4
2009 School Projects	C-5
Extended School Program	C-6
Solid Waste Management	C-7
Drug Enforcement	C-8
USDA Revolving Loans	C-9
General Debt Service	C-10
Education Debt Service	C-11
Description of Nonmajor Governmental Funds	C-12
Schedules	
Schedule of Bonds and Notes Payable - Primary Government	D-1
Schedule of Debt Service Requirements - General Obligation Bonds	D-2
Schedule of Debt Service Requirements - Capital Outlay Notes	D-5
Schedule of Debt Service Requirements -	
Tullahoma Airport Authority	D-6
Tullahoma Utilities Board	D-7
Schedule of Utility Rates in Force and Average Number of Customers - Unaudited	D-10
Schedule of Unaccounted for Water - Unaudited	D-16
Schedule of Expenditures of State Financial Assistance	D-17
Schedule of Expenditures of Federal Financial and Non-Cash Assistance	D-19
Notes to the Schedules of Expenditures of Federal and State Financial Assistance	D-21
Schedule of Property Taxes Receivable	D-22
Schedule of Changes in Property Taxes Receivable	D-23
Schedule of Public Officials and Bonds	D-24
STATISTICAL SECTION (UNAUDITED)	
Cover Page	E-1
Financial Trends	
Net Assets by Component, Last Ten Fiscal Years	E-2
Changes in Net Assets, Last Ten Fiscal Years	E-3
Fund Balances of Governmental Funds, Last Ten Fiscal Years	E-4
Changes in Fund Balances of Governmental Funds, Last Ten Fiscal Years	E-5
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	E-6
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	E-7
Principal Property Tax Payers, Current Year and Nine Years Ago	E-8
Property Tax Levies and Collections, Last Ten Fiscal Years	E-9
Debt Capacity	
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	E-10
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	E-11
Direct and Overlapping Governmental Activities Debt	E-12
Legal Debt Margin Information, Last Ten Fiscal Years	E-13
Pledged-Revenue Coverage, Last Ten Fiscal Years	E-14

CITY OF TULLAHOMA, TENNESSEE
TABLE OF CONTENTS
JUNE 30, 2012

	Page No.
Demographic and Economic Information	
Demographic and Economic Statistics, Last Ten Calendar Years	E-15
Principal Employers, Current Year and Nine Years Ago	E-16
Full-time-Equivalent City Government Employees by Function, Last Nine Fiscal Years	E-17
Operating Information	
Operating Indicators by Function, Last Ten Fiscal Years	E-18
Capital Asset and Infrastructure Statistics by Function, Last Ten Fiscal Years	E-19

REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

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*	F-1
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	F-3
Schedule of Findings and Questioned Costs	F-5
Summary Schedule of Prior Year Findings	F-9

INTRODUCTORY SECTION

January 30, 2013

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tullahoma for the fiscal year ended June 30, 2012.

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

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

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

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

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

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

Profile of the Government

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

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

Economic Conditions

Tullahoma's central location has fostered its growth into a thriving regional, commercial, shopping and medical hub that boasts a healthy business environment and is home to over 68 service and manufacturing industries. 34% of the State's 5.689 million citizens reside in the Middle Tennessee area and many pass through Tullahoma; the daily average traffic count for Tullahoma's main retail area is approximately 24,000. This excellent "hub" location has allowed Tullahoma retailers to average over $400 million in retail sales for each of the past five years.

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

Tullahoma has continued to partner with Coffee County and the State of Tennessee for economic development projects and has been honored with the Governor's Three Star Award for the past 18 years. With a large expansion in progress at the local hospital and credit union, the establishment of two new local banks, and a diverse growing retail, Tullahoma continued to thrive in 2012.

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

Primary Government and Component Units

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

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

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

Long –Term Financial Planning

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

Tullahoma's strategic plan was folded into a new county-wide economic development plan entitled, "Our Future Together: Coffee County Tennessee Strategic Development Plan FY2006-2010." This plan provided a five-year planning basis for many of the initiatives now in process. The plan covers several broad themes such as creating a vibrant economy, developing a safe, caring and diverse community as well as promoting goals and objectives to facilitate a sustainable healthy environment. The annual budget process integrates the philosophies of this document into capital expenditure planning and direction.

Budget Process

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

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

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

During May, the Director of Finance and Administration, with direction from the City Administrator, compiles the information from earlier steps in the budget process into one budget document for review by the Board of Mayor and Aldermen. Generally, the last half of April and early May is set aside for the City Administrator's budget review sessions with department heads and elected officials. Departmental objectives, measures of performance and operating budgets are refined for consolidation in the Proposed Budget document during the month of May. Expenditures and revenue projections for the current fiscal year and estimates for the proposed fiscal year are updated with the latest available data. Final adjustments to routine operating expenditures and anticipated revenues can be introduced for inclusion in the Proposed Budget during this time.

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

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

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

Annual Independent Audit

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

proposals for audit services and currently contracts with Housholder Artman, PLLC in Tullahoma for the annual audit of all municipal entities.

Single Audit

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

Awards and Acknowledgements

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

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

Respectfully submitted,

Susan B. Wilson
Finance Director

Louis J. Baltz, III
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tullahoma Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

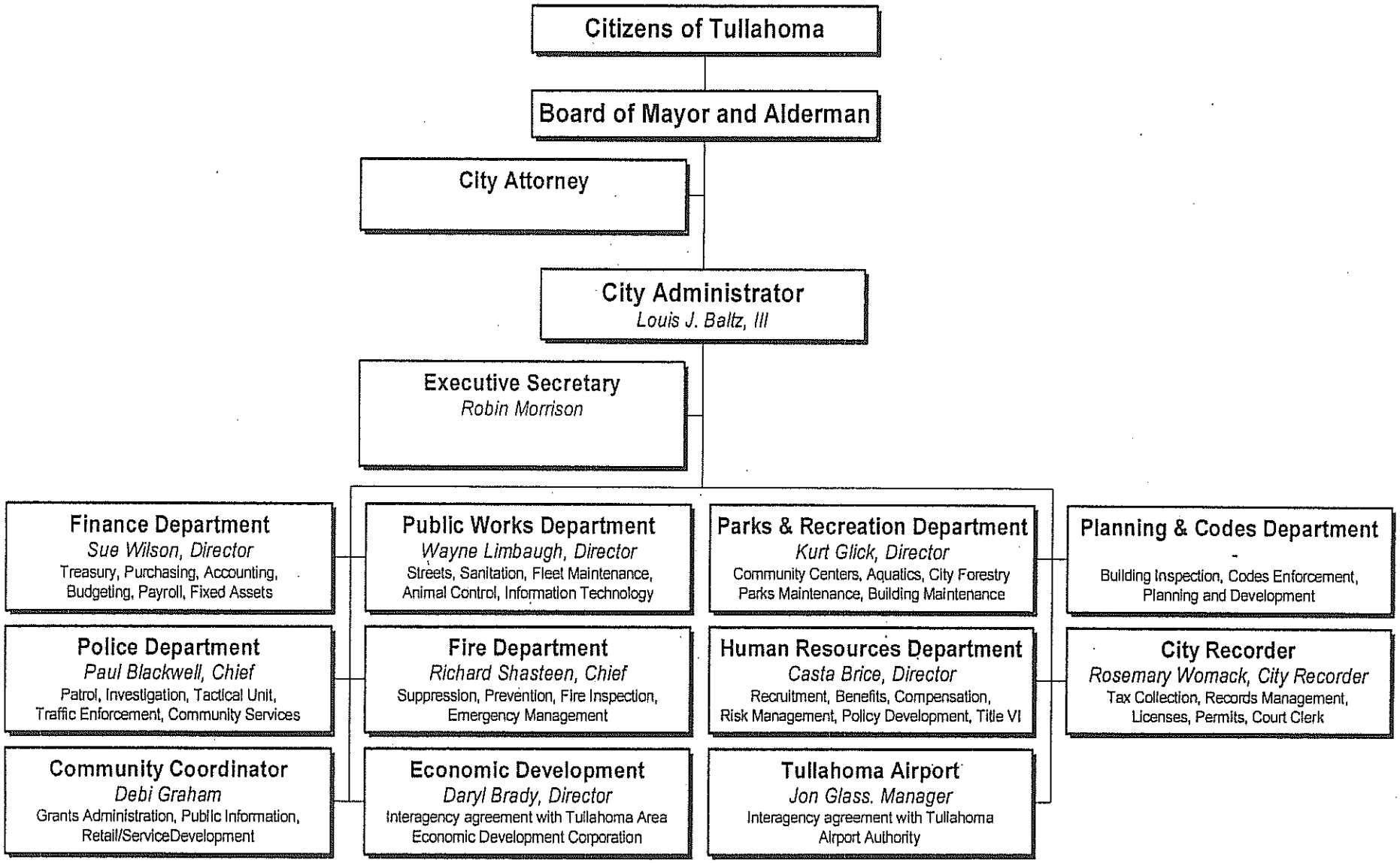
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

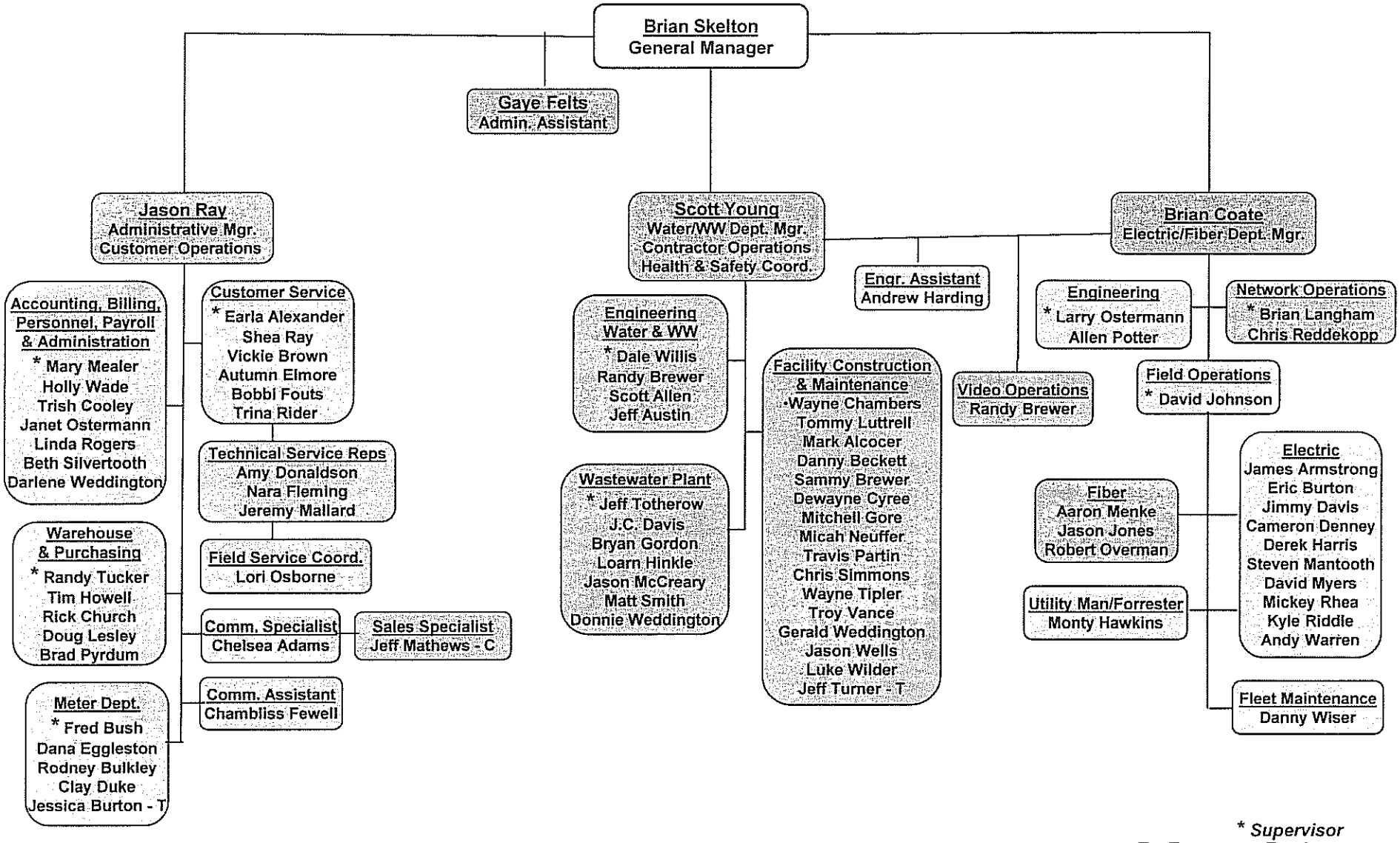
CITY OF TULLAHOMA, TENNESSEE
PUBLIC OFFICIALS

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


Citizens of Tullahoma
Board of Mayor and Alderman
City Attorney
City Administrator
Louis J. Baltz, III
Executive Secretary
Robin Morrison
Finance Department
Sue Wilson, Director
Treasury, Purchasing, Accounting, Budgeting, Payroll, Fixed Assets
Public Works Department
Wayne Limbaugh, Director
Streets, Sanitation, Fleet Maintenance, Animal Control, Information Technology
Parks & Recreation Department
Kurt Glick, Director
Community Centers, Aquatics, City Forestry Parks Maintenance, Building Maintenance
Planning & Codes Department
Building Inspection, Codes Enforcement, Planning and Development
Police Department
Paul Blackwell, Chief
Patrol, Investigation, Tactical Unit, Traffic Enforcement, Community Services
Fire Department
Richard Shasteen, Chief
Suppression, Prevention, Fire Inspection, Emergency Management
Human Resources Department
Casta Brice, Director
Recruitment, Benefits, Compensation, Risk Management, Policy Development, Title VI
City Recorder
Rosemary Womack, City Recorder
Tax Collection, Records Management, Licenses, Permits, Court Clerk
Community Coordinator
Debi Graham
Grants Administration, Public Information, Retail/ServiceDevelopment
Economic Development
Daryl Brady, Director
Interagency agreement with Tullahoma Area Economic Development Corporation
Tullahoma Airport
Jon Glass. Manager
Interagency agreement with Tullahoma Airport Authority

Tullahoma Utilities Board
Organization Chart

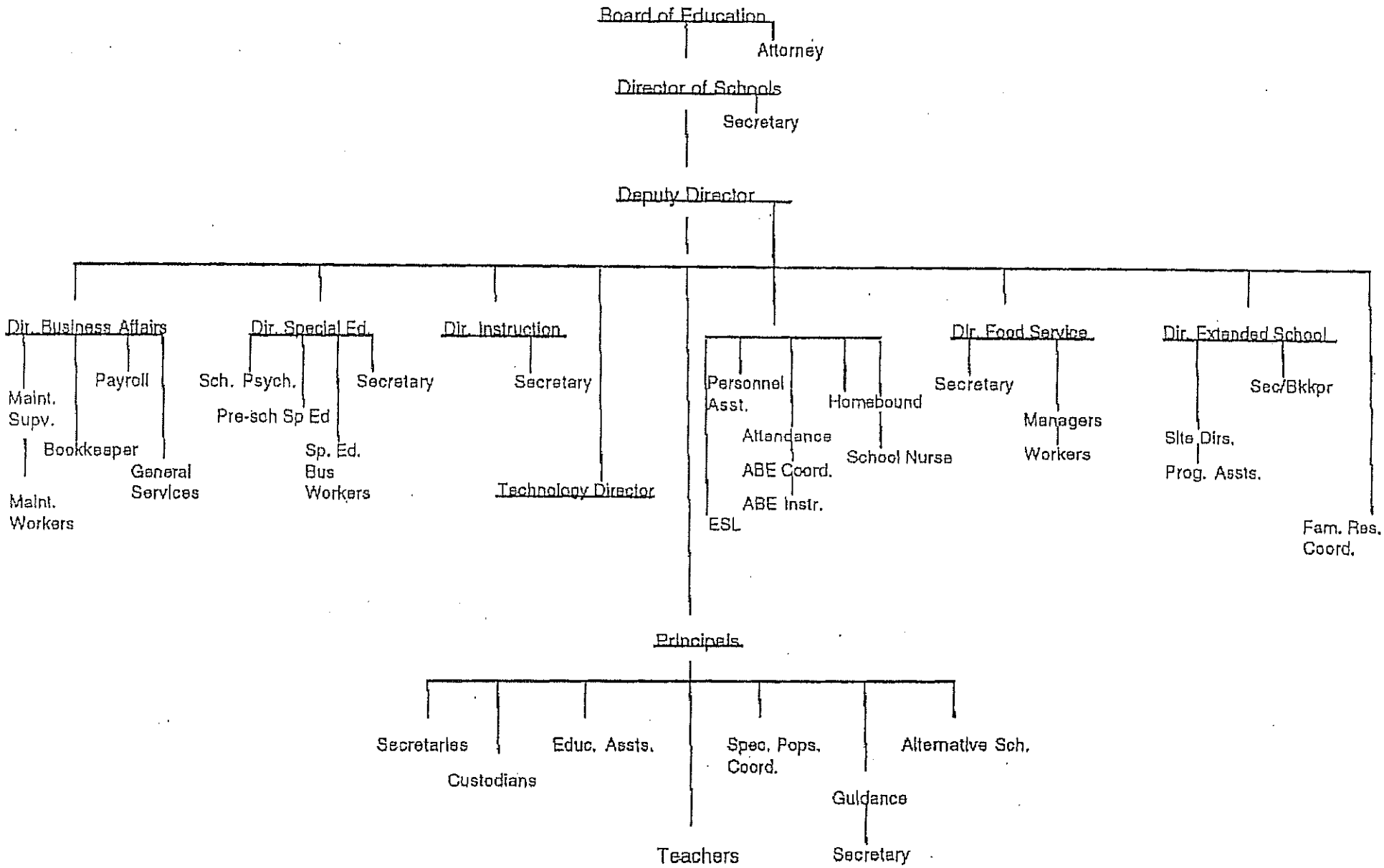
Revised: August 13, 2012



** Supervisor*
T – Temporary Employee
C – Contract Employee

TULLAHOMA CITY SCHOOLS

STAFFING CHART



FINANCIAL SECTION

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1568
Tullahoma, Tennessee 37388

Telephone 931-455-4248
Fax 931-393-2122

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2012, 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 Tullahoma, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of June 30, 2012, and the respective changes in financial position, the respective budgetary comparison for the General Fund, the General Purpose School Fund and the UDAG Fund, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2013, on our consideration of the City of Tullahoma'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, employer contributions, and actuarial methods and significant assumptions on pages A-1 through A-16 and B-48 through B-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tullahoma, Tennessee's financial statements as a whole. The Introductory Section on pages i through xi, the Combining and Individual Nonmajor Fund Statements on pages C-1 through C-10 and Financial Schedules on pages C-11 and D-1 through D-16 and the Statistical Section on pages E-1 through E-19, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Combining and Individual Nonmajor Fund Statements and Financial Schedules, except for that marked "Unaudited" on which we express no opinion, and the schedules of Federal and State awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The Introductory Section and Statistical Section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Housholder-Artman PLLC

January 30, 2013

CITY OF TULLAHOMA

STATE OF TENNESSEE

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
(amounts expressed in thousands)

As management of the City of Tullahoma, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City and its related agencies for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

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

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

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

THE REPORTING ENTITY AND ITS COMPONENT UNITS

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

The City of Tullahoma (Primary Government – Governmental Activities)

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

Tullahoma City Schools (Primary Government – Governmental Activities)

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

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

The Tullahoma Utilities Board is a municipal public utility and an independent agency of the City of Tullahoma, and provides electricity, water and wastewater services to the residents of Tullahoma and parts of the surrounding area. A distributor of TVA power, with rates among the lowest in the country, TUB currently serves 10,376 electric customers. TUB purchases wholesale water from the Duck River Utility Commission to serve its 9,597 water customers. TUB also operates a wastewater treatment facility with 7,390 sewer customers. TUB recently expanded into the fiber optics area and now offers television, telephone and internet services to over 2,800 customers.

Tullahoma Airport Authority (A Component Unit)

The Tullahoma Airport Authority operates the Tullahoma Regional Airport. The airport was originally constructed in 1942 for the U.S. Army Air Corps and features wide heavy duty runways, a large ramp, taxiways and large hangars. Over 100 aircraft are presently based at the airport, with additional capacity available. Over 2000 transient aircraft visit the airport annually. The TAA partners with local aviation groups such as the University of Tennessee Space Institute, Tennessee Skydiving, Beechcraft Heritage Museum, and has a residential airpark. The Tri-County Chamber, City of Tullahoma, Arnold Engineering and Development Center, and many other civic groups and local corporations coordinated efforts to host bi-annual air shows, which generally draw over 50,000 in daily attendance.

Tullahoma Industrial Development Board (A Component Unit)

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

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

FINANCIAL HIGHLIGHTS

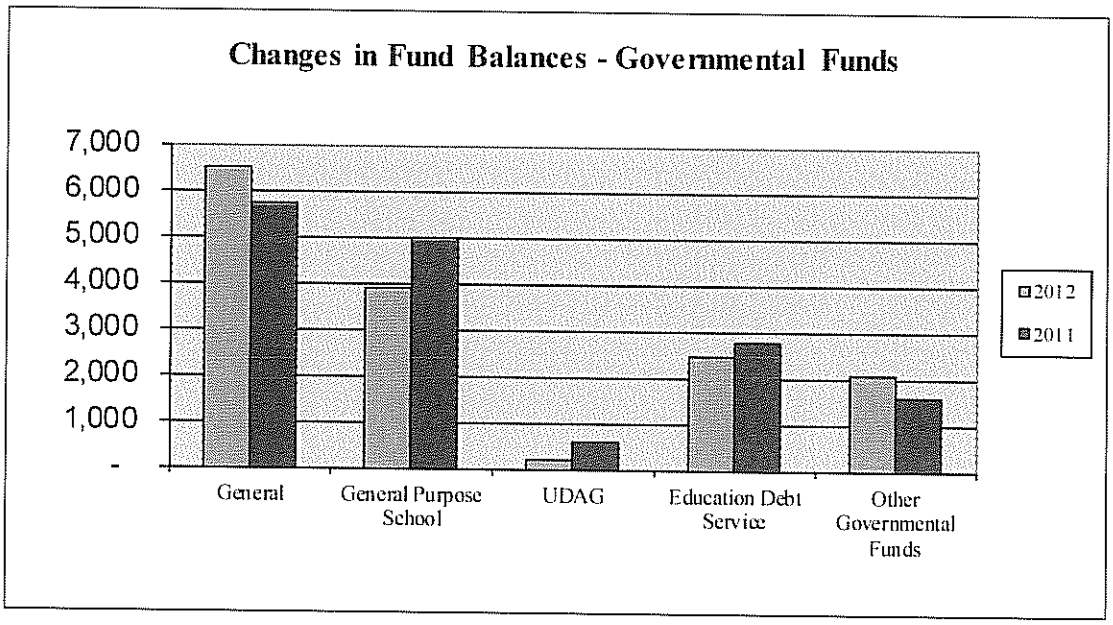
- The assets of the Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by $16,615 (net assets). Of this amount, $2,711 is invested in capital assets, net of related debt, $3,738 is restricted for debt service and other use, with $10,166 available to meet other ongoing obligations. The Governmental Activities group's net assets increased by $1,523.

- The Governmental Activities group indicates an increase in capital assets net of related debt of $2,476. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.

- The Business-type Activities group's total net assets increased by only $567.

- The capital assets in the Business-type Activities group decreased by $191 or .4% from last year.

- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of $15,085, a decrease of $677 from the prior year. While the fund balance in the General Purpose School Fund decreased by $1,055, the fund balance in the City General Fund increased by $815 and the fund balance in the other governmental funds decreased by $436.



- At the end of the current fiscal year, fund balance for the City General Fund was $6,518, or 28% of total General Fund expenditures including transfers out.

- The ending fund balance in the General Purpose School Fund was $3,876 or 14% of total expenses for that fund.

- The City Governmental Activities' total gross debt decreased by $1,525 or 5% during the 2012 fiscal year as no new debt was issued. The Tullahoma Utilities Board's gross debt increased by $1,416 or 6% during this period.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

- **Governmental Funds**

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

The City maintains sixteen (16) individual government funds, twelve (12) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the General-Purpose School Fund, the Education Debt Service Fund, the UDAG Revolving Loan Fund and the Non-Major Governmental Funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

- **Proprietary Funds**

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

- **Internal Service Fund**

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

Notes to the Financial Statements

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

Other Information

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

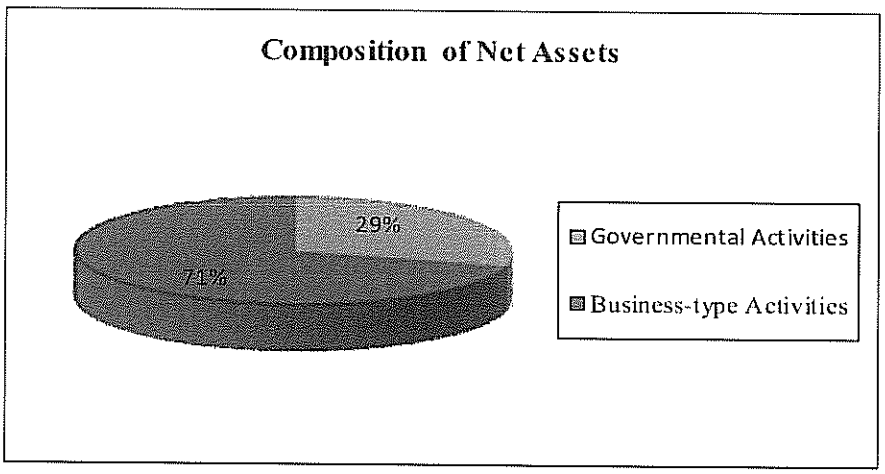
GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the Governmental Activities, assets exceed liabilities by $16,615 at the close of the most recent fiscal year. The City's investment in capital assets (e.g. land, buildings, and equipment) is largely offset by accumulated assets. The Business-type Activities funds show net assets of $40,654 with 49% reflecting investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Tullahoma's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 29,155	$ 30,141	$ 30,412	$ 27,524	$ 59,567	$ 57,665
Capital assets, net of accumulated depreciation	43,995	43,744	44,782	44,973	88,777	88,717
Total assets	73,150	73,885	75,194	72,497	148,344	146,382
Long-term liabilities outstanding	44,708	46,233	24,782	23,335	69,490	69,568
Other liabilities	11,827	12,422	9,758	9,075	21,585	21,497
Total liabilities	56,535	58,655	34,540	32,410	91,075	91,065
Net assets:						
Invested in capital assets, net of related debt	2,711	235	20,030	21,637	22,741	21,872
Restricted	3,738	3,715	11,142	8,180	14,880	11,895
Unrestricted	10,166	11,280	9,482	10,270	19,648	21,550
Total net assets	$ 16,615	$ 15,230	$ 40,654	$ 40,087	$ 57,269	$ 55,317

A portion of the Governmental Activities' total net assets $3,738 (22%) represents resources that are subject to external restrictions on how they may be used. These include assets restricted for payments on bonded debts and notes, drug prevention assets and assets for capital construction and projects. The remaining balance of unrestricted net assets $10,166 may be used to meet the government's ongoing obligations to citizens and short-term creditors.



City of Tullahoma's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 2,694	$ 2,625	$ 41,207	$ 40,983	$ 43,901	$ 43,608
Operating grants & contributions	26,737	26,518	-	-	26,737	26,518
Capital grants & contributions	-	-	29	317	29	317
General revenues:						
Taxes	18,853	17,937	-	-	18,853	17,937
Other revenues	1,011	303	79	154	1,090	457
Investment earnings	138	310	32	36	170	346
Transfers	322	348	(232)	(403)	90	(55)
Total revenues	49,755	48,041	41,115	41,087	90,870	89,128
Expenses:						
General government	2,475	2,064	-	-	2,475	2,064
Public safety	4,785	4,899	-	-	4,785	4,899
Public works	4,199	4,013	-	-	4,199	4,013
Community services	443	184	-	-	443	184
Waste management	1,857	1,771	-	-	1,857	1,771
Education	33,274	33,264	-	-	33,274	33,264
Utilities	-	-	40,548	39,908	40,548	39,908
Interest & debt	1,301	1,336	-	-	1,301	1,336
Total expenses	48,334	47,531	40,548	39,908	88,882	87,439
Change in net assets	1,421	510	567	1,179	1,988	1,689
Net assets, beginning of period	15,230	14,505	40,087	36,852	55,317	51,357
Prior period adjustment	(36)	215	-	2,056	(36)	2,271
Net assets, end of period	$ 16,615	$ 15,230	$ 40,654	$ 40,087	$ 57,269	$ 55,317

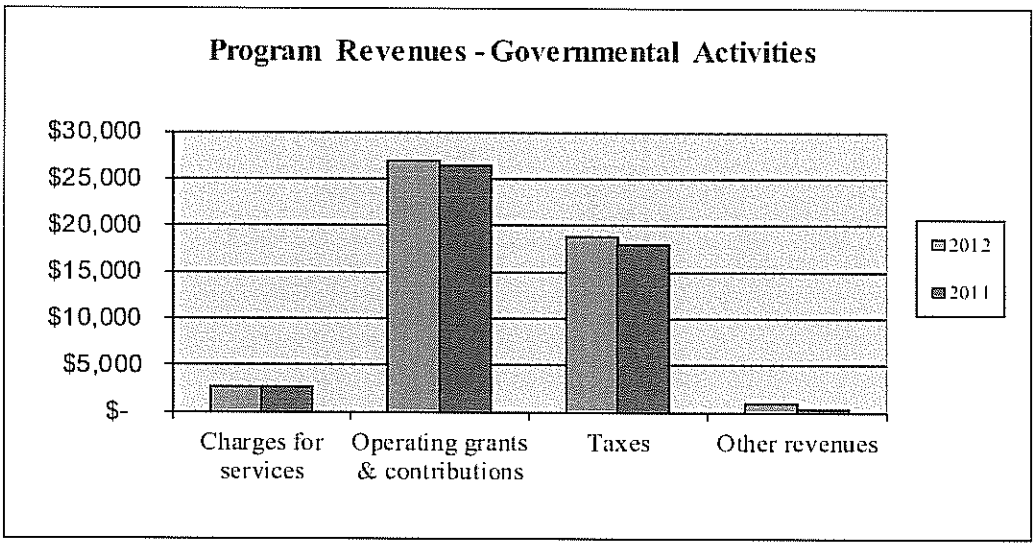
Changes in Net Assets

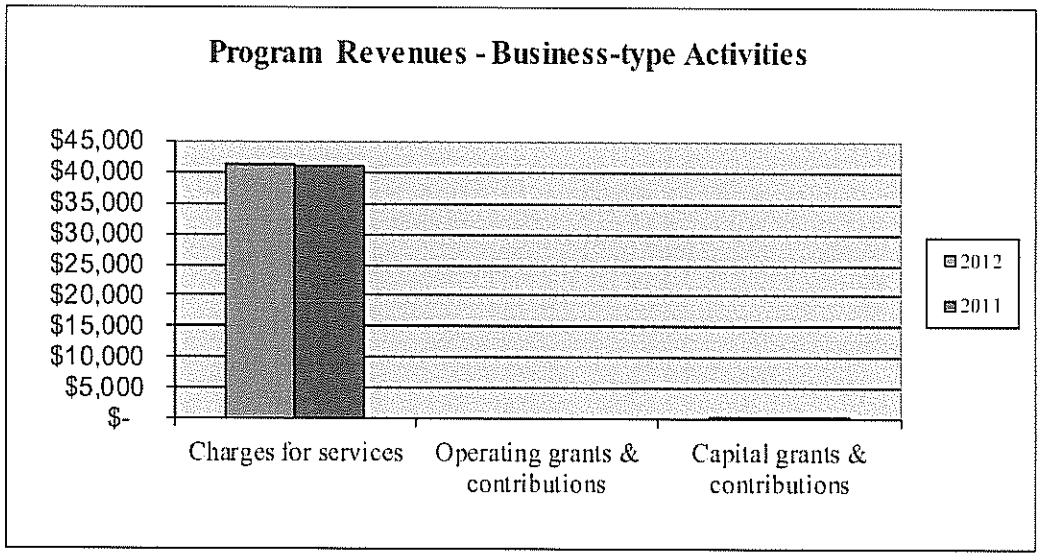
- Governmental Activities increased net assets by $1,421 while Business-type Activities increased net assets by $567. Fiscal year 2012 saw improvement in the local economy, with the city's portion of sales tax increasing by $714 or 9% over fiscal year 2011. This was the largest contributing factor toward the governmental activities increase in net assets.

- Fiscal year 2012 also saw an increase of $708 in other revenue due mostly to insurance recoveries in the amount of $557 for hail damage to facilities and vehicles incurred in October 2011.

- The Board of Mayor and Aldermen did not pass a property tax increase, and additions to the base were offset by commercial revaluations, providing for essentially flat collections.

- Flat or declining revenues, reflecting state and national economic trends, have constrained governmental spending and postponed some capital project plans. The city has benefited from conservative financial management and a healthy reserve balance. Fiscal year 2012 demonstrated the beginning of a significant upwards trend in sales tax which should continue in fiscal year 2013, allowing for implementation of more projects and grant matches





Business-type activities are financed almost entirely by service charges. Service charges remained consistent during the two year period, reflecting an increase of only $365.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tullahoma's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the City of Tullahoma's Governmental Funds reported combined ending fund balances of $15,085, a decrease of $677 from the prior year. This was a result of the General Purpose School Fund utilizing $1,055 of its reserves for operations and capital projects completion.

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

- The General Fund is the chief operating fund of the City. In the governmental fund financial statements, the City has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* where fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned. At the end of the current fiscal year, unassigned fund balance of the General Fund was $6,318 while total fund balance amounted to $6,518. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.

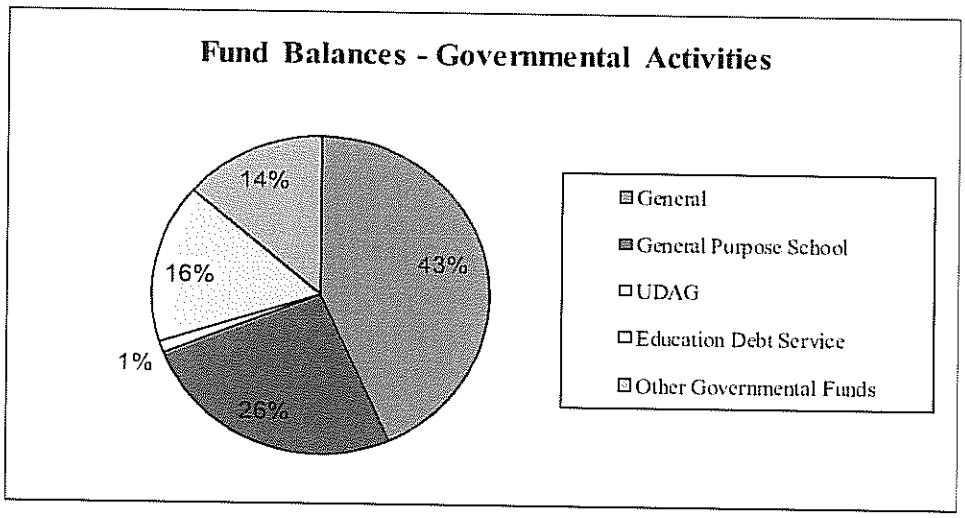
- Unassigned fund balance represents 26% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund increased by $815 as a result of the current fiscal year operations. The General Fund had $145 in outstanding encumbrances at year end.

- The General Purpose School Fund has a total fund balance of $3,876. Although revenues decreased by $62, expenditures increased by $752 resulting in a decrease in fund balance of $1,055. The General Purpose School Fund had no outstanding encumbrances at year end.

- The School Debt Service Fund had a beginning fund balance of $2,750, which decreased to $2,451 at year end, due to repayment on the 2009 $17,000 loan for school renovation projects. Those projects included the renovation of the Tullahoma High School football stadium and auditorium which were completed in fiscal year 2011, and the renovation and expansion of East Lincoln Elementary School which was not completed until 2012.

- The UDAG Revolving Loan Fund was created through a federal grant for a commercial job creation loan. Loan repayment was then utilized for new commercial loans. The UDAG Fund ended 2012 with a balance of $176, a decrease of $432 from 2011, due to new loan disbursements, and funding the local share of an economic development infrastructure project.

- Non-Major (other) Governmental Funds have an ending fund balance of $2,064. This grouping consists primarily of smaller city capital projects funds, and school federal projects, debt service, cafeteria, after school program and capital projects funds.



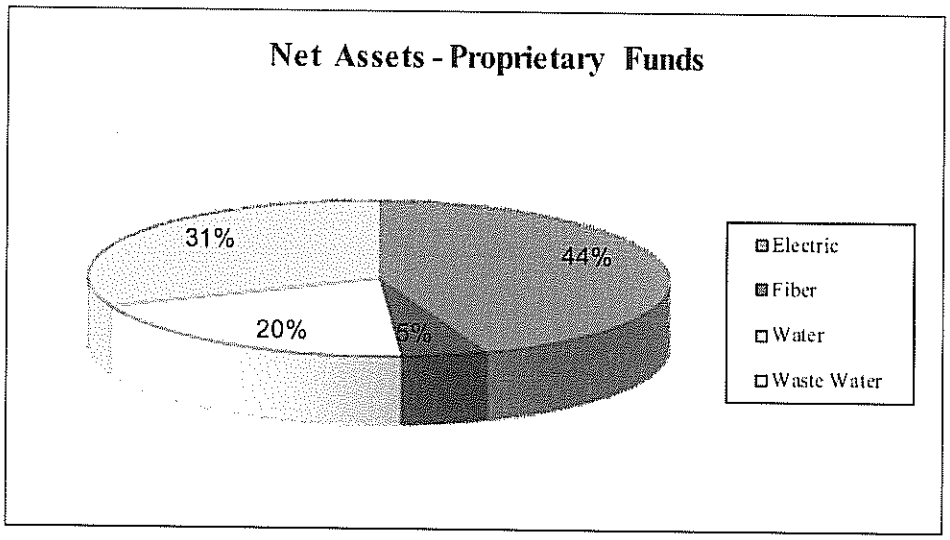
Proprietary Funds

The business-type activities at the Tullahoma Utilities Board have seen a change in composition due to the addition of a fourth enterprise fund in 2007 for the construction of a fiber optics system which began providing services to Tullahoma residents commencing in October, 2008, and has now expanded to serving over 2,800 customers.

- The Electric System provided an increase in net assets of $481 in 2012, due in part to an accounting change in the recognition of accounts receivable. Accounts receivable increased $487 (before allowances).

- The Waste Water System reflected a modest increase of $291 or 2%, and the Water System net assets grew by $320 or 4%.

- As the Fiber Optics System is still finishing up build out and growing its customer base, their net assets decreased by $525 to ($2,162). The system plans to show positive net assets in 2013.



CAPITAL ASSETS AND DEBT ADMINISTRATION

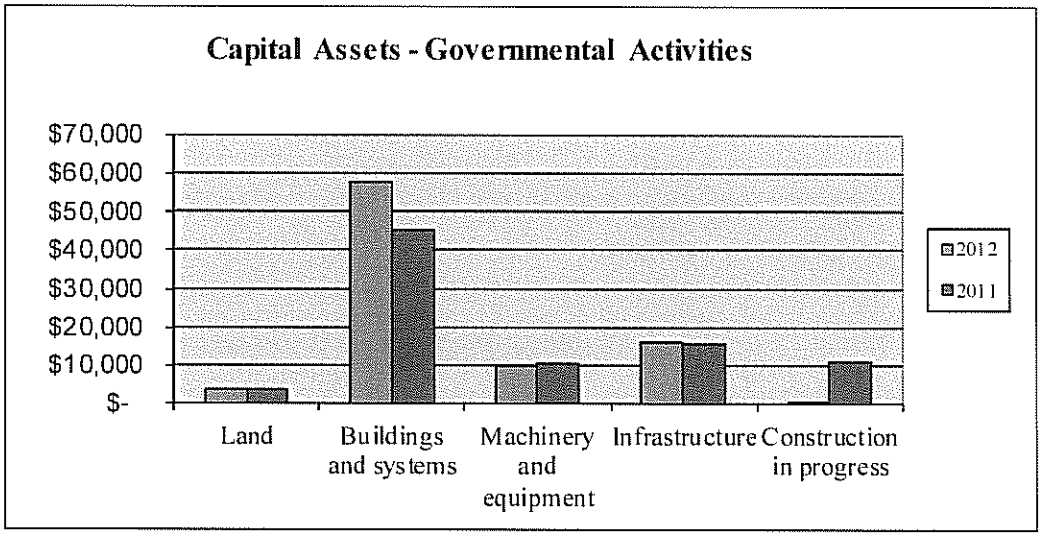
Capital Assets

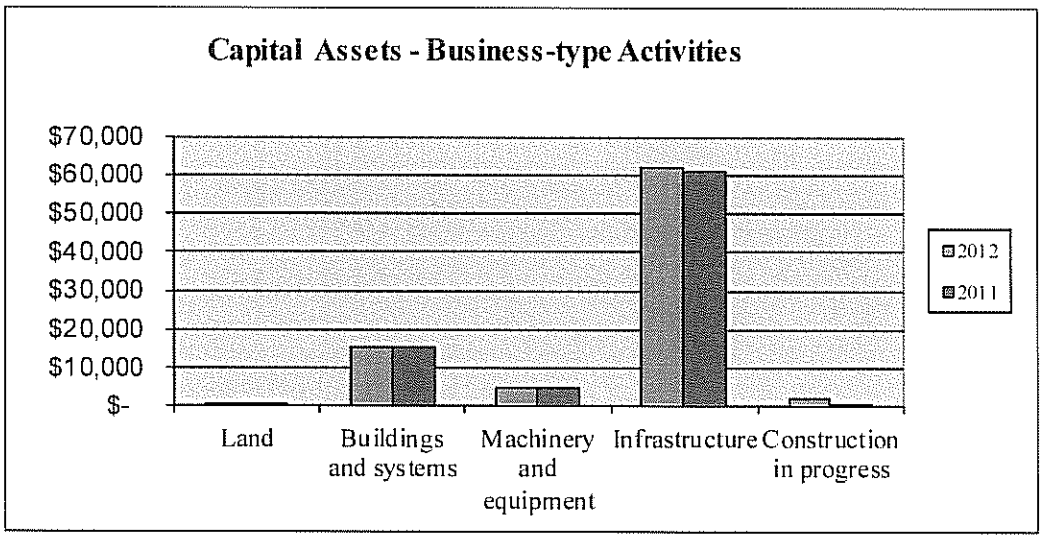
The City's investment in capital assets from its governmental and business-type activities as of June 30, 2012, is shown as follows. The Government Accounting Standards Board required that infrastructure assets be inventoried and carried on the balance sheet as of 2007. Additional information concerning capital assets can be found in Note 5 of the Notes to the Financial Statements.

City of Tullahoma's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 3,824	$ 3,824	$ 476	$ 476	$ 4,300	$ 4,300
Buildings and systems	57,780	45,172	15,339	15,337	73,119	60,509
Machinery and equipment	10,165	10,308	5,017	4,711	15,182	15,019
Infrastructure	16,452	15,990	62,101	61,046	78,553	77,036
Construction in progress	197	10,908	2,374	831	2,571	11,739
Total capital assets	$ 88,418	$ 86,202	$ 85,307	$ 82,401	$ 173,725	$ 168,603

The total capital assets in the Governmental Activities increased by $2,216. This was primarily due to street paving projects. East Lincoln Elementary School was completed and moved from construction in progress to buildings and systems.





Business-type Activities' capital assets demonstrated a net increase of $2,906. Construction in progress increased due to sewer line rehabilitation, partially funded through a Community Development Block Grant.

Long-Term Debt

- Governmental Activities
  The City of Tullahoma did not issue any new debt in fiscal year 2012 for either general purposes or for education. Principal payments were made in the amount of $2,174, reducing the governmental outstanding debt to $42,037. Of this, $2,323 is due within one year.

- Business-type Activities
  The Tullahoma Utilities Board issued notes in the amount of $1,500 for the Electric System, $900 for the Water System and $700 for the Wastewater System for the purchase and installation of an electronic metering system. This was partially offset by principal payments of $1,684, resulting in outstanding debt of $24,751.

- Component Units
  No direct debt was issued by or on behalf of either the Airport Authority or the Tullahoma Industrial Development Board in fiscal year 2012. The Airport Authority does have an outstanding note through the UDAG Revolving Loan Program in the amount of $221. The loan was used to finance construction of a hangar for life flight helicopters. The tenant provides monthly rental payments to the Airport Authority, who in turn pays back into the City's UDAG Revolving Loan Fund. An additional $9 was borrowed through this program in fiscal year 2012 for the purchase of a used fuel truck.

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

City of Tullahoma's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes payable	$ 466	$ 548	$ 8,176	$ 6,020	$ 8,642	$ 6,568
General obligation bonds	41,571	43,682	16,575	17,315	58,146	60,997
Other obligations payable	2,671	2,003	-	-	2,671	2,003
Total long-termdebt	$ 44,708	$ 46,233	$ 24,751	$ 23,335	$ 66,788	$ 67,565

Requests for Information

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

CITY OF TULLAHOMA

STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	$ 14,683,586	$ 9,314,104	$ 23,997,690	$ 157,073
Receivables	10,445,323	3,699,335	14,144,658	2,709
Allowance for doubtful accounts	(1,053,501)	(49,177)	(1,102,678)	-
Unbilled revenue	-	2,026,510	2,026,510	-
Accounts receivable - government	-	17,988	17,988	-
Due from component units	76,156	-	76,156	-
Due from other governments	2,588,361	-	2,588,361	103,746
Accrued interest receivable	292	-	292	-
Inventory	-	1,446,256	1,446,256	32,264
Other assets	808,427	1,050,734	1,859,161	38,292
Restricted assets:				
Cash and cash equivalents	-	11,605,779	11,605,779	-
Notes receivable	1,605,936	1,300,827	2,906,763	-
Capital assets:				
Utility plant in service	-	62,100,733	62,100,733	-
Land	3,824,195	476,080	4,300,275	1,738,799
Buildings and improvements	57,779,691	15,338,929	73,118,620	9,801,243
Furniture, machinery, and equipment	10,164,671	5,017,140	15,181,811	462,433
Construction in progress	196,987	2,373,869	2,570,856	125,660
Infrastructure	16,451,981	-	16,451,981	-
Accumulated depreciation	(44,422,296)	(40,525,148)	(84,947,444)	(2,499,367)
Total assets	73,149,809	75,193,959	148,343,768	9,962,852
LIABILITIES:				
Accounts payable	955,770	5,988,938	6,944,708	4,971
Accrued liabilities	1,797,339	1,045,895	2,843,234	-
Accrued interest payable	285,530	-	285,530	-
Due to the primary government	-	-	-	76,156
Due to other governments	-	-	-	-
Deferred revenue	8,787,729	-	8,787,729	-
Other liabilities	-	1,787,936	1,787,936	19,106
TVA advances	-	502,093	502,093	-
Liabilities payable from restricted assets:				
Accrued interest	-	350,130	350,130	-
Contracts and retainage	-	113,662	113,662	-
Noncurrent liabilities:				
Due within one year	2,323,000	2,026,288	4,349,288	29,374
Due in more than one year	42,385,487	22,725,204	65,110,691	200,979
Total liabilities	56,534,855	34,540,146	91,075,001	330,586
NET ASSETS:				
Invested in capital assets, net of related debt	2,710,459	20,030,111	22,740,570	9,398,415
Restricted:				
Restricted for debt service	2,464,343	1,873,305	4,337,648	-
Restricted for construction	1,183,965	9,268,682	10,452,647	-
Restricted for drug enforcement	89,918	-	89,918	-
Unrestricted	10,166,269	9,481,715	19,647,984	233,851
Total net assets	$ 16,614,954	$ 40,653,813	$ 57,268,767	$ 9,632,266

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government								
Governmental activities:								
General government	$ 2,475,135	$ 586,807	$ 2,372,207	$ -	$ 483,879	$ -	$ 483,879	$ -
Public safety								
Police	2,649,620	30,229	-	-	(2,619,391)	-	(2,619,391)	-
Fire	2,135,875	-	-	-	(2,135,875)	-	(2,135,875)	-
Public works	4,199,087	-	-	-	(4,199,087)	-	(4,199,087)	-
Community services	442,897	-	315,133	-	(127,764)	-	(127,764)	-
Waste management	1,856,650	782,997	-	-	(1,073,653)	-	(1,073,653)	-
Education	33,274,087	1,293,993	24,050,048	-	(7,930,046)	-	(7,930,046)	-
Interest and other debt related costs	1,300,931	-	-	-	(1,300,931)	-	(1,300,931)	-
Total governmental activities	48,334,282	2,694,026	26,737,388	-	(18,902,868)	-	(18,902,868)	-
Business-type activities:								
Electric System	28,046,792	28,874,367	-	-	-	827,575	827,575	-
Fiber Optics System	5,809,945	5,273,960	-	3,908	-	(532,077)	(532,077)	-
Waste Water System	3,309,698	3,503,625	-	24,988	-	218,915	218,915	-
Water System	3,381,537	3,555,292	-	-	-	173,755	173,755	-
	40,547,972	41,207,244	-	28,896	-	688,168	688,168	-
Total primary government	$ 88,882,254	$ 43,901,270	$ 26,737,388	$ 28,896	(18,902,868)	688,168	(18,214,700)	-
Component units:								
Industrial Development Board	$ 2,253	$ 30,981	$ -	$ -	-	-	-	28,728
Municipal Airport Authority	1,127,875	97,760	23,719	171,530	-	-	-	(834,866)
Total component units	$ 1,130,128	$ 128,741	$ 23,719	$ 171,530	-	-	-	(806,138)
General revenues								
Taxes:								
Property					8,945,804	-	8,945,804	-
Sales					8,281,290	-	8,281,290	-
Wholesale beer					511,931	-	511,931	-
Wholesale liquor					176,661	-	176,661	-
Business					535,598	-	535,598	-
Cable television franchise					194,819	-	194,819	-
Hotel-Motel					206,648	-	206,648	-
Sale of fuel					-	-	-	677,556
Other revenues					1,000,543	66,558	1,067,101	8,454
Unrestricted investment earnings					138,125	32,161	170,286	1,217
Gain on sale of property					10,315	12,147	22,462	-
Transfers					321,649	(232,124)	89,525	(89,525)
Total general revenues and transfers					20,323,383	(121,258)	20,202,125	597,702
Change in net assets					1,420,515	566,910	1,987,425	(208,436)
Net assets, beginning					15,230,002	40,086,903	55,316,905	9,840,702
Prior period adjustment (See Note 2)					(35,563)	-	(35,563)	-
Net assets, ending					$ 16,614,954	$ 40,653,813	$ 57,268,767	$ 9,632,266

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

CITY OF TULLAHOMA, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	General Purpose School	UDAG	Education Debt Services	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$ 5,426,527	$ 1,769	$ 295,579	$ 2,400,274	$ 1,674,428	$ 9,798,577
Investments	-	4,713,901	-	-	-	4,713,901
Accrued interest receivable	-	-	-	292	-	292
Receivables	10,402,964	-	-	-	42,359	10,445,323
Allowance for doubtful accounts	(1,040,548)	-	-	-	(12,953)	(1,053,501)
Due from other governments	1,134,938	567,761	-	-	885,662	2,588,361
Due from other funds	1,251	952,880	-	50,450	125,000	1,129,581
Due from component units	71,156	-	5,000	-	-	76,156
Prepaid expenses	55,354	-	-	-	1,193	56,547
Notes receivable	-	-	1,498,036	-	107,900	1,605,936
Total assets	$ 16,051,642	$ 6,236,311	$ 1,798,615	$ 2,451,016	$ 2,823,589	$ 29,361,173
LIABILITIES:						
Accounts payable	$ 161,246	$ 736,323	$ -	$ -	$ 46,295	$ 943,864
Retainage payable	-	-	-	-	-	-
Accrued liabilities	64,146	33,202	-	-	15,392	112,740
Accrued payroll	92,655	1,589,269	-	-	14,581	1,696,505
Unearned revenue	8,782,720	-	1,498,036	-	112,909	10,393,665
Due to other governments	-	-	-	-	-	-
Due to other funds of the primary government	432,810	1,251	125,000	-	570,520	1,129,581
Total liabilities	9,533,577	2,360,045	1,623,036	-	759,697	14,276,355
FUND BALANCES:						
Nonspendable:						
Prepaid items	55,354	-	-	-	-	55,354
Restricted for:						
Capital improvements	-	-	-	-	975,466	975,466
Debt service	-	-	-	2,451,016	13,327	2,464,343
Drug enforcement	-	-	-	-	81,250	81,250
Grant projects	-	-	175,579	-	212,126	387,705
School operations	-	3,736,998	-	-	466,986	4,203,984
Solid Waste	-	-	-	-	182,700	182,700
Extended school	-	-	-	-	123,369	123,369
Committed to:						
Specific projects	-	-	-	-	-	-
Assigned to:						
Encumbrances	144,615	-	-	-	8,668	153,283
School MOE	-	139,268	-	-	-	139,268
Unassigned	6,318,096	-	-	-	-	6,318,096
Total fund balances	6,518,065	3,876,266	175,579	2,451,016	2,063,892	15,084,818
Total liabilities and fund balances	$ 16,051,642	$ 6,236,311	$ 1,798,615	$ 2,451,016	$ 2,823,589	$ 29,361,173

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

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2012

Fund balances - total governmental funds	$ 15,084,818
Amounts reported for governmental activities in the Statement of Net Assets are different from amounts reported for governmental funds in the Balance Sheet because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in governmental funds.	
Capital assets	88,417,525
Less accumulated depreciation	(44,422,296)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds payable	(41,406,000)
Less deferred charge on refunding	386,752
Less deferred charge for issuance costs	365,128
Add bond premium	(164,650)
Accrued interest payable	(285,530)
Net pension obligation	(1,100,744)
OPEB obligation	(311,894)
Notes payable	(466,000)
Compensated absences	(1,259,199)
An internal service fund is used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	171,108
Principal payments on notes receivable are revenues for governmental funds and therefore are reported as unearned revenues until they are received.	1,605,936
Net assets - total governmental activities	$ 16,614,954

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	General Purpose School	UDAG	Education Debt Services	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	$ 8,945,804	$ -	$ -	$ -	$ -	$ 8,945,804
Local option sales taxes	8,281,290	-	-	-	-	8,281,290
Other taxes	1,428,006	-	-	-	-	1,428,006
Payment in lieu of tax	197,651	-	-	-	-	197,651
Licenses and permits	83,580	-	-	-	-	83,580
Fines and forfeitures	401,497	-	-	-	-	401,497
Intergovernmental	2,372,207	19,842,010	-	350,000	4,173,171	26,737,388
Charges for services	101,730	241,138	-	-	1,835,852	2,178,720
Investment income	59,913	20,609	32,292	12,185	11,235	136,234
Note repayments	-	-	216,134	-	47,570	263,704
Sale of property	21,852	-	-	-	-	21,852
Other revenues	805,490	110,841	2,141	-	112,300	1,030,772
Total revenues	22,699,020	20,214,598	250,567	362,185	6,180,128	49,706,498
EXPENDITURES:						
Current:						
General government	1,151,189	-	-	-	-	1,151,189
Planning	206,846	-	-	-	-	206,846
Public safety:						
Police protection	2,608,848	-	-	-	-	2,608,848
Fire protection	2,175,241	-	-	-	-	2,175,241
Public works	2,036,722	-	-	-	-	2,036,722
Parks and recreation	1,319,151	-	-	-	-	1,319,151
Airport administration	165,843	-	-	-	-	165,843
Economic development & Community services	285,215	-	-	-	-	285,215
Education:						
Administration	-	3,081,381	-	-	-	3,081,381
Regular education	-	13,764,684	-	-	1,571,809	15,336,493
Special education	-	3,009,496	-	-	894,060	3,903,556
Vocational education	-	858,430	-	-	60	858,490
Adult education	-	200,271	-	-	-	200,271
Attendance	-	192,721	-	-	-	192,721
Health services	-	196,515	-	-	-	196,515
Other student support	-	676,507	-	-	13,477	689,984
Instructional staff	-	757,720	-	-	72,073	829,793
Plant operations	-	2,701,076	-	-	-	2,701,076
Plant maintenance	-	862,213	-	-	-	862,213
Transportation	-	121,970	-	-	35,525	157,495
Community services	-	30,207	-	-	-	30,207
Program costs	-	-	7,609	-	3,977,670	3,985,279
Debt service:						
Principal retirement	-	-	-	-	2,174,000	2,174,000
Interest	-	-	-	-	1,262,493	1,262,493
Fiscal charges	-	-	-	-	1,465	1,465
Capital outlay	779,934	1,513,116	-	-	1,360,361	3,653,411
Loans disbursed	-	-	549,500	-	90,000	639,500
Total expenditures	10,728,989	27,966,307	557,109	-	11,452,993	50,705,398
Excess (deficiency) of revenues over (under) expenditures	11,970,031	(7,751,709)	(306,542)	362,185	(5,272,865)	(998,900)
OTHER FINANCING SOURCES (USES):						
Transfers in	697,966	7,338,872	-	1,941,109	5,838,143	15,816,090
Transfers out	(11,853,054)	(642,536)	(125,000)	(2,602,335)	(271,516)	(15,494,441)
Total other financing sources (uses)	(11,155,088)	6,696,336	(125,000)	(661,226)	5,566,627	321,649
Net change in fund balances	814,943	(1,055,373)	(431,542)	(299,041)	293,762	(677,251)
Fund balances, July 1, 2011	5,703,122	4,958,894	607,121	2,750,057	1,778,438	15,797,632
Prior period adjustment (See Note 2)	-	(27,255)	-	-	(8,308)	(35,563)
Fund balances, June 30, 2012	$ 6,518,065	$ 3,876,266	$ 175,579	$ 2,451,016	$ 2,063,892	$ 15,084,818

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

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2012

Net change in fund balances - governmental funds	$ (677,251)
Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances, because:	
Governmental funds report capital outlays which include principal and interest payments on capital leases as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.	
Acquisition of capital assets	2,837,925
Depreciation expense	(2,575,014)
The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs in the change in fund balances by the the net book value of the capital assets sold.	(11,536)
Bonds proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of principal on bonds and notes payable is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities. Governmental funds include interest paid in debt service expenditures, whereas interest is accrued and expensed as it becomes payable for governmental activities.	
Bond and note principal repayments	2,174,000
Amortization of issuance costs	(31,651)
Amortization of deferred charges	(26,672)
Amortization of premium	19,087
Decrease in accrued interest expense	2,265
Loans disbursed	639,500
Principal received on notes receivable	(263,704)
An internal service fund is used by management to charge the costs of the employee health insurance program. The net revenue of the internal service fund is included in governmental activities.	1,891
Some expenses reported for governmental activities do not require the use of current financial resources and therefore not reported as expenditures for governmental funds. Compensated absences are an expenditure when they are paid in the governmental funds, but are accrued and expended when they are incurred for governmental activities.	
Decrease in net pension obligation	(491,546)
Increase in OPEB obligation	(119,921)
Increase in compensated absences	(56,858)
Change in net assets - governmental activities	$ 1,420,515

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Taxes:						
Property taxes	$ 8,945,804	$ -	$ 8,945,804	$ 8,873,551	$ 8,928,551	$ 17,253
Local option sales tax	8,281,290	-	8,281,290	7,888,800	8,238,595	42,695
Wholesale beer	511,931	-	511,931	472,665	492,665	19,266
Wholesale liquor	176,661	-	176,661	181,514	176,514	147
Business	337,947	-	337,947	260,000	260,000	77,947
Cable TV	194,819	-	194,819	183,000	183,000	11,819
Hotel and motel	206,648	-	206,648	175,000	205,000	1,648
Total taxes	18,655,100	-	18,655,100	18,034,530	18,484,325	170,775
Payment in lieu of taxes	197,651	-	197,651	535,000	200,000	(2,349)
Licenses and permits	83,580	-	83,580	80,945	77,295	6,285
Fines and forfeitures	401,497	-	401,497	335,690	389,190	12,307
Intergovernmental:						
State of Tennessee sales tax	1,258,758	-	1,258,758	1,151,448	1,247,448	11,310
State of Tennessee gas tax	481,371	-	481,371	499,362	489,362	(7,991)
State of Tennessee income tax	175,189	-	175,189	177,432	177,432	(2,243)
TVA gross receipts	216,206	-	216,206	203,726	213,726	2,480
State and federal grants	23,880	-	23,880	849,700	30,700	(6,820)
Mixed drink tax	76,596	-	76,596	71,310	71,310	5,286
Excise tax	41,355	-	41,355	73,541	43,541	(2,186)
Streets and transportation	38,294	-	38,294	38,514	38,514	(220)
State street contracts	10,051	-	10,051	1,000	8,000	2,051
Supplemental pay	40,200	-	40,200	-	40,200	-
State of Tennessee beer tax	9,157	-	9,157	8,999	8,999	158
Telecommunications tax	1,150	-	1,150	2,318	1,100	50
Total intergovernmental	2,372,207	-	2,372,207	3,077,350	2,370,332	1,875
Charges for services	101,730	-	101,730	102,015	101,865	(135)
Investment income	59,913	-	59,913	65,200	62,700	(2,787)
Sale of property	21,852	-	21,852	-	-	21,852
Other revenues	805,490	-	805,490	698,150	785,771	19,719
Total revenues	22,699,020	-	22,699,020	22,928,880	22,471,478	227,542
EXPENDITURES:						
General government:						
Legislative and judicial:						
Current:						
Salaries	37,614	-	37,614	37,614	37,614	-
Payroll Taxes	2,877	-	2,877	2,878	2,878	1
Benefits	30,881	-	30,881	44,600	32,752	1,871
Contract and professional	85,606	-	85,606	113,200	90,238	4,632
Travel and training	1,871	-	1,871	5,000	2,000	129
Supplies	268	-	268	800	800	532
Telephone and utility	-	-	-	240	-	-
Operating insurance	19,492	-	19,492	25,089	19,500	8
Other	31,794	(250)	31,544	26,350	32,065	521
Appropriations	2,227	-	2,227	-	2,227	-
Total legislative and judicial	212,630	(250)	212,380	255,771	220,074	7,694
Court system:						
Current:						
Salaries	20,285	-	20,285	22,098	21,258	973
Payroll taxes	2,646	-	2,646	2,825	2,905	259
Benefits	3,889	-	3,889	4,042	4,042	153
Contract and professional	14,000	-	14,000	14,000	14,000	-
Repairs and maintenance	1,625	-	1,625	1,625	1,625	-
Travel and training	366	-	366	375	375	9
Supplies	755	-	755	200	755	-
Operating insurance	409	-	409	409	409	-
Other	135	-	135	500	185	50
Total court system	44,110	-	44,110	46,074	45,554	1,444

(continued)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
City administrator:						
Current:						
Salaries	126,520	-	126,520	126,565	126,779	259
Payroll taxes	9,377	-	9,377	9,790	9,790	413
Benefits	36,052	-	36,052	38,270	37,070	1,018
Telephone and utilities	-	-	-	75	75	75
Repairs and maintenance	124	-	124	-	125	1
Travel and training	2,839	-	2,839	1,750	2,950	111
Supplies	64	-	64	250	250	186
Gas and oil	683	-	683	750	750	67
Operating insurance	2,219	-	2,219	2,419	2,294	75
Other	992	-	992	1,050	1,060	68
Total city administrator	178,870	-	178,870	180,919	181,143	2,273
Finance director:						
Current:						
Salaries	174,287	-	174,287	163,005	175,240	953
Payroll taxes	12,939	-	12,939	12,686	12,986	47
Benefits	34,403	-	34,403	42,795	34,554	151
Telephone and utilities	14,542	-	14,542	20,600	15,000	458
Contract and professional	15,330	-	15,330	22,900	16,000	670
Repairs and maintenance	5,820	-	5,820	9,400	6,000	180
Travel and training	2,532	-	2,532	2,000	3,000	468
Supplies	1,235	-	1,235	900	1,900	665
Operating insurance	2,125	-	2,125	2,425	2,125	-
Other	5,524	-	5,524	5,550	6,160	636
Total finance director	268,737	-	268,737	282,261	272,965	4,228
City recorder:						
Current:						
Salaries	92,809	-	92,809	92,556	93,309	500
Payroll taxes	6,929	-	6,929	7,189	7,189	260
Benefits	23,686	-	23,686	25,667	25,172	1,486
Contract and professional	2,111	-	2,111	-	2,220	109
Telephone and utilities	-	-	-	200	200	200
Repairs and maintenance	5,362	-	5,362	6,000	5,500	138
Travel and training	1,729	-	1,729	1,350	2,165	436
Supplies	15,014	-	15,014	14,550	15,015	1
Operating insurance	1,158	-	1,158	1,158	1,158	-
Other	24,512	-	24,512	24,500	25,120	608
Total finance director	173,310	-	173,310	173,170	177,048	3,738
Human resources:						
Current:						
Salaries	69,738	-	69,738	69,735	69,937	199
Payroll taxes	5,406	-	5,406	5,443	5,443	37
Benefits	10,316	-	10,316	8,645	10,316	-
Telephone and utilities	441	-	441	700	554	113
Travel and training	3,148	-	3,148	2,100	3,249	101
Supplies	704	511	1,215	480	1,215	-
Operating insurance	1,007	-	1,007	1,007	1,007	-
Other	8,106	(2,178)	5,928	6,980	6,455	527
Total human resources	98,866	(1,667)	97,199	95,090	98,176	977
Community development:						
Current:						
Salaries	50,182	-	50,182	43,140	50,182	-
Payroll taxes	3,974	-	3,974	3,354	3,974	-
Benefits	8,092	-	8,092	8,666	8,273	181
Telephone and utility	441	-	441	610	610	169
Travel and training	436	-	436	500	500	64
Supplies	182	-	182	550	250	68
Operating insurance	635	-	635	635	635	-
Other	4,027	-	4,027	5,100	4,365	338
Total community development	67,969	-	67,969	62,555	68,789	820

(continued)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Planning:						
Current:						
Salaries	117,325	-	117,325	116,925	117,895	570
Payroll taxes	8,608	-	8,608	9,161	8,716	108
Benefits	36,628	-	36,628	41,448	36,715	87
Contract and professional	7,566	-	7,566	6,000	7,570	4
Telephone and utilities	5,764	-	5,764	7,000	6,000	236
Repairs and maintenance	11,451	275	11,726	5,500	12,555	829
Travel and training	1,960	-	1,960	2,000	2,000	40
Supplies	2,462	-	2,462	2,500	2,600	138
Uniforms	464	-	464	1,000	1,000	536
Gas and oil	2,068	-	2,068	3,240	2,240	172
Operating insurance	6,531	-	6,531	7,630	6,630	99
Other	6,019	-	6,019	9,700	7,420	1,401
Total planning	206,846	275	207,121	212,104	211,341	4,220
Information technology:						
Current:						
Contract and professional	14,816	(450)	14,366	7,000	14,800	434
Telephone and utilities	6,956	-	6,956	6,000	7,100	144
Total information technology	21,772	(450)	21,322	13,000	21,900	578
Municipal building:						
Current:						
Telephone and utilities	22,458	-	22,458	25,025	25,025	2,567
Rent	693	-	693	1,632	1,632	939
Repairs and maintenance	51,274	-	51,274	20,000	54,180	2,906
Operating insurance	10,500	-	10,500	12,225	10,725	225
Total municipal building	84,925	-	84,925	58,882	91,562	6,637
Total current	1,358,035	(2,092)	1,355,943	1,379,826	1,388,552	32,609
Capital outlay	1,770	1,109	2,879	1,000	17,893	15,014
Total general government	1,359,805	(983)	1,358,822	1,380,826	1,406,445	47,623
Public safety:						
Police:						
Current:						
Salaries	1,643,363	-	1,643,363	1,659,850	1,647,413	4,050
Payroll taxes	121,510	-	121,510	129,492	124,951	3,441
Benefits	464,692	-	464,692	543,886	467,846	3,154
Telephone and utilities	13,855	-	13,855	18,300	14,250	395
Repairs and maintenance	65,265	(50)	65,215	39,200	66,151	936
Travel and training	13,671	-	13,671	11,212	13,747	76
Supplies	26,757	11	26,768	24,555	28,500	1,732
Uniforms	15,228	(1,394)	13,834	16,900	14,386	552
Gas and oil	129,179	-	129,179	116,235	131,485	2,306
Operating insurance	97,185	-	97,185	110,685	99,008	1,823
Other	18,143	359	18,502	18,064	18,705	203
Total current	2,608,848	(1,074)	2,607,774	2,688,379	2,626,442	18,668
Capital outlay	199,740	(3,265)	196,475	66,100	196,856	381
Total police	2,808,588	(4,339)	2,804,249	2,754,479	2,823,298	19,049
Fire:						
Current:						
Salaries	1,402,790	-	1,402,790	1,332,759	1,404,800	2,010
Payroll taxes	103,726	-	103,726	103,844	107,971	4,245
Benefits	385,860	-	385,860	439,452	388,222	2,362
Telephone and utilities	31,644	-	31,644	36,095	31,780	136
Repairs and maintenance	64,615	(8,545)	56,070	47,000	89,704	33,634
Travel and training	11,050	-	11,050	12,500	11,225	175
Supplies	31,801	-	31,801	15,700	32,724	923
Uniforms	21,792	(648)	21,144	21,525	21,525	381
Gas and oil	23,190	-	23,190	19,575	23,305	115
Operating insurance	91,778	-	91,778	100,922	91,778	-
Other	6,995	-	6,995	6,900	7,166	171
Total current	2,175,241	(9,193)	2,166,048	2,136,272	2,210,200	44,152
Capital outlay	33,393	(4,467)	28,926	-	48,954	20,028
Total fire	2,208,634	(13,660)	2,194,974	2,136,272	2,259,154	64,180
Total public safety	5,017,222	(17,999)	4,999,223	4,890,751	5,082,452	83,229

(continued)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Public works:						
Current:						
Salaries	713,366	-	713,366	724,799	718,590	5,224
Payroll taxes	52,380	-	52,380	56,816	53,388	1,008
Benefits	243,425	-	243,425	268,994	252,438	9,013
Telephone and utilities	39,368	-	39,368	45,180	40,980	1,612
Street lights	389,481	-	389,481	437,500	415,500	26,019
State street aid expenditures	16,987	(15,460)	1,527	-	-	(1,527)
Contract and professional	96,920	(6,496)	90,424	93,110	93,359	2,935
Repairs and maintenance	100,481	(2,099)	98,382	77,300	109,851	11,469
Shop labor reimbursement	(65,943)	-	(65,943)	(60,000)	(65,000)	943
Travel and training	2,358	-	2,358	2,300	2,450	92
Supplies	29,713	-	29,713	22,300	30,655	942
Uniforms	6,647	(4,509)	2,138	9,880	3,230	1,092
Gas and oil	201,079	-	201,079	182,673	207,718	6,639
Parts and supplies	83,455	-	83,455	35,000	84,800	1,345
Materials	63,051	144	63,195	60,900	64,700	1,505
Operating insurance	57,515	-	57,515	65,673	58,388	873
Other	6,439	(579)	5,860	6,588	6,356	496
Total current	2,036,722	(28,999)	2,007,723	2,029,013	2,077,403	69,680
Capital outlay	507,732	130,600	638,332	500,000	777,512	139,180
Total public works	2,544,454	101,601	2,646,055	2,529,013	2,854,915	208,860
Parks and recreation:						
Current:						
Salaries	551,761	-	551,761	591,811	561,676	9,915
Payroll taxes	42,098	-	42,098	47,199	45,339	3,241
Benefits	134,450	-	134,450	141,080	142,951	8,501
Telephone and utilities	198,251	-	198,251	192,796	210,770	12,519
Street lights	12,467	-	12,467	14,916	14,916	2,449
Contract and professional	61,896	-	61,896	71,600	65,000	3,104
Repairs and maintenance	191,676	-	191,676	105,512	291,237	99,561
Travel and training	5,246	-	5,246	7,800	6,200	954
Supplies	46,687	-	46,687	52,009	50,600	3,913
Uniforms	4,811	-	4,811	4,450	5,032	221
Gas and oil	12,385	-	12,385	14,813	13,945	1,560
Operating insurance	53,997	-	53,997	59,478	55,335	1,338
Other	3,426	-	3,426	4,240	3,795	369
Total current	1,319,151	-	1,319,151	1,307,704	1,466,796	147,645
Capital outlay	35,091	5,190	40,281	-	89,185	48,904
Total parks and recreation	1,354,242	5,190	1,359,432	1,307,704	1,555,981	196,549
Airport administration:						
Current:						
Salaries	108,760	-	108,760	82,153	110,593	1,833
Payroll taxes	8,611	-	8,611	10,998	11,348	2,737
Benefits	14,275	-	14,275	16,920	14,520	245
Telephone and utilities	6,837	-	6,837	7,500	7,500	663
Contract and professional	10,583	-	10,583	5,500	10,900	317
Travel and training	618	-	618	-	650	32
Operating insurance	16,159	-	16,159	15,902	16,200	41
Total current	165,843	-	165,843	138,973	171,711	5,868
Capital outlay	-	-	-	-	-	-
Total airport administration	165,843	-	165,843	138,973	171,711	5,868
Economic development & Community services:						
Current:						
Salaries	48,863	-	48,863	65,000	52,500	3,637
Payroll taxes	11,239	-	11,239	20,944	12,340	1,101
Benefits	-	-	-	1,625	-	-
Telephone and utilities	30,887	-	30,887	29,050	32,511	1,624
Contract and professional	20,646	-	20,646	4,400	20,950	304
Travel and training	6,426	-	6,426	3,750	7,150	724
Supplies	11,909	-	11,909	8,875	13,075	1,166
Gas and oil	183	-	183	-	500	317
Operating insurance	7,252	-	7,252	7,127	7,627	375
Other	5,217	-	5,217	7,918	7,349	2,132
Appropriations	142,593	3,919	146,512	107,032	148,372	1,860
Total current	285,215	3,919	289,134	255,721	302,374	13,240
Capital outlay	2,208	-	2,208	1,500	2,210	2
Total community services	287,423	3,919	291,342	257,221	304,584	13,242
Total expenditures	10,728,989	91,728	10,820,717	10,365,515	11,204,377	549,501

(continued)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Excess revenues over (under) expenditures	11,970,031	(91,728)	11,878,303	12,563,365	11,267,101	611,202
OTHER FINANCING SOURCES (USES):						
Transfers in	697,966	-	697,966	590,000	923,097	(225,131)
Transfers out	(11,853,054)	-	(11,853,054)	(13,014,392)	(12,385,801)	532,747
Total other financing sources (uses)	(11,155,088)	-	(11,155,088)	(12,424,392)	(11,462,704)	307,616
Net change in fund balance	814,943	(91,728)	723,215	138,973	(195,603)	918,818
Fund balance, July 1, 2011	5,703,122	(52,887)	5,650,235	5,703,122	5,703,122	(52,887)
Fund balance, June 30, 2012	$ 6,518,065	$ (144,615)	$ 6,373,450	$ 5,842,095	$ 5,507,519	$ 865,931

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Intergovernmental						
Local shared taxes	$ 5,737,423	$ -	$ 5,737,423	$ 5,632,526	$ 5,632,526	$ 104,897
Federal and state	14,104,587	-	14,104,587	14,295,743	14,295,743	(191,156)
Charges for services	241,138	-	241,138	301,317	301,317	(60,179)
Interest income	20,609	-	20,609	15,000	15,000	5,609
Other	110,841	-	110,841	30,000	30,000	80,841
Total revenues	20,214,598	-	20,214,598	20,274,586	20,274,586	(59,988)
EXPENDITURES:						
Current:						
Administration						
Salaries	1,319,068	-	1,319,068	1,342,843	1,342,843	23,775
Payroll taxes	94,088	-	94,088	102,727	102,727	8,639
Benefits	994,921	-	994,921	878,066	878,066	(116,855)
Contract services	322,171	-	322,171	256,300	256,300	(65,871)
Travel	23,126	-	23,126	10,800	10,800	(12,326)
Supplies	33,298	-	33,298	31,200	31,200	(2,098)
Other	90,129	-	90,129	101,400	101,400	11,271
Insurance	204,580	-	204,580	208,500	208,500	3,920
Total administration	3,081,381	-	3,081,381	2,931,836	2,931,836	(149,545)
Regular education						
Salaries	9,539,393	-	9,539,393	10,877,791	10,877,791	1,338,398
Payroll taxes	726,630	-	726,630	832,150	832,150	105,520
Benefits	2,850,643	-	2,850,643	2,633,282	2,633,282	(217,361)
Travel	25,374	-	25,374	25,700	25,700	326
Supplies	281,747	-	281,747	414,000	414,000	132,253
Books	318,822	-	318,822	280,000	280,000	(38,822)
Other	22,075	-	22,075	1,500	1,500	(20,575)
Total regular education	13,764,684	-	13,764,684	15,064,423	15,064,423	1,299,739
Special education						
Salaries	2,019,088	-	2,019,088	1,851,599	1,851,599	(167,489)
Payroll taxes	145,710	-	145,710	141,647	141,647	(4,063)
Benefits	641,667	-	641,667	467,881	467,881	(173,786)
Contract services	150,631	-	150,631	64,000	64,000	(86,631)
Travel	15,686	-	15,686	3,500	3,500	(12,186)
Supplies	14,401	-	14,401	25,800	25,800	11,399
Other	22,313	-	22,313	7,250	7,250	(15,063)
Total special education	3,009,496	-	3,009,496	2,561,677	2,561,677	(447,819)
Vocational education						
Salaries	597,384	-	597,384	695,637	695,637	98,253
Payroll taxes	42,998	-	42,998	53,216	53,216	10,218
Benefits	193,048	-	193,048	194,449	194,449	1,401
Travel	5,000	-	5,000	5,000	5,000	-
Supplies	15,000	-	15,000	15,000	15,000	-
Other	5,000	-	5,000	5,000	5,000	-
Total vocational education	858,430	-	858,430	968,302	968,302	109,872
Adult education						
Salaries	154,680	-	154,680	137,757	137,757	(16,923)
Payroll taxes	11,360	-	11,360	10,538	10,538	(822)
Benefits	16,967	-	16,967	19,984	19,984	3,017
Contract services	3,783	-	3,783	-	-	(3,783)
Travel	245	-	245	1,300	1,300	1,055
Supplies	9,056	-	9,056	2,000	2,000	(7,056)
Other	4,180	-	4,180	2,400	2,400	(1,780)
Total adult education	200,271	-	200,271	173,979	173,979	(26,292)
Attendance						
Salaries	149,217	-	149,217	196,000	196,000	46,783
Payroll taxes	8,628	-	8,628	14,994	14,994	6,366
Benefits	21,266	-	21,266	35,506	35,506	14,240
Travel	6,673	-	6,673	4,500	4,500	(2,173)
Other	6,937	-	6,937	4,500	4,500	(2,437)
Total attendance	192,721	-	192,721	255,500	255,500	62,779

(continued)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL PURPOSE SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Health services						
Salaries	123,595	-	123,595	122,529	122,529	(1,066)
Payroll taxes	8,721	-	8,721	9,374	9,374	653
Benefits	33,211	-	33,211	33,004	33,004	(207)
Supplies	30,988	-	30,988	30,000	30,000	(988)
Total health services	196,515	-	196,515	194,907	194,907	(1,608)
Other student support						
Salaries	483,500	-	483,500	487,049	487,049	3,549
Payroll taxes	35,370	-	35,370	37,259	37,259	1,889
Benefits	139,675	-	139,675	121,204	121,204	(18,471)
Other	17,962	-	17,962	15,000	15,000	(2,962)
Total other student support	676,507	-	676,507	660,512	660,512	(15,995)
Instructional staff						
Salaries	523,249	-	523,249	543,242	543,242	19,993
Payroll taxes	38,847	-	38,847	41,558	41,558	2,711
Benefits	130,635	-	130,635	114,388	114,388	(16,247)
Contract services	-	-	-	7,000	7,000	7,000
Travel	930	-	930	2,000	2,000	1,070
Books	54,750	-	54,750	55,000	55,000	250
Other	9,309	-	9,309	2,300	2,300	(7,009)
Total instructional staff	757,720	-	757,720	765,488	765,488	7,768
Plant operations						
Salaries	590,998	-	590,998	649,290	649,290	58,292
Payroll taxes	42,398	-	42,398	49,671	49,671	7,273
Benefits	185,762	-	185,762	188,182	188,182	2,420
Contract services	466,080	-	466,080	475,000	475,000	8,920
Supplies	158,115	-	158,115	125,464	125,464	(32,651)
Utilities	1,186,910	-	1,186,910	1,517,000	1,517,000	330,090
Insurance	70,813	-	70,813	79,677	79,677	8,864
Total plant operations	2,701,076	-	2,701,076	3,084,284	3,084,284	383,208
Plant maintenance						
Salaries	395,155	-	395,155	429,110	429,110	33,955
Payroll taxes	28,300	-	28,300	32,827	32,827	4,527
Benefits	89,526	-	89,526	93,665	93,665	4,139
Maintenance and repairs	349,060	-	349,060	406,000	406,000	56,940
Other	172	-	172	4,000	4,000	3,828
Total plant maintenance	862,213	-	862,213	965,602	965,602	103,389
Transportation						
Salaries	45,049	-	45,049	32,211	32,211	(12,838)
Payroll taxes	2,391	-	2,391	2,464	2,464	73
Benefits	1,610	-	1,610	3,786	3,786	2,176
Maintenance and repairs	16,526	-	16,526	20,000	20,000	3,474
Other	39,133	-	39,133	33,000	33,000	(6,133)
Insurance	17,261	-	17,261	18,000	18,000	739
Total transportation	121,970	-	121,970	109,461	109,461	(12,509)
Community services						
Salaries	320	-	320	-	-	(320)
Payroll taxes	1,580	-	1,580	-	-	(1,580)
Benefits	21,307	-	21,307	-	-	(21,307)
Other	7,000	-	7,000	7,000	7,000	-
Total community services	30,207	-	30,207	7,000	7,000	(23,207)
Capital outlay	1,513,116	-	1,513,116	800,000	800,000	(713,116)
Total expenditures	27,966,307	-	27,966,307	28,542,971	28,542,971	576,664
Excess revenues over (under) expenditures	(7,751,709)	-	(7,751,709)	(8,268,385)	(8,268,385)	516,676
OTHER FINANCING SOURCES (USES):						
Transfer from City of Tullahoma	7,088,872	-	7,088,872	7,453,214	7,453,214	(364,342)
Transfer from other funds	250,000	-	250,000	-	-	250,000
Transfer to other funds	(642,536)	-	(642,536)	-	-	(642,536)
Total other financing sources (uses)	6,696,336	-	6,696,336	7,453,214	7,453,214	(756,878)
Net change in fund balance	(1,055,373)	-	(1,055,373)	(815,171)	(815,171)	(240,202)
Fund balance, July 1, 2011	4,958,894	-	4,958,894	4,958,894	4,958,894	-
Prior period adjustment (See Note 2)	(27,255)	-	(27,255)	-	-	(27,255)
Fund balance, June 30, 2012	$ 3,876,266	$ -	$ 3,876,266	$ 4,143,723	$ 4,143,723	$ (267,457)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
UDAG
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Note repayments	$ 216,134	$ -	$ 216,134	$ 100,000	$ 240,000	$ (23,866)
Interest income	32,292	-	32,292	5,000	3,500	28,792
Fast track grant	-	-	-	248,550	-	-
Other	2,141	-	2,141	-	2,275	(134)
Total revenues	250,567	-	250,567	353,550	245,775	4,792
EXPENDITURES:						
Program cost						
Fast track grant	-	-	-	295,500	-	-
Sign grant	7,609	-	7,609	32,000	8,500	891
Industrial loans	549,500	-	549,500	350,000	550,000	500
Total expenditures	557,109	-	557,109	677,500	558,500	1,391
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	47,280	-	-
Transfers out	(125,000)	-	(125,000)	-	(125,000)	-
Total other financing sources (uses)	(125,000)	-	(125,000)	47,280	(125,000)	-
Net change in fund balance	(431,542)	-	(431,542)	(276,670)	(437,725)	6,183
Fund balance, July 1, 2011	607,121	-	607,121	607,121	607,121	-
Fund balance, June 30, 2012	$ 175,579	$ -	$ 175,579	$ 330,451	$ 169,396	$ 6,183

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 6,161,168	$ 64,452	$ 360,644	$ 2,727,840	$ 9,314,104	$ 171,108
Accounts receivable	2,702,350	336,669	311,790	348,526	3,699,335	-
Allowance for doubtful accounts	(28,989)	(8,963)	(5,322)	(5,903)	(49,177)	-
Unbilled revenue	2,026,510	-	-	-	2,026,510	-
Accounts receivable - government	-	-	17,988	-	17,988	-
Inventory	540,867	410,216	204,412	290,761	1,446,256	-
Due from other funds	971,490	-	2,930	72,464	1,046,884	-
Other assets	350,488	60,456	396,947	19,389	827,280	-
Restricted assets:						
Bond funds - cash and cash equivalents	65,500	1,076,022	462,212	619,701	2,223,435	-
Construction funds - cash and cash equivalents	6,668,843	2,410,247	168,066	135,188	9,382,344	-
Total current assets	19,458,227	4,349,099	1,919,667	4,207,966	29,934,959	171,108
CAPITAL AND OTHER NONCURRENT ASSETS:						
Capital assets:						
Plant in service	19,492,525	12,981,622	18,781,278	10,845,308	62,100,733	-
Land	333,168	-	134,588	8,324	476,080	-
Buildings and improvements	1,411,675	1,330	10,929,960	2,995,964	15,338,929	-
Furniture, machinery, and equipment	2,006,253	846,901	1,355,189	808,797	5,017,140	-
Construction in progress	729,787	165,102	954,547	524,433	2,373,869	-
Less accumulated depreciation	(14,655,099)	(2,479,499)	(16,350,473)	(7,040,077)	(40,525,148)	-
Capital assets, net	9,318,309	11,515,456	15,805,089	8,142,749	44,781,603	-
Other noncurrent assets:						
Notes receivable	484,359	-	-	816,468	1,300,827	-
Other assets	-	202,784	-	20,670	223,454	-
Total capital and other noncurrent assets	9,802,668	11,718,240	15,805,089	8,979,887	46,305,884	-
Total assets	29,260,895	16,067,339	17,724,756	13,187,853	76,240,843	171,108
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	5,384,685	161,202	64,361	378,690	5,988,938	-
Accrued expenses and other liabilities	368,305	420,884	137,386	119,320	1,045,895	-
Due to other funds	-	957,833	79,562	9,489	1,046,884	-
Customer deposits	1,742,227	45,709	-	-	1,787,936	-
Liabilities payable from restricted assets:						
Bonds and notes payable - current portion	131,000	730,000	758,288	407,000	2,026,288	-
Accrued interest	-	346,022	-	4,108	350,130	-
Contracts and retainage payable	-	22,271	91,391	-	113,662	-
Total current liabilities	7,626,217	2,683,921	1,130,988	918,607	12,359,733	-
NONCURRENT LIABILITIES:						
Conservation - TVA program	502,093	-	-	-	502,093	-
Revenue and tax bonds and other obligations payable - non current portion	1,369,000	15,545,000	2,457,204	3,354,000	22,725,204	-
Total noncurrent liabilities	1,871,093	15,545,000	2,457,204	3,354,000	23,227,297	-
Total liabilities	9,497,310	18,228,921	3,588,192	4,272,607	35,587,030	-
NET ASSETS						
Invested in capital assets, net of related debt	7,818,309	(4,759,544)	12,589,597	4,381,749	20,030,111	-
Restricted:						
Restricted for debt service	65,500	730,000	462,212	615,593	1,873,305	-
Restricted for construction	6,668,843	2,387,976	76,675	135,188	9,268,682	-
Unrestricted	5,210,933	(520,014)	1,008,080	3,782,716	9,481,715	171,108
Total net assets	$ 19,763,585	$ (2,161,582)	$ 14,136,564	$ 8,915,246	$ 40,653,813	$ 171,108

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
OPERATING REVENUES:						
Charges for services	$ 27,714,299	$ 5,273,960	$ 3,451,013	$ 3,456,060	$ 39,895,332	$ -
Forfeited discounts and penalties	184,753	-	22,862	22,080	229,695	-
Rental income	783,133	-	-	2,520	785,653	-
Other operating revenue	192,182	-	29,750	74,632	296,564	-
Total operating revenues	28,874,367	5,273,960	3,503,625	3,555,292	41,207,244	-
OPERATING EXPENSES:						
Purchased power	23,727,095	-	-	-	23,727,095	-
Purchased water	-	-	-	1,459,518	1,459,518	-
Distribution and transmission	1,304,985	2,760,308	742,180	381,403	5,188,876	-
Customer accounting and collection	449,403	254,799	200,634	205,286	1,110,122	-
Maintenance expense	771,524	207,403	748,401	290,275	2,017,603	-
Administrative and general	928,461	659,853	631,806	563,060	2,783,180	-
Depreciation and amortization	750,397	1,192,463	797,690	405,120	3,145,670	-
Tax and tax equivalents	114,927	41,927	76,965	47,175	280,994	-
Total operating expenses	28,046,792	5,116,753	3,197,676	3,351,837	39,713,058	-
OPERATING INCOME	827,575	157,207	305,949	203,455	1,494,186	-
NONOPERATING REVENUES (EXPENSES):						
Interest income	19,663	4,415	1,750	6,333	32,161	1,891
Other income (expense)	5,804	2,961	57,793	-	66,558	-
Gain on sale of property	-	-	12,147	-	12,147	-
Interest expense	-	(693,192)	(112,022)	(29,700)	(834,914)	-
Total non-operating revenues (expenses)	25,467	(685,816)	(40,332)	(23,367)	(724,048)	1,891
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	853,042	-	265,617	180,088	770,138	1,891
Capital contributions	-	3,908	24,988	-	28,896	-
Transfers	(372,419)	-	-	140,295	(232,124)	-
Change in net assets	480,623	(524,701)	290,605	320,383	566,910	1,891
Total net assets, beginning of year	19,282,962	(1,636,881)	13,845,959	8,594,863	40,086,903	169,217
Total net assets, end of year	$ 19,763,585	$ (2,161,582)	$ 14,136,564	$ 8,915,246	$ 40,653,813	$ 171,108

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Power System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 28,721,433	$ 5,303,186	$ 3,527,222	$ 3,466,419	$ 41,018,260	$ -
Cash paid to suppliers	(25,518,534)	(3,199,478)	(1,450,273)	(1,988,184)	(32,156,469)	-
Cash paid to employees	(1,547,984)	(584,241)	(1,139,823)	(707,217)	(3,979,265)	-
Other payments	(84,735)	(41,927)	(76,965)	(47,175)	(250,802)	-
Net cash provided by operating activities	1,570,180	1,477,540	860,161	723,843	4,631,724	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Increase in customer deposits	99,672	5,682	-	-	105,354	-
Repayment and disbursement of notes receivable	51,009	-	-	87,003	138,012	-
Advances from TVA-Home Weatherization Program	(43,908)	-	-	-	(43,908)	-
Payments to other funds of the primary government	(372,419)	-	-	140,295	(232,124)	-
Net cash provided (used) by non-capital financing activities	(265,646)	5,682	-	227,298	(32,666)	-
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(1,134,814)	(717,050)	(553,722)	(517,808)	(2,923,394)	-
Proceeds from borrowing long-term debt	1,500,000	-	700,000	900,000	3,100,000	-
Principal paid on long-term debt	-	(700,000)	(670,785)	(313,000)	(1,683,785)	-
Interest paid on long-term debt	-	(707,192)	(112,022)	(30,240)	(849,454)	-
Capital contributions received	-	3,908	24,988	-	28,896	-
Net cash provided (used) by capital financing activities	365,186	(2,120,334)	(611,541)	38,952	(2,327,737)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and other income	19,663	4,415	1,750	6,333	32,161	1,891
Net cash provided in investing activities	19,663	4,415	1,750	6,333	32,161	1,891
Net increase (decrease) in cash and cash equivalents	1,689,383	(632,697)	250,370	996,426	2,303,482	1,891
Cash and cash equivalents, beginning of year	11,206,128	4,183,418	740,552	2,486,303	18,616,401	169,217
Cash and cash equivalents, end of year	$ 12,895,511	$ 3,550,721	$ 990,922	$ 3,482,729	$ 20,919,883	$ 171,108
Cash accounts consists of:						
Cash and cash equivalents	$ 6,161,168	$ 64,452	$ 360,644	$ 2,727,840	$ 9,314,104	$ 171,108
Bond funds - cash and cash equivalents	65,500	1,076,022	462,212	619,701	2,223,435	-
Construction funds - cash and cash equivalents	6,668,843	2,410,247	168,066	135,188	9,382,344	-
	$ 12,895,511	$ 3,550,721	$ 990,922	$ 3,482,729	$ 20,919,883	$ 171,108

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

Operating Income	$ 827,575	$ 157,207	$ 305,949	$ 203,455	$ 1,494,186	$ -
Other receipts (payments)	5,804	2,961	57,793	-	66,558	-
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	750,397	1,192,463	797,690	405,120	3,145,670	-
(Increase) decrease in:						
Accounts receivable	(171,932)	26,222	(33,626)	(19,431)	(198,767)	-
Inventory	(32,560)	16,528	(15,587)	(19,944)	(51,563)	-
Other assets	(94,695)	(652)	(383,104)	(12,692)	(491,143)	-
Due from other funds	13,194	43	(570)	(69,442)	(56,775)	-
Increase (decrease) in:						
Accounts payable	207,974	(71,605)	17,827	221,833	376,029	-
Due to other funds	-	(13,463)	68,241	1,997	56,775	-
Accrued expenses	64,423	167,836	45,548	12,947	290,754	-
Total adjustments	736,801	1,317,372	496,419	520,388	3,070,980	-
Net cash provided by operating activities	$ 1,570,180	$ 1,477,540	$ 860,161	$ 723,843	$ 4,631,724	$ -

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2012

	Governmental Type	Proprietary Type	
	Industrial Development Board	Municipal Airport Authority	Total Component Units
ASSETS:			
Cash and cash equivalents	$ 27,694	$ 129,379	$ 157,073
Accounts receivable	-	2,709	2,709
Due from other governments	-	103,746	103,746
Inventory	-	32,264	32,264
Other assets	-	38,292	38,292
Capital assets:			
Land	-	1,738,799	1,738,799
Buildings and improvements	-	9,801,243	9,801,243
Vehicles	-	9,500	9,500
Furniture, machinery, and equipment	-	452,933	452,933
Construction in progress	-	125,660	125,660
Accumulated depreciation	-	(2,499,367)	(2,499,367)
Total assets	27,694	9,935,158	9,962,852
LIABILITIES:			
Accounts payable	-	4,971	4,971
Due to primary government	-	76,156	76,156
Other liabilities	-	19,106	19,106
Long-term liabilities:			
Due within one year	-	29,374	29,374
Due in more than one year	-	200,979	200,979
Total liabilities	-	330,586	330,586
NET ASSETS:			
Invested in capital assets, net of related debt	-	9,398,415	9,398,415
Unrestricted	27,694	206,157	233,851
Total net assets	$ 27,694	$ 9,604,572	$ 9,632,266

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Governmental Type	Proprietary Type	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Industrial Development Board	Municipal Airport Authority	Total Component Units
Industrial Development Board	$ 2,253	$ 30,981	$ -	$ -	$ 28,728	$ -	$ 28,728
Municipal Airport Authority	1,127,875	97,760	23,719	171,530	-	(834,866)	(834,866)
Total component units	$ 1,130,128	$ 128,741	$ 23,719	$ 171,530	28,728	(834,866)	(806,138)
General revenues:							
Unrestricted investment earnings					327	890	1,217
Sale of fuel					-	677,556	677,556
Other income					-	8,454	8,454
Transfers in					-	58,728	58,728
Transfers out					(112,280)	(35,973)	(148,253)
Total general revenues and transfers					(111,953)	709,655	597,702
Change in net assets					(83,225)	(125,211)	(208,436)
Net assets, beginning					110,919	9,729,783	9,840,702
Net assets, ending					$ 27,694	$ 9,604,572	$ 9,632,266

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

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

B. Jointly Governed Organizations

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

Duck River Utility Commission:

The City, in conjunction with the City of Manchester, appoints the Board of the Duck River Utility Commission, which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six member board. Neither city has any other responsibility for the commission. The City has no equity interest in the net resources of the Commission. Assets of the Utility are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the Utility. The Commission reported net assets of $2,599,982 as of June 30, 2012. Complete financial statements can be obtained by writing P.O. Box 1237, Tullahoma, TN 37388.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interlocal Solid Waste Authority:

The Interlocal Solid Waste Authority was created pursuant to an interlocal agreement authorized by State Statutes in March 1993. Its Board is composed of two members from each of the adjoining counties of Lincoln, Giles and Franklin. The purpose of the Authority is to provide solid waste recycling and disposal services to the City and the three county areas. The Authority entered into agreement with a waste recycling company for recycling of its solid waste. The City has an ongoing financial responsibility to fund its Pro Rata share of costs incidental to the operation of the Authority. During 2012, these costs amounted to $358,769 and were paid from the Solid Waste Fund of the City. The City has no equity interest in the Authority. The Authority had reported net assets of $646,499 as of June 30, 2012. Complete financial statements can be obtained by writing Interlocal Solid Waste, C/O City of Tullahoma, P.O. Box 807, Tullahoma, TN 37388.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Assets and Statement of Changes in Net Assets) report information on the activities of the Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as receivables in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to non-vested sick pay, compensated absences and other long-term commitments and contingencies are recorded only when payment is due.

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

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

Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The Government reports the following major governmental funds:

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

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

The **Urban Development Action Grant (UDAG)** is used to account for loans originally made from funds received from the Tennessee Economic and Community Development and related transactions.

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

The Government reports the following major proprietary funds:

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the Government reports the following fund types:

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

E. Assets, Liabilities, and Net Assets or Equity

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

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

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

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

Receivables – Customer utility accounts receivable of the Enterprise Fund is presented net of an allowance for uncollectible accounts. Delinquent taxes receivable have been included in the balance sheet with offsetting deferred revenue to reflect amounts which were not available at June 30, 2012. Amounts which were available at June 30, 2012 have been recorded as revenue.

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The City began prospectively reporting general infrastructure additions (including roadways, bridges, and stormwater systems) after implementation of GASB Statement No. 34 in fiscal year 2003. Also required by GASB Statement No. 34 is retroactive reporting of all major general infrastructure assets based on phase-in periods. This retroactive reporting will include all infrastructure additions made before fiscal year 2003. The City implemented retroactive reporting in fiscal year 2008, as required by the Statement.

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

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

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

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

Reserves, Designations of Fund Balances – In the governmental fund financial statements, the City has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The main objective of this standard is to improve the understandability and the usefulness of fund balance information by providing clear fund balance classifications. GASB 54 shall only apply to the City's governmental funds. Fund balance is reported in the fund financial statements under the following classifications:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves, Designations of Fund Balances (continued)

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

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

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

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

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

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

Bond Premiums, Discounts, and Issuance Costs – In the governmental funds, bond premiums, discounts, and issuance costs are treated as other financing sources or uses or expenditures in the year of issue. In the government-wide and proprietary fund statements, bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds.

F. Revenues, Expenditures and Expenses

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

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

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

Taxes are levied at a rate of $2.29 for property located in Coffee and $2.42 for property located in Franklin Counties per $100 of assessed valuation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Payments may be made during the period from October 1 through February 28. Current tax collections of $8,349,786 for the fiscal year ended June 30, 2012 were approximately 95 % of the tax levy.

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

Grants – The City receives grant revenues from various federal, state, and non-profit agencies. The City reports capital contributions, including capital grants, in the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds as a separate line item after non-operating revenues and expenses. In the Statement of Activities, capital grants and contributions are presented as program revenues.

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

G. Date of Management's Subsequent Review

Management has evaluated subsequent events through January 30, 2013, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

b. Prior to July 1, the budget is legally enacted through passage of an ordinance for the General, Special Revenue and Debt Service Funds of the City.

c. The City Administrator and Finance Director are authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Mayor and Board of Aldermen. Expenditures may not exceed appropriations at the fund level.

d. Budgets for all funds use the encumbrance method of accounting whereby encumbrances are treated as expenditures in the year of incurrence of the commitment to purchase. The adjustments to convert budget basis excess revenues over expenditures to GAAP represent the net changes in encumbrances outstanding at year end after consideration is given to prior year encumbrances liquidated during the current year. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted and as amended by the Board. Individual amendments are not material in relation to the original appropriations. Capital Projects Funds adopt their budgets on a project length basis; therefore, budgetary comparison statements on an annual basis would not provide meaningful information and are not presented.

e. All appropriations which are not expended or encumbered lapse at year-end.

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

Encumbrances – Information regarding encumbrances is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances, however, are not treated as expenditures in the governmental fund financial statements. Outstanding encumbrances at June 30, 2012 are as follows:

Fund	Outstanding Encumbrances
General Fund	$ 144,615
Special Revenue Fund:	
Drug Enforcement	8,668
	$ 153,283

B. Excess Expenditures

For the year ended June 30, 2012, the following Tullahoma City Schools funds had total expenditures exceeding total appropriations. These over expenditures were funded by available fund balances.

Budgeted Unit:	Final Budget	Actual	Variance
General Purpose School:			
Administration	$ 2,931,836	$ 3,081,381	$ (149,545)
Special education	2,561,677	3,009,496	(447,819)
Adult education	173,979	200,271	(26,292)
Health services	194,907	196,515	(1,608)
Other student support	660,512	676,507	(15,995)
Transportation	109,461	121,970	(12,509)
Community services	7,000	30,207	(23,207)
Capital outlay	800,000	1,531,116	(731,116)
Total General Purpose School	$ 7,439,372	$ 8,847,463	$ (1,408,091)
Federal and State Projects:			
Special education	$ 893,583	$ 894,060	$ (477)
Attendance	-	60	(60)
Instructional staff	55,569	72,073	(16,504)
Capital outlay	161,108	170,629	(9,521)
Total Federal and State Projects	$ 1,110,260	$ 1,136,822	$ (26,562)

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

C. Deficit Fund Balances

The following fund has a deficit balance as of June 30, 2012:

	Undesignated Fund Balance/Unrestricted Net Assets	Reserved	Total Fund Balance/Total Net Assets
Proprietary Fund:			
Fiber Optics Fund	$ (520,014)	$ (1,641,568)	$ (2,161,582)

The responsibility for funding the above deficit balance is from Tullahoma Utility System.

D. Prior Period Adjustments

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

NOTE 3 - DEPOSITS AND INVESTMENTS

The City and component units are authorized by policy to invest funds in financial institutions and direct obligations of the Federal Government. During 2012, the City and component units invested funds that are not immediately needed in certificates of deposit, savings accounts, money market accounts, and the State of Tennessee Local Government Investment Pool. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account or in a second bank for the benefit of the City and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

A. Deposits

Custodial Credit Risk: The City's policies limit deposits to those instruments allowed by applicable state laws and described above. As of June 30, 2012, all deposits were fully collateralized or insured.

B. Investments

Interest Rate Risk: Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily.

NOTE 4 - AMOUNTS RECEIVABLE

A. Accounts receivable

A summary of accounts receivable as of June 30, 2012 is as follows:

Primary Government:

	Governmental Activities	Business-type Activities	Total	Component Units
Property tax	$ 9,542,839	$ -	$ 9,542,839	$ -
Court receivables	860,125	-	860,125	-
Customer accounts receivables	-	3,699,335	3,699,335	2,709
Other	42,359	-	42,359	-
	$ 10,445,323	$ 3,699,335	$ 14,144,658	$ 2,709

NOTE 5 - CAPITAL ASSETS

A. Transaction Summary

Capital asset activity for the year ended June 30, 2012 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2011	Increase	Decrease	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	$ 3,824,195	$ -	$ -	$ 3,824,195
Construction in process	10,907,839	872,370	(11,583,222)	196,987
Total capital assets, not being depreciated	14,732,034	872,370	(11,583,222)	4,021,182
Capital assets, being depreciated				
Buildings and improvements	45,172,137	12,607,554	-	57,779,691
Furniture, machinery, and equipment	10,307,694	479,256	(622,279)	10,164,671
Infrastructure	15,990,013	461,968	-	16,451,981
Total capital assets, being depreciated	71,469,844	13,548,778	(622,279)	84,396,343
Less accumulated depreciation:				
Buildings and improvements	(24,202,404)	(1,331,990)	-	(25,534,394)
Furniture, machinery, and equipment	(8,214,848)	(445,172)	610,743	(8,049,277)
Infrastructure	(10,040,773)	(797,852)	-	(10,838,625)
Total accumulated depreciation	(42,458,025)	(2,575,014)	610,743	(44,422,296)
Total capital assets being depreciated, net	29,011,819	10,973,764	(11,536)	39,974,047
Governmental activities capital assets, net	$43,743,853	$11,846,134	$ (11,594,758)	$43,995,229

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities:

	Balance July 1, 2011	Increase	Decrease	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	$ 476,080	$ -	$ -	$ 476,080
Construction in process	831,335	2,719,430	(1,176,896)	2,373,869
Total capital assets, not being depreciated	1,307,415	2,719,430	(1,176,896)	2,849,949
Capital assets, being depreciated				
Utility plant in service	61,045,894	1,203,160	(148,321)	62,100,733
Buildings and improvements	15,336,914	2,015	-	15,338,929
Furniture, machinery, and equipment	4,711,421	368,559	(62,840)	5,017,140
Total capital assets, being depreciated	81,094,229	1,573,734	(211,161)	82,456,802
Less accumulated depreciation:				
Utility plant in service	(24,491,358)	(2,496,461)	126,881	(26,860,938)
Buildings and improvements	(9,749,506)	(426,640)	-	(10,176,146)
Furniture, machinery, and equipment	(3,188,199)	(361,204)	61,339	(3,488,064)
Total accumulated depreciation	(37,429,063)	(3,284,305)	188,220	(40,525,148)
Total capital assets being depreciated, net	43,665,166	(1,710,571)	(22,941)	41,931,654
Business-type activities capital assets, net	$44,972,581	$ 1,008,859	$ (1,199,837)	$44,781,603

Component Units:

Tullahoma Municipal Airport:

	Balance July 1, 2011	Increase	Decrease	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	$ 1,738,799	$ -	$ -	$ 1,738,799
Construction in process	-	125,660	-	125,660
Total capital assets, not being depreciated	1,738,799	125,660	-	1,864,459
Capital assets, being depreciated				
Buildings and improvements	9,801,243	-	-	9,801,243
Furniture, machinery, and equipment	452,703	9,730	-	462,433
Total capital assets, being depreciated	10,253,946	9,730	-	10,263,676
Less accumulated depreciation:				
Buildings and improvements	(1,751,359)	(407,550)	-	(2,158,909)
Furniture, machinery, and equipment	(321,581)	(18,877)	-	(340,458)
Total accumulated depreciation	(2,072,940)	(426,427)	-	(2,499,367)
Total capital assets being depreciated, net	8,181,006	(416,697)	-	7,764,309
Component unit capital assets, net	$ 9,919,805	$ (291,037)	$ -	$ 9,628,768

NOTE 5 - CAPITAL ASSETS (continued)

B. Depreciation

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government	$ 1,014,793
Public works	797,852
Education	750,980
Food Service	11,389
Total depreciation expense, governmental activities	$ 2,575,014
Business-type activities:	
Tullahoma Utilities Board	$ 3,284,305
Component Units:	
Business-type activities:	
Tullahoma Airport Authority	$ 426,427

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS

A. Transaction Summary

Bonds, notes, and other obligations activity for the year ended June 30, 2012 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
General Obligation Bonds					
General Obligation School Refunding Bonds, Series 2002	$ 5,525,000	$ -	$ (320,000)	$ 5,205,000	$ 410,000
General Public Improvement and Refunding Bonds, Series 2005	7,825,000	-	(600,000)	7,225,000	615,000
General Obligation Refunding Bonds, Series 2006	9,230,000	-	(20,000)	9,210,000	30,000
General Obligation Refunding Bonds, Series 2009	3,305,000	-	(720,000)	2,585,000	735,000
TMBF City Note, Series 2008	1,069,000	-	(29,000)	1,040,000	31,000
TMBF 12M School Note, Series 2008 *	11,794,000	-	(303,000)	11,491,000	316,000
2010 General Obligation School Bonds, Series 2010	4,750,000	-	(100,000)	4,650,000	100,000
	43,498,000	-	(2,092,000)	41,406,000	2,237,000
Bond premium	183,737	-	(19,087)	164,650	-
Total General Obligation Bonds	43,681,737	-	(2,111,087)	41,570,650	2,237,000
Capital Outlay Notes Payable					
Capital Outlay Notes, Series 2007	548,000	-	(82,000)	466,000	86,000
Total Capital Outlay Notes Payable	548,000	-	(82,000)	466,000	86,000
Other Obligations Payable					
Net OPEB liability-City employees	187,101	114,525	-	301,626	-
Net OPEB liability-School employees	4,872	5,396	-	10,268	-
Net pension obligation (TCSDBP)	609,198	491,546	-	1,100,744	-
Compensated absences	1,202,341	136,355	(79,497)	1,259,199	-
Total Other Obligations Payable	2,003,512	747,822	(79,497)	2,671,837	-
Total Governmental Activities Long-term Liabilities	$ 46,233,249	$ 747,822	$ (2,272,584)	$ 44,708,487	$ 2,323,000

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

Business-type Activities:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Bonds Payable					
Broadband Network Revenue and Tax Bonds, Series 2007	$ 16,975,000	$ -	$ (700,000)	$ 16,275,000	$ 730,000
Water and Wastewater Revenue and Tax Bonds, Series 1997	340,000	-	(40,000)	300,000	45,000
Total Bonds Payable	17,315,000	-	(740,000)	16,575,000	775,000
Notes Payable					
Electric System-					
Revenue and Tax Capital Outlay Notes, Series 2011	-	1,500,000	-	1,500,000	131,000
Total Notes Payable - Electric System	-	1,500,000	-	1,500,000	131,000
Water System-					
TML Loan 1999	2,834,000	-	(273,000)	2,561,000	283,000
Revenue and Tax Capital Outlay Notes, Series 2011	-	900,000	-	900,000	79,000
Total Notes Payable - Water System	2,834,000	900,000	(273,000)	3,461,000	362,000
Wastewater System-					
Loan Fund 319-02, Series 2003	35,951	-	(9,099)	26,852	9,625
Loan Fund 319-03, Series 2003	104,132	-	(37,529)	66,603	39,437
State Revolving Loan Fund, 93-053	1,967,956	-	(444,336)	1,523,620	461,520
State Revolving Loan Fund, 94-077	1,078,237	-	(179,820)	898,417	186,706
Revenue and Tax Capital Outlay Notes, Series 2011	-	700,000	-	700,000	61,000
Total Notes Payable - Wastewater System	3,186,276	700,000	(670,784)	3,215,492	758,288
Total Business-type Activities Long-term Liabilities	$ 23,335,276	$ 3,100,000	$ (1,683,784)	$ 24,751,492	$ 2,026,288

Component Units:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
UDAG Note Payable (11-05-05)	$ 248,708	$ -	$ (27,482)	$ 221,226	$ 28,462
UDAG Note Payable (01-04-12)	-	9,500	(373)	9,127	912
UDAG Note Payable	$ 248,708	$ 9,500	$ (27,855)	$ 230,353	$ 29,374

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

B. Annual Debt Service Requirements

The annual requirements to amortize all general obligation bonds, notes, and revenue bonds outstanding as of June 30, 2012 are as follows:

Primary Government:

Governmental Activities:

	General Obligation Bonds		Notes Payable		Total Governmental Funds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 2,237,000	$ 1,668,197	$ 86,000	$ 19,945	$ 2,323,000	$ 1,688,142
2014	2,378,000	1,583,629	89,000	16,264	2,467,000	1,599,893
2015	2,540,000	1,484,815	93,000	12,455	2,633,000	1,497,270
2016	2,426,000	1,377,687	97,000	8,474	2,523,000	1,386,161
2017	2,654,000	1,262,025	101,000	4,323	2,755,000	1,266,348
2018-2022	11,732,000	4,843,978	-	-	11,732,000	4,843,978
2023-2027	9,451,000	2,765,049	-	-	9,451,000	2,765,049
2028-2032	5,828,000	1,197,097	-	-	5,828,000	1,197,097
2033-2035	2,160,000	120,005	-	-	2,160,000	120,005
	41,406,000	16,302,482	466,000	61,461	41,872,000	16,363,943
Bond premium	164,650	-	-	-	164,650	-
	$ 41,570,650	$ 16,302,482	$ 466,000	$ 61,461	$ 42,036,650	$ 16,363,943

Business-type Activities:

	Revenue Bonds		Notes Payable		Total Proprietary Funds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 775,000	$ 691,737	$ 1,251,288	$ 248,390	$ 2,026,288	$ 940,127
2014	805,000	658,583	1,284,586	204,366	2,089,586	862,949
2015	840,000	624,993	1,298,259	159,888	2,138,259	784,881
2016	875,000	588,912	904,863	121,561	1,779,863	710,473
2017	915,000	550,218	736,496	95,191	1,651,496	645,409
2018-2022	4,945,000	2,145,244	2,701,000	203,016	7,646,000	2,348,260
2023-2027	6,045,000	984,670	-	-	6,045,000	984,670
2028	1,375,000	30,078	-	-	1,375,000	30,078
	$ 16,575,000	$ 6,274,435	$ 8,176,492	$ 1,032,412	$ 24,751,492	$ 7,306,847

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

Component Units:

	Notes Payable	
June 30,	Principal	Interest
2013	$ 29,374	$ 1,625
2014	29,597	1,402
2015	29,822	1,177
2016	30,049	950
2017	30,278	721
2018-2022	81,233	808
	$ 230,353	$ 6,683

C. Other Debt Information

Primary Government:

Governmental Activities:

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

Notes payable by the Utilities Board to the State of Tennessee includes debt assumed by the Duck River Utility Commission. The balance of the debt assumed by the Duck River Utility Commission and included in notes payable and notes receivable is $816,468 as of June 30, 2012.

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

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

Business-type Activities:

Revenue bond covenants of the Proprietary Fund generally provide that the related bonds are primarily secured by net revenues of the system. Bond covenants relating to the issues require the establishment of various reserve funds for payment of principal and interest, and for renewal and replacement. These reserves have been satisfactorily maintained during 2012.

Component Units:

The Tullahoma Municipal Airport Authority's UDAG Loan (11-1-05) has a variable rate, determined each November 1 at four percentage points below prime. The interest rate at June 30, 2012 was 0.75%. Future principal and interest payments have been calculated using this rate.

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

D. Issuance of Notes

Primary Government:

Business-type Activities:

In December 2011, the Board issued Electric System Revenue and Tax Capital Outlay Notes, series 2011, in the principal amount of $1,500,000. The notes were issued for providing funds to improve, extend, renovate, and expand the electric system including acquisition and installation of advanced metering infrastructure.

In December 2011, the Board issued Water System Revenue and Tax Capital Outlay Notes, series 2011, in the principal amount of $900,000. The notes were issued for providing funds to improve, extend, renovate, and expand the water system including acquisition and installation of advanced metering infrastructure.

In December 2011, the Board issued Wastewater System Revenue and Tax Capital Outlay Notes, series 2011, in the principal amount of $700,000. The notes were issued for providing funds to improve, extend, renovate, and expand the wastewater system including acquisition and installation of advanced metering infrastructure. All three notes were issued for ten years with interest rate of 2.76%.

Component Units:

On January 4, 2012 Airport Authority signed $9,500 UDAG Loan (1-4-12) payable to City of Tullahoma to provide resources to purchase a fuel truck with interest at the rate of 1%, per annum, payable on unpaid balance, for the first year of this obligation, until February 1, 2013, and upon that date each annual anniversary date thereafter during the life of this loan, interest shall be adjusted to be 4% below prime rate, not less than 1%.

NOTE 7 - RETIREMENT PLANS

Primary Government:

Governmental Activities:

A. City Plan

The City offers all employees of the governmental activities (exclusive of employees of the School System) a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the plan is optional for full-time employees with one year of service. The City contributes 5% of each participating employee's compensation to the plan. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider, ICMA-RC, administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City. For the year ended June 30, 2012, total contributions to the plan totaled $486,083. The General Fund has been used to liquidate the net pension obligation in prior years.

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education

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

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

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

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

Participants must complete 1000 hours of service and be at least age 18 to be eligible to join the plan.

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

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

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

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

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

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

NOTE 7 - RETIREMENT PLANS (continued)

a. Selected Pension Information

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

b. Required Supplementary Information

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

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION - DECEMBER 31, 2011 (LATEST ACTUARIAL INFORMATION)	TCSDBP
Annual required contribution	$ 574,231
Interest on net pension obligation	45,690
Adjustment to annual required contribution	(51,581)
Annual pension cost	568,340
Contributions made	76,794
Increase (decrease) in net pension obligation	491,546
Net pension obligation beginning of plan year	609,198
Net pension obligation end of plan year	$ 1,100,744

THREE YEAR TREND INFORMATION	
2011*	
Annual pension cost (APC)	$ 568,340
Percentage of APC contributed	13.51%
Net pension obligation	$ 1,100,744
2010*	
Annual pension cost (APC)	$ 285,251
Percentage of APC contributed	105.87%
Net pension obligation	$ 609,198
2009*	
Annual pension cost (APC)	$ 636,471
Percentage of APC contributed	61.62%
Net pension obligation	$ 644

PARTICIPANTS	
Active:	
Fully vested	93
Non-vested and partially vested	24
Total active	117
Retirees and beneficiaries receiving benefits	9
Total	126

* Plan year is January 1 to December 31.

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

	TCSDBP
ACTUARIAL VALUATION	
Valuation date	January 1, 2012
Actuarial cost method	entry age normal
Amortization method	level dollar open
Amortization period	30 years
Asset valuation method	market
Actuarial assumptions:	
Valuation interest:	
Pre-retirement	6.75%
Post-retirement	6.75%
Projected salary increases	3.00%
Interest rate for employee accumulations	5.00%
Retirement age	65
Disability	none

NOTE 7 - RETIREMENT PLANS (continued)

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

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

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

Most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Tullahoma City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 is 9.05% of annual covered payroll. The employer contribution requirement for Tullahoma City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contribution to TCRS for the years ending June 30, 2012, 2011, and 2010 were $1,230,152, $1,232,404, and $866,877 respectively, equal to the required contributions for each year.

Business-type Activities:

The Board has a defined contribution plan "Tullahoma Utilities Board Employees' Pension Trust" covering all of its eligible employees. The Board is the plan's administrator. The Board has the right to amend or terminate the plan at any time. This plan includes all full-time employees that have attained age 21, and have worked 1,000 hours in a twelve-month period to be eligible on July 1 of that plan year. The employer's costs are determined by the individual level premium cost method using a 6% interest assumption. The financial information for the year ended June 30, 2012 is as follows:

	Target plan	Money Purchase plan
Employee contribution	$ 51,660	$ 121,608
Employer contribution	249,903	275,262
Total plan assets as of June 30, 2012	4,523,445	1,737,216

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

The payroll for employees covered under the plan for the year ended June 30, 2012 was $3,598,569. Total payroll was $3,979,264.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Primary Government:

Governmental Activities:

A. City Plan

Plan Description

The City's current single-employer defined benefit post employment healthcare plan only provides health insurance benefits, under a fully insured health plan, to eligible retired City employees and their beneficiaries. There are currently only 5 employees that receive post employment benefits. Benefits for the year ended June 30, 2012 totaled $28,583. The City currently funds the benefits on a pay-as-you-go basis. The benefits of post employment obligations will be reviewed by the City in the future allowing for any improvements or changes to the present plan. The report may be obtained by contacting the finance director for the City.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Components of the Net OPEB Obligation

Annual required contribution	$ 143,108
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	143,108
Contributions made	(28,583)
Increase in net OPEB obligation	$ 114,525
Net OPEB obligation - July 1, 2011	$ 187,101
Net OPEB obligation - June 30, 2012	$ 301,626

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 111,573	50.45%	$ 55,279
6/30/2010	$ 112,087	61.91%	$ 97,973
6/30/2011	$ 141,633	37.07%	$ 187,101
6/30/2012	$ 143,108	19.97%	$ 301,626

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $1,353,250, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,353,250. The covered payroll (annual payroll of active employees covered by the plan) was $5,150,789 and the ratio of the UAAL to the covered payroll was 26.27%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by the decrements to an ultimate ratio of 5% after 5 years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

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

B. Tullahoma Board of Education

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

The retiring employees may have the same options for the insurance package as current employees, and the System will assume the same percentage of costs for the package as for the current employees. The System currently pays 100% of premiums. For the year ended June 30, 2012, the System paid medical insurance benefits for 46 eligible retirees totaling $197,028 and dental and life insurance benefits for 46 and 47 eligible retirees totaling $16,795 and $5,574, respectively. The General Purpose School Fund has been used to liquidate the OPEB obligation in prior years.

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

Information concerning the plan follows:

Components of the Net OPEB Obligation:

Annual required contribution	$ 11,143
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	11,143
Contributions made	(5,747)
Increase in net OPEB obligation	$ 5,396
Net OPEB obligation - July 1	$ 4,872
Net OPEB obligation - June 30	$ 10,268

The Tullahoma City Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 11,143	56.28%	$ 4,872
6/30/2012	$ 11,143	51.58%	$ 10,268

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

Business-type Activities:

The System does not provide any post-retirement benefits. As part of the retirement benefits the Board adopted a plan in the current year whereas the employee receives 25% of their accumulated sick leave with the amount being paid into their pension fund. In addition those employees that have 10 year or more service and retire between age 62 and 65 receive an additional $650 for every month of service prior to reaching age 62.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS

A. Federal and State Financial Assistance

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

B. Other Commitments

Primary Government:

Governmental Activities:

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

Business-type Activities:

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

At June 30, 2012, Tullahoma Utilities Board had several construction projects in process. The Board takes bids for these projects and awards construction contracts to various companies. The Sewer System currently has a sewer rehab project funded by CDBG grant of $400,000. Cost to date total $17,988.

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

Component Unit:

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

NOTE 11 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2012 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transferred From							
Transferred To	General Fund	General Purpose School	UDAG	Education Debt Service	Nonmajor Governmental Funds	Power System	Component Units	Total
General Fund	$ -	$ -	$ -	$ -	$ 224,574	$ 372,419	$ 100,973	$ 697,966
General Purpose School	7,088,872	-	-	250,000	-	-	-	7,338,872
Education Debt Service	1,941,109	-	-	-	-	-	-	1,941,109
Nonmajor Governmental Funds	2,670,778	642,536	125,000	2,352,335	214	-	47,280	5,838,143
Water System	140,295	-	-	-	-	-	-	140,295
Component Units	12,000	-	-	-	46,728	-	-	58,728
Total	$ 11,853,054	$ 642,536	$ 125,000	$ 2,602,335	$ 271,516	$ 372,419	$ 148,253	$ 16,015,113

Interfund receivables and payables and amounts due to and due from funds of the primary government at June 30, 2012 are attributable to unsettled balances at year-end primarily for charges and transfers between funds. Balances at June 30, 2012 are as follows:

	Due From								
Due To	General Fund	General Purpose School	UDAG	Fiber System	Nonmajor Governmental Funds	Component Units	Water System	Wastewater System	Total
General Fund	$ -	$ 1,251	$ -	$ -	$ -	$ 71,156	$ -	$ -	$ 72,407
General Purpose School	382,360	-	-	-	570,520	-	-	-	952,880
UDAG	-	-	-	-	-	5,000	-	-	5,000
Educaion Debt Service	50,450	-	-	-	-	-	-	-	50,450
Nonmajor Governmental Funds	-	-	125,000	-	-	-	-	-	125,000
Power System	-	-	-	957,479	-	-	6,703	7,308	971,490
Water System	-	-	-	210	-	-	-	72,254	72,464
Wastewater System	-	-	-	144	-	-	2,786	-	2,930
Total	$ 432,810	$ 1,251	$ 125,000	$ 957,833	$ 570,520	$ 76,156	$ 9,489	$ 79,562	$ 2,252,621

SUPPLEMENTARY INFORMATION

CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION

Unaudited - See Accompanying Accountants' Report

SCHEDULE OF FUNDING PROGRESS - TCSDBP

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCSDBP

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2003	$ 270,502	77.00%
2004	307,476	99.00%
2005	312,088	75.74%
2006	330,403	51.51%
2007	442,254	74.11%
2008	464,393	101.48%
2009	640,332	61.25%
2010	591,474	104.75%
2011	574,231	13.37%
2012	587,134	(a)

(a) Plan year is January 1 to December 31, therefore the contribution period is still open and contributions can still be made at the System's fiscal year end.

CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION

Unaudited - See Accompanying Accountants' Report

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

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

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

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	OPEB Obligation
2009	$ 111,573	50.45%	$ 55,279
2010	$ 112,087	61.91%	$ 97,973
2011	$ 141,633	37.07%	$ 187,101
2012	$ 141,633	19.97%	$ 301,626

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/11	$ -	$ 151,645	$ 151,645	0%	$ 2,649,761	5.72%

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

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	OPEB Obligation
06/30/11	$ 11,143	56.28%	$ 4,872
06/30/12	$ 11,143	51.58%	$ 10,268

CITY OF TULLAHOMA

STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds							Debt Service	Capital Projects Funds		
	School Federal and State Projects	School Food Services	2009 School Projects	Extended School Program	Solid Waste Management	Drug Enforcement	USDA Revolving Loans	General Debt Service	Capital Projects	Federal Projects	Total Nonmajor Governmental Funds
ASSETS:											
Cash and cash equivalents	$ 181	$ 472,145	$ -	$ 116,157	$ 171,562	$ 90,123	$ 100,599	$ 13,327	$ 705,325	$ 5,009	$ 1,674,428
Receivables	-	-	-	9,233	33,126	-	-	-	-	-	42,359
Allowance for doubtful accounts	-	-	-	(2,021)	(10,932)	-	-	-	-	-	(12,953)
Notes receivable	-	-	-	-	-	-	107,900	-	-	-	107,900
Due from other governments	684,541	6,747	-	-	44,067	-	-	-	150,307	-	885,662
Due from other funds	-	-	-	-	-	-	-	-	125,000	-	125,000
Prepaid expenses	-	-	-	-	1,193	-	-	-	-	-	1,193
Total assets	$ 684,722	$ 478,892	$ -	$ 123,369	$ 239,016	$ 90,123	$ 208,499	$ 13,327	$ 980,632	$ 5,009	$ 2,823,589
LIABILITIES:											
Accrued liabilities	$ -	$ -	$ -	$ -	$ 15,392	$ -	$ -	$ -	$ -	$ -	$ 15,392
Accrued payroll	2,675	11,906	-	-	-	-	-	-	-	-	14,581
Accounts payable	-	-	-	-	40,924	205	-	-	5,166	-	46,295
Unearned revenue	-	-	-	-	-	-	107,900	-	-	5,009	112,909
Due to other funds	570,520	-	-	-	-	-	-	-	-	-	570,520
Total liabilities	573,195	11,906	-	-	56,316	205	107,900	-	5,166	5,009	759,697
FUND BALANCES:											
Restricted for:											
Debt service	-	-	-	-	-	-	-	13,327	-	-	13,327
Capital improvements	-	-	-	-	-	-	-	-	975,466	-	975,466
Drug enforcement	-	-	-	-	-	81,250	-	-	-	-	81,250
Grant projects	111,527	-	-	-	-	-	100,599	-	-	-	212,126
School operations	-	466,986	-	-	-	-	-	-	-	-	466,986
Solid Waste	-	-	-	-	182,700	-	-	-	-	-	182,700
Extended School	-	-	-	123,369	-	-	-	-	-	-	123,369
Assigned to:											
Encumbrances	-	-	-	-	-	8,668	-	-	-	-	8,668
Total fund balances	111,527	466,986	-	123,369	182,700	89,918	100,599	13,327	975,466	-	2,063,892
Total liabilities and fund balances	$ 684,722	$ 478,892	$ -	$ 123,369	$ 239,016	$ 90,123	$ 208,499	$ 13,327	$ 980,632	$ 5,009	$ 2,823,589

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds							Debt Service	Capital Projects Funds		
	School Federal and State Projects	School Food Services	2009 School Projects	Extended School Program	Solid Waste Management	Drug Enforcement	USDA Revolving Loans	General Debt Service	Capital Projects	Federal Projects	Total Nonmajor Governmental Funds
REVENUES:											
Intergovernmental	$ 2,757,544	$ 1,100,494	$ -	$ -	$ -	$ -	$ 57,295	$ -	$ 257,838	$ -	$ 4,173,171
Charges for services	-	711,668	-	341,187	782,997	-	-	-	-	-	1,835,852
Investment income	-	1,419	-	604	1,391	899	2,036	-	4,886	-	11,235
Note repayments	-	-	-	-	-	-	47,570	-	-	-	47,570
Other revenues	-	-	-	19,570	-	30,229	469	-	62,032	-	112,300
Total revenues	2,757,544	1,813,581	-	361,361	784,388	31,128	107,370	-	324,756	-	6,180,128
EXPENDITURES:											
Current:											
Education:											
Regular education	1,571,809	-	-	-	-	-	-	-	-	-	1,571,809
Special education	894,060	-	-	-	-	-	-	-	-	-	894,060
Attendance	60	-	-	-	-	-	-	-	-	-	60
Other student support	13,477	-	-	-	-	-	-	-	-	-	13,477
Instructional staff	72,073	-	-	-	-	-	-	-	-	-	72,073
Program costs	-	1,779,093	-	355,391	1,827,024	15,120	1,042	-	-	-	3,977,670
Debt service:											
Principal retirement	-	-	-	-	-	-	-	2,174,000	-	-	2,174,000
Interest	-	-	-	-	-	-	-	1,262,493	-	-	1,262,493
Fiscal charges	-	-	-	-	-	-	-	1,465	-	-	1,465
Transportation	35,525	-	-	-	-	-	-	-	-	-	35,525
Capital outlay	170,629	16,011	846,176	-	29,626	10,320	-	-	287,599	-	1,360,361
Loans disbursed	-	-	-	-	-	-	90,000	-	-	-	90,000
Total expenditures	2,757,633	1,795,104	846,176	355,391	1,856,650	25,440	91,042	3,437,958	287,599	-	11,452,993
Excess (deficiency) revenues over (under) expenditures	(89)	18,477	(846,176)	5,970	(1,072,262)	5,688	16,328	(3,437,958)	37,157	-	(5,272,865)
OTHER FINANCING SOURCES (USES):											
Transfers in	-	-	642,536	-	1,286,647	-	-	3,431,657	477,303	-	5,838,143
Transfers out	-	-	-	-	(224,574)	-	-	-	(46,942)		(271,516)
Total other financing sources	-	-	642,536	-	1,062,073	-	-	3,431,657	430,361	-	5,566,627
Net change in fund balances	(89)	18,477	(203,640)	5,970	(10,189)	5,688	16,328	(6,301)	467,518	-	293,762
Fund balance, July 1, 2011	119,924	448,509	203,640	117,399	192,889	84,230	84,271	19,628	507,948	-	1,778,438
Prior period adjustment (See Note 2)	(8,308)		-	-	-	-	-	-	-	-	(8,308)
Fund balance, June 30, 2012	$ 111,527	$ 466,986	$ -	$ 123,369	$ 182,700	$ 89,918	$ 100,599	$ 13,327	$ 975,466	$ -	$ 2,063,892

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FEDERAL AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Intergovernmental						
State and federal	$ 2,757,544	$ -	$ 2,757,544	$ 2,759,308	$ 2,759,308	$ (1,764)
Total revenues	2,757,544	-	2,757,544	2,759,308	2,759,308	(1,764)
EXPENDITURES:						
Regular education						
Salaries	1,226,220	-	1,226,220	1,217,659	1,217,659	(8,561)
Payroll taxes	51,419	-	51,419	54,861	54,861	3,442
Benefits	166,532	-	166,532	179,251	179,251	12,719
Contract services	63,630	-	63,630	50,000	50,000	(13,630)
Supplies	61,008	-	61,008	78,438	78,438	17,430
Other	3,000	-	3,000	3,000	3,000	-
Total regular education	1,571,809	-	1,571,809	1,583,209	1,583,209	11,400
Special education						
Salaries	550,348	-	550,348	549,202	549,202	(1,146)
Payroll taxes	39,237	-	39,237	39,298	39,298	61
Benefits	238,149	-	238,149	239,370	239,370	1,221
Contract services	17,193	-	17,193	15,714	15,714	(1,479)
Supplies	26,060	-	26,060	26,906	26,906	846
Travel	4,829	-	4,829	4,829	4,829	-
Other	18,244	-	18,244	18,264	18,264	20
Total special education	894,060	-	894,060	893,583	893,583	(477)
Attendance						
Other	60	-	60	-	-	(60)
Total vocational education	60	-	60	-	-	(60)
Other student support						
Salaries	-	-	-	975	975	975
Travel	7,472	-	7,472	11,802	11,802	4,330
Other	6,005	-	6,005	12,705	12,705	6,700
Total other student support	13,477	-	13,477	25,482	25,482	12,005
Instructional staff						
Contract services	4,028	-	4,028	10,000	10,000	5,972
Travel	51,032	-	51,032	30,493	30,493	(20,539)
Other	17,013	-	17,013	15,076	15,076	(1,937)
Total instructional staff	72,073	-	72,073	55,569	55,569	(16,504)
Transportation						
Contract services	35,525	-	35,525	35,525	35,525	-
Total instructional staff	35,525	-	35,525	35,525	35,525	-
Capital outlay	170,629	-	170,629	161,108	161,108	(9,521)
Total expenditures	2,757,633	-	2,757,633	2,754,476	2,754,476	(3,157)
Net change in fund balance	(89)	-	(89)	4,832	4,832	(4,921)
Fund balance, July 1, 2011	119,924	-	119,924	119,924	119,924	-
Prior period adjustment (See Note 2)	(8,308)	-	(8,308)	-	-	(8,308)
Fund balance, June 30, 2012	$ 111,527	$ -	$ 111,527	$ 124,756	$ 124,756	$ (13,229)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FOOD SERVICES
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Intergovernmental:						
State and federal	$ 1,100,494	$ -	$ 1,100,494	$ 928,000	$ 928,000	$ 172,494
Charges for services	711,668	-	711,668	1,000,000	1,000,000	(288,332)
Interest income	1,419	-	1,419	6,000	6,000	(4,581)
Total revenues	1,813,581	-	1,813,581	1,934,000	1,934,000	(120,419)
EXPENDITURES:						
Current:						
Salaries	610,182	-	610,182	651,000	651,000	40,818
Payroll taxes	40,868	-	40,868	50,000	50,000	9,132
Benefits	166,707	-	166,707	221,000	221,000	54,293
Contract services	11,105	-	11,105	10,000	10,000	(1,105)
Maintenance and repairs	6,424	-	6,424	20,000	20,000	13,576
Travel	5,370	-	5,370	6,000	6,000	630
Supplies	840,193	-	840,193	850,000	850,000	9,807
Other	98,244	-	98,244	89,000	89,000	(9,244)
Capital outlay	16,011	-	16,011	37,000	37,000	20,989
Total expenditures	1,795,104	-	1,795,104	1,934,000	1,934,000	138,896
Net change in fund balance	18,477	-	18,477	-	-	18,477
Fund balance, July 1, 2011	448,509	-	448,509	448,509	448,509	-
Fund balance, June 30, 2012	$ 466,986	$ -	$ 466,986	$ 448,509	$ 448,509	$ 18,477

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
2009 SCHOOL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest income	$ -	$ -	$ -	$ -	$ -	$ -
EXPENDITURES:						
Capital outlay	846,176	-	846,176	-	-	(846,176)
Total expenditures	846,176	-	846,176	-	-	(846,176)
Deficiency of revenues under expenditures	(846,176)	-	(846,176)	-	-	(846,176)
OTHER FINANCING SOURCES (USES):						
Transfers in	642,536	-	642,536	-	-	642,536
Transfers out	-	-	-	-	-	-
Total other financing sources	642,536	-	642,536	-	-	642,536
Net change in fund balance	(203,640)	-	(203,640)	-	-	(203,640)
Fund balance, July 1, 2011	203,640	-	203,640	203,640	203,640	-
Fund balance, June 30, 2012	$ -	$ -	$ -	$ 203,640	$ 203,640	$ (203,640)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EXTENDED SCHOOL PROGRAM
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Charges for services	$ 341,187	$ -	$ 341,187	$ 373,590	$ 373,590	$ (32,403)
Interest income	604	-	604	-	-	604
Other income	19,570	-	19,570	-	-	19,570
Total revenues	361,361	-	361,361	373,590	373,590	(12,229)
EXPENDITURES:						
Salaries	263,565	-	263,565	284,288	284,288	20,723
Payroll taxes	16,341	-	16,341	21,749	21,749	5,408
Benefits	24,199	-	24,199	24,044	24,044	(155)
Supplies	28,731	-	28,731	33,292	33,292	4,561
Other	22,555	-	22,555	10,217	10,217	(12,338)
Total expenditures	355,391	-	355,391	373,590	373,590	18,199
Net change in fund balance	5,970	-	5,970	-	-	5,970
Fund balance, July 1, 2011	117,399	-	117,399	117,399	117,399	-
Fund balance, June 30, 2012	$ 123,369	$ -	$ 123,369	$ 117,399	$ 117,399	$ 5,970

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SOLID WASTE MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Charges for services	$ 782,997	$ -	$ 782,997	$ 746,480	$ 746,480	$ 36,517
Interest income	1,391	-	1,391	-	-	1,391
Other revenues	-	-	-	-	200	(200)
Total revenues	784,388	-	784,388	746,480	746,680	37,708
EXPENDITURES:						
Current:						
Salaries	709,108	-	709,108	683,706	722,649	13,541
Payroll taxes	56,375	-	56,375	53,937	60,116	3,741
Benefits	218,152	-	218,152	258,702	229,355	11,203
Telephone and utilities	921	-	921	800	965	44
Contract and professional	53,019	(2,362)	50,657	38,000	52,000	1,343
Repairs and maintenance	191,157	(12,337)	178,820	136,053	200,080	21,260
Travel and training	1,654	-	1,654	700	1,700	46
Supplies	16,519	-	16,519	17,150	18,143	1,624
Uniforms	6,771	(5,573)	1,198	10,700	5,700	4,502
Gas and oil	157,262	-	157,262	154,482	163,084	5,822
Parts and supplies	1,473	-	1,473	700	1,475	2
Operating insurance	45,119	-	45,119	50,119	45,119	-
Landfill	367,453	-	367,453	381,000	381,000	13,547
Other	2,041	-	2,041	38,549	2,920	879
Total program costs	1,827,024	(20,272)	1,806,752	1,824,598	1,884,306	77,554
Capital outlay	29,626	(1,534)	28,092	29,330	29,247	1,155
Total expenditures	1,856,650	(21,806)	1,834,844	1,853,928	1,913,553	78,709
Excess (deficiency) of revenues over (under) expenditures	(1,072,262)	21,806	(1,050,456)	(1,107,448)	(1,166,873)	116,417
OTHER FINANCING SOURCES (USES):						
Transfers in	1,286,647	-	1,286,647	1,143,202	1,286,647	-
Transfers out	(224,574)	-	(224,574)	(35,754)	(140,640)	(83,934)
Total other financing sources	1,062,073	-	1,062,073	1,107,448	1,146,007	(83,934)
Net change in fund balance	(10,189)	21,806	11,617	-	(20,866)	32,483
Fund balance, July 1, 2011	192,889	(21,806)	171,083	192,889	192,889	(21,806)
Fund balance, June 30, 2012	$ 182,700	$ -	$ 182,700	$ 192,889	$ 172,023	$ 10,677

See accompanying acountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
DRUG ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Drug fines	$ 23,860	$ -	$ 23,860	$ 22,000	$ 23,000	$ 860
Confiscated money	3,519	-	3,519	4,000	4,000	(481)
Sale of confiscated equipment	2,850	-	2,850	-	2,800	50
Interest income	899	-	899	160	750	149
Total revenues	31,128	-	31,128	26,160	30,550	578
EXPENDITURES:						
Current:						
Salaries	807	-	807	3,000	1,000	193
Payroll taxes	62	-	62	232	100	38
Travel and training	3,750	-	3,750	7,500	4,000	250
Supplies	3,100	8,668	11,768	5,700	4,750	(7,018)
Other	2,290	-	2,290	10,100	4,000	1,710
Capital outlay	15,431	-	15,431	22,500	27,000	11,569
Total expenditures	25,440	8,668	34,108	49,032	40,850	6,742
Excess (deficiency) of revenues over (under) expenditures	5,688	(8,668)	(2,980)	(22,872)	(10,300)	7,320
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	5,688	(8,668)	(2,980)	(22,872)	(10,300)	7,320
Fund balance, July 1, 2011	84,230	-	84,230	84,230	84,230	-
Fund balance, June 30, 2012	$ 89,918	$ (8,668)	$ 81,250	$ 61,358	$ 73,930	$ 7,320

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
USDA REVOLVING LOANS
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Intergovernmental:						
State and federal grants	$ 57,295	$ -	$ 57,295	$ 57,295	$ 57,295	$ -
Note repayments	47,570	-	47,570	35,000	32,980	14,590
Interest Income	2,036	-	2,036	-	500	1,536
Other revenues	469	-	469	-	725	(256)
Total revenues	107,370	-	107,370	92,295	91,500	15,870
EXPENDITURES:						
Program costs	1,060	-	1,060	2,600	1,500	440
Loans disbursed	89,982	-	89,982	89,695	90,000	18
Total expenditures	91,042	-	91,042	92,295	91,500	458
Excess of revenues over expenditures	16,328	-	16,328	-	-	16,328
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	16,328	-	16,328	-	-	16,328
Fund balance, July 1, 2011	84,271	-	84,271	84,271	84,271	-
Fund balance, June 30, 2011	$ 100,599	$ -	$ 100,599	$ 84,271	$ 84,271	$ 16,328

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
GENERAL DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Interest	$ -	$ -	$ -	$ -	$ -	$ -
EXPENDITURES:						
Principal retirement	2,174,000	-	2,174,000	2,174,000	2,174,000	-
Interest	1,262,493	-	1,262,493	1,764,354	1,270,519	8,026
Fiscal charges	1,465	-	1,465	3,000	3,996	2,531
Total expenditures	3,437,958	-	3,437,958	3,941,354	3,448,515	10,557
Deficiency of revenues under expenditures	(3,437,958)	-	(3,437,958)	(3,941,354)	(3,448,515)	10,557
OTHER FINANCING SOURCES (USES):						
Transfers in	3,431,657	-	3,431,657	3,941,354	3,447,519	(15,862)
Transfers out	-	-	-	-	-	-
Total other financing sources	3,431,657	-	3,431,657	3,941,354	3,447,519	(15,862)
Net change in fund balance	(6,301)	-	(6,301)	-	(996)	(5,305)
Fund balance, July 1, 2011	19,628	-	19,628	19,628	19,628	-
Fund balance, June 30, 2012	$ 13,327	$ -	$ 13,327	$ 19,628	$ 18,632	$ (5,305)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EDUCATION DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Local shared taxes	$ 350,000	$ -	$ 350,000	$ -	$ -	$ 350,000
Interest income	12,185	-	12,185	-	-	12,185
Total revenues	362,185	-	362,185	-	-	362,185
EXPENDITURES:						
Program costs	-	-	-	-	-	-
Excess of revenues over expenditures	362,185	-	362,185	-	-	362,185
OTHER FINANCING SOURCES (USES):						
Transfers in	1,941,109	-	1,941,109	2,600,000	2,600,000	(658,891)
Transfers out	(2,602,335)	-	(2,602,335)	(2,600,000)	(2,600,000)	(2,335)
Total other financing uses	(661,226)	-	(661,226)	-	-	(661,226)
Net change in fund balance	(299,041)	-	(299,041)	-	-	(299,041)
Fund balance, July 1, 2011	2,750,057	-	2,750,057	2,750,057	2,750,057	-
Fund balance, June 30, 2012	$ 2,451,016	$ -	$ 2,451,016	$ 2,750,057	$ 2,750,057	$ (299,041)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SCHOOL FEDERAL AND STATE PROJECTS FUND
The School Federal and State Projects accounts for funds generated through federal and state grants which support various educational programs

SCHOOL FOOD SERVICES FUND
The School Food Services Fund accounts for funds generated through the food service operations of the school system, and also includes funds received through state and federal grants for the free and reduced meal programs.

EXTENDED SCHOOL PROGRAM FUND
The Extended School Program Fund accounts for the program revenues and expenses related to the system's extended school program which provides child care services before and after school.

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

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

USDA REVOLVING LOAN FUND
To account for loans originally made from funds received from Rural Development.

CAPITAL PROJECTS FUNDS

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

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

DEBT SERVICE FUNDS

GENERAL DEBT SERVICE FUND
To account for proceeds from the issuance of debt and funds received to make debt service payments.

CITY OF TULLAHOMA

STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2012

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Oustanding June 30, 2012	Interest to Maturity as of June 30, 2012
Governmental Activities:						
General Obligation Bonds Payable						
General Obligation Refunding Bonds, Series 2009	2% - 3.25%	August 27, 2009	October 1, 2017	$ 4,005,000	$ 2,585,000	$ 144,162
General Obligation School Refunding, Series 2002	3.35% - 4.7%	June 1, 2002	October 1, 2017	6,265,000	5,205,000	904,957
General Public Improvement and Refunding Bonds, Series 2005	3.25% - 5%	November 1, 2005	April 1, 2026	9,880,000	7,225,000	1,789,461
General Obligation Refunding Bonds, Series 2006	3.5% - 4%	December 15, 2006	April 1, 2026	9,320,000	9,210,000	3,604,775
General Obligation School Bonds, Series 2010	3% - 4%	August 10, 2010	October 1, 2032	4,750,000	4,650,000	2,420,922
TMBF 12M School Note, Series 2008	4.5%	August 6, 2008	May 25, 2033	12,084,000	11,491,000	6,849,270
TMBF City Note, Series 2008	4.5%	December 29, 2008	December 25, 2033	1,125,000	1,040,000	588,935
Total General Obligation Bonds Payable - Governmental Activities				47,429,000	41,406,000	16,302,482
Notes Payable						
Capital Outlay Note, Series 2007	4.28%	February 7, 2007	February 1, 2017	627,000	466,000	61,461
Total Bonds and Notes Payable - Governmental Activities				$ 48,056,000	$ 41,872,000	$ 16,363,943
Business-type Activities:						
Revenue Bonds Payable						
Fiber Optics System Revenue and Tax Bonds, Series 2007	4.0% - 4.375%	August 1, 2007	July 1, 2027	$ 16,975,000	$ 16,275,000	$ 6,222,814
Water and Wastewater Revenue and Tax Bonds, Series 1997	4.75% - 6.5%	July 1, 1997	October 1, 2017	720,000	300,000	51,621
Total Revenue Bonds Payable - Business-type Activities				17,695,000	16,575,000	6,274,435
Notes Payable						
Electric System-						
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	1,500,000	1,500,000	237,397
Wastewater System-						
Loan Fund 319-02, Series 2003	7.25% - 10.03%	March 1, 2003	March 1, 2015	94,844	26,852	2,956
Loan Fund 319-03, Series 2003	7.25% - 10.03%	March 1, 2003	March 1, 2014	354,177	66,603	4,764
State Revolving Loan Fund, 93-053	3.80%	September 1, 1995	August 1, 2015	7,157,000	1,523,620	95,924
State Revolving Loan Fund, 94-077	3.80%	January 1, 1997	December 1, 2016	3,050,000	898,417	78,592
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	700,000	700,000	110,921
Water System-						
TML Loan 1999	4.50%	May 25, 1999	May 25, 2020	4,708,000	2,561,000	359,580
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	900,000	900,000	142,278
Total Notes Payable - Business-type Activities				18,464,021	8,176,492	1,032,412
Total Bonds and Notes Payable - Business-type Activities				$ 36,159,021	$ 24,751,492	$ 7,306,847

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2012

	General Obligation School Refunding Bonds Series 2002		General Obligation Refunding Bonds, Series 2009					
			General Fund		School Fund		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 410,000	$ 230,510	$ 26,470	$ 2,273	$ 708,530	$ 60,852	$ 735,000	$ 63,125
2014	490,000	211,263	27,191	1,601	727,809	42,849	755,000	44,450
2015	575,000	187,934	28,091	772	751,909	20,652	780,000	21,424
2016	1,090,000	148,980	-	-	100,000	8,225	100,000	8,225
2017	1,260,000	93,840	-	-	105,000	5,150	105,000	5,150
2018	1,380,000	32,430	-	-	110,000	1,788	110,000	1,788
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
	$ 5,205,000	$ 904,957	$ 81,752	$ 4,646	$ 2,503,248	$ 139,516	$ 2,585,000	$ 144,162

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2012

	General Obligation Public Improvement Bonds Series 2005		General Obligation Refunding Bonds Series 2006		General Obligation School Bonds Series 2010	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 615,000	$ 289,911	$ 30,000	$ 360,662	$ 100,000	$ 160,094
2014	640,000	263,005	30,000	359,537	100,000	157,094
2015	675,000	231,005	30,000	358,413	100,000	154,094
2016	710,000	197,255	30,000	357,288	100,000	151,094
2017	740,000	161,755	35,000	356,162	100,000	148,093
2018	765,000	139,555	820,000	354,850	-	146,594
2019	800,000	116,605	1,065,000	324,100	100,000	145,094
2020	285,000	92,605	1,055,000	284,163	100,000	142,344
2021	300,000	81,490	1,040,000	244,600	100,000	139,781
2022	310,000	69,490	1,035,000	203,000	100,000	137,094
2023	325,000	57,090	1,025,000	161,600	150,000	133,509
2024	340,000	44,090	1,015,000	120,600	150,000	128,969
2025	350,000	30,065	1,005,000	80,000	200,000	123,551
2026	370,000	15,540	995,000	39,800	200,000	117,219
2027	-	-	-	-	375,000	107,641
2028	-	-	-	-	400,000	94,313
2029	-	-	-	-	400,000	80,063
2030	-	-	-	-	425,000	64,843
2031	-	-	-	-	450,000	48,438
2032	-	-	-	-	475,000	30,500
2033	-	-	-	-	525,000	10,500
2034	-	-	-	-	-	-
	$ 7,225,000	$ 1,789,461	$ 9,210,000	$ 3,604,775	$ 4,650,000	$ 2,420,922

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2012

	Tennessee Municipal Bond Fund City Note Series 2008		Tennessee Municipal Bond Fund School Note Series 2008		Total General Obligation Bonds		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2013	$ 31,000	$ 46,800	$ 316,000	$ 517,095	$ 2,237,000	$ 1,668,197	$ 3,905,197
2014	32,000	45,405	331,000	502,875	2,378,000	1,583,629	3,961,629
2015	34,000	43,965	346,000	487,980	2,540,000	1,484,815	4,024,815
2016	35,000	42,435	361,000	472,410	2,426,000	1,377,687	3,803,687
2017	37,000	40,860	377,000	456,165	2,654,000	1,262,025	3,916,025
2018	38,000	39,195	394,000	439,200	3,507,000	1,153,612	4,660,612
2019	40,000	37,485	412,000	421,470	2,417,000	1,044,754	3,461,754
2020	42,000	35,685	431,000	402,930	1,913,000	957,727	2,870,727
2021	44,000	33,795	450,000	383,535	1,934,000	883,201	2,817,201
2022	46,000	31,815	470,000	363,285	1,961,000	804,684	2,765,684
2023	48,000	29,745	492,000	342,135	2,040,000	724,079	2,764,079
2024	50,000	27,585	514,000	319,995	2,069,000	641,239	2,710,239
2025	52,000	25,335	537,000	296,865	2,144,000	555,816	2,699,816
2026	54,000	22,995	561,000	272,700	2,180,000	468,254	2,648,254
2027	57,000	20,565	586,000	247,455	1,018,000	375,661	1,393,661
2028	60,000	18,000	613,000	221,085	1,073,000	333,398	1,406,398
2029	62,000	15,300	640,000	193,500	1,102,000	288,863	1,390,863
2030	65,000	12,510	669,000	164,700	1,159,000	242,053	1,401,053
2031	68,000	9,585	699,000	134,595	1,217,000	192,618	1,409,618
2032	71,000	6,525	731,000	103,140	1,277,000	140,165	1,417,165
2033	74,000	3,350	763,000	70,245	1,362,000	84,095	1,446,095
2034	-	-	798,000	35,910	798,000	35,910	833,910
	$ 1,040,000	$ 588,935	$ 11,491,000	$ 6,849,270	$ 41,406,000	$ 16,302,482	$ 57,708,482

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
CAPITAL OUTLAY NOTES
JUNE 30, 2012

	Capital Outlay Notes Series 2007 (2-7-07)		
Year	**Principal**	**Interest**	**Total**
2013	$ 86,000	$ 19,945	$ 105,945
2014	89,000	16,264	105,264
2015	93,000	12,455	105,455
2016	97,000	8,474	105,474
2017	101,000	4,323	105,323
	$ 466,000	$ 61,461	$ 527,461

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA AIRPORT AUTHORITY
JUNE 30, 2012

	City of Tullahoma UDAG Loan (11-1-05)			City of Tullahoma UDAG Loan (1-4-12)			Total		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$ 28,462	$ 1,538	$ 30,000	$ 912	$ 87	$ 999	$ 29,374	$ 1,625	$ 30,999
2014	28,676	1,324	30,000	921	78	999	29,597	1,402	30,999
2015	28,892	1,108	30,000	930	69	999	29,822	1,177	30,999
2016	29,109	891	30,000	940	59	999	30,049	950	30,999
2017	29,329	671	30,000	949	50	999	30,278	721	30,999
2018	29,549	451	30,000	959	40	999	30,508	491	30,999
2019	29,772	228	30,000	967	32	999	30,739	260	30,999
2020	17,437	22	17,459	978	21	999	18,415	43	18,458
2021	-	-	-	987	12	999	987	12	999
2022	-	-	-	584	2	586	584	2	586
	$ 221,226	$ 6,233	$ 227,459	$ 9,127	$ 450	$ 9,577	$ 230,353	$ 6,683	$ 237,036

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

	Water & Wastewater Revenue & Tax Bonds Series 1997 (3-1-97)		Fiber Optics System Revenue and Tax Bonds Series 2007 (8-1-07)		Total Proprietary Funds Revenue & Tax Bond Debt Service		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2013	$ 45,000	$ 15,206	$ 730,000	$ 676,531	$ 775,000	$ 691,737	$ 1,466,737
2014	45,000	12,765	760,000	645,818	805,000	658,583	1,463,583
2015	50,000	10,175	790,000	614,818	840,000	624,993	1,464,993
2016	50,000	7,425	825,000	581,487	875,000	588,912	1,463,912
2017	55,000	4,537	860,000	545,681	915,000	550,218	1,465,218
2018	55,000	1,513	900,000	508,281	955,000	509,794	1,464,794
2019	-	-	935,000	469,872	935,000	469,872	1,404,872
2020	-	-	975,000	430,478	975,000	430,478	1,405,478
2021	-	-	1,020,000	389,331	1,020,000	389,331	1,409,331
2022	-	-	1,060,000	345,769	1,060,000	345,769	1,405,769
2023	-	-	1,105,000	299,763	1,105,000	299,763	1,404,763
2024	-	-	1,155,000	251,016	1,155,000	251,016	1,406,016
2025	-	-	1,205,000	199,391	1,205,000	199,391	1,404,391
2026	-	-	1,260,000	145,469	1,260,000	145,469	1,405,469
2027	-	-	1,320,000	89,031	1,320,000	89,031	1,409,031
2028	-	-	1,375,000	30,078	1,375,000	30,078	1,405,078
	$ 300,000	$ 51,621	$ 16,275,000	$ 6,222,814	$ 16,575,000	$ 6,274,435	$ 22,849,435

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

	Tennessee Local Development Authority					
	Loan Fund 319-02		Loan Fund 319-03		Subtotal	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 9,625	$ 1,553	$ 39,437	$ 3,384	$ 49,062	$ 4,937
2014	10,182	996	27,166	1,380	37,348	2,376
2015	7,045	407	-	-	7,045	407
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
	$ 26,852	$ 2,956	$ 66,603	$ 4,764	$ 93,455	$ 7,720

	State Revolving Loan Fund 93-053		State Revolving Loan Fund 94-077		Wastewater Revenue and Tax Capital Outlay, Series 2011		Subtotal		Total Wastewater System Note Obligations	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 461,520	$ 49,920	$ 186,706	$ 30,668	$ 61,000	$ 19,427	$ 709,226	$ 100,015	$ 758,288	$ 104,952
2014	479,364	32,064	193,874	23,506	63,000	17,636	736,238	73,206	773,586	75,582
2015	497,904	13,536	201,310	16,070	65,000	15,898	764,214	45,504	771,259	45,911
2016	84,832	404	209,031	8,348	67,000	14,104	360,863	22,856	360,863	22,856
2017	-	-	107,496	-	69,000	12,254	176,496	12,254	176,496	12,254
2018	-	-	-	-	71,000	10,350	71,000	10,350	71,000	10,350
2019	-	-	-	-	73,000	8,390	73,000	8,390	73,000	8,390
2020	-	-	-	-	75,000	6,376	75,000	6,376	75,000	6,376
2021	-	-	-	-	77,000	4,306	77,000	4,306	77,000	4,306
2022	-	-	-	-	79,000	2,180	79,000	2,180	79,000	2,180
	$ 1,523,620	$ 95,924	$ 898,417	$ 78,592	$ 700,000	$ 110,921	$ 3,122,037	$ 285,437	$ 3,215,492	$ 293,157

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

	TML Loan 1999		Revenue and Tax Capital Outlay, Series 2011		Total Water System Note Obligations	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 283,000	$ 76,830	$ 79,000	$ 24,978	$ 362,000	$ 101,808
2014	293,000	68,340	82,000	22,660	375,000	91,000
2015	303,000	59,550	84,000	20,396	387,000	79,946
2016	314,000	50,460	86,000	18,078	400,000	68,538
2017	324,000	41,040	89,000	15,704	413,000	56,744
2018	336,000	31,320	91,000	13,248	427,000	44,568
2019	348,000	21,240	93,000	10,736	441,000	31,976
2020	360,000	10,800	96,000	8,170	456,000	18,970
2021	-	-	99,000	5,520	99,000	5,520
2022	-	-	101,000	2,788	101,000	2,788
	$ 2,561,000	$ 359,580	$ 900,000	$ 142,278	$ 3,461,000	$ 501,858

	Electric Revenue and Tax Capital Outlay, Series 2011		Wastewater, Water, and Electric System Total Note Obligations	
Year	Principal	Interest	Principal	Interest
2013	$ 131,000	$ 41,630	$ 1,251,288	$ 248,390
2014	136,000	37,784	1,284,586	204,366
2015	140,000	34,031	1,298,259	159,888
2016	144,000	30,167	904,863	121,561
2017	147,000	26,193	736,496	95,191
2018	152,000	22,135	650,000	77,053
2019	156,000	17,940	670,000	58,306
2020	160,000	13,634	691,000	38,980
2021	165,000	9,218	341,000	19,044
2022	169,000	4,665	349,000	9,633
	$ 1,500,000	$ 237,397	$ 8,176,492	$ 1,032,412

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

ELECTRIC RATES

RESIDENTIAL SERVICE	Base Rate	Fuel Cost Adjustment	Total Retail Rate
Customer Charge	$12.00		
All kWh	$0.05973 kWh	0.02507	$0.08480

GENERAL POWER SERVICE

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

Customer Charge	$16.00		
All kWh	$0.07318 kWh	0.02474	$0.09792

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

Customer Charge	$80.00		
0 - 50 kW	No Charge		
51 - 1,000 kW	$11.31 kW		
First 15,000 kWh	$0.07393 kWh	0.02474	$0.09867
Additional kWh	$0.03598 kWh	0.02439	$0.06034

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

Customer Charge	$200.00		
0 - 1,000 kW	$10.06 kW		
1,001 - 5,000 kW	$12.26 kW		
All kWh	$0.03663 kWh	0.02436	$0.06099

ELECTRIC RATES (continued)

Outdoor Lighting for Individual Customers

	Base Rate	Fuel Cost Adjustment	Total Retail Rate
All kWh	$0.04030 kWh	0.02507	$0.06537

An additional Facility Charge is applicable

Type Fixture		Rated kWh	Energy Charge	Facility Charge	Monthly Charge
100 Watt High Pressure Sodium	Type A	45	$2.94	$5.86	$8.80
250 Watt HPS Cobra Head	Type B	111	$7.26	$7.55	$14.81
175 Watt Mercury Vapor	Type C	77	$5.03	$5.35	$10.38
400 Watt Mercury Vapor Open	Type D	174	$11.37	$7.02	$18.39
1000 Watt Metal Halide	Type E	394	$25.76	$15.45	$41.21
Steel Pole	Type F	0	$0.00	$11.49	$11.49
100 Watt HPS Cobra Head	Type G	45	$2.94	$5.97	$8.91
150 Watt HPS Acorn w/concrete pole	Type H	68	$4.45	$31.66	$36.11
175 Watt MH Acorn w/concrete pole	Type I	75	$4.90	$33.68	$38.58
250 Watt HPS Flood	Type J	111	$7.26	$10.40	$17.66
250 Watt HPS Acorn w/concrete pole	Type K	111	$7.26	$31.80	$39.06
250 Watt HPS Shoebox w/sq. steel pole	Type L	111	$7.26	$55.47	$62.73
400 Watt HPS Flood	Type M	171	$11.18	$10.69	$21.87
400 Watt MH Cobra Head	Type N	164	$10.72	$8.41	$19.13
400 Watt MH Flood	Type O	164	$10.72	$12.59	$23.31

Pole Charge:

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

WATER RATES

	(Per 1,000 Gallons)		
	City Limits		County Line
	Inside	Outside	Cooperative
First 100,000 gallons	$2.77	$4.00	$4.30
All over 100,000 gallons	$2.56	$3.68	$3.74
Customer charge (minimum)	$5.50/mo.	$8.25/mo.	$10.82/mo.
Multi-unit charge (minimum)	$4.82/mo.	$4.82/mo.	$4.82/mo.

WASTEWATER RATES

	(Per 1,000 Gallons)		
	Inside City Limits		Outside City Limits
	Residential	Commercial	Commercial
First 100,000 gallons	$4.61	$5.07	$7.61
All over 100,000 gallons	$4.08	$4.08	$6.12
Customer charge (minimum)	$8.00/mo	$16.00/mo	$24.00/mo
Multi-unit charge (minimum)	$5.50/mo	$5.50/mo	$5.50/mo

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

BROADBAND SERVICE RATES

Residential Rates

Video Packages	
Lifeline Basic	$ 19.95
Expanded Basic	$ 54.49
Digital Plus	$ 73.49
Digital Bronze	$ 88.49
Digital Silver	$ 100.49
Digital Gold	$ 112.49
Single Service Adder (subscribe to only one service)	$ 15.00
Digital Tiers	
Sports Tier	$ 3.00
Movie Tier	$ 3.00
Latino Tier	$ 3.00
Optional Services	
HBO	$ 15.00
Showtime	$ 15.00
Cinemax	$ 15.00
Starz!	$ 15.00
High Speed Internet	
10Mbps Tier	$ 37.95
20 Mbps Tier	$ 49.95
30 Mbps Tier	$ 59.95
50Mbps Tier	$ 149.95
100Mbps Tier	$ 299.95
Single Service Adder (subscribe to only one service)	$ 15.00
Additional Email address (single)	$ 1.00
Equipment	
HD Digital Box - Primary	Included
HD Digital Box - Additional	$ 8.00
HD/DVR Digital Box - Primary	$ 7.00
HD/DVR Digital Box - Additional	$ 15.00
High Capacity HD/DVR Digital Box - Primary	$ 14.00
High Capacity HD/DVR Digital Box - Additional	$ 22.00
Unreturned Digital Box	$ 150.00
Unreturned Digital HD Box	$ 200.00
Unreturned Digital HD/DVR Box	$ 350.00
Unreturned High Capacity HD/DVR Box	$ 500.00
20Mbps Tier	$ 49.95
30Mbps Tier	$ 59.95
50Mbps Tier	$ 149.95
100Mbps Tier	$ 299.95
Single Service Adder (subscribe to only one service)	$ 15.00
Additional Email address (single)	$ 1.00

Bundles	
LightTUBe Lifeline TriplePlay	$ 79.95
Lifeline Basic	
12 Mbps down/3 Mbps upload Internet	
Home Phone	
LightTUBe TriplePlay	$ 106.49
Expanded Basic	
12 Mbps down/3 Mbps upload Internet	
Home Phone	
LightTUBe TriplePlay Plus	$ 125.49
Digital Plus	
12 Mbps down/3 Mbps upload Internet	
Home Phone	
LightTUBe TriplePlay HD	$ 132.49
Digital Plus with HD/DVR	
12 Mbps down/3 Mbps upload Internet	
Home Phone	
LightTUBe TriplePlay Max	$ 199.49
Digital Gold with HD/DVR	
Sports, Movie and HD Tiers	
40 Mbps down/20 Mbps upload Internet	
Home Phone	
Telephone Services	
Home Phone	$ 31.95
800 Service (monthly)	$ 5.00
Lifeline	$ 12.95
Additional Line with Unlimited LD	$ 24.95
Personal Mailbox	$ 1.95
Single Service Adder	$ 15.00
Premium Directory Listing	
Non-Published Listing	$ 5.00
Non-Listed Listing	$ 3.10
Additional Listing	$ 2.10
Alternate Listing	$ 1.80
Foreign Listing	$ 1.20
Call Completion	$ 0.45
Local	$ 0.98
National	$ 0.98
Operated Assisted Service Surcharge	$ 2.25

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

BROADBAND SERVICE RATES (continued)

Installation, Repair, & Other

Standard Install - Prewired	$	29.95
Standard Install - Unwired	$	29.95
Custom Install Hourly Rate	$	39.95
Change of Service - Technician	$	24.95
Change of Service - Electronic		Free
Add'l/Relocate Outlet-At initial install-First outlet	$	24.95
Add'l/Relocate Outlet-Separate trip-First outlet	$	49.95
Add'l/Relocate Outlet-Separate trip-Add'l outlet on same trip	$	24.95
Add new STB-Separate trip	$	24.95
Service Call - Customer Premise Issue	$	49.95
(Above one hour at custom install hourly rate)		
Trip charge	$	24.95
Wall Fish	$	24.95
NSF Check Fee	$	25.00
Late Fee		5%
Reactivation Fee	$	34.95
Inside Wire Maintenance (All Services)	$	3.95
Internet Parking	$10.00/mo	
Additional charge - each foot beyond 300 ft for underground	$1.00/ft	
Additional charge - each foot beyond 300 ft for overhead	$0.25/ft	

Directory Assistance

Call Completion	$	0.45
Local	$	0.98
National	$	0.98
Operated Assisted Service Surcharge	$	2.25

Commercial Rates

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

Video Packages

Expanded Basic	$	54.49
Expanded Basic (Hospitality)		Varies
Digital Basic (no music)	$	93.49
Commercial Music Only	$	39.95

Static IP Addresses

1 Address		Free
5 Addresses	$	10.00
13 Addresses	$	15.00
29 Addresses	$	20.00

High Speed Internet

2Mbps Tier			
	36 Month Term	$	39.95
	No Term	$	49.95
10Mbps Tier			
	No Term	$	79.95
	36 Month Term	$	69.95
	Non-Profit No Term	$	69.95
	Non-Profit 36 Month Term	$	49.95
15Mbps Tier			
	No Term	$	129.95
	36 Month Term	$	99.95
20Mbps Tier			
	No Term	$	249.95
	36 Month Term	$	199.95
50Mbps Tier			
	No Term	$	599.95
	36 Month Term	$	499.95

Additional Email and Hosting Services

LightTUBe Domain		Included
Vanity Domain	$5.00/ea	
Additional email addresses (single)	$	2.00
Additional email addresses (block of 25)	$	40.00
Web Hosting	$	10.00

Late Fee		5%
Reactivation Fee	$	34.95
Additional charge - each foot beyond 300 ft for underground	$1.00/ft	
Additional charge - each foot beyond 300 ft for overhead	$0.25/ft	

Additional Listing	$	5.00
Alternate Listing	$	2.10
Foreign Listing	$	2.10

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS - UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

BROADBAND SERVICE RATES (continued)

Commercial (continued)

Equipment	
HD Digital Box - Primary	Included
HD Digital Box - Additional	$ 8.00
HD/DVR Digital Box - Primary	$ 10.00
HD/DVR Digital Box - Additional	$ 15.00
High Capacity HD/DVR Digital Box-Primary	$ 17.00
High Capacity HD/DVR Digital Box-Additional	22.00
Unreturned Digital Box	$ 150.00
Unreturned Digital HD Box	$ 200.00
Unreturned Digital HD/DVR Box	$ 350.00
Unreturned High capacity HD/DVR Box	$ 500.00
Installation, Repair, & Other	
Standard Install - Prewired	Varies
Standard Install - Unwired	Varies
Custom Install Hourly Rate	$ 39.95
Change of Service - Technician	$ 29.95
Change of Service - Electronic	Free
Add'l/Relocate Outlet-At initial install-1st outlet	$ 24.95
Add'l/Relocate Outlet-Separate trip-1st outlet	$ 49.95
Add'l/Relocate Outlet-Separate trip-Add'l outlet on same trip	$ 24.95
Add new STB-Separate trip (waived if upgrading to digital service)	$ 24.95
Service Call - Customer Premise Issue/Customer Request	$ 49.95
(Above one hour at custom install hourly rate)	
Trip Charge	$ 24.95
Wall Fish	$ 24.95
NSF Check Fee	$ 25.00
Late Fee	5%
Reactivation Fee	$ 34.95
Additional charge - each foot beyond 300 ft for underground	$1.00/ft
Additional charge - each foot beyond 300 ft for overhead	$0.25/ft

Telephone Services	
Business Phone	
No Term	$ 39.95
2 Year Term	$ 34.95
3 Year Term	$ 29.95
Analog T1	
Fixed fee per T1	$ 100.00
Per Channel Charge (minimum of 9)	$ 20.00
Digital T1 (PRI)	
Full 2-Way T1 (23+D)	$ 500.00
Half 2-Way T1 (12+D)	$ 300.00
Full Inbound-Only T1 (23+D)	$ 250.00
Block of 20 DIDs	$ 5.00
Long Distance (per minute)	$ 0.05
800 Service (monthly)	$ 5.00
Remote Call Forward Line (monthly)	$ 16.00
Remote Call Forward Line (per minute)	$ 0.05
Toll Free Vanity Search	$ 5.00
Account Codes - Verified	$ 5.00
Account Codes - Non-Verified	$ 4.00
Premium Directory Listing	
Non-Published Listing	$ 5.00
Non-Listed Listing	$ 5.00
Additional Listing	$ 5.00
Alternate Listing	$ 2.10
Foreign Listing	$ 2.10
Directory Assistance	
Call Completion	$ 0.45
Local	$ 0.98
National	$ 0.98
Operated Assisted Service Surcharge	$ 2.25

Average number of customers during the year:

Power System	10,376
Water System	9,597
Wastewater System	7,390
Fiber System	2,852

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
TULLAHOMA UTILITIES BOARD
JUNE 30, 2012

(All amounts in gallons)

Unaudited - See Accompanying Accountants' Report

A	**Water Treated and Purchased:**		
B	Water pumped (potable)	0	
C	Water Purchased	1,218,730,000	
D	**Total Water Treated and Purchased (Sum Lines B and C)**		1,218,730,000
E	**Accounted for Water:**		
F	Water Sold	969,066,500	
G	Metered for Consumption (in house usage)	0	
H	Fire Department Usage	0	
I	Flushing	4,930,000	
J	Tank cleaning/filling	0	
K	Street cleaning	0	
L	Bulk sales	0	
M	Water bill adjustments / plus or (minus)	0	
N	**Total Accounted for Water (Sum Lines F through N)**		973,996,500
O	**Unaccounted for Water (Line D minus Line O)**		244,733,500
P	**Percent Unaccounted for Water (Line P divided by Line D times 100)**		20.081%
Q	**Other (explain)**		

Not applicable

All amounts included in this schedule are supported by documentation on file at the water system.
If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2011	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2012
STATE FINANCIAL ASSISTANCE PROGRAMS								
Tennessee Arts Commission:								
Art Student Ticket Subsidy	146403	7/1/11-6/30/12	$ 1,995	$ -	$ -	$ (1,995)	$ 1,995	$ -
Arts Build Communities	42-H/10	10/15/11-6/15/12	$ 1,975	-	-	(1,975)	1,975	-
				-	-	(3,970)	3,970	-
Tennessee Department of Agriculture:								
Tree Planting Grant	32506-03411	2/1/11-9/30/11	$ 2,100	-	-	(1,050)	1,050	-
Tennessee Department of Economic and Community Development:								
Fasttrack Infrastructure Development Program	33006-12211	3/23/11-2/29/16	$ 248,220	-	-	-	6,436	6,436
Tennessee Department of Education:								
ACT-Explore	N/A	7/1/11-6/30/12	$ 8,385	4,368	-	(8,385)	4,017	-
Career Ladder Supplement	N/A	7/1/11-6/30/12	$ 157,362	-	-	(157,362)	157,362	-
Basic Education Program	N/A	7/1/11-6/30/12	$ 13,081,000	327,275	-	(13,408,275)	13,081,000	-
CEO Supplement	N/A	7/1/11-6/30/12	$ 1,167	1,167	-	(1,167)	1,167	1,167
Coordinated School Health-ARRA	GZ8/AAX9	7/1/11-6/30/12	$ 95,000	36,281	-	(68,150)	95,000	63,131
Extended Contract	N/A	7/1/11-6/30/12	$ 85,300	85,300	-	(170,600)	85,300	-
Internet Connectivity	N/A	7/1/11-6/30/12	$ 11,391	-	-	(11,391)	11,391	-
Pre-K	MX9AAX	7/1/11-6/30/12	$ 362,996	103,088	-	(103,088)	362,996	362,996
Energy Efficient School Initiative	N/A	2010-2011	$ 73,000	73,000	-	(73,000)	-	-
SSMS-ARRA	N/A	7/1/11-6/30/12	$ 8,352	-	-	(8,352)	8,352	-
Total Tennessee Department of Education				630,479	-	(14,009,770)	13,806,585	427,294
Tennessee Department of Environment and Conservation:								
Recycling Equipment Grant	N/A	2/12/10-2/11/15	$ 15,246	13,156	-	(13,156)	-	-
				13,156	-	(13,156)	-	-
Tennessee Department of Labor and Workforce Development:								
Adult Basic Education	PO 6818/DG1131220	7/1/10-6/30/12	$ 22,589	1,433	-	(21,905)	22,589	2,117
Total Tennessee Department of Labor and Workforce Development				1,433	-	(21,905)	22,589	2,117
Total State Financial Assistance Programs				$ 645,068	$ -	$ (14,049,851)	$ 13,840,630	$ 435,847

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

Program Name	State Grant Number	Grant Period	Award Amount	(Deferred) July 1, 2011	Adjustment	Grant Receipts	Grant Expenditures/ Uses	(Deferred) June 30, 2012
Component Units:								
Municipal Airport Authority								
Tennessee Department of Transportation								
Drainage study and repairs	Z-07-03-7714-00	12/01/06-11/30/11	$ 99,000	$ 37,000	$ -	$ (48,200)	$ 11,200	$ -
Taxiway Drainage repair	10-125-00	11/20/09-09/30/14	$ 19,000	-	-	(91,710)	91,710	-
Tree clearing	10-123-00	11/20/09-09/30/14	$ 12,000	-	-	(870)	870	-
Northwest Ramp Expansion-Amendment 1	11-168-00	3/1/11-8/31/15	$ 450,000	-	-	(22,750)	22,750	-
Airport Maintenance and Upkeep	12-164-00	7/1/11-6/30/12	$ 18,000	-	-	(10,488)	17,422	6,934
Total State Financial Assistance Programs				$ 37,000	$ -	$ (174,018)	$ 143,952	$ 6,934

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2011	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2012
FEDERAL FINANCIAL ASSISTANCE PROGRAMS									
U.S. Department of Agriculture:									
Passed Through Tennessee Department of Agriculture:									
National School Breakfast Program	10.553	N/A	7/1/11-6/30/12	N/A	$ 21,932	$ -	$ (236,521)	$ 214,589	$ -
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	N/A	72,832	-	(813,241)	740,409	-
Child Nutrition - Fruits and Vegetables	10.582	N/A	7/1/11-6/30/12	N/A	7,521	-	(41,087)	34,200	634
Child Nutrition Match	N/A	N/A	7/1/11-6/30/12	N/A	-	-	(17,263)	17,263	-
USDA Child ARRA	10.579	N/A	7/1/11-6/30/12	N/A	-	-	(6,000)	6,000	-
Total U.S. Department of Agriculture					102,285	-	(1,114,112)	1,012,461	634
U.S. Department of Labor									
Adult Basic Education 75%	84.002	PO 6818/DG1131220	7/1/10-6/30/12	$ 110,287	6,999	-	(106,949)	110,287	10,337
ABE Workforce/Literacy/JTPA	17.259	11-06-031-010-youth	7/1/10-6/30/12	$ 33,420	2,553	-	(32,161)	31,967	2,359
Total U.S. Department of Labor					9,552	-	(139,110)	142,254	12,696
U.S. Department of Education:									
Passed Through Tennessee Department of Education:									
IDEA - Part B	84.027	N/A	7/1/11-6/30/12	$ 745,965	-	-	(614,279)	745,965	131,686
IDEA - Part B ARRA	84.391A	N/A	7/1/11-9/30/12	$ 369,051	(49,916)	-	-	49,916	-
IDEA - Part B Discretionary Inclusion	84.027	N/A	7/1/10-6/30/11	$ 95,320	12,945	-	(12,945)	-	-
IDEA - Part B Discretionary AYP Improvement	84.027A	N/A	7/1/11-6/30/12	$ 25,000	4,832	-	(25,000)	20,168	-
IDEA - Part B Competititve Discretionary Behavior	84.027A	N/A	7/1/11-6/30/12	$ 62,527	-	-	(37,807)	62,527	24,720
IDEA - Part B Excess Cost	84.027	N/A	7/1/11-6/30/12	$ 23,065	-	-	(23,065)	23,065	-
IDEA - Part B Excess Cost Preschool	84.173A	N/A	7/1/11-6/30/12	$ 89,579	-	-	(49,897)	89,579	39,682
IDEA - Preschool	84.173A	N/A	7/1/11-9/30/12	$ 35,082	-	-	(28,299)	35,082	6,783
IDEA - Preschool ARRA	84.392A	N/A	7/1/10-9/30/11	$ 6,209	(1,141)	-	-	1,141	-
Public Law 874	84.041	N/A	7/1/11-6/30/12	N/A	-	-	(14,150)	14,150	-
Title I	84.010	N/A	7/1/11-6/30/12	$ 774,436	-	-	(533,879)	757,313	223,434
Title II, Part A	84.367A	N/A	7/1/11-6/30/12	$ 132,681	(674)	304	(99,918)	138,053	37,765
Title II, Part D, Competitive, ARRA	84.318X	N/A	7/1/10-9/30/11	$ 20,000	1,932	-	(7,912)	5,980	-
Title II, Part D Tech	84.318X	N/A	7/1/11-9/30/12	$ 683	-	-	(683)	683	-
Title II, Part D, ARRA	84.318X	N/A	7/1/10-9/30/11	$ 2,456	-	-	(964)	964	-
Title III	84.365	N/A	7/1/11-6/30/12	$ 35,525	-	-	-	35,525	35,525
Title III, Part A (GF)	84.365A	N/A	7/1/10-9/30/11	$ 6,789	6,789	(6,789)	-	-	-
Title IV, Part B 21st Century	84.287	192-10-033	7/1/11-6/30/12	$ 242,500	128,339	(11,596)	(239,958)	242,500	119,285
Title VI, Part B, Subpart 2	84.358	N/A	7/1/11-9/30/12	$ 71,483	-	-	(50,162)	71,483	21,321
Tennessee First to the Top Grant Award	84.359	Lea fund S395A100032	7/1/10-7/27/14	$ 105,000	(1,104)	-	(49,275)	106,104	55,725
Tennessee First to the Top Grant Award	84.359	Focus Schools S395A10003	1/15/11-9/30/12	$ 3,000	-	-	(3,000)	3,000	-
Education Jobs Program Grant Award	84.410	S410A100043	7/1/11-9/30/12	$ 430,067	19,395	-	(449,462)	430,067	-
Carl Perkins, Title I Part C	84.048A	N/A	7/1/11-6/30/12	$ 51,110	56,704	2,985	(82,464)	51,073	28,298
Total U.S. Department of Education					178,101	(15,096)	(2,323,119)	2,884,338	724,224

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2011	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2012
U.S. Department of Economic and Comminity Development:									
Passed Through Tennessee Department of Economic and Community Development:									
CDBG for Sewer Improvement	14.228	GG-12-38827-00	11/22/11-10/31/16	$ 400,000	-	-	-	17,988	17,988
Total U.S. Department of Economic and Community Development					-	-	-	17,988	17,988
U.S. Department of Justice:									
Passed Through Tennessee Department of Finance and Administration:									
Edward Byrne Memorial Justice Assistance Grant	20.607	2009SBB91875	8/2009-2/2013	$ 60,303	(5,009)	-	-	-	(5,009)
City of Tullahoma Police Vehicle Replacement Program	16.804	2011-DJ-BX-3000	10/1/10-9/30/14	$ 10,610	-	-	(10,610)	10,610	-
Direct Program:									
Bullet Proof Vest Partnership	16.607	N/A	2010-2011	4,119	246	-	(246)	1,964	1,964
Total U.S. Department of Justice					(4,763)	-	(10,856)	12,574	(3,045)
U.S. Department of Transportation:									
Passed Through Tennessee Department of Transportation:									
Cedar Lane Improvement Project	20.603	STP-M-9209(11)	9/24/09-6/30/14	$ 2,235,600	-	-	-	140,914	140,914
Safe Routes to School Grant -West Middle School	20.205	PT-11-67	6/11/08-6/30/13	$ 125,864	-	-	(107,532)	110,489	2,957
Tullahoma Impaired Driver Enforcement Initiative	20.607	Z12GHS339	10/1/11-9/30/12	$ 14,976	-	-	(5,294)	5,294	-
Tullahoma Safe Roads Traffic Enforcement Program	20.600	SRTA-1600(15)	10/2010-9/2011	$ 15,360	5,407	-	(8,393)	2,986	-
Total U.S. Department of Transportation					5,407	-	(121,219)	259,683	143,871
Total Federal Financial Assistance Programs					$ 290,582	$ (15,096)	$ (3,708,416)	$ 4,329,298	$ 896,368
FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM									
Non Cash Federal Assistance:									
U.S. Department of Agriculture									
Food Distribution Program	10.555	N/A	7/1/11-6/30/12	N/A	$ -	$ -	$ (89,728)	$ 89,728	$ -

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE
YEAR ENDED JUNE 30, 2011

NOTE 1 - BASIS OF PRESENTATION

A. Noncash Federal Programs – OMB Circular A-133

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

B. Federal Financial Assistance without CFDA Numbers

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

C. Schedule of Expenditures of State Awards

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

NOTE 2 - BASIS OF ACCOUNTING

The expenditures presented in the accompanying schedule of expenditures of federal and state awards were developed from agency records and federal and state financial reports which have been reconciled to the accounting records of the System. Governmental funds are reported using a modified accrual basis of accounting. The System's records serve as the primary source of information in preparation of the System's basic financial statements.

NOTE 3 - MATCHING COST

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

NOTE 4 - INDIRECT COSTS

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

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE
GENERAL FUND
JUNE 30, 2012

Calendar Year of Levy	Amount
2012	$ 8,782,720
2011	432,934
2010	128,598
2009	82,009
2008	46,211
2007	29,096
2006	12,847
2005	3,557
2004	2,589
2003	8,367
2002	6,622
2001	7,289
2000	-
Total property tax receivable	9,542,839
Less: allowance for uncollectibles	(760,119)
Net property taxes receivable	$ 8,782,720

*Estimated amount of taxes levied on January 1, 2012 based upon estimate of assessment.

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Tax Year	Balance July 1, 2011	Tax Levy	Payments/ Adjustments	Anticipated Tax Levy	Balance June 30, 2012
2012	$ -	$ -	$ -	$ 8,782,720	$ 8,782,720
2011	-	8,782,720	(8,349,786)	-	432,934
2010	384,906	-	(256,308)	-	128,598
2009	147,325	-	(65,316)	-	82,009
2008	65,282	-	(19,071)	-	46,211
2007	44,619	-	(15,523)	-	29,096
2006	20,391	-	(7,544)	-	12,847
2005	4,377	-	(820)	-	3,557
2004	3,022	-	(433)	-	2,589
2003	8,734	-	(367)	-	8,367
2002	6,799	-	(177)	-	6,622
2001	7,498	-	(209)	-	7,289
2000	5,922	-	(5,922)	-	-
	$ 698,875	$ 8,782,720	$ (8,721,476)	$ 8,782,720	$ 9,542,839

*Estimated amount of taxes levied on January 1, 2012 based upon estimate of assessment.

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PUBLIC OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2012

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

Tullahoma Board of Education

All Board Members	Each occurrence with $2,500 Retention	$ 1,000,000
Director of Schools	Dr. Dan Lawson	$ 751,000
All Employees		
Employee Fidelity	Each and every loss	$ 150,000

Tullahoma Utilities Board

All Employees		
Employee Fidelity	Each and every loss	$ 500,000

CITY OF TULLAHOMA

STATE OF TENNESSEE

STATISTICAL SECTION
(UNAUDITED)

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

Contents **Page**

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. E-2

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. E-6

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the City's ability to issue additional debt in the future. E-10

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. E-15

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs. E-18

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	$ (18,744,106)	$ (7,801,092)	$ (5,732,453)	$ (10,583,923)	$ (5,641,138)	$ (2,118,850)	$ 360,871	$ 305,935	$ 235,191	$ 2,710,459
Restricted	353,626	2,651,408	1,729,969	6,471,142	5,313,488	2,070,179	3,482,921	3,291,781	3,715,245	3,738,226
Unrestricted	25,642,670	13,145,534	10,507,752	10,676,971	10,980,482	12,818,368	9,591,892	10,907,173	11,279,566	10,166,269
Total governmental activities net assets	$ 7,252,190	$ 7,995,850	$ 6,505,268	$ 6,564,190	$ 10,652,832	$ 12,769,697	$ 13,435,684	$ 14,504,889	$ 15,230,002	$ 16,614,954
Business-type activities										
Invested in capital assets, net of related debt	$ 21,639,047	$ 22,200,269	$ 21,556,609	$ 26,023,453	$ 26,837,939	$ 25,537,051	$ 26,716,611	$ 26,259,369	$ 21,637,303	$ 20,030,111
Restricted	1,462,708	949,514	997,246	419,759	426,842	3,630,315	4,609,939	4,635,773	8,179,585	11,141,987
Unrestricted	6,499,312	7,244,500	8,842,918	6,486,202	7,328,172	7,631,682	6,199,522	5,956,844	10,270,015	9,481,715
Total business-type activities net assets	$ 29,601,067	$ 30,394,283	$ 31,396,773	$ 32,929,414	$ 34,592,953	$ 36,799,048	$ 37,526,072	$ 36,851,986	$ 40,086,903	$ 40,653,813
Primary government										
Invested in capital assets, net of related debt	$ 2,894,941	$ 14,399,177	$ 15,824,156	$ 15,439,530	$ 21,196,801	$ 23,418,201	$ 27,077,482	$ 26,565,304	$ 21,872,494	$ 22,740,570
Restricted	1,816,334	3,600,922	2,727,215	6,890,901	5,740,330	5,700,494	8,092,860	7,927,554	11,894,830	14,880,213
Unrestricted	32,141,982	20,390,034	19,350,670	17,163,173	18,308,654	20,450,050	15,791,414	16,864,017	21,549,581	19,647,984
Total primary government net assets	$ 36,853,257	$ 38,390,133	$ 37,902,041	$ 39,493,604	$ 45,245,785	$ 49,568,745	$ 50,961,756	$ 51,356,875	$ 55,316,905	$ 57,268,767

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	$ 4,123,078	$ 3,491,871	$ 2,060,857	$ 2,356,527	$ 2,338,809	$ 2,507,541	$ 2,098,177	$ 2,207,429	$ 2,064,175	$ 2,475,135
Public safety	3,908,427	3,951,629	4,419,039	4,428,570	4,340,678	4,185,343	4,734,512	4,895,286	4,899,328	4,785,495
Public works	1,763,015	2,415,407	1,936,419	2,284,521	2,099,073	3,963,002	4,512,959	3,958,539	4,013,062	4,199,087
Community services	1,172,524	1,096,514	1,111,865	1,147,695	1,317,433	280,122	258,962	196,297	184,212	442,897
Waste management	1,480,131	1,556,027	1,660,610	1,532,964	1,634,359	1,817,619	1,772,753	1,771,673	1,770,754	1,856,650
Education	22,926,701	24,648,170	27,635,585	28,271,669	28,325,099	31,092,600	31,524,951	31,731,495	33,264,419	33,274,087
Interest and other debt related costs	-	-	1,404,653	1,610,079	1,333,255	1,367,020	1,333,800	1,237,492	1,335,436	1,300,931
Total governmental activities expenses	35,373,876	37,159,618	40,229,028	41,632,025	41,388,706	45,213,247	46,236,114	45,998,211	47,531,386	48,334,282
Business-type activities:										
Tullahoma Utilities Board	25,013,186	25,619,951	25,548,623	28,085,806	28,796,440	30,033,871	35,217,988	36,521,327	39,907,815	40,547,972
Total primary government expenses	$ 60,387,062	$ 62,779,569	$ 65,777,651	$ 69,717,831	$ 70,185,146	$ 75,247,118	$ 81,454,102	$ 82,519,538	$ 87,439,201	$ 88,882,254
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 140,064	$ 532,885	$ 553,297	$ 667,906	$ 589,999	$ 672,665	$ 455,051	$ 412,598	$ 458,043	$ 586,807
Public safety	-	80,637	-	-	-	29,998	82,432	43,081	49,571	30,229
Waste management	618,639	608,230	644,117	702,155	709,810	575,730	702,726	724,926	772,619	782,997
Education	1,632,633	1,690,839	1,784,840	1,791,503	1,683,500	1,655,108	1,653,950	1,458,684	1,344,984	1,293,993
Operating grants and contributions	18,672,812	19,418,057	20,118,618	21,563,840	21,562,279	24,679,632	25,097,961	24,951,016	26,517,844	26,737,388
Capital grants and contributions	-	-	-	-	-	15,843	-	-	-	-
Total governmental activities program revenues	21,064,148	22,330,648	23,100,872	24,725,404	24,545,588	27,628,976	27,992,120	27,590,305	29,143,061	29,431,414
Business-type activities:										
Charges for services:										
Tullahoma Utilities Board	25,236,051	26,233,252	26,350,363	29,135,117	30,263,169	31,554,533	35,925,238	36,043,815	40,982,582	41,207,244
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	386,198	59,657	7,000	-	2,500	59,364	3,000	25,022	317,305	28,896
Total business-type activities program revenues	25,622,249	26,292,909	26,357,363	29,135,117	30,265,669	31,613,897	35,928,238	36,068,837	41,299,887	41,236,140
Total primary government program revenues	$ 46,686,397	$ 48,623,557	$ 49,458,235	$ 53,860,521	$ 54,811,257	$ 59,242,873	$ 63,920,358	$ 63,659,142	$ 70,442,948	$ 70,667,554
Net (Expense)/Revenue										
Governmental activities	$ (14,309,728)	$ (14,828,970)	$ (17,128,156)	$ (16,906,621)	$ (16,843,118)	$ (17,584,271)	$ (18,243,994)	$ (18,407,906)	$ (18,388,325)	$ (18,902,868)
Business-type activities	609,063	672,958	808,740	1,049,311	1,469,229	1,580,026	710,250	(452,490)	1,392,072	688,168
Total primary government net (expense)/revenue	$ (13,700,665)	$ (14,156,012)	$ (16,319,416)	$ (15,857,310)	$ (15,373,889)	$ (16,004,245)	$ (17,533,744)	$ (18,860,396)	$ (16,996,253)	$ (18,214,700)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 7,223,893	$ 7,336,071	$ 8,582,660	$ 8,149,382	$ 8,465,227	$ 8,592,122	$ 8,643,741	$ 8,771,320	$ 8,859,312	$ 8,945,804
Local option sales tax	5,813,649	5,981,793	5,524,615	5,738,417	6,179,743	8,335,657	7,927,112	7,644,114	7,567,686	8,281,290
Other taxes	1,068,346	1,095,301	1,166,282	1,835,898	1,422,193	1,507,065	1,460,558	1,380,041	1,509,462	1,625,657
Investment earnings	695,866	226,860	222,363	589,450	916,930	604,899	164,840	153,616	310,219	138,125
Other revenues	516,365	110,665	141,654	254,879	313,487	464,469	364,450	309,968	296,752	1,000,543
Gain on sale of property	-	-	-	638,450	4,500	-	-	5,000	6,630	10,315
Transfers	-	-	-	-	337,047	396,924	404,579	395,866	348,169	321,649
Total governmental activities	15,318,119	14,750,690	15,637,574	17,206,476	17,639,127	19,701,136	18,965,280	18,659,925	18,898,230	20,323,383
Business-type activities:										
Investment earnings	109,926	87,652	156,930	352,934	514,059	989,279	311,483	74,961	36,217	32,161
Other revenues	54,727	32,606	35,647	57,195	46,215	25,713	108,956	81,615	153,804	66,558
Gain on disposal of equipment	-	-	1,173	4,523	25,241	8,001	1,000	10,777	-	12,147
Transfers	-	-	-	-	(383,085)	(396,924)	(404,579)	(382,884)	(403,406)	(232,124)
Total business-type activities	164,653	120,258	193,750	414,652	202,430	626,069	16,860	(215,531)	(213,385)	(121,258)
Total primary government	$ 15,482,772	$ 14,870,948	$ 15,831,324	$ 17,621,128	$ 17,841,557	$ 20,327,205	$ 18,982,140	$ 18,444,394	$ 18,684,845	$ 20,202,125
Change in Net Assets										
Governmental activities	$ 1,008,391	$ (78,280)	$ (1,490,582)	$ 299,855	$ 796,009	$ 2,116,865	$ 721,286	$ 252,019	$ 509,905	$ 1,420,515
Business-type activities	773,716	793,216	1,002,490	1,463,963	1,671,659	2,206,095	727,110	(668,021)	1,178,687	566,910
Total primary government	1,782,107	714,936	(488,092)	1,763,818	2,467,668	4,322,960	1,448,396	(416,002)	1,688,592	1,987,425
Prior period adjustment[1]	-	821,940	-	(172,255)	3,284,513	-	-	607,843	2,271,438	(35,563)
Total change in net assets	$ 1,782,107	$ 1,536,876	$ (488,092)	$ 1,591,563	$ 5,752,181	$ 4,322,960	$ 1,448,396	$ 191,841	$ 3,960,030	$ 1,951,862

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

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
General Fund										
Reserved	$ 218,664	$ 447,142	$ 450,917	$ 110,677	$ 141,968	$ 213,279	$ 181,327	$ 75,819	$ -	$ -
Unreserved	10,614,188	8,876,010	7,086,095	6,732,698	6,356,936	6,804,609	5,543,492	5,428,346	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	-	-	-	8,432	55,354
Committed to:										
Specific projects	-	-	-	-	-	-	-	-	936,414	-
Assigned to:										
Encumbrances	-	-	-	-	-	-	-	-	52,887	144,615
Paving appropried by 2012 budget	-	-	-	-	-	-	-	-	445,000	-
Unassigned	-	-	-	-	-	-	-	-	4,260,389	6,318,096
Total general fund	$ 10,832,852	$ 9,323,152	$ 7,537,012	$ 6,843,375	$ 6,498,904	$ 7,017,888	$ 5,724,819	$ 5,504,165	$ 5,703,122	$ 6,518,065
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	$ 101,618	$ 126,230	$ 160,010	$ 162,207	$ 1,535,859	$ 503,586	$ 236,886	$ 259,630	$ -	$ -
Capital projects funds	8,313,711	2,044,692	1,119,042	4,968,801	3,679,499	1,919,975	96,722	213,361	-	-
Debt service funds	2,290,291	1,660,611	1,444,108	1,343,576	1,359,445	1,367,538	2,402,922	2,839,340	-	-
Unreserved, reported in:										
Special revenue funds	4,844,558	4,882,815	3,818,457	3,726,753	3,827,797	6,177,139	6,029,616	6,477,392	-	-
Capital projects funds	-	-	-	-	-	(1,347,993)	801,140	-	-	-
Restricted for:										
Capital improvements	-	-	-	-	-	-	-	-	711,588	975,466
Debt Service	-	-	-	-	-	-	-	-	2,769,685	2,464,343
Drug enforcement	-	-	-	-	-	-	-	-	84,230	81,250
Grant projects	-	-	-	-	-	-	-	-	811,316	387,705
School operations	-	-	-	-	-	-	-	-	5,268,135	4,203,984
Solid Waste	-	-	-	-	-	-	-	-	171,083	182,700
Extended school	-	-	-	-	-	-	-	-	117,399	123,369
Assigned to:										
Encumbrances	-	-	-	-	-	-	-	-	21,806	8,668
School MOE	-	-	-	-	-	-	-	-	139,268	139,268
Total all other governmental funds	$ 15,550,178	$ 8,714,348	$ 6,541,617	$ 10,201,337	$ 10,402,600	$ 8,620,245	$ 9,567,286	$ 9,789,723	$ 10,094,510	$ 8,566,753

Note: For consistency purposes, only the years since implementation of GASB Statement No. 34 are presented. Ultimately, there will be ten years of information provided.
* In 2011 the City implemented GASB 54

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	$ 14,105,888	$ 14,413,165	$ 15,273,557	$ 15,723,697	$ 19,997,350	$ 18,075,027	$ 17,844,188	$ 17,632,917	$ 17,752,523	$ 18,655,100
Payment in lieu of tax	-	-	-	-	-	159,817	187,223	162,559	183,937	197,651
Intergovernmental	18,259,432	19,388,278	20,088,688	21,563,840	17,632,092	24,695,475	25,097,961	24,951,016	26,517,844	26,737,388
Licenses and permits	141,841	122,121	127,421	165,487	129,021	146,560	138,158	80,908	78,399	83,580
Fines and forfeitures	258,341	302,838	313,710	368,985	334,293	410,656	244,343	232,525	271,996	401,497
Charges for services	2,337,894	2,361,749	2,448,006	2,528,097	2,518,375	2,346,287	2,429,226	2,282,775	2,225,251	2,178,720
Investment income	890,872	472,244	377,017	372,317	741,567	379,913	164,840	153,614	172,165	136,234
Sale of property	-	-	101,775	907,072	4,500	400	19,852	5,000	10,630	263,704
Note repayments	-	-	25,174	125,859	130,180	43,009	95,613	132,323	136,012	21,852
Other	-	133,976	107,937	530,884	488,851	719,051	446,882	353,049	484,324	1,030,772
Total revenues	35,994,268	37,194,371	38,863,285	42,286,238	41,976,229	46,976,195	46,668,286	45,986,686	47,833,081	49,706,498
Expenditures										
General government	1,124,920	1,257,003	1,338,757	1,577,057	1,295,275	1,177,901	1,182,578	1,322,151	1,234,081	1,358,035
Public Safety	3,869,616	3,837,478	4,311,464	4,427,745	4,376,307	4,665,946	4,726,599	4,697,942	4,809,616	4,784,089
Public Works	1,763,016	1,780,863	1,727,364	2,148,030	1,876,706	2,056,101	2,087,564	1,928,681	1,947,571	2,036,722
Parks and recreation	-	-	-	-	-	1,153,305	1,256,631	1,301,424	1,250,197	1,319,151
Community Services	1,172,230	1,074,192	1,092,692	1,152,278	1,177,283	262,571	253,497	176,690	174,919	451,058
Waste Management	1,480,131	1,527,422	1,634,335	1,508,520	1,599,771	1,832,253	1,807,441	1,733,132	1,717,743	-
Public Education	20,369,435	20,528,958	22,949,852	23,340,576	23,441,793	26,957,513	28,075,339	27,812,938	29,354,890	29,040,195
Program Costs	2,192,617	3,894,546	4,044,267	4,465,542	3,966,098	2,292,566	2,616,312	2,051,527	1,924,886	3,985,279
Capital outlay	3,298,626	8,198,295	2,423,705	2,704,993	2,840,558	5,563,226	5,368,217	11,608,444	7,827,750	3,653,411
Loans disbursed	-	-	280,000	269,780	125,000	7,055	79,650	70,000	468,589	639,500
Debt service										
Principal	2,482,024	2,087,473	1,615,000	1,170,000	1,233,310	1,312,068	1,463,025	1,484,368	1,917,000	2,174,000
Interest	1,578,724	1,353,671	1,402,123	1,375,461	1,339,747	1,353,384	1,311,479	1,143,371	1,263,774	1,262,493
Fiscal charges	-	-	2,597	122,294	149,512	2,599	94,828	89,167	67,784	1,465
Total expenditures	39,331,339	45,539,901	42,822,156	44,262,276	43,421,360	48,636,488	50,323,160	55,419,835	53,958,800	50,705,398
Excess of revenues over (under) expenditures	(3,337,071)	(8,345,530)	(3,958,871)	(1,976,038)	(1,445,131)	(1,660,293)	(3,654,874)	(9,433,149)	(6,125,719)	(998,900)
Other Financing Sources (Uses)										
Issuance of refunding bonds	-	-	-	9,880,000	9,320,000	-	2,892,463	12,992,125	4,750,000	-
Issuance of notes	-	-	-	-	845,000	-	-	-	1,329,412	-
Payment to refunding bond escrow agent	-	-	-	(4,873,115)	(9,283,450)	-	-	(4,131,287)	-	-
Bond issue premium	-	-	-	92,183	42,031	-	-	111,388	-	-
Transfers in	13,030,662	12,167,655	12,061,877	12,639,783	13,122,649	14,196,338	17,838,616	23,703,053	19,785,433	15,816,090
Transfers out	(13,175,762)	(12,167,655)	(12,061,877)	(12,639,783)	(12,785,602)	(13,799,414)	(17,434,037)	(23,249,950)	(19,449,502)	(15,494,411)
Total other financing sources (uses)	(145,100)	-	-	5,099,068	1,260,628	396,924	3,297,042	9,425,329	6,415,343	321,679
Net change in fund balances	(3,482,171)	(8,345,530)	(3,958,871)	3,123,030	(184,503)	(1,263,369)	(357,832)	(7,820)	289,624	(677,221)
Debt service as a percentage of noncapital expenditures	12.70%	9.93%	7.98%	6.82%	7.21%	6.42%	6.72%	6.30%	7.33%	7.74%

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

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

Fiscal Year	Tax Year	Residential Property	Commercial Property	Total Taxable Assessed Value	County[a]	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2003	2002	$ 138,168,750	$ 136,063,882	$ 274,232,632		2.39	$ 916,690,980	29.915%
2004	2003	$ 141,056,575	$ 137,961,634	$ 279,018,209		2.39	$ 933,857,961	29.878%
2005	2004	$ 144,288,750	$ 140,348,404	$ 284,637,154		2.81	$ 955,604,765	29.786%
2006	2005	$ 143,179,375	$ 144,416,030	$ 287,595,405		2.81	$ 968,403,216	29.698%
2007	2006	$ 154,094,200	$ 162,784,471	$ 316,878,671	Coffee	2.49	$ 1,052,832,610	30.098%
		$ 13,588,000	$ 3,183,952	$ 16,771,952	Franklin	2.84	$ 64,768,674	25.895%
2008	2007	$ 157,042,475	$ 163,527,494	$ 320,569,969	Coffee	2.44	$ 1,066,319,358	30.063%
		$ 17,746,850	$ 4,298,649	$ 22,045,499	Franklin	2.44	$ 84,379,680	26.127%
2009	2008	$ 159,404,850	$ 164,136,385	$ 323,541,235	Coffee	2.44	$ 1,086,798,263	29.770%
		$ 18,423,550	$ 5,027,499	$ 23,451,049	Franklin	2.44	$ 89,401,911	26.231%
2010	2009	$ 166,140,275	$ 162,085,710	$ 328,225,985	Coffee	2.44	$ 1,103,987,272	29.731%
		$ 19,049,450	$ 4,709,942	$ 23,759,392	Franklin	2.44	$ 90,930,491	26.129%
2011	2010	$ 169,593,225	$ 183,579,854	$ 353,173,079	Coffee	2.29	$ 1,165,946,883	30.291%
		$ 18,803,125	$ 4,482,745	$ 23,285,870	Franklin	2.42	$ 89,140,759	26.123%
2012	2011	$ 169,198,875	$ 183,726,208	$ 352,925,083	Coffee	2.29	$ 1,163,428,830	30.335%
		$ 18,722,900	$ 4,879,356	$ 23,602,256	Franklin	2.42	$ 88,680,716	26.615%

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

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

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

Fiscal Year	City Direct Rate	Coffee County Rate	Total Rate (1)	City Direct Rate	Franklin County Rate	Total Rate (2)
2003	2.39	2.56	4.95	2.39	2.16	4.55
2004	2.39	2.56	4.95	2.39	2.35	4.74
2005	2.81	2.56	5.37	2.81	2.62	5.43
2006	2.81	2.56	5.37	2.81	2.62	5.43
2007	2.49	2.25	4.74	2.84	2.62	5.46
2008	2.44	2.37	4.81	2.44	2.01	4.45
2009	2.44	2.46	4.90	2.44	2.11	4.55
2010	2.44	2.46	4.90	2.44	2.11	4.55
2011	2.29	2.58	4.87	2.42	2.23	4.65
2012	2.29	2.58	4.87	2.42	2.23	4.65

(1) Total rate is levied on Coffee County residents living in Tullahoma.
(2) Total rate is levied on Franklin County residents living in Tullahoma.

Property tax rates are per $100 of assessed value.

Sources: Tennessee Comptroller of the Treasury, Division of Property Assessments, 2012 Property Tax Rates.

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

	2012 (for tax year 2011)			2003 (for tax year 2002)		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Tullahoma HMA, Inc.	$ 9,691,000	1	2.57%	$ 4,936,000	-	-
Goodrich Aerospace	7,570,470	2	2.01%	3,894,148	-	-
Ascend Federal Credit Union	5,122,040	3	1.36%	2,711,600	7	1.16%
Forest Gallery, LLC	4,730,120	4	1.26%	3,372,920	-	-
Centro NP Commerce Central	4,444,360	5	1.18%	-	-	-
Lowes Home Center	3,497,120	6	0.93%	-	6	1.16%
Harton Regional Medical Center	3,132,665	7	0.83%	3,804,453	1	1.97%
Ada Ferrell Apartments	2,680,960	8	0.71%	1,051,160	-	-
Bellsouth Telecommunications	2,497,542	9	0.66%	-	3	1.40%
Harton Family Partners	2,406,175	10	0.64%	2,192,720	8	0.97%
IRT Partners LP	-	-	-	2,041,081	2	1.44%
Excel Realty Partners LP	-	-	-	1,403,160	4	1.37%
Northgate Limited	-	-	-		5	1.30%
Continental LTD	-	-	-		9	0.74%
Fuji Color Processing	-	-	-	1,320,000	10	0.70%
Total	$ 45,772,452		12.15%	$ 26,727,242		12.21%

Source: Tullahoma Director of Finance

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

Fiscal Year Ended June 30,	Tax Year	Total Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Collections	Total Collected as Percent of Current Levy	Oustanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2012	2011	$ 8,782,720	$ 8,349,786	95.07%	$ 294,012	$ 8,643,798	98.42%	$ 327,185	3.73%
2011	2010	8,756,655	8,562,514	97.78%	212,291	8,774,805	100.21%	313,969	3.59%
2010	2009	8,588,443	8,454,948	98.45%	224,590	8,679,538	101.06%	247,712	2.88%
2009	2008	8,466,612	8,292,213	97.94%	212,052	8,504,265	100.44%	247,712	2.93%
2008	2007	8,359,817	8,130,511	97.26%	218,714	8,349,225	99.87%	301,472	3.61%
2007	2006	8,366,611	8,066,479	96.41%	152,556	8,219,035	98.24%	194,603	2.33%
2006	2005	8,081,892	8,092,072	100.13%	172,134	8,264,206	102.26%	215,785	2.67%
2005	2004	7,999,287	7,759,253	97.00%	147,912	7,907,165	98.85%	261,127	3.26%
2004	2003	6,668,968	6,486,327	97.26%	167,536	6,653,863	99.77%	297,242	4.46%
2003	2002	6,554,170	6,362,309	97.07%	201,251	6,563,560	100.14%	282,412	4.31%

Source: City of Tullahoma Finance Department.

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

	Governmental Activities			Business-type Activities				
Fiscal Year	General Obligation Bonds	Capital Outlay Notes	Capital Leases	Revenue Bonds	Notes	Total Primary Government	Percentage of Personal Income	Per Capita
2003	$ 30,910,000	$ 410,000	$ 659,407	$ 5,170,000	$ 12,151,155	$ 49,300,562	3.67%	2,740
2004	29,295,220	70,000	784,940	4,460,000	13,542,677	48,152,837	3.33%	2,676
2005	27,700,220	50,000	560,320	3,720,000	11,660,404	43,690,944	N/A	2,428
2006	31,827,794	30,000	336,551	2,960,000	10,760,592	45,914,937	N/A	2,552
2007	31,349,165	855,000	208,241	2,165,000	9,867,293	44,444,699	N/A	2,470
2008	30,080,000	775,000	121,393	18,310,000	9,028,508	58,314,901	N/A	3,241
2009	31,692,463	703,000	10,368	17,390,000	7,840,819	57,636,650	N/A	3,110
2010	39,166,588	627,000	-	16,975,000	6,977,586	63,746,174	N/A	3,440
2011	43,498,000	548,000	-	17,315,000	6,020,276	67,381,276	N/A	3,627
2012	41,406,000	466,000	-	16,575,000	8,176,492	66,623,492	N/A	3,571

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

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2003	$ 30,910,000	0.03	1,717.79
2004	29,295,220	0.03	1,628.05
2005	27,700,220	0.03	1,539.41
2006	31,827,794	0.03	1,768.80
2007	31,349,165	0.03	1,742.20
2008	30,080,000	0.03	1,671.67
2009	31,692,463	0.03	1,710.06
2010	39,166,588	0.44	2,113.34
2011	43,498,000	0.04	2,341.25
2012	41,406,000	0.04	2,219.56

CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Coffee County Bonds (exclude school debt)	$ 6,355,000 *	39.16%	$ 2,488,618
Franklin County Bonds (exclude school debt)	9,358,360	2.88%	269,521
Subtotal, overlapping debt			$ 2,758,139
City of Tullahoma direct debt			41,872,000
Total direct and overlapping debt			$ 44,630,139

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

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

* Estimated amount--actual amount not available

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	Tullahoma Utilities Board Revenue Bonds						
				Debt Service Requirements			
Fiscal Year	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2012	$ 41,207,244	$ 36,567,388	$ 4,639,856	$ 775,000	$ 691,737	$ 1,466,737	3.16
2011	40,982,582	36,141,123	4,841,459	740,000	723,557	1,463,557	3.31
2010	36,043,815	33,982,877	2,060,938	40,000	739,677	779,677	2.64
2009	35,925,238	32,764,516	3,160,722	35,000	741,635	776,635	4.07
2008	31,554,533	27,973,540	3,580,993	830,000	101,249	931,249	3.85
2007	30,263,169	26,305,850	3,957,319	795,000	132,590	927,590	4.27
2006	29,135,117	25,556,218	3,578,899	760,000	161,408	921,408	3.88
2005	26,350,363	23,013,236	3,337,127	740,000	189,316	929,316	3.59
2004	26,233,252	22,941,866	3,291,386	710,000	214,718	924,718	3.56
2003	25,236,051	22,186,602	3,049,449	685,000	200,983	885,983	3.44

* Net of depreciation and amortization

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

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income*	Median Age**	School Enrollment	Unemployment Rate
2003	17,994	1,343,451	N/A	38.3	3,631	4.3%
2004	17,994	1,447,873	N/A	38.0	3,650	4.0%
2005	17,994	N/A	N/A	38.1	3,646	5.0%
2006	17,994	N/A	N/A	38.2	3,597	4.2%
2007	17,994	N/A	28,716	38.2	3,631	5.7%
2008	17,994	N/A	28,716	38.2	3,636	5.5%
2009	18,533	N/A	24,718	38.1	3,712	6.9%
2010	18,533	N/A	24,718	38.1	3,802	6.9%
2011	18,579	N/A	23,557	38.1	3,542	9.8%
2012	18,655	N/A	31,918	38.1	3,370	7.6%

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

*The latest per capita peronsal income published was in 2009.
**The latest median age available was the 2000 census.

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

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

	2012			2003		
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Harton Regional Medical Center	550	1	2.07%	567	1	2.35%
Ascend Federal Credit Union	292	2	1.10%	-		-
Goodrich Aerospace	270	3	1.02%	175	8	0.73%
Cubic Transportation System	215	4	0.81%	226	7	0.94%
Tennessee Apparel	200	5	0.75%	311	3	1.29%
Wisco Envelope Co., Inc.	162	6	0.61%	251	5	1.04%
Schmiede Corporation	152	7	0.57%	134	9	0.56%
JSP International	146	8	0.55%	-		-
Createc Corporation	97	9	0.37%	-		-
Coca Cola Bottling Works	95	10	0.36%	-		-
Worth Sporting Goods Co.	-		-	359	2	1.49%
Jacobs Sverdrup Tech.	-		-	228	6	0.95%
Fuji Color Processing	-		-	282	4	1.17%
Tullahoma Industries	-		-	120	10	0.50%
Total	2,179		8.21%	2,653		11.02%

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

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

	For the year ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:									
Administrative	7	7	6	4	4	4	7	7	7
Finance	7	7	8	7	6	6	4	3	4
Planning	3	3	4	4	4	4	4	4	4
Building	2	2	2	2	2	2	2		2
Police									
Personnel and officers	44	45	41	44	46	47	45	44	44
Fire									
Firefighters and officers	35	38	38	38	38	40	39	34	34
Public Works	41	40	41	42	42	42	42	42	42
Parks and recreation	60	51	51	36	35	35	35	14	14
Education	493	493	491	490	517	502	502	502	492
Business-type Activities:									
Tullahoma Utilities Board	68	69	66	70	72	77	75	79	79
Total	760	755	748	737	766	759	755	729	722

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

Source: Various city departments.

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

	Fiscal Year									
Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	919	1,174	1,180	1,203	866	2,294	1,534	1,765	1,699	1,236
Traffic violations	2,278	N/A	N/A	N/A	4,513	6,414	2,757	2,626	2,992	4,247
Fire										
Emergency response	467	457	422	449	457	564	487	495	600	536
Inspections	1,072	995	1,116	1,127	1,389	652	463	599	750	649
Business-type activities										
Average number of customers										
Power System	9,938	9,938	10,180	10,284	10,393	11,004	10,287	10,359	10,359	10,376
Water System	9,167	9,167	9,365	9,364	9,439	9,463	9,500	9,504	9,540	9,597
Wastewater System	6,979	6,979	7,136	7,212	7,320	7,321	7,321	7,310	7,335	7,390
Fiber Optics System	N/A	N/A	N/A	N/A	N/A	N/A	1,393	1,756	2,565	2,852

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

Source: Various city departments.

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

	Fiscal Year									
Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	187	187	187	187	187	330	330	330	330	330
Parks and recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Acreage	161	161	161	161	200	200	200	590	590	590
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer fields	7	7	7	7	7	11	11	11	11	11
Baseball fields	6	6	6	6	6	6	6	6	6	6
Softball fields	-	-	-	-	-	-	4	4	4	4
Business-type activities										
Tullahoma Utilities Board										
Electric										
Streetlights	2,951	2,951	2,951	2,951	2,829	2,829	2,854	2,854	2,854	2882
Water										
Water mains (miles)	240	240	240	240	265	265	270	260	260	260
Fire hydrants	1,100	1,100	1,100	1,100	1,009	1,009	1,032	1,024	1,024	1024
Storage capacity (thousand gallons)	N/A	N/A	N/A	4,000	4,000	4,000	4,000	4,000	4,000	4000
Wastewater										
Sanitary sewers (miles)	160	160	160	160	155	160	160	160	160	160
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	7
Daily treatment capacity (thousand gallons)	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12600

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

Source: Various city departments.

REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1568
Tullahoma, Tennessee 37388

Telephone 931-455-4248
Fax 931-393-2122

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

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee as of and for the year ended June 30, 2012, which collectively comprise the City of Tullahoma, Tennessee's basic financial statements and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2012-1 to 2012-6 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Tullahoma, Tennessee, in a separate letter dated January 30, 2013.

The City of Tullahoma, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Tullahoma, Tennessee's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the State Comptroller's Office, Board of Mayor and Aldermen, management, and 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. However, this report is a matter of public record and its distribution is not limited.

Householder Artman PLLC

January 30, 2013

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1568
Tullahoma, Tennessee 37388

Telephone 931-455-4248
Fax 931-393-2122

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Compliance

We have audited the City of Tullahoma, Tennessee's compliance, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Tullahoma, Tennessee's major federal programs for the year ended June 30, 2012. The City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Tullahoma, Tennessee's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Tullahoma complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the State Comptroller's Office, Board of Mayor and Aldermen, management, and 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. However, this report is a matter of public record and its distribution is not limited.

Horsholde Atman PLLC

January 30, 2013

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

I. Summary of Auditors' Results

1. The June 30, 2012 Auditors' Report on the Financial Statements is an unqualified opinion.

2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements – see part II.

3. The audit did not disclose any instances of noncompliance which is material to the financial statements.

4. No significant deficiencies in internal control over major programs were disclosed by the audit.

5. The June 30, 2012 report on compliance for major programs is an unqualified opinion.

6. No audit findings required to be reported under § 510(a) of Circular A-133 were noted.

7. Major Programs include:

CFDA number	Name of federal program or cluster
Special Education Cluster:	
84.027	IDEA, Part B
84.173	IDEA, Preschool
84.392	IDEA, Preschool, ARRA
84.391	IDEA, Part B, ARRA
Child Nutrition Cluster:	
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	Commodities
Title I, Part A Cluster:	
84.010	Title I
84.389	Title I, ARRA
Education Jobs Fund	
84.410	Education Jobs Fund

8. Type A programs have been distinguished as those programs with expenditures greater than $300,000.

9. City of Tullahoma does not qualify to be a low risk auditee.

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

TULLAHOMA UTILITIES BOARD

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

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

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

Managements' Response:
We concur with the auditor's finding and recommendation.

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

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

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

Managements' Response:
The business plan showed that we would operate at a loss for the first three years. At the end of June 30, 2012, we are 42 months into this business plan and are cash positive with only depreciation keeping the Fiber Department from being net positive.

TULLAHOMA BOARD OF EDUCATION

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

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

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

Managements' Response:
We concur with the auditor's finding and recommendation.

Finding 2012-4: Audit Adjustments

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

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

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

Managements' Response:
We concur with the auditors' finding and recommendation.

Finding 2012-5: Excess Expenditures

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

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

Managements' Response:
We concur with the auditors' finding and recommendation.

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

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

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

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

Managements' Response:
We concur with the auditors' finding and recommendation.

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

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

CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2012

TULLAHOMA UTILITIES BOARD

Finding 2011-1: Preparation of Financial Statements and Related Disclosures

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

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

Current Status:
See Finding 2012-1.

Finding 2011-2: Deficit fund balance for Fiber Optics Fund

As of June 30, 2011 the Fiber Optics Fund has a deficit fund balance of $1,636,881.

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

Current Status:
See Finding 2012-2.

Finding 2011-3: OPEB study

The System did not undergo an actuarial study of other post employee benefits as required by GASB 45.

A study to determine the OPEB liability to be recorded on TUB's books should be completed in order to be in compliance with governmental regulations. It is our understanding that a study will be performed for the 2011-2012 year.

Current Status:
Board adopted policy during 2012 that no post-retirement benefits would be paid for retiring employees.

TULLAHOMA BOARD OF EDUCATION

Finding 2011-4: Preparation of Financial Statements and Related Disclosures

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

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

Current Status:
See Finding 2012-3.

Finding 2011-5: Audit Adjustments

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

- Grants receivables were understated by $4,368 in the General Fund and overstated by $10,748 in the Federal Projects Fund.
- In the Special Sales Tax Fund, interest income of $3,097 from the CD was not recorded and accrued interest on the CD was understated by $1,917.
- Interest income of $514 was not recorded in the Food Service Fund.
- The allowance for doubtful accounts was overstated by $786 in the Extended School Program.
- Deferred revenue of $53,807 for grants received bur not yet spent was not recorded.

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

Current Status:
See Finding 2012-4.

Finding 2011-6: Excess Expenditures

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

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

Current Status:
See Finding 2012-5.

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

Finding 2011-7: Preparation of Financial Statements and Related Disclosures

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

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

Current Status:
See Finding 2012-6.

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

There were no findings related to the Federal awards for the year ended June 30, 2011.