CITY OF TULLAHOMA, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

PREPARED BY:

DEPARTMENT OF FINANCE

CITY OF TULLAHOMA, TENNESSEE
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INTRODUCTORY SECTION

December 30, 2014

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tullahoma for the fiscal year ended June 30, 2014.

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, 2014, are fairly presented in conformity with GAAP.

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

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

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

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

Profile of the Government

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

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

Economic Conditions

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

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

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

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

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

Primary Government and Component Units

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

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

The Tullahoma Airport Authority, the Tullahoma Industrial Development Board and the Tullahoma Area Economic Development Corporation (TAEDC) are all reported as component units of the City of Tullahoma,. The Board of Mayor and Aldermen appoint the members of these boards as well, with an Alderman as a non-voting liaison. The City of Tullahoma also provides the majority of the operating budget for these entities..

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 Finance Director 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 Finance Director, 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 2013 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 2011-2013. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of the state and local government financial reports. This Comprehensive Annual Financial Report will also be submitted for award consideration.

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

Respectfully submitted,

Susan B. Wilson
Finance Director

Louis J. Baltz, III
City Administrator

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tullahoma
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF TULLAHOMA, TENNESSEE
PUBLIC OFFICIALS

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

City of Tullahoma

Board of Mayor and Alderman

City Administrator

Louis J. Baltz, III

Finance
Susan B. Wilson, Director
Treasury, Accounting, Payroll, Purchasing, Budgeting, Risk Management

Public Works
Wayne Limbaugh, Director
Streets, Solid Waste, Fleet Maintenance, Animal Control, Information Technology

Fire
Richard Shasteen, Chief
Suppression, Prevention, Fire Inspection, Emergency Management

Police
Paul Blackwell, Chief
Patrol, Investigation, Support Services, School Patrol, School Resource Officer

Parks & Recreation
Kurt Glick, Director
Parks, Aquatics, Community Centers, Maintenance, Forestry Resources

City Recorder
Rosemary Womack, City Recorder
Tax Collection, Records Management, Licenses, Permits, Court Clerk

Planning & Codes
Jennifer Amacher, Director
Building Inspection, Codes Enforcement, Planning and Development

Human Resources
Casta Brice, Director
Recruitment, Benefits, Compensation, Policy, Development

Tullahoma Area Economic Development Corporation

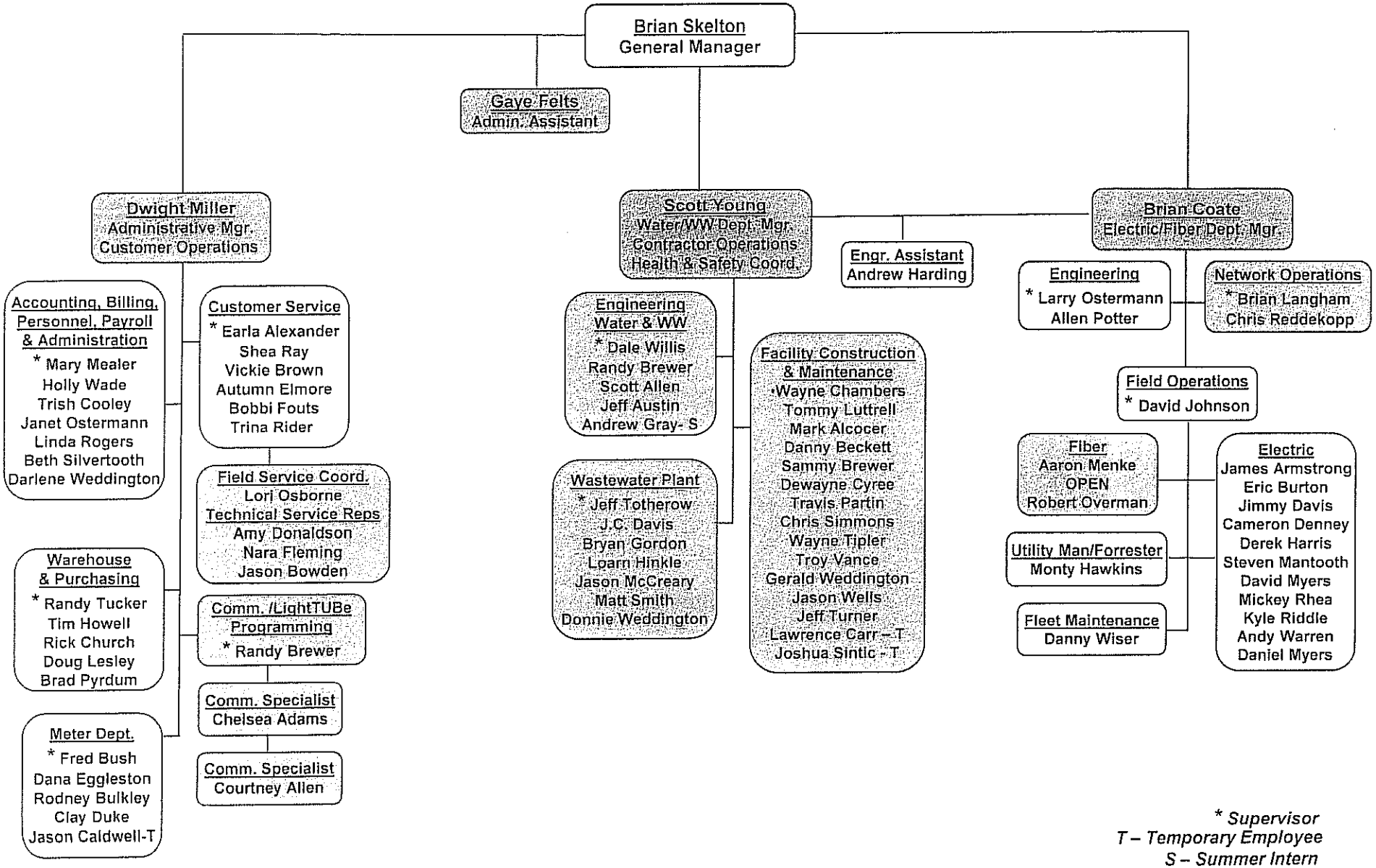
C. Thomas Robinson, Executive Director

Tullahoma Regional Airport

Jon Glass, Manager

Tullahoma Utilities Board
Organization Chart

Revised: June 2014



** Supervisor*
T – Temporary Employee
S – Summer Intern

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2014, and the respective changes in financial position, the respective budgetary comparison for the General Fund and the General Purpose School Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, employer contributions, and actuarial methods and significant assumptions on pages A-1 through A-16 and B-53 through B-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tullahoma, Tennessee's basic financial statements. The introductory section on pages i through x, combining and individual non-major fund financial statements on pages C-1 through C-10, financial schedules on pages C-11 and D-1 through D-17, and statistical section on pages E-1 through E-27, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund statements and financial schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the City of Tullahoma, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tullahoma, Tennessee's internal control over financial reporting and compliance.

Hons Holder Artman PLLC

December 30, 2014

CITY OF TULLAHOMA

STATE OF TENNESSEE

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
(amounts expressed in thousands)

As management of the City of Tullahoma, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City and its related agencies for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

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

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

The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the years 1992-1994, and 1996-2009, and 2011-2013. 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 (the City Schools) encompasses four elementary schools, two middle schools and one high school. The City Schools serves approximately 3,372 students in grades K-12. An extended school program is in place to provide before and after school child care for our students. The school system is recognized within the State of Tennessee for its academic excellence.

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

The Tullahoma Utilities Board (the Board) is a municipal public utility and an independent agency of the City of Tullahoma, and provides electricity, water and wastewater services to the residents of Tullahoma and parts of the surrounding area. A distributor of TVA power, with rates among the lowest in the country, the Board currently serves 11,045 electric customers. The Board purchases wholesale water from the Duck River Utility Commission to serve its 9,740 water customers. The Board also operates a wastewater treatment facility with 7,499 sewer customers. The Board recently expanded into the fiber optics area and now offers television, telephone and internet services to over 3,247 customers.

Tullahoma Municipal Airport Authority (A Component Unit)

The Tullahoma Municipal Airport Authority (the Authority) operates the Tullahoma Regional Airport. The Tullahoma Municipal Airport plays a vital role in the economic growth of Tullahoma and the surrounding region. Located less than a mile from restaurants, lodging and shopping, it operates on an airport originally constructed in 1942 for the U. S. Army Air Corps. The Airport completed a $4.3 million paving project in 2008 that significantly enhanced the Airport's ability to support a wide variety of business and recreational opportunities. The 5,500 foot long runway is capable of handling all types of corporate jet aircraft. The Airport also offers an additional 4,200 foot paved runway and a 2,700 foot long grass runway. The City-owned Airport contains 775 acres of land and has approximately 170 acres ready for development. Nineteen new private hangars were completed in 2008, four more in 2010 and the Airport is home to over 140 based aircraft. The Airport averages about 40,000 flight operations each year and opened a new, modern and spacious terminal building in 2010.

The Airport is home to the "world class" Beechcraft Heritage Museum complex that houses over 30 vintage, fully restored Beechcraft-built Staggerwing, Twin Beech and Bonanza aircraft, and is open to the public. The University of Tennessee Space Institute's Flight Research Center is based on the Airport, conducting advanced aerospace research and offering an advanced test pilot curriculum. The Airport is also home to one of Vanderbilt University's Life Flight helicopter medical evacuation facilities, providing 24/7 rapid patient transport response to the numerous medical centers in Nashville as well as Harton Regional Medical Center in Tullahoma.

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.

Tullahoma Area Economic Development Corporation (A Component Unit)

The Tullahoma Area Economic Development Corporation (TAEDC) was established to help Tullahoma capture economic activity by:

- Creating an economic development organization with a strategic and focused approach to economic planning and development activities
- Establishing a framework for quality economic growth and development targeting particular segments
- Formulating and implementing programs to increase job opportunities
- Partnering with businesses as well as state and local agencies

The Tullahoma Area Economic Development Corporation consists of seven members elected by the Tullahoma Board of Mayor and Aldermen.

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, the Tullahoma Municipal Airport Authority, and the Tullahoma Area Economic Development Corporation.

FINANCIAL HIGHLIGHTS

- The assets of the Governmental Activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $21,451 (net position). Of this amount, $5,397 is net investment in capital assets; $10,806 is restricted for debt service, education and other use, with $5,248 available to meet other ongoing obligations. The Governmental Activities net position increased by $3,454.

- The Governmental Activities indicates an increase in net investment in capital assets of $534. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.

- The Business-type Activities total net position increased by $2,681.

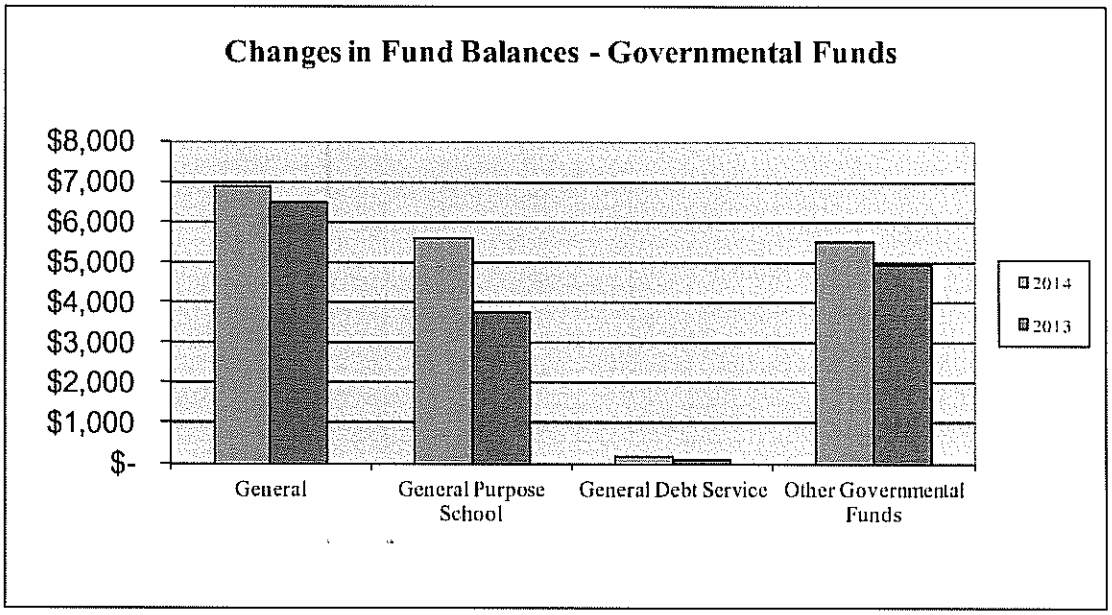
- Net investment in capital assets in the Business-type Activities increased by $3,438 or 14.9% from last year, due primarily to a large scale sewer rehabilitation program.

- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of $18,101, an increase of $2,883 from the prior year. While the fund balance in the General Purpose School Fund increased by $1,831, the fund balance in the City General Fund increased by $392 and the fund balance in the other governmental funds increased by $688. For reporting purposes, the City's Equipment Reserve is also included in the General Fund since it primarily derives its funding from that source.

- At the end of the current fiscal year, fund balance for the City's General Fund was $6,873, or 28.7% of total General Fund expenditures including transfers out.

- The ending fund balance in the General Purpose School Fund increased by 49% in FY2014 to $5,597 or 19.4% of total expenses for that fund.

- The City Governmental Activities' total gross debt decreased by only $403 during 2014, as payments were offset by new note issuances in both the Governmental Activities and Business-type Activities functions. The Tullahoma Utilities Board's gross debt decreased by $630 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 Position presents information on all of the City's assets, liabilities and deferred inflows of resources, with the difference between assets and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

Fund Financial Statements

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

- **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 fourteen (14) individual government funds, eleven (11) 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 Debt Service Fund, and the Non-Major Governmental Funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

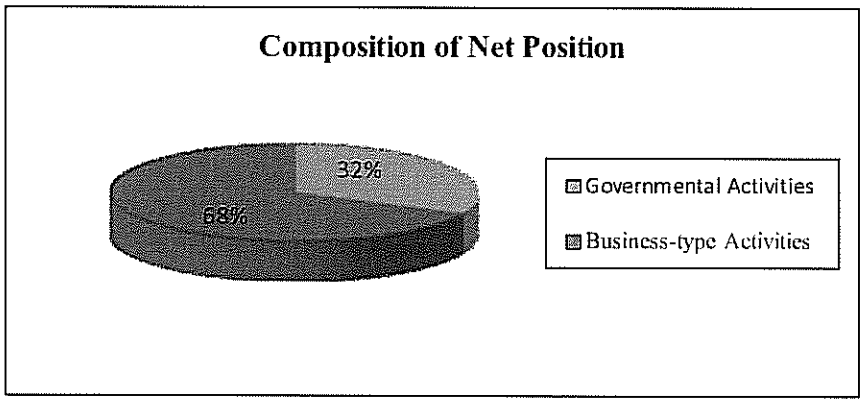
As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the Governmental Activities, assets exceed liabilities and deferred outflows of resources reported by $21,451 at the close of the most recent fiscal year. The City's net investment in capital assets (e.g. land, buildings, and equipment) is largely offset by accumulated depreciation. The Business-type Activities show net position of $45,485 with 58% reflecting net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Tullahoma's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013 as restated	2014	2013 as restated	2014	2013 as restated
Assets:						
Current and other assets	$ 32,745	$ 29,172	$ 29,214	$ 29,342	$ 61,959	$ 58,514
Capital assets, net of accumulated depreciation	44,253	43,901	49,021	46,213	93,274	90,114
Total assets	76,998	73,073	78,235	75,555	155,233	148,628
Deferred inflows of resources	333	403	-	-	333	403
Liabilities:						
Long-term liabilities outstanding	42,446	42,849	23,031	23,578	65,477	66,427
Other liabilities	3,453	3,729	9,719	9,172	13,172	12,901
Total liabilities	45,899	46,578	32,750	32,750	78,649	79,328
Deferred outflows of resources	9,981	8,872	-	-	9,981	8,872
Net position:						
Net investment in capital assets	5,397	4,863	26,378	22,940	31,775	27,803
Restricted	10,806	8,634	7,904	9,458	18,710	18,092
Unrestricted	5,248	4,529	11,203	10,407	16,451	14,936
Total net position	$ 21,451	$ 18,026	$ 45,485	$ 42,805	$ 66,936	$ 60,831

A portion of the Governmental Activities total net position $10,806 (50.3%) represents resources that are subject to external restrictions on how they may be used. These include net position restricted for payments on bonded debts and notes, drug prevention assets and assets for capital construction and projects, as well as education funds. The remaining balance of unrestricted net position $5,248 may be used to meet the government's ongoing obligations to citizens and short-term creditors.

For the Business-type Activities, $7,904, or 17.3% of total net position is identified as restricted. This leaves $11,203 available for various operating needs.



City of Tullahoma's Change in Net Position

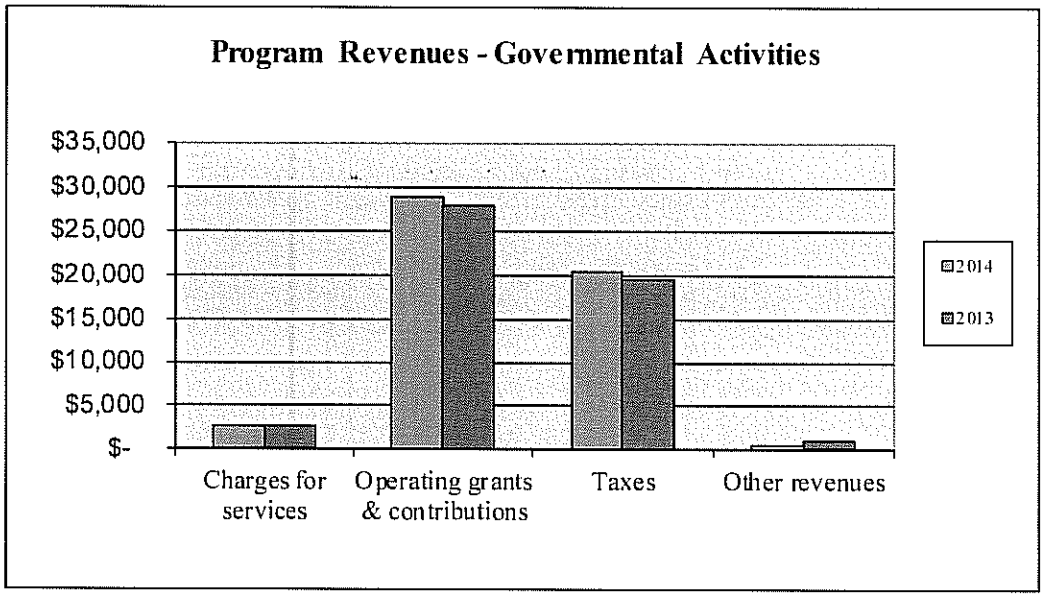
	Governmental Activities		Business-type Activities		Total	
	2014	2013 as restated	2014	2013 as restated	2014	2013 as restated
Revenues:						
Program revenues:						
Charges for services	$ 2,553	$ 2,482	$ 43,595	$ 42,396	$ 46,148	$ 44,878
Operating grants & contributions	28,858	27,920	-	-	28,858	27,920
Capital grants & contributions	-	-	766	447	766	447
General revenues:						
Taxes	20,417	19,417	-	-	20,417	19,417
Other revenues	493	909	47	123	540	1,032
Investment earnings	62	116	26	37	88	153
Transfers	286	(89)	(286)	(272)	-	(361)
Total revenues	52,669	50,755	44,148	42,731	96,817	93,486
Expenses:						
General government	2,299	2,201	-	-	2,299	2,201
Public safety	5,158	4,914	-	-	5,158	4,914
Public works	4,520	4,091	-	-	4,520	4,091
Community services	575	429	-	-	575	429
Waste management	1,890	1,862	-	-	1,890	1,862
Education	33,748	34,290	-	-	33,748	34,290
Utilities	-	-	41,468	40,468	41,468	40,468
Interest & debt	1,026	1,161	-	-	1,026	1,161
Total expenses	49,216	48,948	41,468	40,468	90,684	89,416
Change in net position	3,453	1,807	2,680	2,263	6,133	4,070
Net position, beginning of period	18,026	16,615	42,805	40,654	60,831	57,269
Adjustment to restate beginning net position	(28)	(396)	-	(112)	(28)	(508)
Net position, beginning, as restated	17,998	16,219	42,805	40,542	60,803	56,761
Net position, end of period	$ 21,451	$ 18,026	$ 45,485	$ 42,805	$ 66,936	$ 60,831

Changes in Net Position

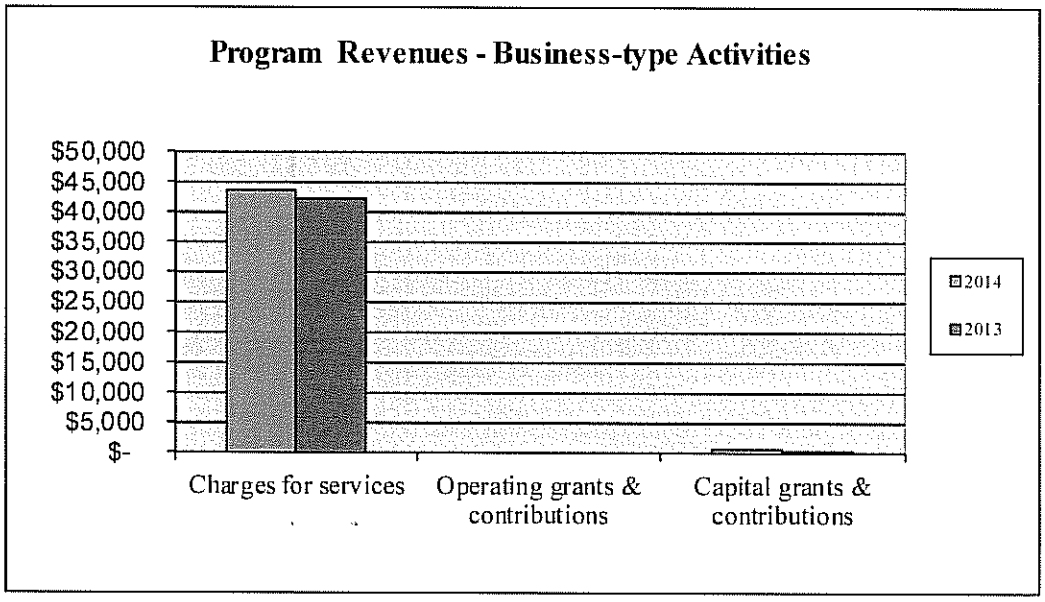
- Governmental Activities increased net position by $3,453. The improvement in Governmental Activities net position was mostly due to the increases in the general purpose school net assets of $1,831, and the City general fund improving by $392. Fiscal year 2014 saw improvement in the local economy. The City's portion of sales tax increased by $261 or 3.1% over fiscal year 2013, leading to improved financial positions for both governmental entities. Additionally, the Board of Mayor and Aldermen approved a $0.25 property tax increase, with $0.20

dedicated to school operations, and the remaining $.05 allocated towards new debt service associated with re-roofing Tullahoma High School and renovation of the indoor and outdoor pools.

- Business-type Activities increased net position by $2,680, which can primarily be attributed to the $3,438 increase in capital assets due to the completion of the recent sewer rehabilitation project.



Governmental Activities reflect an increase of $1,000 in taxes, which includes both the local property tax increase and the improved sales tax collections due to economic improvements and growth in the retail sector. Additionally, the City was able to secure a couple of large state infrastructure grants to assist with street paving.



Business-type Activities are financed almost entirely by service charges. Service charges remained consistent during the two year period, reflecting an increase of only $1,199 due to growth in the utility's customer base.

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. At the end of the current fiscal year, the City of Tullahoma's Governmental Funds reported combined ending fund balances of $18,101, an increase of $2,911 from the prior year. Both the City General Fund and General Purpose School Fund benefited from increased sales tax and property tax collections.

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

- The General Fund is the chief operating fund of the City. In the governmental fund financial statements, the City has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* where fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned. At the end of the current fiscal year, unassigned fund balance of the General Fund was $5,413 while total fund balance amounted to $6,873. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.

- Unassigned fund balance represents 23% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund increased by $392 as a result of the current fiscal year operations. The General Fund had $18 in outstanding encumbrances at year end.

- The General Purpose School Fund has a total fund balance of $5,597. Although expenditures increased by $391, revenues increased by $679, which reflects additional property taxes from Coffee County as well as state funding.

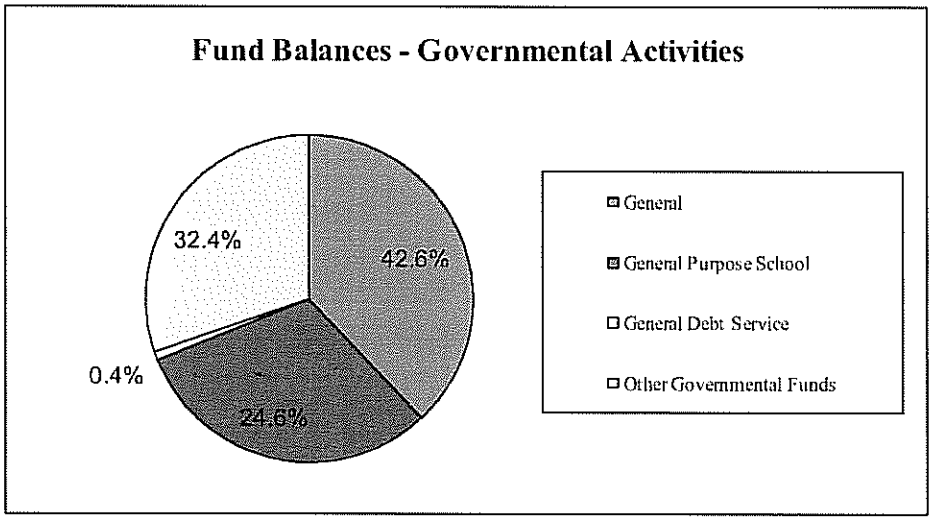
Additionally, transfers from the City of Tullahoma increased by $1,721 reflecting approximately $890 of this amount was the transfer of note proceeds for a new roof for the high school along with an increase in property tax of $780. The General Purpose School Fund had no outstanding encumbrances at year end.

- The General Debt Service fund has an ending fund balance of only $152, but was classified as a major fund due to the large transactions that occur during the year. Funds are transferred in from both the City General Fund and the Education Debt Service fund for payments on bonds and notes.

- The Education Debt Service Fund had a beginning fund balance of $2,493, which increased to $2,838 at year end, due to interest rates remaining below budget on the variable rate 2008 $12,000 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.

- City Capital Projects are the next largest non-major fund, with an ending balance of $857, down $116 from fiscal year 2013. Most of the projects in this group are for street paving, for sidewalks and other infrastructure, and for utilizing transfers from general fund as the local grant match to leverage State of Tennessee Department of Transportation funding.

- Non-major Governmental Funds have an ending fund balance of $5,480. This grouping consists primarily of smaller city capital projects funds, school federal and state projects, education debt service, school food services, extended school program, school capital projects, and UDAG.



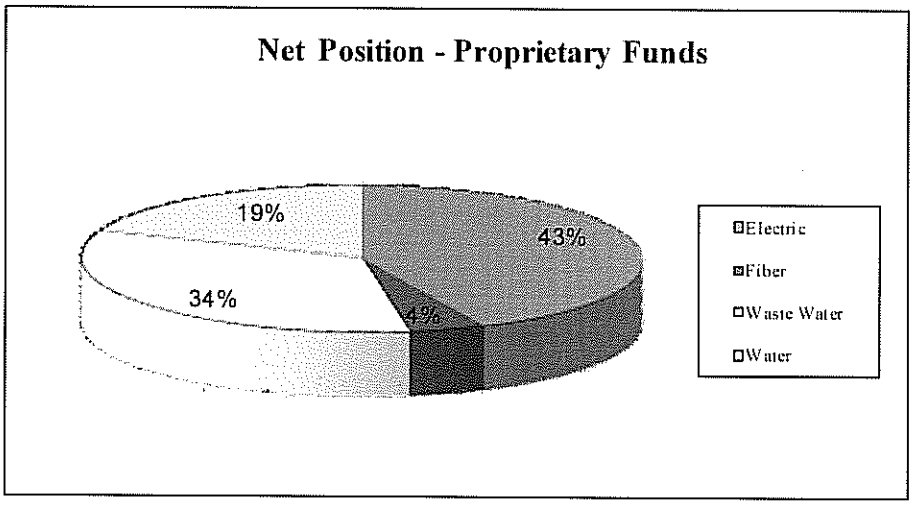
Proprietary Funds

The Business-type Activities at the Tullahoma Utilities Board have seen a change in composition due to the addition of a fourth enterprise fund in 2007 for the construction of a fiber optics system which began providing services to Tullahoma residents commencing in October 2008 and has now expanded to serving over 3,200 customers.

- The Electric System provided an increase in net position of $700 in 2014, due to increased customer base. Accounts receivable decreased $668 (before allowances).

- The Waste Water System reflected an increase of $1,389, which included a capital contribution of $766, while the Water System's net position grew by $373.

- As the Fiber Optics System is still finishing up build out and growing its customer base, their net position improved by $218 to ($2,177). The system plans to show positive net position in 2015.



CAPITAL ASSETS AND DEBT ADMINISTRATION

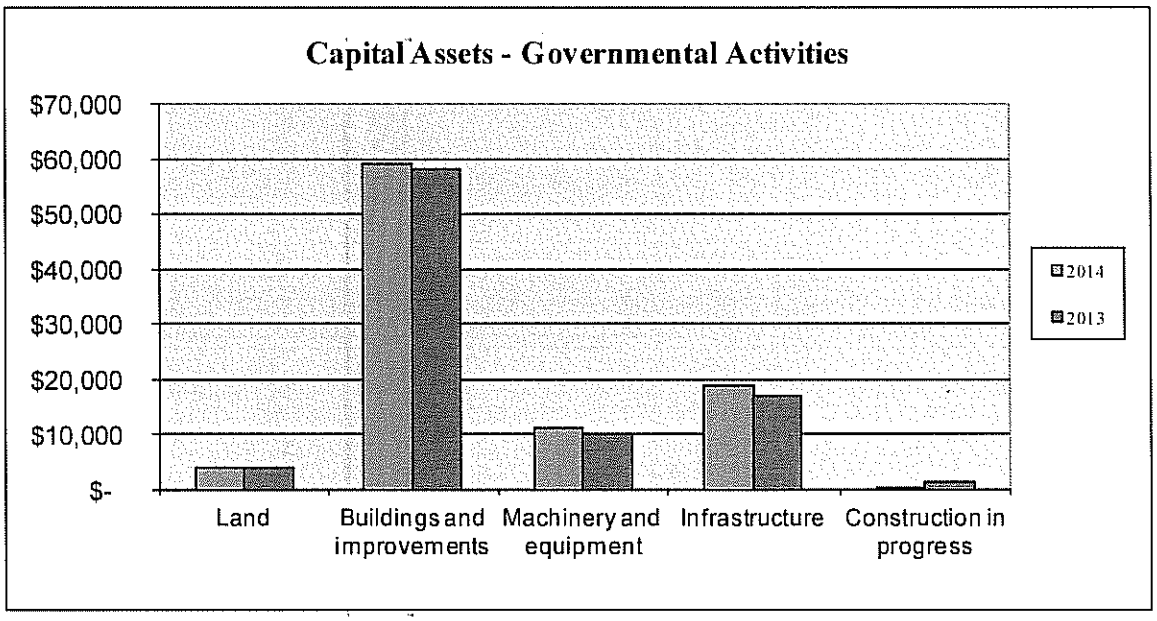
Capital Assets

The City's investment in capital assets from its Governmental and Business-type Activities as of June 30, 2014, 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.

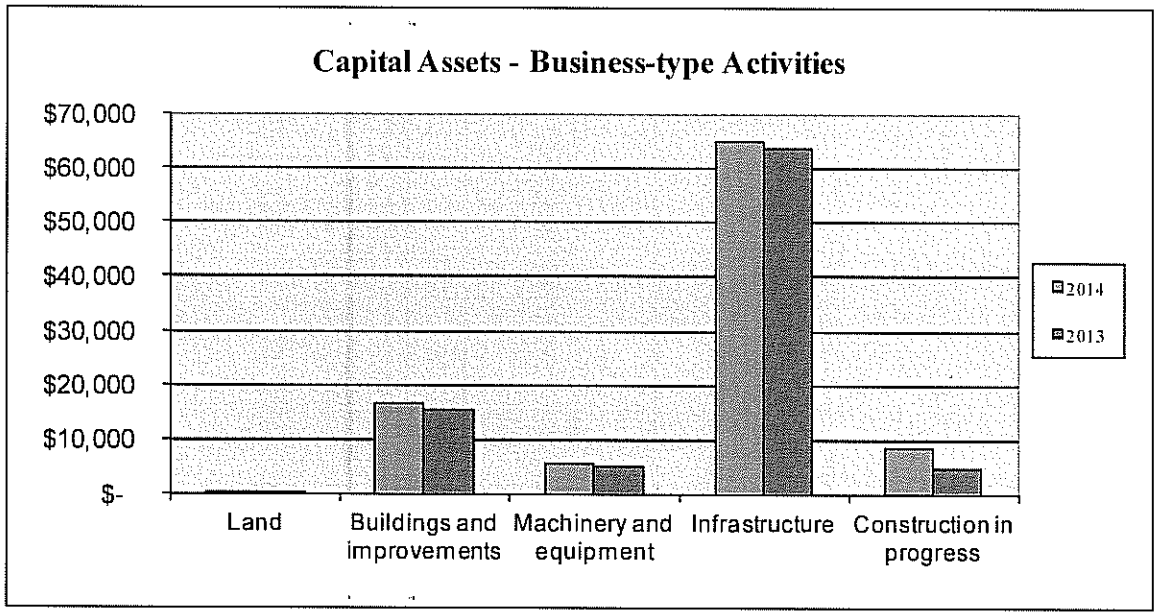
City of Tullahoma's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 3,824	$ 3,824	$ 476	$ 476	$ 4,300	$ 4,300
Buildings and improvements	59,196	57,982	16,402	15,541	75,598	73,523
Machinery and equipment	11,008	10,224	5,455	5,183	16,463	15,407
Infrastructure	18,896	16,807	64,857	63,863	83,753	80,670
Construction in progress	392	1,369	8,477	4,635	8,869	6,004
Total capital assets	$ 93,316	$ 90,206	$ 95,667	$ 89,698	$ 188,983	$ 179,904

The total capital assets in the Governmental Activities increased by $3,110, which was primarily due to street paving projects. The largest of these being the expansion of Cedar Lane, a major commercial connector, a $1,400 multi-year project, which was completed in fiscal year 2014, and is reflected in the transfer from construction in progress to increase infrastructure. Machinery and equipment increased by $784 as the City purchased both a fire truck and a garbage truck in fiscal year 2014.



The total capital assets in the Business-type Activities increased by $5,969, of which $3,842 was an increase in construction in progress for the on-going sewer rehabilitation. The Utility received a low interest loan from the State of Tennessee to fund the project.



Long-Term Debt

- Governmental Activities
  In fiscal year 2014, The City of Tullahoma issued capital outlay notes in the amount of $890 to re-roof Tullahoma High School. Additionally, capital outlay notes in the amount of $650 were utilized to purchase a new fire truck and a garbage truck. A construction loan was obtained to commence the renovation of the indoor pool to meet competition standards and to convert the outdoor pool into a splash park. At year end, $198 had been drawn on that loan. Principal payments were made in the amount of $2,298, resulting in total governmental outstanding debt of $39,228. Of this, $2,528 is due within one year.

- Business-type Activities
  The Tullahoma Utilities Board received approval for a $5,000 state revolving loan for sewer rehabilitation. As of June 30, 2014, $2,749 had been drawn down. Although the major amount of construction and associated debt occurred in fiscal year 2014, the project will be completed in fiscal year 2015.

- 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 2014. The Airport Authority does have outstanding loans through the City's UDAG Revolving Loan Program and added two new loans in the amount of $48 in fiscal year 2014. The 2005 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. The balance on that loan is $151.

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	
	2014	2013*	2014	2013*	2014	2013*
Notes payable	$ 2,029	$ 380	$ 7,704	$ 7,473	$ 9,733	$ 7,853
General obligation bonds	37,199	39,408	14,940	15,740	52,139	55,148
Other obligations payable	3,218	3,061	387	365	3,605	3,426
Total long-term debt	$ 42,446	$ 42,849	$ 23,031	$ 23,578	$ 65,477	$ 66,427

* As restated

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 POSITION
JUNE 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	$ 18,068,223	$ 10,940,611	$ 29,008,834	$ 211,162
Receivables	11,824,089	3,493,486	15,317,575	871
Allowance for doubtful accounts	(1,201,966)	(33,354)	(1,235,320)	-
Unbilled revenue	-	2,186,634	2,186,634	-
Accounts receivable - government	-	410,232	410,232	15,281
Due from other governments	2,727,065	-	2,727,065	197,009
Accrued interest receivable	957	-	957	-
Inventory	-	1,528,829	1,528,829	27,893
Other assets	69,000	1,173,934	1,242,934	8,712
Restricted assets:				
Cash and cash equivalents	-	8,457,131	8,457,131	42,341
Notes receivable	1,257,558	1,056,064	2,313,622	-
Capital assets:				
Utility plant in service	-	64,857,241	64,857,241	-
Land	3,824,195	476,080	4,300,275	1,738,799
Buildings and improvements	59,196,281	16,402,135	75,598,416	9,964,294
Furniture, machinery, and equipment	11,008,111	5,454,336	16,462,447	462,439
Construction in progress	391,822	8,477,069	8,868,891	654,631
Infrastructure	18,895,772	-	18,895,772	-
Accumulated depreciation	(49,063,429)	(46,645,748)	(95,709,177)	(3,351,874)
Total assets	76,997,678	78,234,679	155,232,357	9,971,558
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	333,406	-	333,406	-
Total deferred outflows of resources	333,406	-	333,406	-
LIABILITIES:				
Accounts payable	1,587,849	6,328,421	7,916,270	33,504
Accrued liabilities	1,638,075	583,742	2,221,817	-
Accrued interest payable	226,044	-	226,044	-
Other liabilities	-	1,827,686	1,827,686	9,123
TVA advances	-	425,739	425,739	-
Liabilities payable from restricted assets:				
Accrued interest	-	318,197	318,197	-
Contracts and retainage	-	234,978	234,978	-
Noncurrent liabilities:				
Due within one year	2,573,115	1,998,668	4,571,783	36,802
Due in more than one year	39,873,466	21,032,091	60,905,557	177,943
Total liabilities	45,898,549	32,749,522	78,648,071	257,372
DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue	9,981,425	-	9,981,425	13,596
Total deferred inflows of resources	9,981,425	-	9,981,425	13,596
NET POSITION:				
Net investment in capital assets	5,397,379	26,377,804	31,775,183	9,270,311
Restricted:				
Restricted for debt service	2,989,879	909,566	3,899,445	-
Restricted for construction	859,865	6,994,390	7,854,255	-
Restricted for drug enforcement	112,297	-	112,297	-
Restricted for UDAG and USDA loans	1,911,310	-	1,911,310	-
Restricted for school operations	4,626,192	-	4,626,192	
Restricted - other	306,326	-	306,326	42,341
Unrestricted	5,247,862	11,203,397	16,451,259	387,938
Total net position	$ 21,451,110	$ 45,485,157	$ 66,936,267	$ 9,700,590

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					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	$ 2,298,804	$ 522,931	$ 2,594,504	$ -	$ 818,631	$ -	$ 818,631	$ -
Public safety:								
Police	2,879,330	22,055	-	-	(2,857,275)	-	(2,857,275)	-
Fire	2,278,606	-	-	-	(2,278,606)	-	(2,278,606)	-
Public works	4,520,320	-	-	-	(4,520,320)	-	(4,520,320)	-
Community services	575,091	-	572,745	-	(2,346)	-	(2,346)	-
Waste management	1,889,484	724,011	-	-	(1,165,473)	-	(1,165,473)	-
Education	33,748,472	1,284,091	25,690,963	-	(6,773,418)	-	(6,773,418)	-
Interest and other debt related costs	1,025,774	-	-	-	(1,025,774)	-	(1,025,774)	-
Total governmental activities	49,215,881	2,553,088	28,858,212	-	(17,804,581)	-	(17,804,581)	-
Business-type activities:								
Electric System	28,930,485	30,024,965	-	-	-	1,094,480	1,094,480	-
Fiber Optics System	5,965,638	6,211,706	-	-	-	246,068	246,068	-
Waste Water System	3,286,138	3,844,043	-	766,249	-	1,324,154	1,324,154	-
Water System	3,285,334	3,514,246	-	-	-	228,912	228,912	-
Total business-type activities	41,467,595	43,594,960	-	766,249	-	2,893,614	2,893,614	-
Total primary government	$ 90,683,476	$ 46,148,048	$ 28,858,212	$ 766,249	(17,804,581)	2,893,614	(14,910,967)	-
Component units:								
Industrial Development Board	$ 55,239	$ 35,512	$ -	$ -	-	-	-	(19,727)
Area Economic Development Corporation	120,796	-	160,627	-	-	-	-	39,831
Municipal Airport Authority	1,298,248	86,911	281,777	92,000	-	-	-	(837,560)
Total component units	$ 1,474,283	$ 122,423	$ 442,404	$ 92,000	-	-	-	(817,456)
General revenues:								
Taxes:								
Property					10,034,154	-	10,034,154	-
Sales					8,702,708	-	8,702,708	-
Wholesale beer					542,608	-	542,608	-
Wholesale liquor					199,951	-	199,951	-
Business					471,875	-	471,875	-
Cable tv franchise					217,842	-	217,842	-
Hotel/Motel					250,127	-	250,127	-
Sale of fuel and oil					-	-	-	664,682
Other revenues					492,884	65,118	558,002	9,983
Unrestricted investment earnings					62,326	26,099	88,425	627
Gain on sale of property					(2,722)	(17,796)	(20,518)	-
Transfers					286,474	(286,474)	-	-
Total general revenues and transfers					21,258,227	(213,053)	21,045,174	675,292
Change in net position					3,453,646	2,680,561	6,134,207	(142,164)
Net position, beginning, as previously presented					18,373,836	42,916,871	61,290,707	9,914,939
Adjustment to restate beginning net position (See Note 10)					(376,372)	(112,275)	(488,647)	(72,185)
Net position, beginning, as restated					17,997,464	42,804,596	60,802,060	9,842,754
Net position, ending					$ 21,451,110	$ 45,485,157	$ 66,936,267	$ 9,700,590

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

CITY OF TULLAHOMA, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	General Purpose School	General Debt Services	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 5,937,319	$ 1,789	$ 145,437	$ 4,660,196	$ 10,744,741
Investments	-	7,184,045	-	-	7,184,045
Accrued interest receivable	-	-	-	957	957
Receivables	11,778,446	-	-	45,643	11,824,089
Allowance for doubtful accounts	(1,187,611)	-	-	(14,355)	(1,201,966)
Due from other governments	1,249,224	117,782	-	1,360,059	2,727,065
Due from other funds	-	1,014,730	7,477	155,076	1,177,283
Other assets	-	-	-	6,209	6,209
Prepaid expenses	21,968	-	-	1,500	23,468
Notes receivable	-	-	-	1,257,558	1,257,558
Total assets	$ 17,799,346	$ 8,318,346	$ 152,914	$ 7,472,843	$ 33,743,449
LIABILITIES:					
Accounts payable	$ 190,220	$ 1,286,903	$ 797	$ 109,929	$ 1,587,849
Accrued liabilities	73,763	-	-	18,282	92,045
Accrued payroll	111,264	1,434,766	-	-	1,546,030
Due to other funds of the primary government	569,806	-	-	607,477	1,177,283
Total liabilities	945,053	2,721,669	797	735,688	4,403,207
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	9,981,425	-	-	-	9,981,425
Unavailable revenue - loans	-	-	-	1,257,558	1,257,558
Total deferred inflows of resources	9,981,425	-	-	1,257,558	11,238,983
FUND BALANCES:					
Nonspendable:					
Prepaid items	21,968	-	-	1,500	23,468
Restricted for:					
Capital improvements	-	-	-	859,865	859,865
Debt service	-	-	152,117	2,837,762	2,989,879
Drug enforcement	22,262	-	-	90,035	112,297
Grant projects	-	-	-	784,114	784,114
School operations	-	-	-	594,434	594,434
Solid waste	-	-	-	214,275	214,275
Extended school	-	-	-	88,436	88,436
Other projects	81,375	-	-	-	81,375
Committed to:					
Encumbrances	17,715	-	-	9,176	26,891
Permanent streets - SSA	163,101	-	-	-	163,101
Equipment replacement	262,023	-	-	-	262,023
Stabilization fund	891,666	-	-	-	891,666
Assigned to:					
School MOE	-	286,736	-	-	286,736
Unassigned	5,412,758	5,309,941	-	-	10,722,699
Total fund balances	6,872,868	5,596,677	152,117	5,479,597	18,101,259
Total liabilities, deferred inflows of resources and fund balances	$ 17,799,346	$ 8,318,346	$ 152,914	$ 7,472,843	$ 33,743,449

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

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2014

Fund balances - total governmental funds	$ 18,101,259
Amounts reported for governmental activities in the Statement of Net Position are different from amounts reported for governmental funds in the Balance Sheet because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
Capital assets	93,316,181
Less accumulated depreciation	(49,063,429)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds payable	(36,911,000)
Less deferred charge on refunding	333,406
Less deferred charge for issuance costs	39,323
Add bond premium	(288,147)
Accrued interest payable	(226,044)
Net pension obligation	(1,095,512)
OPEB obligation	(975,294)
Notes payable	(2,028,955)
Compensated absences	(1,147,673)
An internal service fund is used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	139,437
Principal payments on notes receivable are revenues for governmental funds and therefore are reported as unearned revenues until they are received.	1,257,558
Net position - total governmental activities	$ 21,451,110

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	General Purpose School	General Debt Services	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	$ 10,034,154	$ -	$ -	$ -	$ 10,034,154
Sales taxes	8,702,708	-	-	-	8,702,708
Other taxes	1,565,369	-	-	-	1,565,369
Payment in lieu of tax	117,034	-	-	-	117,034
Licenses and permits	75,761	-	-	-	75,761
Fines and forfeitures	339,439	-	-	-	339,439
Intergovernmental	2,575,491	21,326,302	-	4,956,419	28,858,212
Charges for services	107,731	273,171	-	1,734,931	2,115,833
Investment income	36,305	11,586	-	13,486	61,377
Note repayments	-	-	-	268,744	268,744
Sale of property	380	-	-	-	380
Other revenues	335,645	82,738	-	96,556	514,939
Total revenues	23,890,017	21,693,797	-	7,070,136	52,653,950
EXPENDITURES:					
Current:					
General government	1,151,739	-	-	-	1,151,739
Planning	223,533	-	-	-	223,533
Public safety:					
Police protection	2,817,078	-	-	-	2,817,078
Fire protection	2,337,737	-	-	-	2,337,737
Public works	2,160,985	-	-	-	2,160,985
Parks and recreation	1,246,121	-	-	-	1,246,121
Community services	576,904	-	-	-	576,904
Education:					
Administration	-	3,209,615	-	-	3,209,615
Regular education	-	14,560,977	-	1,460,395	16,021,372
Special education	-	3,158,854	-	753,393	3,912,247
Vocational education	-	740,330	-	-	740,330
Adult education	-	15,028	-	-	15,028
Attendance	-	268,963	-	-	268,963
Health services	-	198,908	-	-	198,908
Other student support	-	704,712	-	48,926	753,638
Instructional staff	-	612,260	-	89,134	701,394
Plant operations	-	2,610,430	-	-	2,610,430
Plant maintenance	-	989,072	-	-	989,072
Transportation	-	125,034	-	1,563	126,597
Community services	-	(2,511)	-	-	(2,511)
Program costs	-	-	-	4,196,864	4,196,864
Debt service:					
Principal retirement	-	-	2,252,000	-	2,252,000
Interest	-	-	1,047,690	-	1,047,690
Fiscal charges	-	-	2,600	-	2,600
Capital outlay	397,297	1,573,685	-	2,147,676	4,118,658
Loans disbursed	-	-	-	90,000	90,000
Total expenditures	10,911,394	28,765,357	3,302,290	8,787,951	51,766,992
Excess (deficiency) of revenues over (under) expenditures	12,978,623	(7,071,560)	(3,302,290)	(1,717,815)	886,958
OTHER FINANCING SOURCES (USES):					
Notes issuance	-	-	-	1,737,955	1,737,955
Transfers in	426,112	8,961,784	3,399,563	3,726,588	16,514,047
Transfers out	(13,012,752)	(59,202)	-	(3,155,619)	(16,227,573)
Total other financing sources (uses)	(12,586,640)	8,902,582	3,399,563	2,308,924	2,024,429
Net change in fund balances	391,983	1,831,022	97,273	591,109	2,911,387
Fund balances, July 1, 2013, as previously presented	6,480,885	3,748,223	54,844	4,934,286	15,218,238
Prior period adjustment (See Note 10)	-	17,432	-	(45,798)	(28,366)
Fund balances, July 1, 2013, as restated	6,480,885	3,765,655	54,844	4,888,488	15,189,872
Fund balances, June 30, 2014	$ 6,872,868	$ 5,596,677	$ 152,117	$ 5,479,597	$ 18,101,259

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, 2014

Net change in fund balances - governmental funds	$ 2,911,387
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	3,299,836
Depreciation expense	(2,944,541)
The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs in the change in fund balances by the the net book value of the capital assets sold.	(3,102)
Bond proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of principal on bonds and notes payable is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities. Governmental funds include interest paid in debt service expenditures, whereas interest is accrued and expensed as it becomes payable for governmental activities.	
Bond and note issuance:	
Notes	(1,737,955)
Bond and note principal repayments:	
To bonds and notes holder	2,252,000
Amortization of insurance costs	(3,330)
Amortization of deferred charges	(26,673)
Amortization of premium	46,032
Decrease in accrued interest expense	8,487
Loans disbursed	90,000
Principal received on notes receivable	(268,744)
Write off notes receivable	(10,434)
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.	(1,959)
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	60,359
Increase in OPEB obligation	(304,500)
Decrease in compensated absences	86,783
Change in net position - governmental activities	$ 3,453,646

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, 2014

	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	$ 10,034,154	$ -	$ 10,034,154	$ 10,079,307	$ 10,074,307	$ (40,153)
Sales	8,702,708	-	8,702,708	8,412,051	8,668,151	34,557
Wholesale beer	542,608	-	542,608	489,350	530,500	12,108
Wholesale liquor	199,951	-	199,951	181,514	192,514	7,437
Business	354,841	-	354,841	260,000	347,000	7,841
Cable tv franchise	217,842	-	217,842	187,000	205,000	12,842
Hotel/motel	250,127	-	250,127	202,125	250,125	2
Total taxes	20,302,231	-	20,302,231	19,811,347	20,267,597	34,634
Payment in lieu of taxes	117,034	-	117,034	108,888	113,888	3,146
Licenses and permits	75,761	-	75,761	66,370	71,370	4,391
Fines and forfeitures	339,439	-	339,439	333,290	354,290	(14,851)
Intergovernmental:						
State of Tennessee sales tax	1,329,374	-	1,329,374	1,305,850	1,323,850	5,524
State of Tennessee gas tax	484,472	-	484,472	483,351	483,351	1,121
State of Tennessee income tax	158,759	-	158,759	165,000	165,000	(6,241)
TVA gross receipts	207,066	-	207,066	205,205	205,205	1,861
State and federal grants	125,453	-	125,453	1,034,600	145,860	(20,407)
Mixed drink tax	85,791	-	85,791	72,736	78,736	7,055
Excise tax	85,889	-	85,889	75,012	82,012	3,877
Streets and transportation	38,187	-	38,187	38,243	38,243	(56)
State street contracts	13,628	-	13,628	1,020	7,020	6,608
Supplemental pay	36,000	-	36,000	-	36,000	-
State of Tennessee beer tax	8,827	-	8,827	9,328	9,328	(501)
Telecommunications tax	2,045	-	2,045	2,364	2,364	(319)
Total intergovernmental	2,575,491	-	2,575,491	3,392,709	2,576,969	(1,478)
Charges for services	107,731	-	107,731	98,040	105,980	1,751
Investment income	36,305	-	36,305	60,000	45,000	(8,695)
Sale of property	380	-	380	-	-	380
Other revenues	335,645	-	335,645	269,805	313,110	22,535
Total revenues	23,890,017	-	23,890,017	24,140,449	23,848,204	41,813

(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, 2014

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
EXPENDITURES:						
General government:						
Legislative and judicial:						
Current:						
Salaries	$ 37,614	$ -	$ 37,614	$ 37,614	$ 37,614	$ -
Payroll Taxes	2,913	-	2,913	2,878	2,915	2
Benefits	49,091	-	49,091	68,461	50,101	1,010
Contract and professional	94,355	-	94,355	108,700	97,900	3,545
Travel and training	3,313	-	3,313	5,000	4,635	1,322
Supplies	149	-	149	600	600	451
Telephone and utilities	7,547	-	7,547	10,000	9,000	1,453
Operating insurance	15,220	-	15,220	14,500	15,520	300
Other	29,160	-	29,160	30,600	32,027	2,867
Appropriations	2,340	-	2,340	-	2,340	-
Total legislative and judicial	241,702	-	241,702	278,353	252,652	10,950
Court system:						
Current:						
Salaries	19,742	-	19,742	20,866	20,866	1,124
Payroll taxes	2,635	-	2,635	2,756	2,756	121
Benefits	4,408	-	4,408	4,438	4,438	30
Contract and professional	14,000	-	14,000	14,000	14,000	-
Repairs and maintenance	1,794	-	1,794	1,800	1,800	6
Travel and training	175	-	175	375	375	200
Supplies	392	-	392	440	440	48
Operating insurance	519	-	519	471	521	2
Other	465	-	465	500	500	35
Total court system	44,130	-	44,130	45,646	45,696	1,566
City administrator:						
Current:						
Salaries	135,616	-	135,616	136,171	136,051	435
Payroll taxes	10,362	-	10,362	10,525	10,525	163
Benefits	40,446	-	40,446	40,440	40,509	63
Telephone and utilities	-	-	-	75	75	75
Repairs and maintenance	974	-	974	125	975	1
Travel and training	2,318	-	2,318	1,750	2,320	2
Supplies	85	-	85	250	100	15
Gas and oil	638	-	638	765	765	127
Operating insurance	2,758	-	2,758	2,738	2,758	-
Other	1,022	-	1,022	1,100	1,125	103
Total city administrator	194,219	-	194,219	193,939	195,203	984
Finance director:						
Current:						
Salaries	168,398	-	168,398	172,320	172,320	3,922
Payroll taxes	13,046	-	13,046	13,450	14,167	1,121
Benefits	29,257	-	29,257	43,970	29,865	608
Telephone and utilities	14,487	-	14,487	18,100	15,100	613
Contract and professional	4,028	-	4,028	8,000	4,500	472
Repairs and maintenance	6,348	-	6,348	8,310	7,000	652
Travel and training	2,033	-	2,033	3,000	2,500	467
Supplies	1,060	-	1,060	950	1,450	390
Operating insurance	3,042	-	3,042	2,481	3,046	4
Other	6,351	-	6,351	8,135	7,585	1,234
Total finance director	248,050	-	248,050	278,716	257,533	9,483

(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, 2014

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
EXPENDITURES (continued):						
General government (continued):						
City recorder:						
Current:						
Salaries	$ 96,797	$ -	$ 96,797	$ 96,116	$ 97,600	$ 803
Payroll taxes	7,356	-	7,356	7,461	7,516	160
Benefits	27,374	-	27,374	28,962	27,902	528
Contract and professional	659	-	659	3,300	1,879	1,220
Telephone and utilities	-	-	-	200	154	154
Repairs and maintenance	5,658	-	5,658	5,800	5,800	142
Travel and training	2,250	-	2,250	2,165	2,251	1
Supplies	15,271	-	15,271	14,515	15,360	89
Operating insurance	1,383	-	1,383	1,383	1,383	-
Other	20,559	-	20,559	25,221	22,021	1,462
Total city recorder	177,307	-	177,307	185,123	181,866	4,559
Human resources:						
Current:						
Salaries	74,251	-	74,251	72,557	75,372	1,121
Payroll taxes	5,658	-	5,658	5,659	5,858	200
Benefits	16,917	-	16,917	17,025	17,025	108
Telephone and utilities	442	-	442	700	550	108
Contract and professional	4,307	-	4,307	-	5,000	693
Travel and training	4,028	-	4,028	4,300	4,300	272
Supplies	345	-	345	380	380	35
Operating insurance	1,172	-	1,172	1,171	1,176	4
Other	7,651	-	7,651	7,700	7,800	149
Total human resources	114,771	-	114,771	109,492	117,461	2,690
Community development:						
Current:						
Salaries	48,978	-	48,978	46,912	48,982	4
Payroll taxes	3,599	-	3,599	3,643	3,643	44
Benefits	17,410	-	17,410	17,614	17,614	204
Telephone and utilities	606	-	606	610	610	4
Travel and training	468	-	468	1,400	800	332
Supplies	240	-	240	1,250	850	610
Operating insurance	799	-	799	823	823	24
Other	2,135	-	2,135	4,311	3,011	876
Total community development	74,235	-	74,235	76,563	76,333	2,098
Planning:						
Current:						
Salaries	126,819	-	126,819	125,620	127,670	851
Payroll taxes	9,255	-	9,255	9,826	9,826	571
Benefits	50,371	-	50,371	52,003	51,503	1,132
Contract and professional	1,496	-	1,496	8,000	2,000	504
Telephone and utilities	5,820	-	5,820	7,400	6,900	1,080
Repairs and maintenance	4,235	-	4,235	10,425	5,625	1,390
Travel and training	9,079	-	9,079	5,700	9,200	121
Supplies	1,749	-	1,749	2,900	2,600	851
Uniforms	699	-	699	1,000	1,000	301
Gas and oil	1,786	-	1,786	2,305	2,305	519
Operating insurance	7,140	-	7,140	8,012	7,962	822
Other	5,084	-	5,084	10,940	7,440	2,356
Total planning	223,533	-	223,533	244,131	234,031	10,498

(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, 2014

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
EXPENDITURES (continued):						
General government (continued):						
Information technology:						
Current:						
Contract and professional	$ -	$ (1,200)	$ (1,200)	$ -	$ -	$ 1,200
Total information technology	-	(1,200)	(1,200)	-	-	1,200
Municipal building:						
Current:						
Salaries	118	-	118	-	200	82
Payroll taxes	9	-	9	-	75	66
Telephone and utilities	23,140	-	23,140	26,276	25,276	2,136
Rent	700	-	700	1,632	1,632	932
Repairs and maintenance	19,396	-	19,396	19,500	20,000	604
Operating insurance	13,962	-	13,962	13,845	13,965	3
Total municipal building	57,325	-	57,325	61,253	61,148	3,823
Total current	1,375,272	(1,200)	1,374,072	1,473,216	1,421,923	47,851
Capital outlay	6,603	-	6,603	-	47,357	40,754
Total general government	1,381,875	(1,200)	1,380,675	1,473,216	1,469,280	88,605
Public safety:						
Police:						
Current:						
Salaries	1,714,965	-	1,714,965	1,722,903	1,731,758	16,793
Payroll taxes	127,804	-	127,804	134,307	132,541	4,737
Benefits	593,789	-	593,789	603,021	597,107	3,318
Telephone and utilities	14,303	-	14,303	19,475	15,445	1,142
Repairs and maintenance	59,799	(594)	59,205	67,039	60,205	1,000
Travel and training	9,076	-	9,076	12,952	10,952	1,876
Supplies	28,091	-	28,091	28,329	30,361	2,270
Uniforms	12,142	402	12,544	17,400	13,100	556
Gas and oil	122,854	-	122,854	118,739	124,403	1,549
Operating insurance	115,632	-	115,632	118,643	117,543	1,911
Other	18,623	-	18,623	21,973	21,167	2,544
Total current	2,817,078	(192)	2,816,886	2,864,781	2,854,582	37,696
Capital outlay	101,396	-	101,396	13,300	102,741	1,345
Total police	2,918,474	(192)	2,918,282	2,878,081	2,957,323	39,041
Fire:						
Current:						
Salaries	1,480,706	-	1,480,706	1,414,239	1,482,859	2,153
Payroll taxes	111,442	-	111,442	110,077	112,619	1,177
Benefits	436,326	-	436,326	462,469	438,864	2,538
Contract and professional	600	-	600	-	600	-
Telephone and utilities	34,263	-	34,263	37,599	36,099	1,836
Repairs and maintenance	78,225	(4,355)	73,870	44,460	74,575	705
Travel and training	12,621	-	12,621	12,425	12,640	19
Supplies	38,355	(7,125)	31,230	30,700	32,770	1,540
Uniforms	21,630	290	21,920	21,525	22,403	483
Gas and oil	22,341	-	22,341	21,073	23,273	932
Operating insurance	93,657	-	93,657	114,700	94,211	554
Other	7,571	-	7,571	7,144	7,699	128
Total current	2,337,737	(11,190)	2,326,547	2,276,411	2,338,612	12,065
Capital outlay	170,257	(72,375)	97,882	85,000	186,027	88,145
Total fire	2,507,994	(83,565)	2,424,429	2,361,411	2,524,639	100,210
Total public safety	5,426,468	(83,757)	5,342,711	5,239,492	5,481,962	139,251

(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, 2014

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
EXPENDITURES (continued):						
Public works:						
Current:						
Salaries	$ 771,192	$ -	$ 771,192	$ 775,273	$ 781,138	$ 9,946
Payroll taxes	58,431	-	58,431	60,604	61,537	3,106
Benefits	273,111	-	273,111	300,114	279,073	5,962
Telephone and utilities	43,068	-	43,068	42,679	44,579	1,511
Street lights	420,549	-	420,549	437,500	425,500	4,951
State street aid expenditures	33,450	-	33,450	226,000	200,200	166,750
Contract and professional	80,567	795	81,362	93,110	88,360	6,998
Repairs and maintenance	136,218	-	136,218	107,555	142,070	5,852
Shop labor reimbursement	(97,686)	-	(97,686)	(64,000)	(92,000)	5,686
Travel and training	236	-	236	3,600	700	464
Supplies	31,432	-	31,432	30,550	33,975	2,543
Uniforms	5,457	-	5,457	8,680	7,690	2,233
Gas and oil	197,785	-	197,785	190,021	203,759	5,974
Parts and supplies	47,834	2,722	50,556	42,000	53,000	2,444
Materials	62,103	(180)	61,923	78,700	69,450	7,527
Operating insurance	81,041	-	81,041	71,218	81,150	109
Other	16,197	-	16,197	6,663	17,013	816
Total current	2,160,985	3,337	2,164,322	2,410,267	2,397,194	232,872
Capital outlay	119,041	-	119,041	-	122,229	3,188
Total public works	2,280,026	3,337	2,283,363	2,410,267	2,519,423	236,060
Parks and recreation:						
Current:						
Salaries	569,314	-	569,314	578,109	577,104	7,790
Payroll taxes	44,772	-	44,772	45,912	46,996	2,224
Benefits	121,444	-	121,444	146,505	126,363	4,919
Telephone and utilities	182,176	-	182,176	205,563	187,173	4,997
Street lights	9,232	-	9,232	15,662	10,662	1,430
Contract and professional	62,678	1,346	64,024	75,600	65,360	1,336
Repairs and maintenance	106,519	11,600	118,119	108,272	123,932	5,813
State street aid	-	-	-	-	1,500	1,500
Travel and training	3,690	-	3,690	7,900	5,850	2,160
Supplies	43,555	-	43,555	55,246	49,141	5,586
Uniforms	4,464	(1,356)	3,108	4,450	3,975	867
Gas and oil	13,739	-	13,739	15,109	14,824	1,085
Operating insurance	60,979	-	60,979	67,943	61,741	762
Other	23,559	-	23,559	23,460	25,678	2,119
Total current	1,246,121	11,590	1,257,711	1,349,731	1,300,299	42,588
Capital outlay	-	-	-	-	28,841	28,841
Total parks and recreation	1,246,121	11,590	1,257,711	1,349,731	1,329,140	71,429

(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, 2014

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Community services:						
Current:						
Telephone and utilities	$ 32,691	$ -	$ 32,691	$ 29,996	$ 33,461	$ 770
Operating insurance	9,112	-	9,112	9,041	9,126	14
Other	3,068	-	3,068	4,168	3,268	200
Appropriations	532,033	-	532,033	508,152	532,530	497
Total current	576,904	-	576,904	551,357	578,385	1,481
Capital outlay	-	-	-	-	-	-
Total community services	576,904	-	576,904	551,357	578,385	1,481
Total expenditures	10,911,394	(70,030)	10,841,364	11,024,063	11,378,190	536,826
Excess revenues over (under) expenditures	12,978,623	70,030	13,048,653	13,116,386	12,470,014	578,639
OTHER FINANCING SOURCES (USES):						
Transfers in	426,112	-	426,112	976,112	456,112	(30,000)
Transfers out	(13,012,752)	-	(13,012,752)	(14,092,498)	(13,085,459)	72,707
Total other financing sources (uses)	(12,586,640)	-	(12,586,640)	(13,116,386)	(12,629,347)	42,707
Net change in fund balance	391,983	70,030	462,013	-	(159,333)	621,346
Fund balance, July 1, 2013	6,480,885	(87,745)	6,393,140	6,480,885	6,480,885	(87,745)
Fund balance, June 30, 2014	$ 6,872,868	$ (17,715)	$ 6,855,153	$ 6,480,885	$ 6,321,552	$ 533,601

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, 2014

	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	$ 6,102,136	$ -	$ 6,102,136	$ 5,926,057	$ 5,926,057	$ 176,079
Federal and state	15,224,166	-	15,224,166	14,831,000	14,831,000	393,166
Charges for services	273,171	-	273,171	220,000	220,000	53,171
Interest income	11,586	-	11,586	10,000	10,000	1,586
Other	82,738	-	82,738	20,000	20,000	62,738
Total revenues	21,693,797	-	21,693,797	21,007,057	21,007,057	686,740
EXPENDITURES:						
Current:						
Administration:						
Salaries	1,335,138	-	1,335,138	1,399,071	1,399,071	63,933
Payroll taxes	96,631	-	96,631	107,029	107,029	10,398
Benefits	1,134,467	-	1,134,467	1,128,119	1,136,119	1,652
Contract services	236,590	-	236,590	282,000	288,000	51,410
Travel	37,014	-	37,014	10,800	10,800	(26,214)
Supplies	28,474	-	28,474	31,700	31,700	3,226
Other	112,199	-	112,199	135,900	135,900	23,701
Insurance	229,102	-	229,102	238,743	242,743	13,641
Total administration	3,209,615	-	3,209,615	3,333,362	3,351,362	141,747
Regular education:						
Salaries	10,225,206	-	10,225,206	10,468,711	10,468,711	243,505
Payroll taxes	729,566	-	729,566	800,856	800,856	71,290
Benefits	2,858,372	-	2,858,372	3,052,789	3,052,789	194,417
Travel	41,657	-	41,657	25,000	25,000	(16,657)
Supplies	316,125	-	316,125	250,000	250,000	(66,125)
Books	368,071	-	368,071	280,000	280,000	(88,071)
Other	21,980	-	21,980	-	-	(21,980)
Total regular education	14,560,977	-	14,560,977	14,877,356	14,877,356	316,379
Special education:						
Salaries	2,093,064	-	2,093,064	2,112,222	2,156,222	63,158
Payroll taxes	147,731	-	147,731	161,585	161,585	13,854
Benefits	672,689	-	672,689	631,332	726,332	53,643
Contract services	154,060	-	154,060	130,000	130,000	(24,060)
Travel	18,679	-	18,679	5,000	5,000	(13,679)
Supplies	14,698	-	14,698	21,800	21,800	7,102
Other	57,933	-	57,933	7,250	7,250	(50,683)
Total special education	3,158,854	-	3,158,854	3,069,189	3,208,189	49,335
Vocational education:						
Salaries	522,748	-	522,748	591,690	526,690	3,942
Payroll taxes	37,576	-	37,576	45,264	45,264	7,688
Benefits	155,006	-	155,006	198,306	168,306	13,300
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	740,330	-	740,330	860,260	765,260	24,930
Adult education:						
Salaries	13,581	-	13,581	-	-	(13,581)
Payroll taxes	1,039	-	1,039	-	-	(1,039)
Supplies	408	-	408	-	-	(408)
Total adult education	15,028	-	15,028	-	-	(15,028)

(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, 2014

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
EXPENDITURES: (Continued)						
Attendance:						
Salaries	$ 200,412	$ -	$ 200,412	$ 199,195	$ 199,195	$ (1,217)
Payroll taxes	14,636	-	14,636	15,239	15,239	603
Benefits	43,641	-	43,641	45,702	45,702	2,061
Travel	5,279	-	5,279	4,500	4,500	(779)
Other	4,995	-	4,995	4,500	4,500	(495)
Total attendance	268,963	-	268,963	269,136	269,136	173
Health services:						
Salaries	132,324	-	132,324	130,777	130,777	(1,547)
Payroll taxes	9,417	-	9,417	10,004	10,004	587
Benefits	31,508	-	31,508	34,850	34,850	3,342
Supplies	25,659	-	25,659	30,000	30,000	4,341
Total health services	198,908	-	198,908	205,631	205,631	6,723
Other student support:						
Salaries	516,670	-	516,670	509,600	509,600	(7,070)
Payroll taxes	37,621	-	37,621	38,984	38,984	1,363
Benefits	141,691	-	141,691	145,455	145,455	3,764
Other	8,730	-	8,730	15,000	15,000	6,270
Total other student support	704,712	-	704,712	709,039	709,039	4,327
Instructional staff:						
Salaries	421,699	-	421,699	553,993	471,993	50,294
Payroll taxes	30,796	-	30,796	42,380	42,380	11,584
Benefits	98,881	-	98,881	138,684	138,684	39,803
Contract services	6,000	-	6,000	3,500	3,500	(2,500)
Travel	4,108	-	4,108	-	-	(4,108)
Books	49,416	-	49,416	50,000	50,000	584
Other	1,360	-	1,360	1,500	1,500	140
Total instructional staff	612,260	-	612,260	790,057	708,057	95,797
Plant operations:						
Salaries	597,718	-	597,718	641,768	641,768	44,050
Payroll taxes	43,011	-	43,011	49,095	49,095	6,084
Benefits	202,050	-	202,050	215,304	215,304	13,254
Contract services	370,335	-	370,335	475,000	475,000	104,665
Supplies	122,522	-	122,522	150,000	150,000	27,478
Utilities	1,185,565	-	1,185,565	1,517,000	1,517,000	331,435
Insurance	89,229	-	89,229	82,522	82,522	(6,707)
Total plant operations	2,610,430	-	2,610,430	3,130,689	3,130,689	520,259
Plant maintenance:						
Salaries	418,255	-	418,255	436,720	436,720	18,465
Payroll taxes	30,089	-	30,089	33,409	33,409	3,320
Benefits	97,413	-	97,413	110,745	110,745	13,332
Maintenance and repairs	443,315	-	443,315	400,000	420,000	(23,315)
Other	-	-	-	4,000	4,000	4,000
Total plant maintenance	989,072	-	989,072	984,874	1,004,874	15,802
Transportation:						
Salaries	49,533	-	49,533	42,955	42,955	(6,578)
Payroll taxes	3,727	-	3,727	3,085	3,085	(642)
Benefits	2,354	-	2,354	2,323	2,323	(31)
Maintenance and repairs	11,150	-	11,150	20,000	20,000	8,850
Other	35,662	-	35,662	40,000	40,000	4,338
Insurance	22,608	-	22,608	20,715	20,715	(1,893)
Total transportation	125,034	-	125,034	129,078	129,078	4,044

(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, 2014

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
EXPENDITURES: (Continued)						
Community services:						
Salaries	$ (2,250)	$ -	$ (2,250)	$ -	$ -	$ 2,250
Payroll taxes	(315)	-	(315)	-	-	315
Benefits	54	-	54	-	-	(54)
Other	-	-	-	7,000	7,000	7,000
Total community services	(2,511)	-	(2,511)	7,000	7,000	9,511
Capital outlay	1,573,685	-	1,573,685	474,000	1,339,115	(234,570)
Total expenditures	28,765,357	-	28,765,357	28,839,671	29,704,786	939,429
Excess revenues over (under) expenditure	(7,071,560)	-	(7,071,560)	(7,832,614)	(8,697,729)	1,626,169
OTHER FINANCING SOURCES (USES):						
Transfer from the City of Tullahoma	8,961,784	-	8,961,784	8,697,729	8,697,729	264,055
Transfer to other funds	(59,202)	-	(59,202)	-	-	(59,202)
Total other financing sources (uses)	8,902,582	-	8,902,582	8,697,729	8,697,729	204,853
Net change in fund balance	1,831,022	-	1,831,022	865,115	-	1,831,022
Fund balance, July 1, 2013	3,748,223	-	3,748,223	3,748,223	3,748,223	-
Prior period adjustment (See Note 10)	17,432	-	17,432	-	-	17,432
Fund balance, June 30, 2014	$ 5,596,677	$ -	$ 5,596,677	$ 4,613,338	$ 3,748,223	$ 1,848,454

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	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	$ 6,636,611	$ 737,400	$ 1,190,805	$ 2,375,795	$ 10,940,611	$ 139,437
Accounts receivable	2,349,966	478,166	334,560	330,793	3,493,486	-
Allowance for doubtful accounts	(16,483)	(8,731)	(4,093)	(4,048)	(33,354)	-
Unbilled revenue	2,186,634	-	-	-	2,186,634	-
Accounts receivable - government	-	-	410,232	-	410,232	-
Inventory	568,046	440,680	201,679	318,424	1,528,829	-
Due from other funds	996,324	-	5,867	3,258	1,005,449	-
Other assets	346,140	58,910	734,919	1,093	1,141,062	-
Restricted assets:						
Bond funds - cash and cash equivalents	-	1,105,309	40,066	82,388	1,227,763	-
Construction funds - cash and cash equivalents	5,377,666	1,448,596	165,505	237,601	7,229,368	-
Total current assets	18,444,904	4,260,331	3,079,540	3,345,304	29,130,079	139,437
CAPITAL AND OTHER NONCURRENT ASSETS:						
Capital assets:						
Utility plant in service	20,693,447	13,925,438	19,370,056	10,868,300	64,857,241	-
Land	333,168	-	134,588	8,324	476,080	-
Buildings and improvements	1,595,653	1,330	10,990,408	3,814,744	16,402,135	-
Furniture, machinery, and equipment	2,283,503	976,089	1,456,093	738,651	5,454,336	-
Construction in progress	1,739,353	123,967	5,316,304	1,297,445	8,477,069	-
Less accumulated depreciation	(16,051,626)	(4,885,321)	(17,973,776)	(7,735,025)	(46,645,748)	-
Capital assets, net	10,593,498	10,141,503	19,293,673	8,992,439	49,021,113	-
Other noncurrent assets:						
Notes receivable	421,573	-	1,577	632,914	1,056,064	-
Other assets	-	32,872	-	-	32,872	-
Total capital and other noncurrent assets	11,015,071	10,174,375	19,295,250	9,625,353	50,110,049	-
Total assets	29,459,975	14,434,706	22,374,790	12,970,657	79,240,128	139,437
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	5,436,150	163,747	398,147	330,377	6,328,421	-
Accrued expenses and other liabilities	259,313	291,607	4,735	28,087	583,742	-
Due to other funds	-	982,002	10,965	12,482	1,005,449	-
Customer deposits	1,770,656	57,030	-	-	1,827,686	-
Liabilities payable from restricted assets:						
Bonds and notes payable - current portion	-	790,000	771,668	437,000	1,998,668	-
Accrued interest	-	315,309	-	2,888	318,197	-
Contracts and retainage payable	-	22,271	212,707	-	234,978	-
Total current liabilities	7,466,119	2,621,966	1,398,222	810,834	12,297,141	-
NONCURRENT LIABILITIES:						
Conservation - TVA program	425,739	-	-	-	425,739	-
Revenue and tax bonds and other obligations payable - noncurrent portion	176,816	13,989,915	4,300,869	2,564,491	21,032,091	-
Total noncurrent liabilities	602,555	13,989,915	4,300,869	2,564,491	21,457,830	-
Total liabilities	8,068,674	16,611,881	5,699,091	3,375,325	33,754,971	-
NET POSITION						
Net investment in capital assets	10,593,498	(4,588,104)	14,313,971	6,058,439	26,377,804	-
Restricted:						
Restricted for debt service	-	790,000	40,066	79,500	909,566	-
Restricted for construction	5,377,666	1,426,325	(47,202)	237,601	6,994,390	-
Unrestricted	5,420,137	194,604	2,368,864	3,219,792	11,203,397	139,437
Total net position	$ 21,391,301	$ (2,177,175)	$ 16,675,699	$ 9,595,332	$ 45,485,157	$ 139,437

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 28,745,616	$ 6,211,706	$ 3,772,082	$ 3,414,370	$ 42,143,774	$ -
Forfeited discounts and penalties	234,333	-	30,461	26,725	291,519	-
Rental income	841,374	-	-	2,936	844,310	-
Other operating revenue	203,642	-	41,500	70,215	315,357	-
Total operating revenues	30,024,965	6,211,706	3,844,043	3,514,246	43,594,960	-
OPERATING EXPENSES:						
Purchased power	24,267,153	-	-	-	24,267,153	-
Purchased water	-	-	-	1,404,822	1,404,822	-
Distribution and transmission	1,306,369	2,761,439	772,596	382,859	5,223,263	-
Customer accounting and collection	392,551	291,215	199,747	203,958	1,087,471	-
Maintenance expense	1,046,608	250,946	697,769	315,343	2,310,666	-
Administrative and general	1,046,781	688,466	664,868	556,795	2,956,910	-
Depreciation and amortization	776,499	1,293,802	814,657	347,139	3,232,097	-
Tax and tax equivalents	94,524	48,305	80,137	50,672	273,638	-
Supplies	-	-	-	-	-	2,908
Total operating expenses	28,930,485	5,334,173	3,229,774	3,261,588	40,756,020	2,908
OPERATING INCOME	1,094,480	877,533	614,269	252,658	2,838,940	(2,908)
NONOPERATING REVENUES (EXPENSES):						
Interest income	18,115	2,204	1,722	4,058	26,099	949
Other income	598	1,338	63,182	-	65,118	-
Gain (loss) on sale of property	13,390	(31,186)	-	-	(17,796)	-
Interest expense	-	(631,465)	(56,364)	(23,746)	(711,575)	-
Total non-operating revenues (expenses)	32,103	(659,109)	8,540	(19,688)	(638,154)	949
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,126,583	218,424	622,809	232,970	2,200,786	(1,959)
Capital contributions	-	-	766,249	-	766,249	-
Transfers	(426,112)	-	-	139,638	(286,474)	-
Change in net position	700,471	218,424	1,389,058	372,608	2,680,561	(1,959)
Total net position, beginning of year -as previously presented	20,690,830	(2,301,875)	15,286,641	9,241,275	42,916,871	141,396
Adjustment to restate beginning net position (See Note 10)	-	(93,724)	-	(18,551)	(112,275)	-
Net position, beginning , as restated	20,690,830	(2,395,599)	15,286,641	9,222,724	42,804,596	141,396
Total net position, end of year	$ 21,391,301	$ (2,177,175)	$ 16,675,699	$ 9,595,332	$ 45,485,157	$ 139,437

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, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 30,455,371	$ 6,215,415	$ 3,507,293	$ 3,512,102	$ 43,690,181	$ -
Cash paid to suppliers	(26,182,221)	(3,336,094)	(786,737)	(2,032,769)	(32,337,821)	-
Cash paid to employees	(1,727,156)	(675,169)	(1,165,024)	(800,812)	(4,368,161)	-
Other payments	(94,524)	(48,305)	(80,137)	(50,672)	(273,638)	(2,908)
Net cash provided (used) by operating activities	2,451,470	2,155,847	1,475,395	627,849	6,710,561	(2,908)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Increase (decrease) in customer deposits	(1,041)	3,768	-	-	2,727	-
(Increase) decrease in notes receivable	46,456	-	364	92,888	139,708	-
Advances from TVA-Home Weatherization Program	(61,963)	-	-	-	(61,963)	-
Payments from (to) other funds of the primary government	(426,112)	-	-	139,638	(286,474)	-
Net cash provided (used) by non-capital financing activities	(442,660)	3,768	364	232,526	(206,002)	-
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(679,127)	(568,802)	(3,828,593)	(1,006,050)	(6,082,572)	-
Proceeds from disposition of capital assets	13,390	-	-	-	13,390	-
Proceeds from borrowing long-term debt	-	-	2,749,432	-	2,749,432	-
Principal paid on long-term debt	(1,369,000)	(760,000)	(774,558)	(420,000)	(3,323,558)	-
Interest paid on long-term debt	-	(646,665)	(56,364)	(24,353)	(727,382)	-
Capital contributions received	-	-	766,249	-	766,249	-
Net cash provided (used) by capital financing activities	(2,034,737)	(1,975,467)	(1,143,834)	(1,450,403)	(6,604,441)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and other income	18,115	2,204	1,722	4,058	26,099	949
Net cash provided in investing activities	18,115	2,204	1,722	4,058	26,099	949
Net increase (decrease) in cash and cash equivalents	(7,812)	186,352	333,647	(585,970)	(73,783)	(1,959)
Cash and cash equivalents, beginning of year	12,022,089	3,104,953	1,062,729	3,281,754	19,471,525	141,396
Cash and cash equivalents, end of year	$ 12,014,277	$ 3,291,305	$ 1,396,376	$ 2,695,784	$ 19,397,742	$ 139,437
Cash accounts consists of:						
Cash and cash equivalents	$ 6,636,611	$ 737,400	$ 1,190,805	$ 2,375,795	$ 10,940,611	$ 139,437
Bond funds - cash and cash equivalents	-	1,105,309	40,066	82,388	1,227,763	-
Construction funds - cash and cash equivalents	5,377,666	1,448,596	165,505	237,601	7,229,368	-
	$ 12,014,277	$ 3,291,305	$ 1,396,376	$ 2,695,784	$ 19,397,742	$ 139,437

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

Operating Income:	$ 1,094,480	$ 877,533	$ 614,269	$ 252,658	$ 2,838,940	$ (2,908)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	776,499	1,293,802	814,657	347,139	3,232,097	-
Other income	598	1,338	63,182	-	65,118	
(Gain) loss on disposal of property	(13,390)	31,186	-	-	17,796	-
(Increase) decrease in:						
Accounts receivable	468,081	(28,815)	(396,289)	(1,463)	41,514	-
Inventory	(4,083)	(41,960)	(15,883)	5,542	(56,384)	-
Other assets	(57,435)	(12,195)	(25,137)	22,593	(72,174)	-
Due from other funds	(24,883)	-	(3,643)	(681)	(29,207)	-
Increase (decrease) in:						
Accounts payable	256,879	20,517	321,742	21,144	620,282	-
Due to other funds	-	23,219	730	5,258	29,207	-
Accrued expenses	(45,276)	(8,778)	101,767	(24,341)	23,372	-
Total adjustments	1,356,990	1,278,314	861,126	375,191	3,871,621	-
Net cash provided by operating activities	$ 2,451,470	$ 2,155,847	$ 1,475,395	$ 627,849	$ 6,710,561	$ (2,908)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2014

	Governmental Type		Proprietary Type	
	Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	Total Component Units
ASSETS:				
Cash and cash equivalents	$ 12,654	$ 45,830	$ 152,678	$ 211,162
Accounts receivable	-	-	871	871
Grants receivable	-	-	15,281	15,281
Due from other governments	-	-	197,009	197,009
Inventory	-	-	27,893	27,893
Prepaid expenses	-	-	510	510
Other assets	-	-	8,202	8,202
Restricted assets - cash			42,341	42,341
Capital assets:				
Land	-	-	1,738,799	1,738,799
Buildings and improvements	-	-	9,964,294	9,964,294
Vehicles	-	-	9,500	9,500
Furniture, machinery, and equipment	-	-	452,939	452,939
Construction in progress	-	-	654,631	654,631
Accumulated depreciation	-	-	(3,351,874)	(3,351,874)
Total assets	12,654	45,830	9,913,074	9,971,558
LIABILITIES:				
Accounts payable	-	593	32,911	33,504
Other liabilities	-	2,906	6,217	9,123
Long-term liabilities:				
Due within one year	-	-	36,802	36,802
Due in more than one year	-	-	177,943	177,943
Total liabilities	-	3,499	253,873	257,372
DEFERRED INFLOWS OF RESOURCES	-	-	13,596	13,596
NET POSITION:				
Net investment in capital assets	-	-	9,270,311	9,270,311
Restricted	-	-	42,341	42,341
Unrestricted	12,654	42,331	332,953	387,938
Total net position	$ 12,654	$ 42,331	$ 9,645,605	$ 9,700,590

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, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Governmental Type		Proprietary Type	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	Total Component Units
Industrial Development Board	$ 55,239	$ 35,512	$ -	$ -	$ (19,727)	$ -	$ -	$ (19,727)
Area Economic Development Corporation	120,796	-	160,627	-	-	39,831	-	39,831
Municipal Airport Authority	1,298,248	86,911	281,777	92,000	-	-	(837,560)	(837,560)
Total component units	$ 1,474,283	$ 122,423	$ 442,404	$ 92,000	(19,727)	39,831	(837,560)	(817,456)
General revenues:								
Unrestricted investment earnings					15	-	612	627
Sale of fuel and oil					-	-	664,682	664,682
Other revenues					-	2,500	7,483	9,983
Total general revenues and transfers					15	2,500	672,777	675,292
Change in net position					(19,712)	42,331	(164,783)	(142,164)
Net position, beginning , as previously presented					32,366	-	9,882,573	9,914,939
Adjustment to restate beginning net position (See Note 10)					-	-	(72,185)	(72,185)
Net position, beginning , as restated					32,366	-	9,810,388	9,842,754
Net position, ending					$ 12,654	$ 42,331	$ 9,645,605	$ 9,700,590

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. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a blended" or "discrete" presentation. Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component unit is reported in a separate column from primary government in the government-wide financial statements to emphasize they are legally separate from the City.

As of June 30, 2014, the City has no blended component units.

The City reports the following discretely presented component units:

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

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

Tullahoma Area Economic Development Corporation (The TAEDC) was established to help Tullahoma capture economic activity. The TAEDC is required to submit an annual budget document to the Mayor and Aldermen for their approval, and receives 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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Duck River Utility Commission:

The City, in conjunction with the City of Manchester, appoints the Board of the Duck River Utility Commission (DRUC), 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 DRUC are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the DRUC. The Commission reported net position of $2,067,763 as of June 30, 2014. Complete financial statements can be obtained by writing P.O. Box 1237, Tullahoma, TN 37388.

Interlocal Solid Waste Authority:

The Interlocal Solid Waste Authority (The ISWA) was created pursuant to an interlocal agreement authorized by State Statutes in March 1993. Its Board is composed of two members from each of the adjoining counties of Lincoln, Giles, and Franklin. The purpose of the ISWA is to provide solid waste recycling and disposal services to the City and the three county areas. The ISWA entered into an agreement with a waste recycling company for recycling of its solid waste. The City has an ongoing financial responsibility to fund its Pro Rata share of costs incidental to the operation of the ISWA. During 2014, these costs amounted to $369,663 and were paid from the Solid Waste Fund of the City. The City has no equity interest in the ISWA. The ISWA had reported net position of $617,893 as of June 30, 2014. Complete financial statements can be obtained by writing Interlocal Solid Waste, C/O City of Tullahoma, P.O. Box 807, Tullahoma, TN 37388.

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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; non-major funds are combined in a single column.

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

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish **operating** revenues and expenses from **non-operating** items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the fund's principal ongoing operations and consist primarily of charges to customers or departments, cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Government reports the following major governmental funds:

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

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

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

The Government reports the following major proprietary funds:

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

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

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

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

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

Additionally, the Government reports the following fund types:

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Net position flow assumption - Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions - Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

> **Nonspendable fund balance** – Amounts that cannot be spent because they are not in a spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact (principal of permanent fund).
>
> **Restricted fund balance** – Amount of fund balance that can be spent for specific purposes stipulated by external resource or through enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves, Designations of Fund Balances (continued)

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

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

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

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

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

Restricted
Committed
Assigned
Unassigned

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category: deferred charge on bond refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in the Statement of Net Position. Property tax levied on January 1, 2014, will not be available for collection until fiscal year 2015, beginning October 1, 2014. A second item, which arises under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the Governmental Fund Balance Sheet. The governmental funds report unavailable revenue from uncollected property taxes (including penalties and interest) and unavailable revenues relating to loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City did not have deferred inflows of resources to report in its Proprietary Fund financial statements for the current year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $2.54 for property located in Coffee and $2.56 for property located in Franklin Counties per $100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of $9,433,864 for the fiscal year ended June 30, 2014 were approximately 95 % of the tax levy.

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

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

G. Impact of Recently Issued Accounting Pronouncements

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2014, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement No. 65 resulted in a restatement of beginning net position in government-wide statement of activities and the proprietary fund financial statements (see Note 10).

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

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*, required for fiscal periods beginning after June 15, 2013. This statement revises existing standards of financial reporting by state and local government pensions plans and will be adopted by the pension plan itself.

H. Date of Management's Subsequent Review

Management has evaluated subsequent events through December 30, 2014, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

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. The Board of Education submits its budgets to the City for approval by The Board of Mayor and Aldermen.

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 Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level.

d. The Board of Education follows its own policy for budgetary revisions during the year with changes submitted to the Board of Mayer and Aldermen when revised.

e. 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.

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

Encumbrances – Information regarding encumbrances is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances, however, are not treated as expenditures in the governmental fund financial statements. Outstanding encumbrances at June 30, 2014 are as follows:

Fund	Outstanding Encumbrances
General Fund	$ 17,715
Special Revenue Fund:	
Solid Waste Management	9,176
	$ 26,891

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

B. Excess Expenditures

For the year ended June 30, 2014, the following Tullahoma City Schools System funds had total expenditures exceeding total appropriations. These over expenditures were funded by available fund balances.

Budgeted Unit:	Final Budget	Actual	Variance
General Purpose School Fund:			
Adult education	$ -	$ 15,028	$ (15,028)
Capital outlay	1,339,115	1,573,685	(234,570)
Transfers to other funds	-	59,202	(59,202)
Total General Purpose School Fund	$ 1,339,115	$ 1,647,915	$ (308,800)
School Federal and State Projects Fund:			
Instructional staff	$ 88,446	$ 89,134	$ (688)
Transportation	-	1,563	(1,563)
Capital outlay	344,593	345,060	(467)
Total School Federal and State Projects Fund	$ 433,039	$ 435,757	$ (2,718)

C. Deficit Fund Balances

The following fund has a deficit balance as of June 30, 2014:

	Undesignated Fund Balance/ Unrestricted Net Position	Reserved	Total Fund Balance/Total Net Position
Proprietary Fund:			
Fiber Optics Fund	$ 194,604	$ (2,371,779)	$ (2,177,175)

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

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 2014, 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, 2014, Tullahoma City School System's deposits of approximately $557,490 were not collateralized.

B. Investments

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

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

NOTE 4 - AMOUNTS RECEIVABLE

A. Accounts receivable

A summary of accounts receivable as of June 30, 2014 is as follows:

Primary Government:

	Governmental Activities	Business-type Activities	Total	Component Units
Property tax	$ 10,871,730	$ -	$ 10,871,730	$ -
Court receivables	906,763	-	906,763	-
Customer accounts receivables	-	3,493,486	3,493,486	871
Other	45,596	-	45,596	-
	$ 11,824,089	$ 3,493,486	$ 15,317,575	$ 871

NOTE 5 - CAPITAL ASSETS

A. Transaction Summary

Capital asset activity for the year ended June 30, 2014 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 3,824,195	$ -	$ -	$ 3,824,195
Construction in process	1,368,695	1,112,268	(2,089,141)	391,822
Total capital assets, not being depreciated	5,192,890	1,112,268	(2,089,141)	4,216,017
Capital assets, being depreciated				
Buildings and improvements	57,982,371	1,213,910	-	59,196,281
Furniture, machinery, and equipment	10,224,142	973,657	(189,688)	11,008,111
Infrastructure	16,806,631	2,089,141	-	18,895,772
Total capital assets, being depreciated	85,013,144	4,276,708	(189,688)	89,100,164
Less accumulated depreciation:				
Buildings and improvements	(26,884,197)	(1,367,354)	-	(28,251,551)
Furniture, machinery, and equipment	(8,060,619)	(469,622)	186,586	(8,343,655)
Infrastructure	(11,360,658)	(1,107,565)	-	(12,468,223)
Total accumulated depreciation	(46,305,474)	(2,944,541)	186,586	(49,063,429)
Total capital assets being depreciated, net	38,707,670	1,332,167	(3,102)	40,036,735
Governmental activities capital assets, net	$ 43,900,560	$ 2,444,435	$ (2,092,243)	$ 44,252,752

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities:

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 476,080	$ -	$ -	$ 476,080
Construction in process	4,635,432	6,177,522	(2,335,885)	8,477,069
Total capital assets, not being depreciated	5,111,512	6,177,522	(2,335,885)	8,953,149
Capital assets, being depreciated				
Utility plant in service	63,863,463	1,251,955	(258,177)	64,857,241
Buildings and improvements	15,540,651	861,484	-	16,402,135
Furniture, machinery, and equipment	5,182,870	272,478	(1,012)	5,454,336
Total capital assets, being depreciated	84,586,984	2,385,917	(259,189)	86,713,712
Less accumulated depreciation:				
Utility plant in service	(29,223,943)	(2,627,700)	239,062	(31,612,581)
Buildings and improvements	(10,583,454)	(402,069)	(936)	(10,986,459)
Furniture, machinery, and equipment	(3,678,449)	(369,271)	1,012	(4,046,708)
Total accumulated depreciation	(43,485,846)	(3,399,040)	239,138	(46,645,748)
Total capital assets being depreciated, net	41,101,138	(1,013,123)	(20,051)	40,067,964
Business-type activities capital assets, net	$ 46,212,650	$ 5,164,399	$ (2,355,936)	$ 49,021,113

Component Units:

Tullahoma Municipal Airport Authority:

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 1,738,799	$ -	$ -	$ 1,738,799
Construction in process	676,334	121,136	(142,839)	654,631
Total capital assets, not being depreciated	2,415,133	121,136	(142,839)	2,393,430
Capital assets, being depreciated				
Buildings and improvements	9,821,455	142,839		9,964,294
Furniture, machinery, and equipment	462,433	6	-	462,439
Total capital assets, being depreciated	10,283,888	142,845	-	10,426,733
Less accumulated depreciation:				
Buildings and improvements	(2,566,332)	(407,251)	-	(2,973,583)
Furniture, machinery, and equipment	(359,404)	(18,887)	-	(378,291)
Total accumulated depreciation	(2,925,736)	(426,138)	-	(3,351,874)
Total capital assets being depreciated, net	7,358,152	(283,293)	-	7,074,859
Component unit capital assets, net	$ 9,773,285	$ (162,157)	$ (142,839)	$ 9,468,289

NOTE 5 - CAPITAL ASSETS (continued)

B. Depreciation

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government	$ 745,333
Public works	1,107,565
Education	1,080,293
Food Service	11,350
Total depreciation expense, governmental activities	$ 2,944,541
Business-type activities:	
Tullahoma Utilities Board	$ 3,399,040
Component Units:	
Business-type activities:	
Tullahoma Municipal Airport Authority	$ 426,138

Interest expense and amounts charged to construction in progress for the year ended June 30, 2014 were as follows:

	Total Interest	Capitalized Interest	Expensed Interest
Primary Government:			
Business-type activities:			
Tullahoma Utilities Board	$ 761,071	$ 49,496	$ 711,575

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS

A. Transaction Summary

Bonds, notes, and other obligations activity for the year ended June 30, 2014 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds					
General Public Improvement and Refunding Bonds, Series 2005	$ 6,610,000	$ -	$ (640,000)	$ 5,970,000	$ 675,000
General Obligation Refunding Bonds, Series 2006	9,180,000	-	(30,000)	9,150,000	30,000
General Obligation Refunding Bonds, Series 2009	1,850,000	-	(755,000)	1,095,000	780,000
TMBF City Note, Series 2008	1,009,000	-	(32,000)	977,000	34,000
TMBF 12M School Note, Series 2008	11,175,000	-	(331,000)	10,844,000	346,000
General Obligation School Bonds, Series 2010	4,550,000	-	(100,000)	4,450,000	100,000
General Obligation School Refunding Bonds, Series 2012	4,700,000	-	(275,000)	4,425,000	325,000
	39,074,000	-	(2,163,000)	36,911,000	2,290,000
Bond premium	334,179		(46,032)	288,147	-
Total General Obligation Bonds	39,408,179	-	(2,209,032)	37,199,147	2,290,000
Capital Outlay Notes Payable					
Capital Outlay Note, Series 2007	380,000	-	(89,000)	291,000	93,000
Capital Outlay Note, Series 2013	-	890,115	-	890,115	60,115
Local Government Loan Program, Series 2013*	-	197,840	-	197,840	-
Capital Outlay Note, Series 2014	-	650,000	-	650,000	85,000
Total Capital Outlay Notes Payable	380,000	1,737,955	(89,000)	2,028,955	238,115
Other Obligations Payable					
Net OPEB liability - City employees	419,759	105,205	-	524,964	-
Net OPEB liability - School employees	251,035	199,295	-	450,330	-
Net pension obligation (TCSDBP)	1,155,871	-	(60,359)	1,095,512	-
Compensated absences	1,234,456	-	(86,783)	1,147,673	45,000
Total Other Obligations Payable	3,061,121	304,500	(147,142)	3,218,479	45,000
Total Governmental Activities Long-term Liabilities	$ 42,849,300	$ 2,042,455	$ (2,445,174)	$ 42,446,581	$ 2,573,115

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

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

Business-type Activities:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Bonds Payable					
Broadband Network Revenue and Tax Bonds, Series 2007	$ 15,545,000	$ -	$ (760,000)	$ 14,785,000	$ 790,000
Water and Waste Water Revenue and Tax Bonds, Series 1997	255,000	-	(45,000)	210,000	50,000
Less: bond discount	(59,767) *	4,374	-	(55,393)	-
Total Bonds Payable	15,740,233	4,374	(805,000)	14,939,607	840,000
Notes Payable					
Electric System:					
Revenue and Tax Capital Outlay Notes, Series 2011	1,369,000	-	(1,369,000)	-	-
Total Notes Payable - Electric System	1,369,000	-	(1,369,000)	-	-
Water System:					
TML Loan 1999	2,278,000	-	(293,000)	1,985,000	303,000
Revenue and Tax Capital Outlay Notes, Series 2011	821,000	-	(82,000)	739,000	84,000
Total Notes Payable - Water System	3,099,000	-	(375,000)	2,724,000	387,000
Waste Water System:					
Loan Fund 319-02, Series 2003	17,226	-	(9,774)	7,452	7,452
Loan Fund 319-03, Series 2003	28,547	-	(28,547)	-	-
State Revolving Loan Fund, 93-053	1,062,100	-	(479,364)	582,736	497,904
State Revolving Loan Fund, 94-077	711,709	-	(193,872)	517,837	201,312
Revenue and Tax Capital Outlay Notes, Series 2011	639,000	-	(63,000)	576,000	65,000
State Revolving Fund Loan**	546,246	2,749,431	-	3,295,677	-
Total Notes Payable - Waste Water System	3,004,828	2,749,431	(774,557)	4,979,702	771,668
Other Obligations Payable					
Compensated absences	364,670 *	22,780	-	387,450	-
Total Other Obligations Payable	364,670	22,780	-	387,450	-
Total Business-type Activities Long-term Liabilities	$ 23,577,731	$ 2,776,585	$ (3,323,557)	$ 23,030,759	$ 1,998,668

* As restated.

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

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

Component Units:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
UDAG Note Payable (11-05-05)	$ 190,381	$ -	$ (39,405)	$ 150,976	$ 28,892
UDAG Note Payable (01-04-12)	3,184	-	(1,056)	2,128	981
UDAG Note Payable (08-05-13)	-	25,000	(2,004)	22,996	2,409
UDAG Note Payable (03-14-14)	-	23,000	(1,122)	21,878	4,520
Total Notes Payable	193,565	48,000	(43,587)	197,978	36,802
Other Obligations Payable					
Compensated absences	10,856 *	5,911	-	16,767	-
Total Other Obligations Payable	10,856	5,911	-	16,767	-
Total Component Units Long-term Liabilities	$ 204,421	$ 53,911	$ (43,587)	$ 214,745	$ 101,802

* As restated.

B. Annual Debt Service Requirements

The annual requirements to amortize all general obligation bonds, notes, and revenue bonds outstanding as of June 30, 2014 are as follows:

Primary Government:

Governmental Activities:

	General Obligation Bonds		Notes Payable*		Total Governmental Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2015	$ 2,290,000	$ 1,381,318	$ 238,115	$ 50,509	$ 2,528,115	$ 1,431,827
2016	2,336,000	1,300,707	251,000	44,608	2,587,000	1,345,315
2017	2,394,000	1,220,185	259,000	36,514	2,653,000	1,256,699
2018	2,502,000	1,159,432	162,000	28,141	2,664,000	1,187,573
2019	2,567,000	1,077,754	166,000	23,989	2,733,000	1,101,743
2020-2024	11,492,000	4,043,140	584,000	60,786	12,076,000	4,103,926
2025-2029	7,517,000	2,022,035	171,000	5,055	7,688,000	2,027,090
2030-2034	5,813,000	694,841	-	-	5,813,000	694,841
	36,911,000	12,899,412	1,831,115	249,602	38,742,115	13,149,014
Bond premium	288,147	-	-	-	288,147	-
	$ 37,199,147	$ 12,899,412	$ 1,831,115	$ 249,602	$ 39,030,262	$ 13,149,014

* Since the terms of Local Government Loan Program, series 2013 have not been finalized, it is not included in the schedule above. The amount excluded is $197,840.

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

Business-type Activities:

	Revenue Bonds		Notes Payable *		Total Proprietary Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2015	$ 840,000	$ 624,993	$ 1,158,668	$ 125,564	$ 1,998,668	$ 750,557
2016	875,000	588,912	760,863	91,394	1,635,863	680,306
2017	915,000	550,218	589,494	68,998	1,504,494	619,216
2018	955,000	509,794	498,000	54,918	1,453,000	564,712
2019	935,000	469,872	514,000	40,366	1,449,000	510,238
2020-2024	5,315,000	1,716,357	887,000	40,140	6,202,000	1,756,497
2025-2029	5,160,000	463,969	-	-	5,160,000	463,969
	$ 14,995,000	$ 4,924,115	$ 4,408,025	$ 421,380	$ 19,403,025	$ 5,345,495

* Since the terms of State Revolving Fund Loan have not been finalized, it is not included in the schedule above. The amount excluded is $3,295,677.

Component Units:

	Notes Payable	
	Principal	Interest
June 30,		
2015	$ 36,802	$ 1,543
2016	37,098	1,247
2017	36,554	949
2018	36,688	658
2019	35,804	364
2020-2024	15,032	251
	$ 197,978	$ 5,012

C. Other Debt Information

Primary Government:

Governmental Activities:

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

Notes payable by the Tullahoma Utilities Board to the State of Tennessee includes debt assumed by the Duck River Utility Commission. The balance of the debt assumed by the Duck River Utility Commission and included in notes payable and notes receivable is $632,453 as of June 30, 2014.

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

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

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

C. Other Debt Information (Continued)

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 2014.

Component Units:

The Authority's UDAG Loan (11-1-05) has a variable rate, determined each November 1 at four percentage points below prime with a .75% floor. The interest rate at June 30, 2014 was 0.75%. Future principal and interest payments have been calculated using this rate.

D. Issuance of Notes

Primary Government:

Governmental Activities:

In September 2013, the City issued School Repair Capital Outlay Notes, Series 2013, in the principal amount of $890,115. The notes were issued to finance certain public works projects, consisting of the cost of a partial re-roof at Tullahoma High School for 12 years with interest rate of 2.93%.

In December 2013, the City entered into an agreement with City of Clarksville, Tennessee to secure loan for the purpose of financing reconstruction of the swimming pool and water park project. The total project is $2,400,000 with interest rate of 3.00% over 25 years. Funds received in the year ended June 30, 2014 totaled $197,840.

In May 2014, the City issued Equipment Acquisition Capital Outlay Notes, Series 2014, in the principal amount of $650,000. The notes were issued to finance certain public works projects, consisting of the acquisition of garbage and fire trucks for 7 years with interest rate of 2.26%.

Business-type Activities:

In March 2012, the Revolving Fund Loan agreement with the City of Tullahoma was approved by the Tennessee Local Development Authority for a total project of $5,000,000. This loan is funded by $4,000,000 State Revolving Fund Base and $1,000,000 Principal Forgiveness. The interest rate is 1.15%. Funds received in the year ended June 30, 2014 totaled $3,026,556 of which $605,311 represented principal forgiveness. The amount of principal forgiveness is treated as contributed capital in the financial statements.

Component Units:

In August 2013, the Authority signed $25,000 UDAG Loan (8-15-13) payable to the City of Tullahoma over a 10 year period to provide resources for a construction project with interest at the rate of 1%, per annum, payable on unpaid balance, for the first year of this obligation, until September 15, 2014, 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, but not less than 1%.

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

D. Issuance of Notes (Continued)

In March 2014, the Authority signed $23,000 UDAG Loan (3-14-14) payable to the City of Tullahoma to provide resources for a construction project with interest at the rate of 1%, per annum, payable on unpaid balance, for the first year of this obligation, until April 14, 2014, 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, but 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 Tullahoma City Schools) a defined contribution plan created in accordance with Internal Revenue Code Section 457B. Participation in the plan is optional for full-time employees with one year of service. The contribution rate for the City shall be set by the Board of Mayor and Aldermen during the budget process. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider, ICMA-RC, administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City. The City is required to contribute 5% of full-time qualified employees' earnable compensation. For the year ended June 30, 2014, the City contributions to the plan totaled $213,954 and employee contributions were $245,817.

B. Tullahoma Board of Education

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

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

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

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

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

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

NOTE 7 - RETIREMENT PLANS (continued)

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

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

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

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

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

a. Selected Pension Information

Additional information regarding annual pension cost and net pension obligation, trend information, and participant information for the plan is summarized on the following schedules on pages B-42 and B-43.

b. Required Supplementary Information

As of January 1, 2014, the most recent actuarial valuation date, the plan was 52.49% funded. The actuarial accrued liability for benefits was $7,897,831, and the actuarial value of assets was $4,145,485, resulting in an unfunded actuarial accrued liability (UAAL) of $3,752,346. The covered payroll (annual payroll of active employees covered by the plan) was $2,528,843, and the ratio of the UAAL to the covered payroll was 148.38%.

A Schedule of Funding Progress (Unaudited) and a Schedule of Employer Contributions (Unaudited) are included as Required Supplementary Information following the notes to the financial statements on page B-53.

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, 2013	$ 4,392,881	$ 8,414,176	$ 4,021,295	52.21%	$ 2,692,387	149.36%
January 1, 2014	$ 4,145,485	$ 7,897,831	$ 3,752,346	52.49%	$ 2,528,843	148.38%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION - JUNE 30, 2014	TCSDBP
Annual required contribution	$ 623,461
Interest on net pension obligation	78,021
Adjustment to annual required contribution	(90,819)
Annual pension cost	610,663
Contributions made	671,022
Increase (decrease) in net pension obligation	(60,359)
Net pension obligation beginning of plan year	1,155,871
Net pension obligation end of plan year	$ 1,095,512

The annual required contribution for the current year was determined as part of December 31, 2013 actuarial valuation using the entry age actuarial cost method.

THREE YEAR TREND INFORMATION

2014	
Annual pension cost (APC)	$ 610,663
Percentage of APC contributed	109.88%
Net pension obligation	$ 1,095,512
2013	
Annual pension cost (APC)	$ 574,946
Percentage of APC contributed	90.41%
Net pension obligation	$ 1,155,871
2012	
Annual pension cost (APC)	$ 568,340
Percentage of APC contributed	13.51%
Net pension obligation	$ 1,100,744

PARTICIPANTS

Active:	
Fully vested	96
Non-vested and partially vested	28
Total active	124
Retirees and beneficiaries receiving benefits	10
Total	134

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

ACTUARIAL VALUATION	TCSDBP
Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Valuation interest:	
Preretirement	6.75%
Postretirement	6.75%
Projected salary increases	3.00%
Interest rate for employee accumulations	5.00%
Retirement age	65
Disability	none

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 0.5%. 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, 2014 is 8.88% of annual covered payroll. The employer contribution requirement for Tullahoma City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contribution to TCRS for the years ending June 30, 2014, 2013, and 2012 were $1,234,163, $1,257,238, and $1,230,152 respectively, equal to the required contributions for each year.

Business-type Activities:

The Tullahoma Utilities Board has a defined contribution plan "Tullahoma Utilities Board Employees' Pension Trust" covering all of its eligible employees. The Board is the plan's administrator. The Board has the right to amend or terminate the plan at any time. This plan includes all full-time employees that have attained age 21, and have worked 1,000 hours in a twelve-month period to be eligible on July 1 of that plan year. The employer's costs are determined by the individual level premium cost method using a 6% interest assumption. The financial information for the year ended June 30, 2014 is as follows:

	Target plan	Money Purchase plan
Employee contribution	$ 102,941	$ 161,789
Employer contribution	320,011	322,922
Total plan assets as of June 30, 2014	6,117,489	3,135,350

Employee contributions to the plan are required annually in accordance with the plan document. Participating employees must contribute a minimum of 5% 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, 2014 was $3,998,458. Total payroll was $4,368,162.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Primary Government:

Governmental Activities:

A. City Plan

Plan Description

The City's current single-employer defined benefit post employment healthcare plan only provides health insurance benefits, under a fully insured health plan, to eligible retired City employees and their beneficiaries. There are currently only 7 employees that receive post employment benefits. Benefits for the year ended June 30, 2014 totaled $49,091. The City currently funds the benefits on a pay-as-you-go basis. The benefits of post employment obligations will be reviewed by the City in the future allowing for any improvements or changes to the present plan. The report may be obtained by contacting the finance director for the City.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Components of the Net OPEB Obligation

Annual required contribution	$ 154,296
Interest on net OPEB obligation	-
Amortization of prior year net OPEB obligation	-
Annual OPEB cost (expense)	154,296
Contributions made	(49,091)
Increase in net OPEB obligation	$ 105,205
Net OPEB obligation - July 1, 2013	$ 419,759
Net OPEB obligation - June 30, 2014	$ 524,964

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-2014 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
6/30/2013	149,755	21.12%	419,759
6/30/2014	154,296	31.82%	524,964

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (1.50% real rate of return plus 3% inflation), net of administrative expenses. This assumption is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by the decrements to an ultimate ratio of 5% after 5 years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2014 was 24 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 City Schools in a certified position, who retire with at least 30 years of creditable service, or who retire having reached the age of 60 years with a minimum of ten years of creditable service prior to the beginning of the next contract year, may elect to continue in the City Schools' medical, dental, and life insurance programs. The ten year minimum employment for certified employees will be waived for certified staff employed prior to the 1999-2000 school year. Non-certified employees of the City Schools who are age 62 with at least 25 years of service in the City Schools, and who meet requirements of the insurance companies for continuation of coverage, may elect to continue in the City Schools' medical, dental, and life insurance programs. The City Schools will assume the cost of the benefit until age 65 or until covered by Medicare or Medicaid if under the age of 65.

The retiring employees may have the same options for the insurance package as current employees, and the City Schools will assume the same percentage of costs for the package as for the current employees. The City Schools currently pays 100% of premiums. For the year ended June 30, 2014, the City Schools paid medical insurance benefits for 40 eligible retirees totaling $226,808, dental for 40 eligible retirees totaling $16,570, vision and life insurance benefits for 19 and 40 eligible retirees totaling $441 and $4,864, respectively. The General Purpose School Fund has been used to liquidate the OPEB obligation in prior years.

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

Information concerning the plan follows:

Components of the Net OPEB Obligation:

Annual required contribution	$ 447,978
Interest on net OPEB obligation	-
Amortization of prior year net OPEB obligation	-
Annual OPEB cost	447,978
Contributions made	(248,683)
Increase in net OPEB obligation	$ 199,295
Net OPEB obligation - July 1, 2013	$ 251,035
Net OPEB obligation - June 30, 2014	$ 450,330

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

The Tullahoma City Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-2014 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
6/30/2013	447,823	46.24%	251,035
6/30/2014	447,978	55.52%	450,330

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $3,692,831, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $3,692,831. The covered payroll (annual payroll of active employees covered by the plan) was $17,400,000 and the ratio of the UAAL to the covered payroll was 21.22%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (1.50% real rate of return plus 3% inflation), net of administrative expenses. This assumption is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by the decrements to an ultimate ratio of 5% after 5 years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2014 was 26 years.

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

Business-type Activities:

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

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS

A. Federal and State Financial Assistance

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

B. Other Commitments

Primary Government:

Governmental Activities:

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

Business-type Activities:

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

At June 30, 2014, Tullahoma Utilities Board had several construction projects in process. The Board takes bids for these projects and awards construction contracts to various companies.

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

Component Unit:

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

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

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously, bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB Statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. The result of implementation was a direct adjustment to net position, in the amount of $348,006 in the governmental activities and $112,275 in business-type activities.

In addition, adjustment to prior period financial statements were made to correct errors discovered during the audit.

The aggregate impact of these adjustments is shown on the face of the financial statements. Details of the adjustments are as follows:

	Government-wide Activities	Buisness-type Activities	Component Units
Net position, beginning, as previously presented	$ 18,373,836	$ 42,916,871	$9,914,939
Change in accounting principle (GASB 65)	(348,006)	(112,275)	-
Prior period adjustments	(28,366)	-	(72,185)
Net position, beginning, as restated	$ 17,997,464	$ 42,804,596	$9,842,754

NOTE 11 - NEW PRONOUNCEMENTS

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

The GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This statement applies to all state and local governmental entities. The requirements of this statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. However, earlier application of the statement is encouraged.

NOTE 11 - NEW PRONOUNCEMENTS (continued)

The GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2013.

NOTE 12 - INTERFUND TRANSFERS

Transfers are used (1) to move revenue from the Education Debt Service Fund to the Debt Service Fund as debt service principal and interest payments become due, (2) to move amounts from borrowing from Capital Project Funds to the General Purpose School Fund as required, (3) to move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (4) for payment in lieu of taxes from the Electric System to the General Fund.

NOTE 12 – INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended June 30, 2014 consist of the following:

	Transferred From				
Transferred To	General Fund	General Purpose School	Non-major Governmental Funds	Electric System	Total
General Fund	$ -	$ -	$ -	$ 426,112	$ 426,112
General Purpose School	8,096,669	-	865,115	-	8,961,784
General Debt Service	1,169,059	-	2,230,504	-	3,399,563
Non-major Governmental Funds	3,607,386	59,202	60,000	-	3,726,588
Water System	139,638	-	-	-	139,638
Total	$ 13,012,752	$ 59,202	$ 3,155,619	$ 426,112	$ 16,653,685

Interfund receivables and payables and amounts due to and due from funds of the primary government at June 30, 2014 are attributable to unsettled balances at year-end primarily for charges and transfers between funds. The City intends to repay all interfund liabilities within the next fiscal year. Balances at June 30, 2014 are as follows:

	Due From					
Due To	General Fund	Fiber System	Non-major Governmental Funds	Water System	Waste Water System	Total
General Purpose School	$ 414,730	$ -	$ 600,000	$ -	$ -	$ 1,014,730
General Debt Service	-	-	7,477	-	-	7,477
Non-major Governmental Funds	155,076	-	-	-	-	155,076
Electric System	-	981,390	-	7,018	7,916	996,324
Water System	-	209	-	-	3,049	3,258
Waste Water System	-	403	-	5,464	-	5,867
Total	$ 569,806	$ 982,002	$ 607,477	$ 12,482	$ 10,965	$ 2,182,732

SUPPLEMENTARY INFORMATION

CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION

Unaudited - See Accompanying Accountants' Report

SCHEDULE OF FUNDING PROGRESS - TCSDBP

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Underfunded) AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
January 1, 2003	$ 1,524,160	$ 3,111,132	$ (1,586,972)	48.99%	$ 2,256,294	70.34%
January 1, 2004	1,827,450	3,630,770	(1,803,320)	50.33%	2,303,446	78.29%
January 1, 2005	2,157,555	3,923,687	(1,766,132)	54.99%	2,297,918	76.86%
January 1, 2006	2,483,891	4,309,858	(1,825,967)	57.63%	2,253,954	81.01%
January 1, 2007	2,931,772	5,497,629	(2,565,857)	57.89%	2,272,130	100.88%
January 1, 2008	3,339,880	6,040,767	(2,700,887)	55.29%	2,314,275	116.71%
January 1, 2009	2,761,688	6,813,611	(4,051,923)	40.53%	2,441,280	165.98%
January 1, 2010	3,521,552	7,041,938	(3,520,386)	50.01%	2,639,741	133.36%
January 1, 2011	3,827,500	7,197,574	(3,370,074)	53.18%	2,649,761	127.18%
January 1, 2012	3,518,637	7,481,109	(3,962,472)	47.03%	2,335,316	169.68%
January 1, 2013	4,392,881	8,414,176	(4,021,295)	52.21%	2,692,387	149.36%
January 1, 2014	4,145,485	7,897,831	(3,752,346)	52.49%	2,528,843	148.38%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCSDBP

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2004	$ 270,502	77.00%
6/30/2005	307,476	99.00%
6/30/2006	312,088	75.74%
6/30/2007	330,403	51.51%
6/30/2008	442,254	74.11%
6/30/2009	464,393	101.48%
6/30/2010	640,332	61.25%
6/30/2011	591,474	104.75%
6/30/2012	574,231	13.37%
6/30/2013	587,134	88.53%
6/30/2014	623,461	83.38%

CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION

Unaudited - See Accompanying Accountants' Report

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

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

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

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	OPEB Obligation
2009	$ 111,573	50.45%	$ 55,279
2010	111,904	61.91%	97,973
2011	143,108	37.07%	187,101
2012	143,108	19.97%	301,626
2013	154,296	21.12%	419,759
2014	154,296	31.82%	524,964

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

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

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

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	OPEB Obligation
06/30/11	$ 11,143	56.28%	$ 4,872
06/30/12	11,143	51.58%	10,268
06/30/13	447,978	46.24%	251,035
06/30/14	447,978	55.52%	450,330

CITY OF TULLAHOMA

STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds							Debt Service Funds	Capital Projects Funds		
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Federal Projects	Total Non-major Governmental Funds
ASSETS:											
Cash and cash equivalents	$ 979	$ 452,368	$ 82,191	$ 187,211	$ 90,035	$ 543,204	$ 110,595	$ 2,689,206	$ 501,450	$ 2,957	$ 4,660,196
Receivables	-	-	8,266	37,377	-	-	-	-	-	-	45,643
Allowance for doubtful accounts	-	-	(2,021)	(12,334)	-	-	-	-	-	-	(14,355)
Accrued interest receivable	-	-	-	-	-	-	-	957	-	-	957
Notes receivable	-	-	-	-	-	1,168,308	89,250	-	-	-	1,257,558
Due from other governments	723,174	142,066	-	71,042	-	-	-	-	423,777	-	1,360,059
Due from other funds	-	-	-	-	-	-	-	155,076	-	-	155,076
Other assets	6,209	-	-	-	-	-	-	-	-	-	6,209
Prepaid expenses	-	-	-	1,500	-	-	-	-	-	-	1,500
Total assets	$ 730,362	$ 594,434	$ 88,436	$ 284,796	$ 90,035	$ 1,711,512	$ 199,845	$ 2,845,239	$ 925,227	$ 2,957	$ 7,472,843
LIABILITIES:											
Accrued liabilities	$ -	$ -	$ -	$ 18,282	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,282
Accrued payroll	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	41,563	-	47	-	-	67,976	343	109,929
Due to other funds	600,000	-	-	-	-	-	-	7,477	-	-	607,477
Total liabilities	600,000	-	-	59,845	-	47	-	7,477	67,976	343	735,688
DEFERRED INFLOWS OF RESOURCES:											
Unavailable revenue - loans	-	-	-	-	-	1,168,308	89,250	-	-	-	1,257,558
Total deferred inflows of resources	-	-	-	-	-	1,168,308	89,250	-	-	-	1,257,558
FUND BALANCES:											
Nonspendable:											
Prepaid items	-	-	-	1,500	-	-	-	-	-	-	1,500
Restricted for:											
Debt service	-	-	-	-	-	-	-	2,837,762	-	-	2,837,762
Capital improvements	-	-	-	-	-	-	-	-	857,251	2,614	859,865
Drug enforcement	-	-	-	-	90,035	-	-	-	-	-	90,035
Grant projects	130,362	-	-	-	-	543,157	110,595	-	-	-	784,114
School operations	-	594,434	-	-	-	-	-	-	-	-	594,434
Solid waste	-	-	-	214,275	-	-	-	-	-	-	214,275
Extended school	-	-	88,436	-	-	-	-	-	-	-	88,436
Committed to:											
Encumbrances	-	-	-	9,176	-	-	-	-	-	-	9,176
Total fund balances	130,362	594,434	88,436	224,951	90,035	543,157	110,595	2,837,762	857,251	2,614	5,479,597
Total liabilities, deferred inflows of resources and fund balances	$ 730,362	$ 594,434	$ 88,436	$ 284,796	$ 90,035	$ 1,711,512	$ 199,845	$ 2,845,239	$ 925,227	$ 2,957	$ 7,472,843

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds							Debt Service Fund	Capital Projects Funds		
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Federal Projects	Total Non-major Governmental Funds
REVENUES:											
Intergovernmental	$ 2,694,678	$ 1,306,858	$ -	$ -	$ -	$ -	$ -	$ 363,125	$ 572,745	$ 19,013	$ 4,956,419
Charges for services	-	710,482	300,438	724,011	-	-	-	-	-	-	1,734,931
Investment income	-	1,307	246	980	532	(2,779)	1,160	8,547	3,493	-	13,486
Note repayments	-	-	-	-	-	214,817	53,927	-	-	-	268,744
Other revenues	-	-	6,769	14,767	22,055	104	124	-	32,737	20,000	96,556
Total revenues	2,694,678	2,018,647	307,453	739,758	22,587	212,142	55,211	371,672	608,975	39,013	7,070,136
EXPENDITURES:											
Current:											
Education:											
Regular education	1,460,395	-	-	-	-	-	-	-	-	-	1,460,395
Special education	753,393	-	-	-	-	-	-	-	-	-	753,393
Other student support	48,926	-	-	-	-	-	-	-	-	-	48,926
Instructional staff	89,134	-	-	-	-	-	-	-	-	-	89,134
Transportation	1,563	-	-	-	-	-	-	-	-	-	1,563
Program costs	-	1,905,309	323,521	1,861,414	16,859	35,027	615	-	54,119	-	4,196,864
Capital outlay	345,060	12,010	-	60,493	13,693	-	-	-	1,674,421	41,999	2,147,676
Loans disbursed	-	-	-	-	-	68,000	22,000	-	-	-	90,000
Total expenditures	2,698,471	1,917,319	323,521	1,921,907	30,552	103,027	22,615	-	1,728,540	41,999	8,787,951
Excess (deficiency) revenues over (under) expenditures	(3,793)	101,328	(16,068)	(1,182,149)	(7,965)	109,115	32,596	371,672	(1,119,565)	(2,986)	(1,717,815)
OTHER FINANCING SOURCES (USES):											
Note issuance	-	-	-	-	-	-	-	-	1,737,955	-	1,737,955
Transfers in	59,202	-	-	1,206,839	-	60,000	-	2,178,949	215,998	5,600	3,726,588
Transfers out	-	-	-	-	-	-	-	(2,205,504)	(950,115)	-	(3,155,619)
Total other financing sources	59,202	-	-	1,206,839	-	60,000	-	(26,555)	1,003,838	5,600	2,308,924
Net change in fund balances	55,409	101,328	(16,068)	24,690	(7,965)	169,115	32,596	345,117	(115,727)	2,614	591,109
Fund balance, July 1, 2013, as previously presented	120,751	493,106	104,504	200,261	98,000	374,042	77,999	2,492,645	972,978	-	4,934,286
Prior period adjustment (See Note 10)	(45,798)	-	-	-	-	-	-	-	-	-	(45,798)
Fund balances, July 1, 2013, as restated	74,953	493,106	104,504	200,261	98,000	374,042	77,999	2,492,645	972,978	-	4,888,488
Fund balance, June 30, 2014	$ 130,362	$ 594,434	$ 88,436	$ 224,951	$ 90,035	$ 543,157	$ 110,595	$ 2,837,762	$ 857,251	$ 2,614	$ 5,479,597

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FEDERAL AND STATE PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 2,694,678	$ -	$ 2,694,678	$ 2,709,407	$ 2,700,674	$ (5,996)
Total revenues	2,694,678	-	2,694,678	2,709,407	2,700,674	(5,996)
EXPENDITURES:						
Regular education:						
Salaries	1,100,602	-	1,100,602	1,130,958	1,012,437	(88,165)
Payroll taxes	77,027	-	77,027	82,486	90,751	13,724
Benefits	203,698	-	203,698	210,177	207,403	3,705
Contract services	10,000	-	10,000	6,565	9,565	(435)
Supplies	56,509	-	56,509	60,295	137,417	80,908
Other	12,559	-	12,559	15,869	15,869	3,310
Total regular education	1,460,395	-	1,460,395	1,506,350	1,473,442	13,047
Special education:						
Salaries	523,821	-	523,821	523,401	524,635	814
Payroll taxes	37,090	-	37,090	37,466	37,466	376
Benefits	192,482	-	192,482	185,792	185,792	(6,690)
Contract services	-	-	-	5,500	5,500	5,500
Total special education	753,393	-	753,393	752,159	753,393	-
Other student support:						
Contract services	23,237	-	23,237	24,796	24,796	1,559
Travel	9,829	-	9,829	10,586	10,586	757
Other	15,860	-	15,860	22,885	22,885	7,025
Total other student support	48,926	-	48,926	58,267	58,267	9,341
Instructional staff:						
Travel	55,095	-	55,095	39,302	51,752	(3,343)
Maintenance and repairs	1,493	-	1,493	3,000	1,518	25
Other	32,546	-	32,546	26,136	35,176	2,630
Total instructional staff	89,134	-	89,134	68,438	88,446	(688)
Transportation						
Other	1,563	-	1,563	-	-	(1,563)
Total transportation	1,563	-	1,563	-	-	(1,563)
Capital outlay	345,060	-	345,060	324,193	344,593	(467)
Total expenditures	2,698,471	-	2,698,471	2,709,407	2,718,141	19,670
OTHER FINANCING SOURCES (USES):						
Transfers in	59,202	-	59,202	-	-	59,202
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	59,202	-	59,202	-	-	59,202
Net change in fund balance	55,409	-	55,409	-	(17,467)	72,876
Fund balance, July 1, 2013	120,751	-	120,751	120,751	120,751	-
Prior period adjustment (See Note 10)	(45,798)	-	(45,798)	-	-	(45,798)
Fund balance, June 30, 2014	$ 130,362	$ -	$ 130,362	$ 120,751	$ 103,284	$ 27,078

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FOOD SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 1,306,858	$ -	$ 1,306,858	$ 1,185,000	$ 1,185,000	$ 121,858
Charges for services	710,482	-	710,482	870,000	870,000	(159,518)
Interest income	1,307	-	1,307	5,000	5,000	(3,693)
Total revenues	2,018,647	-	2,018,647	2,060,000	2,060,000	(41,353)
EXPENDITURES:						
Current:						
Salaries	636,218	-	636,218	655,000	655,000	18,782
Payroll taxes	44,759	-	44,759	50,000	50,000	5,241
Benefits	195,724	-	195,724	223,000	223,000	27,276
Contract services	15,489	-	15,489	10,000	10,000	(5,489)
Maintenance and repairs	7,656	-	7,656	15,000	15,000	7,344
Travel	6,766	-	6,766	5,000	5,000	(1,766)
Supplies	902,433	-	902,433	975,000	975,000	72,567
Other	96,264	-	96,264	94,000	94,000	(2,264)
Capital outlay	12,010	-	12,010	33,000	33,000	20,990
Total expenditures	1,917,319	-	1,917,319	2,060,000	2,060,000	142,681
Net change in fund balance	101,328	-	101,328	-	-	101,328
Fund balance, July 1, 2013	493,106	-	493,106	493,106	493,106	-
Fund balance, June 30, 2014	$ 594,434	$ -	$ 594,434	$ 493,106	$ 493,106	$ 101,328

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EXTENDED SCHOOL PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 300,438	$ -	$ 300,438	$ 327,940	$ 327,940	$ (27,502)
Interest income	246	-	246	-	-	246
Other income	6,769	-	6,769	-	-	6,769
Total revenues	307,453	-	307,453	327,940	327,940	(20,487)
EXPENDITURES:						
Salaries	251,622	-	251,622	250,700	250,700	(922)
Payroll taxes	19,250	-	19,250	19,125	19,125	(125)
Benefits	21,655	-	21,655	22,570	22,570	915
Supplies	21,416	-	21,416	31,900	31,900	10,484
Other	9,578	-	9,578	6,845	6,845	(2,733)
Total expenditures	323,521	-	323,521	331,140	331,140	7,619
Net change in fund balance	(16,068)	-	(16,068)	(3,200)	(3,200)	(12,868)
Fund balance, July 1, 2013	104,504	-	104,504	104,504	104,504	-
Fund balance, June 30, 2014	$ 88,436	$ -	$ 88,436	$ 101,304	$ 101,304	$ (12,868)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SOLID WASTE MANAGEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 724,011	$ -	$ 724,011	$ 755,980	$ 715,980	$ 8,031
Investment income	980	-	980	900	900	80
Other revenues	14,767	-	14,767	-	14,765	2
Total revenues	739,758	-	739,758	756,880	731,645	8,113
EXPENDITURES:						
Current:						
Salaries	701,989	-	701,989	718,772	710,510	8,521
Payroll taxes	52,652	-	52,652	56,782	55,831	3,179
Benefits	268,584	-	268,584	277,167	272,626	4,042
Telephone and utilities	902	-	902	800	950	48
Contract and professional	31,321	9,176	40,497	42,000	42,000	1,503
Repairs and maintenance	198,208	-	198,208	159,316	204,145	5,937
Travel and training	392	-	392	1,700	500	108
Supplies	21,957	-	21,957	21,549	22,916	959
Uniforms	6,135	-	6,135	10,700	7,700	1,565
Gas and oil	140,603	-	140,603	165,772	143,961	3,358
Parts and supplies	2,314	-	2,314	1,290	2,790	476
Operating insurance	64,851	-	64,851	56,079	65,501	650
Landfill	369,663	-	369,663	388,620	372,620	2,957
Other	1,843	-	1,843	17,500	2,350	507
Total program costs	1,861,414	9,176	1,870,590	1,918,047	1,904,400	33,810
Capital outlay	60,493	-	60,493	47,247	61,922	1,429
Total expenditures	1,921,907	9,176	1,931,083	1,965,294	1,966,322	35,239
Excess (deficiency) of revenues over (under) expenditures	(1,182,149)	(9,176)	(1,191,325)	(1,208,414)	(1,234,677)	43,352
OTHER FINANCING SOURCES (USES):						
Transfers in	1,206,839	-	1,206,839	1,182,839	1,226,839	(20,000)
Transfers out		-	-			-
Total other financing sources (uses)	1,206,839	-	1,206,839	1,182,839	1,226,839	(20,000)
Net change in fund balance	24,690	(9,176)	15,514	(25,575)	(7,838)	23,352
Fund balance, July 1, 2013	200,261	-	200,261	200,261	200,261	-
Fund balance, June 30, 2014	$ 224,951	$ (9,176)	$ 215,775	$ 174,686	$ 192,423	$ 23,352

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 FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 11,911	$ -	$ 11,911	$ 20,000	$ 15,000	$ (3,089)
Confiscated money	9,669	-	9,669	5,000	8,000	1,669
Sale of confiscated equipment	475	-	475	-	-	475
Investment income	532	-	532	750	750	(218)
Total revenues	22,587	-	22,587	25,750	23,750	(1,163)
EXPENDITURES:						
Current:						
Salaries	1,887	-	1,887	2,000	2,000	113
Payroll taxes	145	-	145	232	232	87
Travel and training	569	-	569	1,000	569	-
Supplies	4,258	-	4,258	3,250	5,081	823
Other	10,000	-	10,000	8,000	10,000	-
Capital outlay	13,693	(1,070)	12,623	30,000	15,000	2,377
Total expenditures	30,552	(1,070)	29,482	44,482	32,882	3,400
Excess (deficiency) of revenues over (under) expenditures	(7,965)	1,070	(6,895)	(18,732)	(9,132)	2,237
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	18,732	9,132	9,132
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	18,732	9,132	9,132
Net change in fund balance	(7,965)	1,070	(6,895)	-	-	11,369
Fund balance, July 1, 2013	98,000	(1,070)	96,930	98,000	98,000	(1,070)
Fund balance, June 30, 2014	$ 90,035	$ -	$ 90,035	$ 98,000	$ 98,000	$ 10,299

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
UDAG FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 214,817	$ -	$ 214,817	$ 180,000	$ 210,000	$ 4,817
Investment income	(2,779)	-	(2,779)	1,000	1,000	(3,779)
Other	104	-	104	100	100	(4)
Total revenues	212,142	-	212,142	181,100	211,100	1,034
EXPENDITURES:						
Program cost	27,385	-	27,385	9,800	31,300	3,915
Sign grant	7,642	-	7,642	10,000	10,000	2,358
Industrial loans	68,000	-	68,000	335,000	313,500	245,500
Total expenditures	103,027	-	103,027	354,800	354,800	251,773
OTHER FINANCING SOURCES (USES):						
Transfers in	60,000	-	60,000	-	60,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	60,000	-	60,000	-	60,000	-
Net change in fund balance	169,115	-	169,115	(173,700)	(83,700)	252,807
Fund balance, July 1, 2013	374,042	-	374,042	374,042	374,042	-
Fund balance, June 30, 2014	$ 543,157	$ -	$ 543,157	$ 200,342	$ 290,342	$ 252,807

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
USDA REVOLVING LOANS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 53,927	$ -	$ 53,927	$ 35,000	$ 55,000	$ (1,073)
Investment Income	1,160	-	1,160	1,000	1,000	160
Other revenues	124	-	124			124
Total revenues	55,211	-	55,211	36,000	56,000	(789)
EXPENDITURES:						
Program costs	615	-	615	2,300	2,800	2,185
Loans disbursed	22,000	-	22,000	80,000	80,000	58,000
Total expenditures	22,615	-	22,615	82,300	82,800	60,185
Excess (deficiency) of revenues over (under) expenditures	32,596	-	32,596	(46,300)	(26,800)	59,396
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	32,596	-	32,596	(46,300)	(26,800)	59,396
Fund balance, July 1, 2013	77,999	-	77,999	77,999	77,999	-
Fund balance, June 30, 2014	$ 110,595	$ -	$ 110,595	$ 31,699	$ 51,199	$ 59,396

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EDUCATION DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 363,125	$ -	$ 363,125	$ -	$ -	$ 363,125
Interest income	8,547	-	8,547			8,547
Total revenues	371,672	-	371,672	-	-	371,672
EXPENDITURES:						
Program costs	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	371,672	-	371,672	-	-	371,672
OTHER FINANCING SOURCES (USES):						
Transfers in	2,178,949	-	2,178,949	-	2,300,000	(121,051)
Transfers out	(2,205,504)	-	(2,205,504)	-	(2,300,000)	94,496
Total other financing sources (uses)	(26,555)	-	(26,555)	-	-	(26,555)
Net change in fund balance	345,117	-	345,117	-	-	345,117
Fund balance, July 1, 2013	2,492,645	-	2,492,645	2,492,645	2,492,645	-
Fund balance, June 30, 2014	$ 2,837,762	$ -	$ 2,837,762	$ 2,492,645	$ 2,492,645	$ 345,117

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, 2014

	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	2,252,000	-	2,252,000	2,252,000	2,252,000	-
Interest	1,047,690	-	1,047,690	1,602,880	1,602,880	555,190
Fiscal charges	2,600	-	2,600	3,000	3,000	400
Total expenditures	3,302,290	-	3,302,290	3,857,880	3,857,880	555,590
Excess (deficiency) of revenues over (under) expenditures	(3,302,290)	-	(3,302,290)	(3,857,880)	(3,857,880)	555,590
OTHER FINANCING SOURCES (USES):						
Transfers in	3,399,563	-	3,399,563	3,857,880	3,857,880	(458,317)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	3,399,563	-	3,399,563	3,857,880	3,857,880	(458,317)
Net change in fund balance	97,273	-	97,273	-	-	97,273
Fund balance, July 1, 2013	54,844	-	54,844	54,844	54,844	-
Fund balance, June 30, 2014	$ 152,117	$ -	$ 152,117	$ 54,844	$ 54,844	$ 97,273

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

DEBT SERVICE FUNDS

EDUCATION DEBT SERVICE FUND
Established by private act to provide funds to make debt service payments for Education facilities. Funded primarily by internal transfers of sales tax from the General Fund.

CITY OF TULLAHOMA

STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2014

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2014	Interest to Maturity as of June 30, 2014
Governmental Activities:						
General Obligation Bonds Payable						
General Obligation Refunding Bonds, Series 2009	2% - 3.25%	August 27, 2009	October 1, 2017	$ 4,005,000	$ 1,095,000	$ 36,587
General Public Improvement and Refunding Bonds, Series 2005	3.25% - 5%	November 1, 2005	April 1, 2026	9,880,000	5,970,000	1,236,545
General Obligation Refunding Bonds, Series 2006	3.5% - 4%	December 15, 2006	April 1, 2026	9,320,000	9,150,000	2,884,576
General Obligation School Bonds, Series 2010	3% - 4%	August 10, 2010	October 1, 2032	4,750,000	4,450,000	2,103,737
General Obligation School Refunding Bonds, Series 2012	1% - 2%	November 28, 2012	April 1, 2021	4,795,000	4,425,000	311,937
TMBF School Note, Series 2008	4.5%	August 6, 2008	May 25, 2033	12,084,000	10,844,000	5,829,300
TMBF City Note, Series 2008	4.5%	December 29, 2008	December 25, 2033	1,125,000	977,000	496,730
Total General Obligation Bonds Payable - Governmental Activities				52,224,000	36,911,000	12,899,412
Notes Payable						
Capital Outlay Note, Series 2007	4.28%	February 7, 2007	February 1, 2017	627,000	291,000	25,252
Capital Outlay Note, Series 2013	2.93%	September 16, 2013	October 1, 2025	890,115	890,115	165,957
Local Government Loan Program, Series 2013	3.00%	December 20, 2013	*	2,400,000	197,840	-
Capital Outlay Note, Series 2014	2.26%	May 16, 2014	April 1, 2021	650,000	650,000	58,393
Total Notes Payable - Governmental Activities				4,567,115	2,028,955	249,602
Total Bonds and Notes Payable - Governmental Activities				$ 56,791,115	$ 38,939,955	$ 13,149,014

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

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2014

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2014	Interest to Maturity as of June 30, 2014
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	$ 14,785,000	$ 4,900,465
Water and Waste Water Revenue and Tax Bonds, Series 1997	5.5% - 6.5%	July 1, 1997	October 1, 2017	720,000	210,000	23,650
Total Revenue Bonds Payable - Business-type Activities				17,695,000	14,995,000	4,924,115
Notes Payable						
Waste Water System:						
Loan Fund 319-02, Series 2003	7.25% - 10.03%	March 1, 2003	March 1, 2015	94,844	7,452	114
State Revolving Loan Fund, 93-053	3.80%	September 1, 1995	August 1, 2015	7,157,000	582,736	13,940
State Revolving Loan Fund, 94-077	3.80%	January 1, 1997	December 1, 2016	3,050,000	517,837	24,418
State Revolving Fund Loan	1.15%	March 1, 2012	*	546,246	3,295,677	-
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	700,000	576,000	73,858
Water System:						
TML Loan 1999	4.50%	May 25, 1999	May 25, 2020	4,708,000	1,985,000	214,410
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	900,000	739,000	94,640
Total Notes Payable - Business-type Activities				17,156,090	7,703,702	421,380
Total Bonds and Notes Payable - Business-type Activities				$ 34,851,090	$ 22,698,702	$ 5,345,495

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

Component Units:						
Notes Payable						
Municipal Airport Authority:						
UDAG Loan Payable (11-05-05)	0.75%	October 6, 2005	October 1, 2019	$ 369,780	$ 150,976	$ 3,371
UDAG Loan Payable (01-04-12)	1.00%	January 4, 2012	February 1, 2017	9,500	2,128	27
UDAG Loan Payable (08-05-13)	1.00%	August 5, 2013	August 5, 2023	25,000	22,996	1,080
UDAG Loan Payable (03-14-14)	1.00%	March 14, 2014	March 14, 2019	23,000	21,878	534
Total Notes Payable - Component Units				$ 427,280	$ 197,978	$ 5,012

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2014

	General Obligation School Refunding Bonds Series 2012		General Obligation Refunding Bonds, Series 2009					
			General Fund		School Fund		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 325,000	$ 84,437	$ 28,091	$ 772	$ 751,909	$ 20,652	$ 780,000	$ 21,424
2016	1,000,000	72,000	-	-	100,000	8,225	100,000	8,225
2017	1,000,000	52,000	-	-	105,000	5,150	105,000	5,150
2018	375,000	38,250	-	-	110,000	1,788	110,000	1,788
2019	150,000	33,000	-	-	-	-	-	-
2020	750,000	24,000	-	-	-	-	-	-
2021	825,000	8,250	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
	$ 4,425,000	$ 311,937	$ 28,091	$ 772	$ 1,066,909	$ 35,815	$ 1,095,000	$ 36,587

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2014

	General Obligation Public Improvement and Refunding Bonds Series 2005		General Obligation Refunding Bonds Series 2006		General Obligation School Bonds Series 2010	
Year	Principal	Interest	Principal	Interest	Principal	Interest
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	133,469
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	123,594
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	-	-	-	-	-	-
	$ 5,970,000	$ 1,236,545	$ 9,150,000	$ 2,884,576	$ 4,450,000	$ 2,103,737

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2014

	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
2015	$ 34,000	$ 43,965	$ 346,000	$ 487,980	$ 2,290,000	$ 1,381,318	$ 3,671,318
2016	35,000	42,435	361,000	472,410	2,336,000	1,300,707	3,636,707
2017	37,000	40,860	377,000	456,165	2,394,000	1,220,185	3,614,185
2018	38,000	39,195	394,000	439,200	2,502,000	1,159,432	3,661,432
2019	40,000	37,485	412,000	421,470	2,567,000	1,077,754	3,644,754
2020	42,000	35,685	431,000	402,930	2,663,000	981,727	3,644,727
2021	44,000	33,795	450,000	383,535	2,759,000	891,451	3,650,451
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	724,039	2,764,039
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	555,859	2,699,859
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
	$ 977,000	$ 496,730	$ 10,844,000	$ 5,829,300	$ 36,911,000	$ 12,899,412	$ 49,810,412

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
CAPITAL OUTLAY NOTES
JUNE 30, 2014

	Capital Outlay Notes Series 2007 (2-7-07)		Local Government Loan Program Series 2013 (9-16-13)		Capital Outlay Notes Series 2014 (5-16-14)		Total Capital Outlay Notes		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	$ 93,000	$ 12,455	$ 60,115	$ 25,200	$ 85,000	$ 12,854	$ 238,115	$ 50,509	$ 288,624
2016	97,000	8,474	65,000	23,365	89,000	12,769	251,000	44,608	295,608
2017	101,000	4,323	67,000	21,433	91,000	10,758	259,000	36,514	295,514
2018	-	-	69,000	19,440	93,000	8,701	162,000	28,141	190,141
2019	-	-	71,000	17,390	95,000	6,599	166,000	23,989	189,989
2020	-	-	73,000	15,280	97,000	4,452	170,000	19,732	189,732
2021	-	-	75,000	13,112	100,000	2,260	175,000	15,372	190,372
2022	-	-	77,000	10,885	-	-	77,000	10,885	87,885
2023	-	-	80,000	8,585	-	-	80,000	8,585	88,585
2024	-		82,000	6,212	-	-	82,000	6,212	88,212
2025	-	-	84,000	3,780	-	-	84,000	3,780	87,780
2026	-	-	87,000	1,275	-	-	87,000	1,275	88,275
	$ 291,000	$ 25,252	$ 890,115	$ 165,957	$ 650,000	$ 58,393	$ 1,831,115	$ 249,602	$ 2,080,717

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA MUNICIPAL AIRPORT AUTHORITY
JUNE 30, 2014

	City of Tullahoma UDAG Loan (11-1-05)			City of Tullahoma UDAG Loan (1-4-12)			City of Tullahoma UDAG Loan (8-5-13)			City of Tullahoma UDAG Loan (3-14-14)			Total		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	$ 28,892	$ 1,108	$ 30,000	$ 981	$ 18	$ 999	$ 2,409	$ 219	$ 2,628	$ 4,520	$ 198	$ 4,718	$ 36,802	$ 1,543	$ 38,345
2016	29,109	891	30,000	991	8	999	2,433	195	2,628	4,565	153	4,718	37,098	1,247	38,345
2017	29,329	671	30,000	156	1	157	2,458	170	2,628	4,611	107	4,718	36,554	949	37,503
2018	29,549	451	30,000	-	-	-	2,482	146	2,628	4,657	61	4,718	36,688	658	37,346
2019	29,772	228	30,000	-	-	-	2,507	121	2,628	3,525	15	3,540	35,804	364	36,168
2020	4,325	22	4,347	-	-	-	2,532	96	2,628	-	-	-	6,857	118	6,975
2021	-	-	-	-	-	-	2,558	70	2,628	-	-	-	2,558	70	2,628
2022	-	-	-	-	-	-	2,584	44	2,628	-	-	-	2,584	44	2,628
2023	-	-	-	-	-	-	2,610	18	2,628	-	-	-	2,610	18	2,628
2024	-	-	-	-	-	-	423	1	424	-	-	-	423	1	424
	$ 150,976	$ 3,371	$ 154,347	$ 2,128	$ 27	$ 2,155	$ 22,996	$ 1,080	$ 24,076	$ 21,878	$ 534	$ 22,412	$ 197,978	$ 5,012	$ 202,990

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2014

	Water & Waste Water 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
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
	$ 210,000	$ 23,650	$ 14,785,000	$ 4,900,465	$ 14,995,000	$ 4,924,115	$ 19,919,115

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2014

	Tennessee Local Development Authority			
	Loan Fund 319-02, Series 2013		Subtotal	
Year	Principal	Interest	Principal	Interest
2015	$ 7,452	$ 114	$ 7,452	$ 114
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
	$ 7,452	$ 114	$ 7,452	$ 114

	State Revolving Loan Fund 93-053		State Revolving Loan Fund 94-077		Wastewater Revenue and Tax Capital Outlay, Series 2011		Subtotal		Total Waste Water System Note Obligations	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 497,904	$ 13,536	$ 201,312	$ 16,070	$ 65,000	$ 15,898	$ 764,216	$ 45,504	$ 771,668	$ 45,618
2016	84,832	404	209,031	8,348	67,000	14,104	360,863	22,856	360,863	22,856
2017	-	-	107,494	-	69,000	12,254	176,494	12,254	176,494	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
	$ 582,736	$ 13,940	$ 517,837	$ 24,418	$ 576,000	$ 73,858	$ 1,676,573	$ 112,216	$ 1,684,025	$ 112,330

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2014

	Water TML Loan 1999		Water Revenue and Tax Capital Outlay Note, Series 2011		Total Water System Note Obligations		Wastewater, Water, and Total Note Obligations	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 303,000	$ 59,550	$ 84,000	$ 20,396	$ 387,000	$ 79,946	$ 1,158,668	$ 125,564
2016	314,000	50,460	86,000	18,078	400,000	68,538	760,863	91,394
2017	324,000	41,040	89,000	15,704	413,000	56,744	589,494	68,998
2018	336,000	31,320	91,000	13,248	427,000	44,568	498,000	54,918
2019	348,000	21,240	93,000	10,736	441,000	31,976	514,000	40,366
2020	360,000	10,800	96,000	8,170	456,000	18,970	531,000	25,346
2021	-	-	99,000	5,520	99,000	5,520	176,000	9,826
2022	-	-	101,000	2,788	101,000	2,788	180,000	4,968
	$ 1,985,000	$ 214,410	$ 739,000	$ 94,640	$ 2,724,000	$ 309,050	$ 4,408,025	$ 421,380

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2013	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2014
STATE FINANCIAL ASSISTANCE PROGRAMS								
The Community Foundation of Middle Tennessee:								
Discretionary Grant for the Arts	N/A	12/1/13-11/30/14	$ 5,000	$ -	$ -	$ (5,000)	$ 5,000	$ -
Total The Community Foundation of Middle Tennessee				-	-	(5,000)	5,000	-
Tennessee Arts Commission:								
Arts Program Categorical - ABC	31625-23377	8/16/13-6/15/14	$ 2,000	-	-	(2,000)	2,000	-
Discretionary Grant for the Arts	21205446	2013-2014	$ 2,000	-	-	(2,000)	2,000	-
Total Tennessee Arts Commission				-	-	(4,000)	4,000	-
Tennessee Department of Agriculture:								
Child Nutrition Match	N/A	7/1/13-6/30/14	$ 18,965	-	-	(18,985)	18,985	-
Total Tennessee Department of Agriculture				-	-	(18,985)	18,985	-
Tennessee Department of Economic and Community Development:								
Fasttrack Infrastructure Development Program	GG1136260	3/23/11-2/29/16	$ 248,220	12,717	-	(15,746)	3,029	-
TVA - Select Tennessee	520722	3/8/13-8/30/13	$ 20,000	-	-	(19,014)	19,014	-
Fasttrack Infrastructure Grant (FIDP) - JSP	GG13413700	7/15/13-7/15/18	$ 87,528	-	-	(57,003)	57,003	-
Total Tennessee Department of Economic and Community Development				12,717	-	(91,763)	79,046	-
Tennessee Department of Education:								
ACT - Explore	N/A	7/1/13-6/30/14	$ 4,237	-	-	(4,237)	4,237	-
Career Ladder Supplement	N/A	7/1/12-6/30/13	$ 152,767	1,165	-	(1,165)	-	-
Career Ladder Supplement	N/A	7/1/13-6/30/14	$ 129,901	-	-	(128,736)	129,901	1,165
Basic Education Program	N/A	7/4/13-6/30/14	$ 14,198,000	-	-	(14,198,000)	14,199,000	1,000
Early Childhood Education	MX14AAX	7/1/13-6/30/14	$ 369,942	-	-	(464,602)	464,602	-
Coordinated School Health - ARRA	N/A	7/1/13-6/30/14	$ 95,000	-	-	(95,000)	95,000	-
Extended Contract	N/A	2013-2014	$ 42,670	-	-	(42,670)	42,670	-
Connectenn	N/A	7/1/13-6/30/14	$ 9,756	-	-	(9,756)	9,756	-
SSMS - ARRA	N/A	7/1/13-6/30/14	$ 8,842	-	-	(8,842)	8,842	-
Safe Schools	N/A	7/1/13-6/30/14	$ 17,100	-	-	(17,100)	17,100	-
Arts Student Ticket Subsidy	N/A	7/1/13-6/30/14	$ 2,004	-	-	(2,004)	2,004	-
Tech Fund Upgrade Distribution PARCC	N/A	7/1/13-6/30/14	$ 163,464	-	-	(163,464)	163,464	-
Total Tennessee Department of Education				1,165	-	(15,135,576)	15,136,576	2,165
Tennessee Department of Environment and Conservation:								
Recycling Equipment Grant	32701-01901	2/14/14-2/13/15	$ 25,000	-	-	-	25,000	25,000
Total Tennessee Department of Environment and Conservation				-	-	-	25,000	25,000
Tennessee Department of Health:								
Project Diabetes Initiative	GG1438796	8/1/13-6/30/16	$ 423,800	-	-	(65,209)	126,130	60,921
Tullahoma Community Garden	N/A	5/27/14-6/15/14	$ 2,000	-	-	-	2,000	2,000
Total Tennessee Department of Health				-	-	(65,209)	128,130	62,921

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2013	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2014
Tennessee Department of Labor and Workforce Development:								
Adult Basic Education - State Portion 17%	PO18920/DG1338264	7/1/12-6/30/13	$ 18,170	$ 3,319	$ -	$ (3,319)	$ -	$ -
Literacy Council	N/A	7/1/12-6/30/14	$ 21,326	1,967	-	(17,659)	20,349	4,657
Total Tennessee Department of Labor and Workforce Development				5,286	-	(20,978)	20,349	4,657
Tennessee Department of Transportation:								
Dowtown Revitalization Phase I	STO-EB-9209(13)/PIN 113908	10/18/10-8/31/15	$ 358,580	-	-	-	31,744	31,744
Total Tennessee Department of Transportation				-	-	-	31,744	31,744
Total State Financial Assistance Programs				$ 19,168	$ -	$ (15,341,511)	$ 15,448,830	$ 126,487
Component Units:								
Municipal Airport Authority								
Tennessee Department of Transportation:								
Turf Runway Study	13-227-00	2/15/13-2/14/18	$ 14,250	$ -	$ -	$ (12,825)	$ 14,250	$ 1,425
Northwest Ramp Expansion	11-168-00	3/1/11-8/31/15	$ 30,000	-	-	(5,044)	11,504	6,460
Airport Maintenance and Upkeep	13-331-00	7/1/13-6/30/14	$ 19,800	8,937	-	(18,075)	16,535	7,397
NW Taxiway Rehabilitation	AERO 13-190-00	3/31/13-10/23/17	$ 1,348,337	11,590	-	(60,629)	49,039	-
North Hangar Roof Repair	12-238-00	4/2/12-6/29/16	$ 13,000	25,302	-	(26,552)	1,250	-
Ramp and T/W Pavement Repairs	12-177-00	12/1/11-6/29/16	$ 300,000	13,733	-	(24,668)	10,935	-
Total State Financial Assistance Programs				$ 59,562	$ -	$ (147,793)	$ 103,513	$ 15,282

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2013	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2014
FEDERAL FINANCIAL ASSISTANCE PROGRAMS									
U.S. Department of Agriculture:									
Passed Through Tennessee Department of Agriculture:									
National School Breakfast Program	10.553	N/A	7/1/12-6/30/13	N/A	$ 32,053	$ -	$ (32,053)	$ -	$ -
National School Breakfast Program	10.553	N/A	7/1/13-6/30/14	$ 266,997	-	-	(234,875)	266,997	32,122
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	N/A	97,011	-	(97,011)	-	-
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	$ 856,547	-	-	(756,841)	856,547	99,706
Child Nutrition - Fruits and Vegetable	10.582	N/A	7/1/13-6/30/14	$ 27,400	-	-	(17,162)	27,400	10,238
National Snack	10.555	N/A	7/1/12-6/30/13	N/A	1,010	-	(1,010)	-	-
National Snack	10.555	N/A	7/1/13-6/30/14	$ 35,430	-	-	(35,430)	35,430	-
Total U.S. Department of Agriculture					130,074	-	(1,174,382)	1,186,374	142,066
U.S. Department of Labor:									
Adult Basic Education - Fed 83%	84.002A	N/A	7/1/12-6/30/13	$ 90,831	16,203	-	(16,203)	-	-
Total U.S. Department of Labor					16,203	-	(16,203)	-	-
U.S. Department of Education:									
Passed Through Tennessee Department of Education:									
IDEA - Part B	84.027	N/A	7/1/13-9/30/14	$ 717,620	-	-	(606,023)	717,620	111,597
IDEA - Part B High Cost	84.027	N/A	7/1/13-9/30/14	$ 62,878	-	-	(62,878)	62,878	-
IDEA - Part B Discretionary (Statewide Assessment)	84.173A	Spec Ed Assist Tech	7/1/13-9/30/14	$ 79,956	-	-	(43,903)	60,286	16,383
IDEA - Preschool	84.173A	N/A	7/1/13-9/30/14	$ 35,772	-	-	(34,039)	35,772	1,733
IDEA B - Pre-K 619 Discretionary	84.173A	N/A	8/8/13-9/30/13	$ 7,605	-	-	(7,605)	7,605	-
Public Law 874	84.041	N/A	7/1/13-9/30/14	N/A	-	-	(6,367)	6,367	-
Title I	84.010A	S010A120042	7/1/12-9/30/13	$ 874,505	67,451	(1)	(150,472)	83,022	-
Title I	84.010A	N/A	7/1/13-6/30/14	$ 839,322	-	-	(585,402)	839,322	253,920
Title II, Part A	84.367A	N/A	7/1/13-6/30/14	$ 122,350	-	-	(86,148)	122,350	36,202
Title II, Part A	84.367A	N/A	7/1/11-6/30/12	$ 128,791	8,588	(8,588)	-	-	-
Title III	84.365	N/A	7/1/13-6/30/14	$ 30,605	-	-	-	30,605	30,605
Title IV, Part B 21st Century	84.287C	192-10-5-033	7/1/13-6/30/14	$ 270,000	-	-	(156,599)	270,000	113,401
Title IV, Part B 21st Century	84.287C	N/A	7/1/12-6/30/13	$ 247,500	148,985	(29,639)	(119,346)	-	-
Title IV, Part B 21st Century	84.287C	192-13-01-018	8/15/13-6/30/14	$ 146,000	-	-	(92,396)	146,000	53,604
Title VI, Part B, Subpart 2	84.358	N/A	7/1/13-9/30/14	$ 60,072	-	-	(42,822)	60,072	17,250
Tennessee First to the Top AARA	84.395	S395A100032	7/1/10-7/27/14	$ 153,457	80,334	(1,104)	(79,230)	-	-
FTTT Focus ARRA	84.395	S395A100032	1/15/12-9/30/13	$ 25,300	-	-	(25,300)	25,300	-
FTTT 14.01 ARRA	84.395	S395A100032	7/1/13-6/30/14	$ 146,770	-	-	(146,770)	146,770	-
FTTT 14.02 ARRA	84.395	N/A	7/1/13-6/30/14	$ 111,400	-	-	(22,921)	111,400	88,479
FTTT ARRA	84.395	S395A100032	9/30/12-9/30/13	$ 111,450	46,216	-	(46,216)	-	-
Education Jobs Program Grant Award	84.410	S410A100043	7/1/11-9/30/12	$ 430,067	10,258	(10,258)	-	-	-
Carl Perkins, Title I Part C	84.048A	N/A	7/1/13-6/30/14	$ 42,346	-	-	(42,346)	42,346	-
Total U.S. Department of Education					361,832	(49,590)	(2,356,783)	2,767,715	723,174

(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, 2014

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2013	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2014
U.S. Department of Economic and Community Development:									
Passed Through Tennessee Department of Economic and Community Development:									
CDBG for Sewer Improvement	14.228	GG-12-38827-00	11/22/11-10/31/16	$ 400,000	$ 2,342	$ -	$ (81,233)	$ 78,891	$ -
Total U.S. Department of Economic and Community Development					2,342	-	(81,233)	78,891	-
U.S. Environmental Protection Agency Direct Program:									
EPA, Office of Water:									
Capitalization Grants for Clean Water State Revolving Funds*	66.458	CS470001XX	to March 2032	$ 5,000,000	-	-	(3,026,556) *	3,436,788	410,232
Total U.S. Environmental Protection Agency Direct Program					-	-	(3,026,556)	3,436,788	410,232
U.S. Department of Justice:									
Direct Program:									
Bullet Proof Vest Partnership	16.607	N/A	7/1/12-6/30/14	$ 2,200	2,408	-	(3,746)	1,338	-
Total U.S. Department of Justice					2,408	-	(3,746)	1,338	-
U.S. Department of Transportation:									
Passed Through Tennessee Department of Transportation:									
Collins Street Sidewalks	20.205	STP-EN-9209(12)	8/2009-8/2014	$ 134,000	-	-	-	97,230	97,230
Cedar Lane Improvement Project	20.603	STP-M-9209(11)	9/24/09-6/30/14	$ 1,863,000	689,304	-	(689,304)	319,036	319,036
Safe Routes to School Grant - East Lincoln Elementary School	20.205	SRTS-1600(18)	3/16/12-3/16/14	$ 203,368	-	-	(7,200)	7,200	-
Tullahoma Safe Roads Traffic Enforcement Program	20.600	Z14GHD399	10/1/13-9/30/14	$ 13,760	-	-	(7,096)	7,963	867
Tullahoma Safe Roads Traffic Enforcement Program	20.600	Z13GHS366	10/1/12-9/30/13	$ 16,676	1,700	-	(1,700)	-	-
Total U.S. Department of Transportation					691,004	-	(705,300)	431,429	417,133
Total Federal Financial Assistance Programs					$ 1,203,863	$ (49,590)	$ (7,364,203)	$ 7,902,535	$ 1,692,605
FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM									
Non-Cash Federal Assistance:									
U.S. Department of Agriculture:									
Food Distribution Program	10.555	N/A	7/1/13-6/30/14	N/A	$ -	$ -	$ (100,000)	$ 100,000	$ -
Total U.S. Department of Agriculture									
Component Units:									
Tullahoma Municipal Airport Authority									
U.S. Department of Transportation:									
Passed Through Tennessee Department of Transportation:									
Approach Lighting System	20.106	16-555-0182-04	12/1/11-6/29/16	$ 320,000	$ 22,597	$ -	$ (31,897)	$ 9,300	$ -
Airfield Signage System Study	20.106	16-555-0179-04	3/1/11-8/31/15	$ 20,579	3,200	-	(3,200)	-	-
Total U.S. Department of Transportation					$ 25,797	$ -	$ (35,097)	$ 9,300	$ -

*Note: As of June 30, 2014 there is an outstanding loan balance of $3,295,677 on loan through State Revolving Loan Fund. The loan is 80% federally funded with 20% principal forgiveness.

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE
YEAR ENDED JUNE 30, 2014

NOTE 1 - BASIS OF PRESENTATION

A. Non-cash Federal Programs - OMB Circular A-133

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

B. Federal Financial Assistance without CFDA Numbers

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

C. Schedule of Expenditures of State Awards

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

NOTE 2 - BASIS OF ACCOUNTING

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

NOTE 3 - MATCHING COST

The State of Tennessee's portion of joint programs with the City is 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, 2014

Calendar Year of Levy	Amount
2014	$ 9,981,425
2013	547,561
2012	149,737
2011	61,087
2010	47,105
2009	34,515
2008	18,830
2007	11,146
2006	7,442
2005	2,558
2004	2,318
2003	8,006
2002	-
Total property tax receivable	10,871,730
Less: allowance for uncollectibles	(890,305)
Net property taxes receivable	$ 9,981,425

*Estimated amount of taxes levied on January 1, 2014 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, 2014

Tax Year	Balance July 1, 2013	Tax Levy	Payments/ Adjustments	Anticipated Tax Levy	Balance June 30, 2014
2014	$ -	$ -	$ -	$ 9,981,425	$ 9,981,425
2013	-	9,981,425	(9,433,864)	-	547,561
2012	392,354		(242,617)	-	149,737
2011	86,251	-	(25,164)	-	61,087
2010	59,632	-	(12,527)	-	47,105
2009	42,366	-	(7,851)	-	34,515
2008	23,438	-	(4,608)	-	18,830
2007	14,183	-	(3,037)	-	11,146
2006	8,751	-	(1,309)	-	7,442
2005	3,465	-	(907)	-	2,558
2004	2,572	-	(254)	-	2,318
2003	8,351	-	(345)	-	8,006
2002	6,607	-	(6,607)	-	-
	$ 647,970	$ 9,981,425	$ (9,739,090)	$ 9,981,425	$ 10,871,730

*Estimated amount of taxes levied on January 1, 2014 based upon estimate of assessment.

See accompanying accountants' report.

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

Other Information E-20

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

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	$ (5,732,453)	$ (10,583,923)	$ (5,641,138)	$ (2,118,850)	$ 360,871	$ 305,935	$ 235,191	$ 2,710,459	$ 4,863,118	$ 5,397,379
Restricted	1,729,969	6,471,142	5,313,488	2,070,179	3,482,921	3,291,781	3,715,245	3,738,226	8,633,751	10,805,869
Unrestricted	10,507,752	10,676,971	10,980,482	12,818,368	9,591,892	10,907,173	11,279,566	10,166,269	4,876,967	5,247,862
Total governmental activities net position	$ 6,505,268	$ 6,564,190	$ 10,652,832	$ 12,769,697	$ 13,435,684	$ 14,504,889	$ 15,230,002	$ 16,614,954	$ 18,373,836	$ 21,451,110
Business-type activities										
Net investment in capital assets	$ 21,556,609	$ 26,023,453	$ 26,837,939	$ 25,537,051	$ 26,716,611	$ 26,259,369	$ 21,637,303	$ 20,030,111	$ 22,939,822	$ 26,377,804
Restricted	997,246	419,759	426,842	3,630,315	4,609,939	4,635,773	8,179,585	11,141,987	9,458,119	7,903,956
Unrestricted	8,842,918	6,486,202	7,328,172	7,631,682	6,199,522	5,956,844	10,270,015	9,481,715	10,518,930	11,203,397
Total business-type activities net position	$ 31,396,773	$ 32,929,414	$ 34,592,953	$ 36,799,048	$ 37,526,072	$ 36,851,986	$ 40,086,903	$ 40,653,813	$ 42,916,871	$ 45,485,157
Primary government										
Net investment in capital assets	$ 15,824,156	$ 15,439,530	$ 21,196,801	$ 23,418,201	$ 27,077,482	$ 26,565,304	$ 21,872,494	$ 22,740,570	$ 27,802,940	$ 31,775,183
Restricted	2,727,215	6,890,901	5,740,330	5,700,494	8,092,860	7,927,554	11,894,830	14,880,213	18,091,870	18,709,825
Unrestricted	19,350,670	17,163,173	18,308,654	20,450,050	15,791,414	16,864,017	21,549,581	19,647,984	15,395,897	16,451,259
Total primary government net position	$ 37,902,041	$ 39,493,604	$ 45,245,785	$ 49,568,745	$ 50,961,756	$ 51,356,875	$ 55,316,905	$ 57,268,767	$ 61,290,707	$ 66,936,267

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	$ 2,060,857	$ 2,356,527	$ 2,338,809	$ 2,507,541	$ 2,098,177	$ 2,207,429	$ 2,064,175	$ 2,475,135	$ 2,200,671	$ 2,298,804
Public safety	4,419,039	4,428,570	4,340,678	4,185,343	4,734,512	4,895,286	4,899,328	4,785,495	4,914,353	5,157,936
Public works	1,936,419	2,284,521	2,099,073	3,963,002	4,512,959	3,958,539	4,013,062	4,199,087	4,090,510	4,520,320
Community services	1,111,865	1,147,695	1,317,433	280,122	258,962	196,297	184,212	442,897	428,682	575,091
Waste management	1,660,610	1,532,964	1,634,359	1,817,619	1,772,753	1,771,673	1,770,754	1,856,650	1,862,225	1,889,484
Education	27,635,585	28,271,669	28,325,099	31,092,600	31,524,951	31,731,495	33,264,419	33,274,087	34,290,366	33,748,472
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	1,160,626	1,025,774
Total governmental activities expenses	40,229,028	41,632,025	41,388,706	45,213,247	46,236,114	45,998,211	47,531,386	48,334,282	48,947,433	49,215,881
Business-type activities:										
Tullahoma Utilities Board	25,548,623	28,085,806	28,796,440	30,033,871	35,217,988	36,521,327	39,907,815	40,547,972	40,468,208	41,467,595
Total primary government expenses	$ 65,777,651	$ 69,717,831	$ 70,185,146	$ 75,247,118	$ 81,454,102	$ 82,519,538	$ 87,439,201	$ 88,882,254	$ 89,415,641	$ 90,683,476
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 553,297	$ 667,906	$ 589,999	$ 672,665	$ 455,051	$ 412,598	$ 458,043	$ 586,807	$ 451,699	$ 522,931
Public safety	-	-	-	29,998	82,432	43,081	49,571	30,229	44,739	22,055
Waste management	644,117	702,155	709,810	575,730	702,726	724,926	772,619	782,997	733,094	724,011
Education	1,784,840	1,791,503	1,683,500	1,655,108	1,653,950	1,458,684	1,344,984	1,293,993	1,252,068	1,284,091
Operating grants and contributions	20,118,618	21,563,840	21,562,279	24,679,632	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300	28,858,212
Capital grants and contributions	-	-	-	15,843	-	-	-	-	-	-
Total governmental activities program revenues	23,100,872	24,725,404	24,545,588	27,628,976	27,992,120	27,590,305	29,143,061	29,431,414	30,401,900	31,411,300
Business-type activities:										
Charges for services:										
Tullahoma Utilities Board	26,350,363	29,135,117	30,263,169	31,554,533	35,925,238	36,043,815	40,982,582	41,207,244	42,396,018	43,594,960
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	7,000	-	2,500	59,364	3,000	25,022	317,305	28,896	446,530	766,249
Total business-type activities program revenues	26,357,363	29,135,117	30,265,669	31,613,897	35,928,238	36,068,837	41,299,887	41,236,140	42,842,548	44,361,209
Total primary government program revenues	$ 49,458,235	$ 53,860,521	$ 54,811,257	$ 59,242,873	$ 63,920,358	$ 63,659,142	$ 70,442,948	$ 70,667,554	$ 73,244,448	$ 75,772,509
Net (Expense)/Revenue										
Governmental activities	$ (17,128,156)	$ (16,906,621)	$ (16,843,118)	$ (17,584,271)	$ (18,243,994)	$ (18,407,906)	$ (18,388,325)	$ (18,902,868)	$ (18,545,533)	$ (17,804,581)
Business-type activities	808,740	1,049,311	1,469,229	1,580,026	710,250	(452,490)	1,392,072	688,168	2,374,340	2,893,614
Total primary government net (expense)/revenue	$ (16,319,416)	$ (15,857,310)	$ (15,373,889)	$ (16,004,245)	$ (17,533,744)	$ (18,860,396)	$ (16,996,253)	$ (18,214,700)	$ (16,171,193)	$ (14,910,967)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	$ 8,582,660	$ 8,149,382	$ 8,465,227	$ 8,592,122	$ 8,643,741	$ 8,771,320	$ 8,859,312	$ 8,945,804	$ 9,371,787	$ 10,034,154
Local option sales	5,524,615	5,738,417	6,179,743	8,135,657	7,927,112	7,644,114	7,567,686	8,281,290	8,441,549	8,702,708
Other taxes	1,166,282	1,835,898	1,422,193	1,507,065	1,460,558	1,380,041	1,509,462	1,625,657	1,603,231	1,682,403
Investment earnings	222,363	589,450	916,930	604,899	164,840	153,616	310,219	138,125	115,731	62,326
Other revenues	141,654	254,879	313,487	464,469	364,450	309,968	296,752	1,000,543	904,568	492,884
Gain on sale of property	-	638,450	4,500	-	-	5,000	6,630	10,315	4,335	(2,722)
Transfers	-	-	337,047	396,924	404,579	395,866	348,169	321,649	(89,082)	286,474
Total governmental activities	15,637,574	17,206,476	17,639,127	19,701,136	18,965,280	18,659,925	18,898,230	20,323,383	20,352,119	21,258,227
Business-type activities:										
Investment earnings	156,930	352,934	514,059	989,279	311,483	74,961	36,217	32,161	37,439	26,099
Other revenues	35,647	57,195	46,215	25,713	108,956	81,615	153,804	66,558	113,324	65,118
Gain on disposal of equipment	1,173	4,523	25,241	8,001	1,000	10,777	-	12,147	9,546	(17,796)
Transfers	-	-	(383,085)	(396,924)	(404,579)	(382,884)	(403,406)	(232,124)	(271,591)	(286,474)
Total business-type activities	193,750	414,652	202,430	626,069	16,860	(215,531)	(213,385)	(121,258)	(111,282)	(213,053)
Total primary government	$ 15,831,324	$ 17,621,128	$ 17,841,557	$ 20,327,205	$ 18,982,140	$ 18,444,394	$ 18,684,845	$ 20,202,125	$ 20,240,837	$ 21,045,174
Change in Net Position										
Governmental activities	$ (1,490,582)	$ 299,855	$ 796,009	$ 2,116,865	$ 721,286	$ 252,019	$ 509,905	$ 1,420,515	$ 1,806,586	$ 3,453,646
Business-type activities	1,002,490	1,463,963	1,671,659	2,206,095	727,110	(668,021)	1,178,687	566,910	2,263,058	2,680,561
Total primary government	(488,092)	1,763,818	2,467,668	4,322,960	1,448,396	(416,002)	1,688,592	1,987,425	4,069,644	6,134,207
Prior period adjustment[1]	-	(172,255)	3,284,513	-	-	607,843	2,271,438	(35,563)	(47,704)	(488,647)
Total change in net position	$ (488,092)	$ 1,591,563	$ 5,752,181	$ 4,322,960	$ 1,448,396	$ 191,841	$ 3,960,030	$ 1,951,862	$ 4,021,940	$ 5,645,560

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

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011*	2012	2013	2014
General Fund										
Reserved	$ 450,917	$ 110,677	$ 141,968	$ 213,279	$ 181,327	$ 75,819	$ -	$ -	$ -	$ -
Unreserved	7,086,095	6,732,698	6,356,936	6,804,609	5,543,492	5,428,346	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	-	8,432	55,354	25,628	21,968
Restricted for:										
Drug enforcement	-	-	-	-	-	-	-	-	57,657	22,262
Other projects	-	-	-	-	-	-	-	-	80,236	81,375
Committed to:										
Encumbrances	-	-	-	-	-	-	52,887	144,615	87,745	17,715
Permanent streets - SSA	-	-	-	-	-	-	-	-	-	163,101
Equipment replacement	-	-	-	-	-	-	936,414	-	544,132	262,023
Stabilization fund	-	-	-	-	-	-	-	-	-	891,666
Assigned to:										
Paving appropried by 2012 budget	-	-	-	-	-	-	445,000	-	-	-
Unassigned	-	-	-	-	-	-	4,260,389	6,318,096	5,685,487	5,412,758
Total general fund	$ 7,537,012	$ 6,843,375	$ 6,498,904	$ 7,017,888	$ 5,724,819	$ 5,504,165	$ 5,703,122	$ 6,518,065	$ 6,480,885	$ 6,872,868
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	$ 160,010	$ 162,207	$ 1,535,859	$ 503,586	$ 236,886	$ 259,630	$ -	$ -	$ -	$ -
Capital projects funds	1,119,042	4,968,801	3,679,499	1,919,975	96,722	213,361	-	-	-	-
Debt service funds	1,444,108	1,343,576	1,359,445	1,367,538	2,402,922	2,839,340	-	-	-	-
Unreserved, reported in:										
Special revenue funds	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	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	-	-	-	1,589	1,500
Restricted for:										
Capital improvements	-	-	-	-	-	-	711,588	975,466	972,978	859,865
Debt Service	-	-	-	-	-	-	2,769,685	2,464,343	2,547,489	2,989,879
Drug enforcement	-	-	-	-	-	-	84,230	81,250	96,652	90,035
Grant projects	-	-	-	-	-	-	811,316	387,705	572,792	784,114
School operations	-	-	-	-	-	-	5,268,135	4,203,984	3,954,593	5,904,375
Solid Waste	-	-	-	-	-	-	171,083	182,700	198,950	214,275
Extended school	-	-	-	-	-	-	117,399	123,369	104,504	88,436
Committed to:										
Encumbrances	-	-	-	-	-	-	21,806	8,668	1,070	9,176
Assigned to:										
School MOE	-	-	-	-	-	-	139,268	139,268	286,736	286,736
Total all other governmental funds	$ 6,541,617	$ 10,201,337	$ 10,402,600	$ 8,620,245	$ 9,567,286	$ 9,789,723	$ 10,094,510	$ 8,566,753	$ 8,737,353	$ 11,228,391

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

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	$ 15,273,557	$ 15,723,697	$ 19,997,350	$ 18,075,027	$ 17,844,188	$ 17,632,917	$ 17,752,523	$ 18,655,100	$ 19,352,565	$ 20,302,231
Payment in lieu of tax	-	-	-	159,817	187,223	162,559	183,937	197,651	64,002	117,034
Intergovernmental	20,088,688	21,563,840	17,632,092	24,695,475	25,097,961	24,951,016	26,517,844	26,737,388	27,920,300	28,858,212
Licenses and permits	127,421	165,487	129,021	146,560	138,158	80,908	78,399	83,580	60,667	75,761
Fines and forfeitures	313,710	368,985	334,293	410,656	244,343	232,525	271,996	401,497	285,286	339,439
Charges for services	2,448,006	2,528,097	2,518,375	2,346,287	2,429,226	2,282,775	2,225,251	2,178,720	2,090,908	2,115,833
Investment income	377,017	372,317	741,567	379,913	164,840	153,614	172,165	136,234	114,043	61,377
Sale of property	101,775	907,072	4,500	400	19,852	5,000	10,630	263,704	33,979	380
Note repayments	25,174	125,859	130,180	43,009	95,613	132,323	136,012	21,852	231,108	268,744
Other	107,937	530,884	488,851	719,051	446,882	353,049	484,324	1,030,772	949,307	514,939
Total revenues	38,863,285	42,286,238	41,976,229	46,976,195	46,668,286	45,986,686	47,833,081	49,706,498	51,102,165	52,653,950
Expenditures										
General government	1,338,757	1,577,057	1,295,275	1,177,901	1,182,578	1,322,151	1,234,081	1,358,035	1,315,194	1,375,272
Public Safety	4,311,464	4,427,745	4,376,307	4,665,946	4,726,599	4,697,942	4,809,616	4,784,089	4,917,067	5,154,815
Public Works	1,727,364	2,148,030	1,876,706	2,056,101	2,087,564	1,928,681	1,947,571	2,036,722	2,081,867	2,160,985
Parks and recreation	-	-	-	1,153,305	1,256,631	1,301,424	1,250,197	1,319,151	1,286,665	1,246,121
Community Services	1,092,692	1,152,278	1,177,283	262,571	253,497	176,690	174,919	451,058	479,868	576,904
Waste Management	1,634,335	1,508,520	1,599,771	1,832,253	1,807,441	1,733,132	1,717,743	-	-	-
Public Education	22,949,852	23,340,576	23,441,793	26,957,513	28,075,339	27,812,938	29,354,890	29,040,195	29,543,152	29,545,083
Program Costs	4,044,267	4,465,542	3,966,098	2,292,566	2,616,312	2,051,527	1,924,886	3,985,279	4,101,157	4,196,864
Capital outlay	2,423,705	2,704,993	2,840,558	5,563,226	5,368,217	11,608,444	7,827,750	3,653,411	4,009,508	4,118,658
Loans disbursed	280,000	269,780	125,000	7,055	79,650	70,000	468,589	639,500	71,905	90,000
Debt service										
Principal	1,615,000	1,170,000	1,233,310	1,312,068	1,463,025	1,484,368	1,917,000	2,174,000	2,323,000	2,252,000
Interest	1,402,123	1,375,461	1,339,747	1,353,384	1,311,479	1,143,371	1,263,774	1,262,493	1,189,464	1,047,690
Fiscal charges	2,597	122,294	149,512	2,599	94,828	89,167	67,784	1,465	67,050	2,600
Total expenditures	42,822,156	44,262,276	43,421,360	48,636,488	50,323,160	55,419,835	53,958,800	50,705,398	51,385,897	51,766,992
Excess of revenues over (under) expenditures	(3,958,871)	(1,976,038)	(1,445,131)	(1,660,293)	(3,654,874)	(9,433,149)	(6,125,719)	(998,900)	(283,732)	886,958
Other Financing Sources (Uses)										
Issuance of refunding bonds	-	9,880,000	9,320,000	-	2,892,463	12,992,125	4,750,000	-	4,700,000	-
Issuance of notes	-	-	845,000	-	-	-	1,329,412	-	-	1,737,955
Payment to refunding bond escrow agent	-	(4,873,115)	(9,283,450)	-	-	(4,131,287)	-	-	(4,795,000)	-
Bond issue premium	-	92,183	42,031	-	-	111,388	-	-	215,561	-
Transfers in	12,061,877	12,639,783	13,122,649	14,196,338	17,838,616	23,703,053	19,785,433	15,816,090	15,547,893	16,514,047
Transfers out	(12,061,877)	(12,639,783)	(12,785,602)	(13,799,414)	(17,434,037)	(23,249,950)	(19,449,502)	(15,494,411)	(15,251,302)	(16,227,573)
Total other financing sources (uses)	-	5,099,068	1,260,628	396,924	3,297,042	9,425,329	6,415,343	321,679	417,152	2,024,429
Net change in fund balances	$ (3,958,871)	$ 3,123,030	$ (184,503)	$ (1,263,369)	$ (357,832)	$ (7,820)	$ 289,624	$ (677,221)	$ 133,420	$ 2,911,387
Debt service as a percentage of noncapital expenditures	7.98%	6.82%	7.21%	6.42%	6.72%	6.30%	7.33%	7.74%	7.87%	7.31%

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
2005	2004	$ 144,288,750	$ 140,348,404	$ 284,637,154		2.81	$ 955,604,765	29.786%
2006	2005	143,179,375	144,416,030	287,595,405		2.81	968,403,216	29.698%
2007	2006	154,094,200	162,784,471	316,878,671	Coffee	2.49	1,052,832,610	30.098%
		13,588,000	3,183,952	16,771,952	Franklin	2.84	64,768,674	25.895%
2008	2007	157,042,475	163,527,494	320,569,969	Coffee	2.44	1,066,319,358	30.063%
		17,746,850	4,298,649	22,045,499	Franklin	2.44	84,379,680	26.127%
2009	2008	159,404,850	164,136,385	323,541,235	Coffee	2.44	1,086,798,263	29.770%
		18,423,550	5,027,499	23,451,049	Franklin	2.44	89,401,911	26.231%
2010	2009	166,140,275	162,085,710	328,225,985	Coffee	2.44	1,103,987,272	29.731%
		19,049,450	4,709,942	23,759,392	Franklin	2.44	90,930,491	26.129%
2011	2010	169,593,225	183,579,854	353,173,079	Coffee	2.29	1,165,946,883	30.291%
		18,803,125	4,482,745	23,285,870	Franklin	2.42	89,140,759	26.123%
2012	2011	169,198,875	183,726,208	352,925,083	Coffee	2.29	1,163,428,830	30.335%
		18,722,900	4,879,356	23,602,256	Franklin	2.42	88,680,716	26.615%
2013	2012	170,118,350	188,815,256	358,933,606	Coffee	2.29	1,183,144,274	30.337%
		18,403,050	4,338,099	22,741,149	Franklin	2.31	86,593,425	26.262%
2014	2013	171,331,825	192,247,233	363,579,058	Coffee	2.54	1,198,477,195	30.337%
		18,729,550	5,107,985	23,837,535	Franklin	2.56	90,464,876	26.350%

[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

	Coffee County			Franklin County		
Fiscal Year	City Direct Rate	Coffee County Rate	Overlapping Rate (1)	City Direct Rate	Franklin County Rate	Overlapping Rate (2)
2005	2.81	2.56	5.37	2.81	2.62	5.43
2006	2.81	2.56	5.37	2.81	2.62	5.43
2007	2.49	2.25	4.74	2.84	2.62	5.46
2008	2.44	2.37	4.81	2.44	2.01	4.45
2009	2.44	2.46	4.90	2.44	2.11	4.55
2010	2.44	2.46	4.90	2.44	2.11	4.55
2011	2.29	2.58	4.87	2.42	2.23	4.65
2012	2.29	2.58	4.87	2.42	2.23	4.65
2013	2.29	2.58	4.87	2.31	2.44	4.75
2014	2.54	2.58	5.12	2.56	2.44	5.00

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

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

Property tax rates are per $100 of assessed value.

Sources: Tennessee Comptroller of the Treasury, Division of Property Assessments, 2014 Property Tax Rates.

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

	2014 (for tax year 2013)			2005 (for tax year 2004)		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Goodrich Aerospace	$ 9,768,493	1	2.52%	$ -	-	-
Tullahoma HMA, Inc.	9,691,000	2	2.50%	6,177,280	1	2.17%
Ascend Federal Credit Union	5,122,040	3	1.32%	3,270,375	6	1.15%
Forest Gallery, LLC	4,730,120	4	1.22%	-	-	-
Centro NP Comerce Central	4,444,360	5	1.15%	-	-	-
Harton Regional Medical Center	4,303,907	6	1.11%	2,045,085	9	0.72%
Lowes Home Center, Inc.	3,497,120	7	0.90%	3,183,920	7	1.12%
Northgate Limited	2,991,440	8	0.77%	3,553,040	4	1.25%
Coffee County Ind. Board	2,693,160	9	0.70%	-	-	-
JSP International LLC	2,571,300	10	0.66%	-	-	-
IRT Partnership	-	-	-	3,941,720	2	1.38%
Excel Realty Partners	-	-	-	3,743,560	3	1.32%
Bell South	-	-	-	3,403,244	5	1.20%
Harton Realty Partners	-	-	-	2,586,930	8	0.91%
Continental, LTD	-	-	-	2,030,480	10	0.71%
Total	$ 49,812,940		12.85%	$ 33,935,634		11.93%

Source: Tullahoma Director of Finance

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

			Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended June 30,	Tax Year	Taxs Levied for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2005	2004	$ 7,999,287	$ 7,759,253	97.00%	$ 237,716	$ 7,996,969	99.97%
2006	2005	8,081,892	8,061,326	99.75%	18,008	8,079,334	99.97%
2007	2006	8,366,611	8,066,479	96.41%	292,690	8,359,169	99.91%
2008	2007	8,359,817	8,130,511	97.26%	218,160	8,348,671	99.87%
2009	2008	8,466,612	8,292,213	97.94%	155,569	8,447,782	99.78%
2010	2009	8,588,443	8,454,948	98.45%	98,980	8,553,928	99.60%
2011	2010	8,756,655	8,562,514	97.78%	147,036	8,709,550	99.46%
2012	2011	8,782,720	8,349,786	95.07%	371,847	8,721,633	99.30%
2013	2012	8,871,714	8,479,360	95.58%	242,617	8,721,977	98.31%
2014	2013	9,981,425	9,433,864	94.51%	-	9,433,864	94.51%

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
2005	$ 27,700,220	$ 50,000	$ 560,320	$ 3,720,000	$ 11,660,404	$ 43,690,944	N/A	2,428
2006	31,827,794	30,000	336,551	2,960,000	10,760,592	45,914,937	N/A	2,552
2007	31,349,165	855,000	208,241	2,165,000	9,867,293	44,444,699	N/A	2,470
2008	30,080,000	775,000	121,393	18,310,000	9,028,508	58,314,901	N/A	3,241
2009	31,692,463	703,000	10,368	17,390,000	7,840,819	57,636,650	N/A	3,110
2010	39,166,588	627,000	-	16,975,000	6,977,586	63,746,174	N/A	3,440
2011	43,498,000	548,000	-	17,315,000	6,020,276	67,381,276	N/A	3,627
2012	41,406,000	466,000	-	16,575,000	8,176,492	66,623,492	N/A	3,571
2013	39,408,179	380,000	-	15,800,000	7,472,828	63,061,007	N/A	3,380
2014	37,199,147	2,028,955	-	14,939,607	7,703,702	61,871,411	N/A	3,317

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
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	0.04	2,113.34
2011	43,498,000	0.04	2,341.25
2012	41,406,000	0.04	2,219.56
2013	39,408,179	0.03	2,112.47
2014	37,199,147	0.03	1,994.06

CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014

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)	$ 25,910,000	37.97%	$ 9,838,027
Franklin County Bonds (exclude school debt)	7,331,722	2.88%	211,154
Subtotal, overlapping debt			$ 10,049,181
City of Tullahoma direct debt			39,228,102
Total direct and overlapping debt			$ 49,277,283

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

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

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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
2014	$ 43,594,960	$ 37,523,923	$ 6,071,037	$ 840,000	$ 624,993	$ 1,464,993	4.14
2013	42,396,018	36,460,690	5,935,328	805,000	658,583	1,463,583	4.06
2012	41,207,244	36,567,388	4,639,856	775,000	691,737	1,466,737	3.16
2011	40,982,582	36,141,123	4,841,459	740,000	723,557	1,463,557	3.31
2010	36,043,815	33,982,877	2,060,938	40,000	739,677	779,677	2.64
2009	35,925,238	32,764,516	3,160,722	35,000	741,635	776,635	4.07
2008	31,554,533	27,973,540	3,580,993	830,000	101,249	931,249	3.85
2007	30,263,169	26,305,850	3,957,319	795,000	132,590	927,590	4.27
2006	29,135,117	25,556,218	3,578,899	760,000	161,408	921,408	3.88
2005	26,350,363	23,013,236	3,337,127	740,000	189,316	929,316	3.59

* 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
2004	17,994	N/A	N/A	38.0	3,650	4.0%
2005	17,994	N/A	N/A	38.1	3,646	5.0%
2006	17,994	N/A	N/A	38.2	3,597	4.2%
2007	17,994	N/A	28,716	38.2	3,631	5.7%
2008	17,994	N/A	28,716	38.2	3,636	5.5%
2009	18,533	N/A	24,718	38.1	3,712	6.9%
2010	18,533	N/A	24,718	38.1	3,802	6.9%
2011	18,579	N/A	23,129	38.1	3,542	9.8%
2012	18,655	N/A	23,129	38.1	3,370	7.6%
2013	18,655	N/A	23,129	38.1	3,373	9.3%
2014	18,655	N/A	21,802	40.5	3,443	6.6%

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 personal income published was in 2011.
**The latest median age available was taken from city.data.com last updated in 2012.

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

	2014			2005		
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	2.06%	591	1	2.48%
Ascend Federal Credit Union	340	2	1.26%	-	-	0.93%
Goodrich Aerospace	285	3	1.06%	223	6	0.94%
Cubic Transportation Systems	235	4	0.88%	226	5	-
Wisco Envelopes Co., Inv.	201	5	0.75%	-	-	-
JSP International LLC	196	6	0.73%	-	-	-
Schmiede Corporation	157	7	0.59%	134	8	-
Sonoco Corporation	150	8	0.56%	-	-	-
Tullahoma Industries	100	9	0.37%	-	-	-
Coca Cola Bottling Works	95	10	0.35%	-	-	-
LINPAC	-	-	-	112	10	0.47%
Tennessee Apparel	-	-	-	280	3	1.17%
Createc Corporation	-	-	-	139	9	0.58%
Worth, Inc.	-	-	-	176	7	0.73%
Fujicolor Processing, Inc.	-	-	-	282	2	1.18%
Jacobs Sverdrup Tech.	-	-	-	227	4	0.95%
Total	2,309		8.61%	2,390		9.43%

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 TEN FISCAL YEARS

	Fiscal year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Administrative	7	6	4	4	4	7	7	7	7	7
Finance	7	8	7	6	6	4	3	4	4	4
Planning	3	4	4	4	4	4	4	4	4	4
Building	2	2	2	2	2	2		2	2	2
Police:										
Personnel and officers	45	41	44	46	47	45	45	45	45	45
Fire:										
Firefighters and officers	38	38	38	38	40	39	38	38	38	38
Public Works	40	41	42	42	42	42	42	42	42	42
Parks and recreation	51	51	36	35	35	35	14	14	14	14
Education	493	491	490	517	502	502	502	492	492	489
Business-type Activities:										
Tullahoma Utilities Board	69	66	70	72	77	75	79	79	80	81
Total	755	748	737	766	759	755	734	727	728	726

Source: Various city departments.

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

	Fiscal year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Police:										
Physical arrests	1,180	1,203	866	2,294	1,534	1,765	1,699	1,236	1,193	1,314
Traffic violations	N/A	N/A	4,513	6,414	2,757	2,626	2,992	4,247	4,193	4,531
Fire:										
Emergency response	422	449	457	564	487	495	600	536	699	1,018
Inspections	1,116	1,127	1,389	652	463	599	750	649	295	652
Business-type activities										
Average number of customers:										
Power System	10,180	10,284	10,393	11,004	10,287	10,359	10,359	10,376	10,396	11,045
Water System	9,365	9,364	9,439	9,463	9,500	9,504	9,540	9,597	9,637	9,740
Wastewater System	7,136	7,212	7,320	7,321	7,321	7,310	7,335	7,390	7,415	7,499
Fiber Optics System	N/A	N/A	N/A	N/A	1,393	1,756	2,565	2,852	3,131	3,247

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

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 mai 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
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2014

ELECTRIC RATES

RESIDENTIAL SERVICE	Base Rate	Fuel Cost Adjustment	Total Retail Rate
Customer Charge	$12.00		
Peak kWh (12 PM-8 PM, Mon-Fri)	$0.10172 kWh	0.02759	$0.12931
Off-Peak	$0.05172 kWh	0.02759	$0.07931

GENERAL POWER SERVICE

GSA-1 If (a) the higher of (1) the customer's currently effective contract demand, if any, or (2) its highest billing demand during the latest 12-month period is not more than 50kWh and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:

Customer Charge	$16.00		
Peak kWh (12 PM-8 PM, Mon-Fri)	$0.09265 kWh	0.02723	$0.11988
Off-Peak	$0.06973 kWh	0.02723	$0.09696

GSA-2 If (a) the higher of (1) the customer's currently effective contract demand or (2) its highest billing demand during the latest 12-month period is greater than 50kWh but not more than 1,000 kWh or (b) if the customer's billing demand is less than 50 kWh and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge	$80.00		
0 - 50 kW	No Charge		
51 - 1,000 kW	$11.56 kW		
First 4,650 kWh Onpeak	$0.09347 kWh	0.02723	$0.12070
First 10,350 kWh	$0.07044 kWh	0.02723	$0.09767
Additional kWh Onpeak	$0.05468 kWh	0.02682	$0.08150
Additional kWh Offpeak	$0.03165	0.02682	$0.05847

GSA-3 If (a) the higher of the customer's currently effective contact deamnd or (b) its highest billing deamnd during the latest 12 month period is greater than 1,000 kWh:

Customer Charge	$200.00		
0 - 1,000 kW	$10.31 kW		
1,001 - 5,000 kW	$12.57 kW		
Peak kWh (12 PM-8 PM, Mon-Fri)	$0.05526 kWh	0.02682	$0.08208
Off-Peak	$0.03233	0.02682	$0.05915

ELECTRIC RATES (continued)

OUTDOOR LIGHTING

All kWh	$0.04322 kWh	0.02759	$0.07081

An additional Facility Charge is applicable

Type Fixture		Rated kWh	Energy Charge	Facility Charge	Monthly Charge
100 Watt High Pressure Sodium	Type A	45	$3.19	$5.86	$9.05
250 Watt HPS Cobra Head	Type B	111	$7.86	$7.55	$15.41
175 Watt Mercury Vapor	Type C	77	$5.45	$5.35	$10.80
400 Watt Mercury Vapor Open	Type D	174	$12.32	$7.02	$19.34
1000 Watt Metal Halide	Type E	394	$27.90	$15.45	$43.35
Steel Pole	Type F	0	$0.00	$11.49	$11.49
100 Watt HPS Cobra Head	Type G	45	$3.19	$5.97	$9.16
150 Watt HPS Acorn w/concrete pole	Type H	68	$4.82	$31.66	$36.48
175 Watt MH Acorn w/concrete pole	Type I	75	$5.31	$33.68	$38.99
250 Watt HPS Flood	Type J	111	$7.86	$10.40	$18.26
250 Watt HPS Acorn w/concrete pole	Type K	111	$7.86	$31.80	$39.66
250 Watt HPS Shoebox w/sq. steel pole	Type L	111	$7.86	$55.47	$63.33
400 Watt HPS Flood	Type M	171	$12.11	$10.69	$22.80
400 Watt MH Cobra Head	Type N	164	$11.61	$8.41	$20.02
400 Watt MH Flood	Type O	164	$11.61	$12.59	$24.20

WATER RATES

	(Per 1,000 Gallons)		
	City Limits		County Line
	Inside	Outside	Cooperative
First 100,000 gallons	$2.83	$4.06	$4.36
All over 100,000 gallons	$2.62	$3.74	$3.80
Customer charge (minimum)	$5.50/mo.	$8.25/mo.	$10.82/mo.
Multi-unit charge (minimum)	$4.88/mo.	$4.88/mo.	$4.88/mo.

WASTE WATER RATES

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2014

BROADBAND SERVICE RATES
Residential

Video Packages		
Lifeline Basic (No Triple Play Discount)	$	19.95
Expanded Basic	$	61.49
Digital Plus (includes HD set top)	$	80.49
Single Service Adder	$	15.00
Digital Tiers		
Sports Tier	$	3.00
Movie Tier	$	3.00
Latino Tier	$	3.00
Optional Services		
HBO	$	18.00
Showtime	$	15.00
Cinemax	$	15.00
Starz!	$	15.00
$3.00 discount for 2 movie channels, $6.00 discount for 3 movie channels and $9.00 discount for 4 movie channels		
Equipment		
HD Digital Box		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
Whole Home DVR Service	$	5.00
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
High Speed Internet		
15Mbps down / 3Mbps up	$	37.95
15Mbps down / 3Mbps up (ala carte)	$	52.95
40Mbps down / 20Mbps up	$	49.95
40Mbps down / 20Mbps up (ala carte)	$	59.95
70Mbps down / 35Mbps up	$	59.95
70Mbps down / 35Mbps up (ala carte)	$	64.95
100Mbps down / 100Mbps up	$	79.95
200Mbps down / 200Mbps up	$	99.95
1Gbps down / 1Gbps up	$	299.95
Additional Email address (single)	$	1.00
Installation, Repair, & Other		
Standard Install - Prewired	$	29.95
Standard Install - Unwired	$	29.95
Custom Install Hourly Rate	$	39.95
Change of Service - Technician on site	$	24.95

BROADBAND SERVICE RATES (Continued)
Residential (Continued)

Installation, Repair, & Other (Continued)

Change of Service - Electronic		Free
Add'l/Relocate Outlet-At initial install-First outlet	$	24.95
Add'l/Relocate Outlet-Separate Trip-First outlet	$	49.95
Add'l/Relocate Outlet-Separate trip-Add'l outlet on same trip	$	24.95
Add new STB-Separate trip (waived if upgrading to digital service)	$	24.95
Service Call - Customer Premise Issue/customer request (above one hour at custom install hourly rate)	$	49.95
Trip charge	$	24.95
Wall Fish	$	24.95
NSF Check Fee	$	25.00
Late Fee		5%
Reactivation Fee	$	34.95
Inside Wire Maintenance (All Services)	$	3.95
Internet Parking (For folks on extended travel)	$	10.00/mo
Additional charge each foot beyond 300 feet for underground	$	1.00/ft
Additional charge each foot beyond 300 feet for overhead	$	0.25/ft

Bundles

LightTUBe Lifeline TriplePlay Lifeline Basic,15 Mbps down/3 Mbps upload Internet, Home Phone	$	79.95
LightTUBe TriplePlay Expanded Basic, 15 Mbps down/3 Mbps upload Internet, Home Phone	$	113.49
LightTUBe TriplePlay Plus Digital Plus with HD, 15 Mbps down/3 Mbps upload Internet, Home Phone	$	132.49
LightTUBe TriplePlay HD Digital Plus with HD/DVR, 15 Mbps down/3 Mbps upload Internet, Home Phone	$	139.49
LightTUBe TriplePlay Super Fast Digital Plus with HD/DVR, 70 Mbps down/35 Mbps upload Internet, Home Phone	$	161.49

Telephone Services

Home Phone (26 features & unlimited LD)	$	31.95
800 Service (monthly)	$	5.00
Lifeline	$	12.95
Additional Line with Unlimited LD	$	24.95
Single Service Adder (subscribe to only one service)	$	15.00
Premium Directory Listing		
Non-Published Listing	$	5.50
Non-Listed Listing	$	5.50
Additional Listing	$	5.50
Directory Assistance		
Local	$	1.00
National	$	1.00
Operator Assisted Service Surcharge	$	1.00
International Directory Assistance	$	5.00

BROADBAND SERVICE RATES (Continued)
Commercial

Commercial Rates

High Speed Internet		
2Mbps Tier (2m/256k) / No Term	$	49.95
36 month Term	$	39.95
12Mbps Tier (12M/3M) / No Term	$	79.95
36 Month Term	$	69.95
Non-Profit No Term	$	69.95
Non-Profit 36-Month Term	$	49.95
20Mbps Tier (20M/5M) / No Term	$	129.95
36 Month Term	$	99.95
30Mbps Tier (30M/15M) / No Term	$	249.95
36 Month Term	$	199.95
60Mbps Tier (60M/30M) / No Term	$	599.95
36 Month Term	$	499.95
Static IP Addresses		
1 Address (none included in 2 Mbps package)		Free
5 Addresses	$	10.00
13 Addresses	$	15.00
29 Addresses	$	20.00
Additional Email and Hosting Services		
LighTUBe Domain		Included
Vanity Domain	$	5.00 each
Additional email addresses (single)	$	2.00
Additional email addresses (block of 25)	$	40.00
Telephone Services		
Premium Business Phone (22 features & unlimited LD)		
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	$	15.00
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

BROADBAND SERVICE RATES (Continued)
Commercial (Continued)

Telephone Services (Continued)

Premium Directory Listing		
Non-Published Listing	$	5.50
Non-Listed Listing	$	5.50
Additional Listing	$	5.50
Alternate Listing	$	5.50
Directory Assistance		
Directory Assistance (local & national)	$	1.00
Operated Assisted Service Surcharge	$	1.00
International Directory Assistance	$	5.00
Video Packages		
Expanded Basic	$	61.49
Digital Basic (no music)	$	100.49
Expanded Basic (Hospitality)		Varies
Commercial Music Only	$	39.95
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

Average number of customers during the year:

Electric System	11,045
Water System	9,740
Waste Water System	7,499
Fiber System	3,247

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WASv4.2

Back to Instructions

? Click to access definition

Water Audit Report for: CITY OF TULLAHOMA
Reporting Year: 2014 | 7/2013 - 6/2014

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

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

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	n/a		Million gallons (US)/yr (MG/Yr)	
Master meter error adjustment (enter positive value):	n/a			MG/Yr
Water imported:	8	1,126.138	MG/Yr	
Water exported:	9	220.894	MG/Yr	
WATER SUPPLIED:		905.244	MG/Yr	

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

				Pcnt:	Value:
Billed metered:	8	715.829	MG/Yr		
Billed unmetered:	n/a		MG/Yr		
Unbilled metered:	n/a		MG/Yr		
Unbilled unmetered:		11.316	MG/Yr	1.25%	

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

Use buttons to select percentage of water supplied OR value

AUTHORIZED CONSUMPTION:		727.144 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

178.100 MG/Yr

Apparent Losses

				Pcnt:	Value:
Unauthorized consumption:		2.263	MG/Yr	0.25%	
Customer metering inaccuracies:	8	7.231	MG/Yr	1.00%	
Systematic data handling errors:	7	1.000	MG/Yr		
Apparent Losses:		10.494			

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

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

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:		167.606 MG/Yr
WATER LOSSES:		178.100 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:		189.415 MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	5	265.0	miles
Number of active AND inactive service connections:	5	11,198	
Connection density:		42	conn./mile main
Average length of customer service line:	10	0.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	3	65.0	psi

COST DATA

Total annual cost of operating water system:	10	$3,681,588	$/Year
Customer retail unit cost (applied to Apparent Losses):	8	$7.76	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	10	$1,250.00	$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	20.9%
Non-revenue water as percent by cost of operating system:	8.3%
Annual cost of Apparent Losses:	$81,431
Annual cost of Real Losses:	$209,508

Operational Efficiency Indicators

Apparent Losses per service connection per day:	2.57	gallons/connection/day
Real Losses per service connection per day*:	41.01	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.63	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	73.86	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	167.61	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.27	

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

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 81 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Water Imported
2: Unauthorized consumption
3: Billed metered

For more information, click here to see the Grading Matrix worksheet

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PUBLIC OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2014

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	$ 760,000
All Employees:		
Employee Fidelity	Each and every loss	$ 150,000

Tullahoma Utilities Board

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

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

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

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

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

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-1 to 2014-9 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tullahoma, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-5, 2014-7 to 2014-9.

City of Tullahoma, Tennessee's Response to Findings

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

Purpose of this Report

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

Horsholder Artman PLLC

December 30, 2014

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Report on Compliance for Each Major Federal Program

We have audited 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, 2014. City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Tullahoma, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

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

Report on Internal Control over Compliance

Management of City of Tullahoma, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Tullahoma, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance 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 City of Tullahoma, Tennessee's internal control over compliance.

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

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

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

Housholder Artman PLLC

December 30, 2014

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

I. Summary of Auditor's Results

1. The June 30, 2014 Auditor's Report on the Financial Statements is an unqualified opinion.

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

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

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

5. The June 30, 2014 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
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
84.287	Title IV, Part B, 21st Century
Department of Transportation:	
20.603	Federal Highway Safety Improvements

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

9. City of Tullahoma qualifies to be a low risk auditee.

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

TULLAHOMA UTILITIES BOARD

Finding 2014-1: Deficit fund balance for Fiber Optics Fund-repeat finding

As of June 30, 2014 the Fiber Optics Fund has a deficit fund balance of $2,177,175.

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

Management's Response:
The business plan showed that we would operate at a loss for the first three years. Actuals are closely following the original plan. At the end of FY 14, we are net income positive and are actively reducing the deficit fund balance from prior years.

TULLAHOMA BOARD OF EDUCATION

Finding 2014-2: Preparation of Financial Statements and Related Disclosures

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

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

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

Finding 2014-3: Audit Adjustments

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

- Grants receivables were understated by $1,920 in the General Fund and overstated by $65,799 in the Federal Projects Fund.
- Accounts payable were overstated by $17,432 in the General Fund.
- Revenue for sanitation charges from the City of Tullahoma of $67,339 was not recorded in the General fund.

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

Finding 2014-3: Audit Adjustments (continued)

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

Finding 2014-4: Excess Expenditures

The General Purpose School Fund and School Federal and State Project 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.

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

Finding 2014-5: Deposits

The deposits in financial institutions for Tullahoma City Schools were not collateralized as required by state regulations.

Recommendation:
We recommended that the deposits of the funds should be collateralized by regulations.

Management Response
We concur with the auditors' finding and recommendation

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

Finding 2014-6: 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.

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

Finding 2014-7: Cash Receipts

During the course of the audit we noted that two collection reports were not located.

***Finding 2014-7: Cash Receipts* (continued)**

Recommendation:
According to the "Internal Control and Compliance Manual for Tennessee Municipalities, at Title 5, Chapter 14 " Prenumbered receipts for each revenue source are issued as required by Sections 9-2-103 and 104, *Tennessee Code Annotated*, and all unused or voided receipts are accounted for. Prenumbered receipts issued should be detailed to adequately identify and/or document the payment source, payment date, method of payment (cash or check), purpose of payment, if needed, etc. Each day the cashier summarizes all cash collections by source and fund on a daily collection report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short. Each report should be dated, and the date should be recorded on the corresponding deposit slip. Collections are deposited daily, if possible, but no more than three business days after the initial collection, as required by state law. Collections are deposited intact and only in designated depositories. Intact means that collections are deposited in the form and amount in which they are collected. Employee and third party checks must not be cashed through the cash drawers. No collections should be withheld from the deposit for any reason."

Management's Response:
We are aware of the receipting requirements and updating procedures to ensure compliance.

Finding 2014-8: Cash Disbursements

During the course of the audit we noted that one voided checks was not retained.

Recommendations:
According to the "Internal Control and Compliance Manual for Tennessee Municipalities, at Title 5, Chapter 11 "Two authorized signatures are required for all checks. Authorized signature cards at the bank must be current. Before signing checks, each signatory should review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc.).Voided checks are defaced and retained.

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

Finding 2014-9: Credit Cards Fee

During the course of the audit we noted that fees charged to the Authority by the card processer were not collected in lease payments received from customers.

Recommendations:
According to the "Internal Control and Compliance Manual for Tennessee Municipalities, at Title 5, Chapter 14 all payments accepted by credit card must charge the customer the "Convenience fee" assessed to the Authority by the card processer.

Management's Response:
We updated the credit card payment policy in FY15 to address convenience fee charges.

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

There were no findings related to the Federal awards for the year ended June 30, 2014.

CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2014

TULLAHOMA UTILITIES BOARD

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

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

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 2014-1.

TULLAHOMA BOARD OF EDUCATION

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

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

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 2014-2.

Finding 2013-3: Audit Adjustments

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

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

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

Current Status:
See Finding 2014-3.

Finding 2013-4: Excess Expenditures

The Extended School Program 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 2014-4.

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

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

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

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

Current Status:
See Finding 2014-5.

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

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