

CITY OF TULLAHOMA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

PREPARED BY:

DEPARTMENT OF FINANCE

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INTRODUCTORY SECTION



March 15, 2016

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, 2015.

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, 2015, 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, wastewater services and fiber optics, and general administrative 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 Complex at Arnold Air Force Base is home to the world's largest and most comprehensive 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 20 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 (TAA), the Tullahoma Industrial Development Board (TIDB) 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 than fifteen (15) days prior to the beginning of each fiscal year, the City Administrator shall prepare and submit to the Board of Mayor and Alderman a proposed budget for the next fiscal year, showing separately for the general fund and for each other fund the following information: Revenue and expenditures during the preceding fiscal year; Appropriations and estimated revenue and expenditures for the current fiscal year; and Estimated revenue and recommended expenditures for the next fiscal year.

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

In early March, City departments begin assessing new resource needs for the coming year relative to equipment, maintenance requirements, information technology, and proposed new and expanded work programs. In early April, 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 for review by the City Administrator and Finance Director. 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 cites Tennessee Code Annotated §6-56-105 which states that the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds. All audits must be submitted to the comptroller of the treasury for approval. The city periodically solicits professional proposals for audit services and currently contracts with Housholder Artman, PLLC in Tullahoma for the annual audit of all municipal entities.

Single Audit

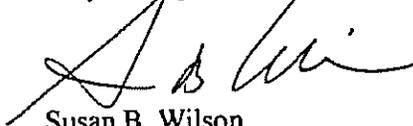
As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. As part of the City's single audit, tests are performed to determine the adequacy of the internal control structure, including the portion related to federal and state financial assistance programs, as well as to determine that the City has complied, in all material respects, with applicable laws and regulations. The results of the City's single audit for fiscal year 2015 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 2011-2014. 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, 2014

Executive Director/CEO

**CITY OF TULLAHOMA, TENNESSEE
PUBLIC OFFICIALS**

Mayor	Lane Curlee
Mayor Pro-Tem	Jerry Mathis
Alderman	Mike Stanton
Alderman	Jackie Duncan
Alderman	Reneé Keene
Alderman	Sandy Lindeman
Alderman	James H. Blanks
City Administrator	Louis J. Baltz, III
City Attorney	Steve Worsham
Director of Finance	Susan Wilson
City Recorder	Rosemary Womack
Accounting Supervisor	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

Citizens

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 Golden, City Recorder
Tax Collection, Records Management,
Licenses, Permits, Court Clerk

Planning & Codes

C. Thomas Robinson, Interim Director
Building Inspection, Codes Enforcement,
Planning and Development

Human Resources

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

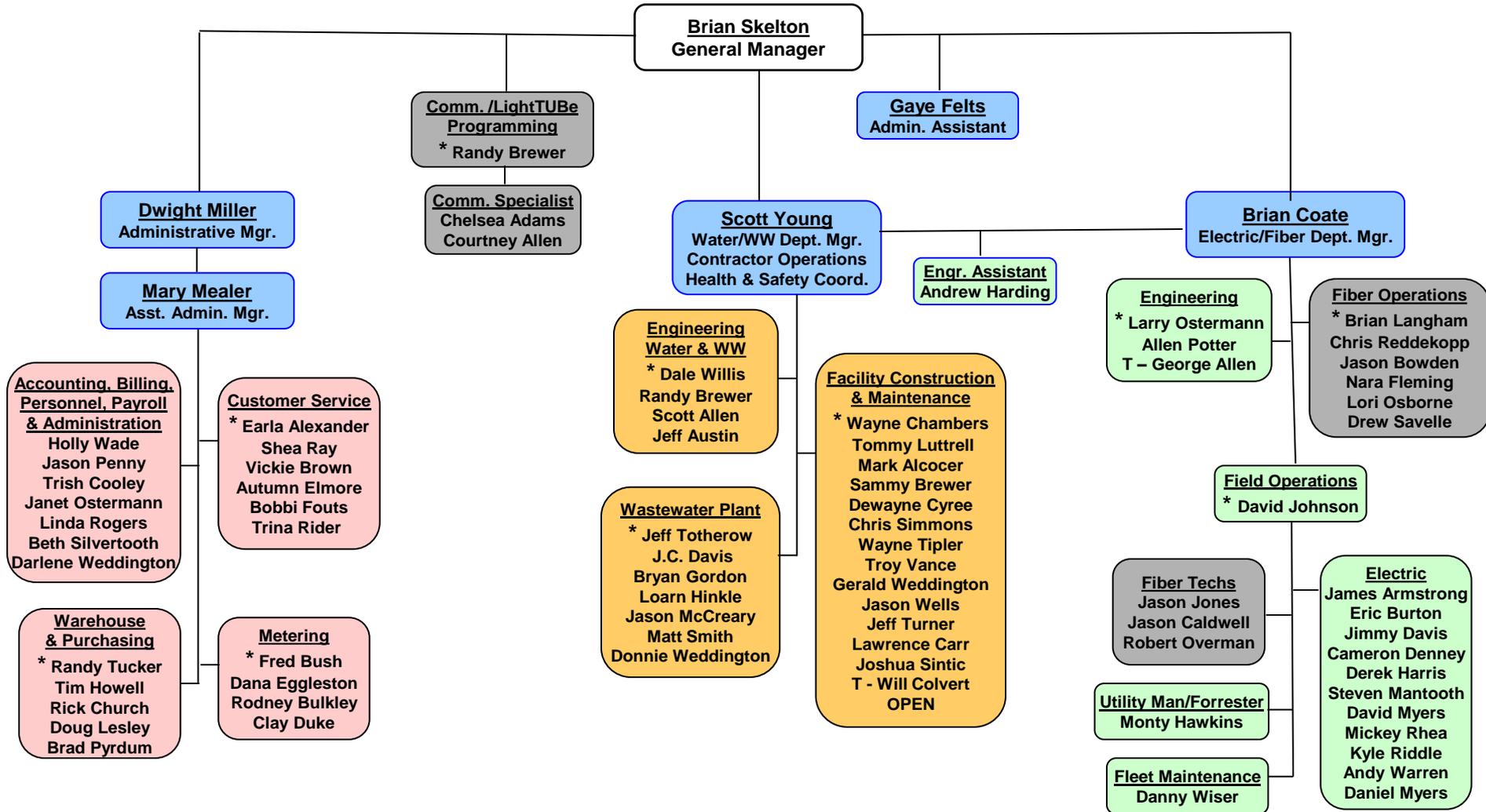
**Tullahoma Area Economic
Development Corporation**

C. Thomas Robinson, Executive Director

Tullahoma Regional Airport

Jon Glass, Manager

Tullahoma Utilities Board Organization Chart



* *Supervisor*
T - *Temporary*

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2015, 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, 2015, 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 discussed in Note 1, in fiscal year 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. 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 employer contributions, changes in net pension liability and related ratios, investment returns, proportionate share of net pension asset – pension plans, and schedules of funding progress and employer contributions – other post employment benefits on pages A-1 through A-16 and B-60 through B-66 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-12, financial schedules on pages D-1 through D-10 and D-15 through D-16, and statistical section on pages E-1 through E-28, 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 on pages D-11 through D-13 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 March 15, 2016 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 the City of Tullahoma, Tennessee's internal control over financial reporting and compliance.

Honsholder Cistman PLLC

Tullahoma, Tennessee
March 15, 2016

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(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, 2015. 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 2011-2014. This has been a major achievement for the City. This recognition also reflects significant cooperation between all boards and agencies of the City included in the CAFR and the auditing firm that prepared the CAFR. This CAFR will also be submitted for national award consideration.

THE REPORTING ENTITY AND ITS COMPONENT UNITS

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

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

The City of Tullahoma (Primary Government – Governmental Activities)

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

Tullahoma City Schools (Primary Government – Governmental Activities)

Tullahoma City Schools (the City Schools) encompasses four elementary schools, two middle schools and one high school. The City Schools serves approximately 3,372 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 10,586 electric customers. The Board purchases wholesale water from the Duck River Utility Commission to serve its 9,824 water customers. The Board also operates a wastewater treatment facility with 7,569 sewer customers. The Board recently expanded into the fiber optics area and now offers television, telephone and internet services to over 3,379 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.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

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.

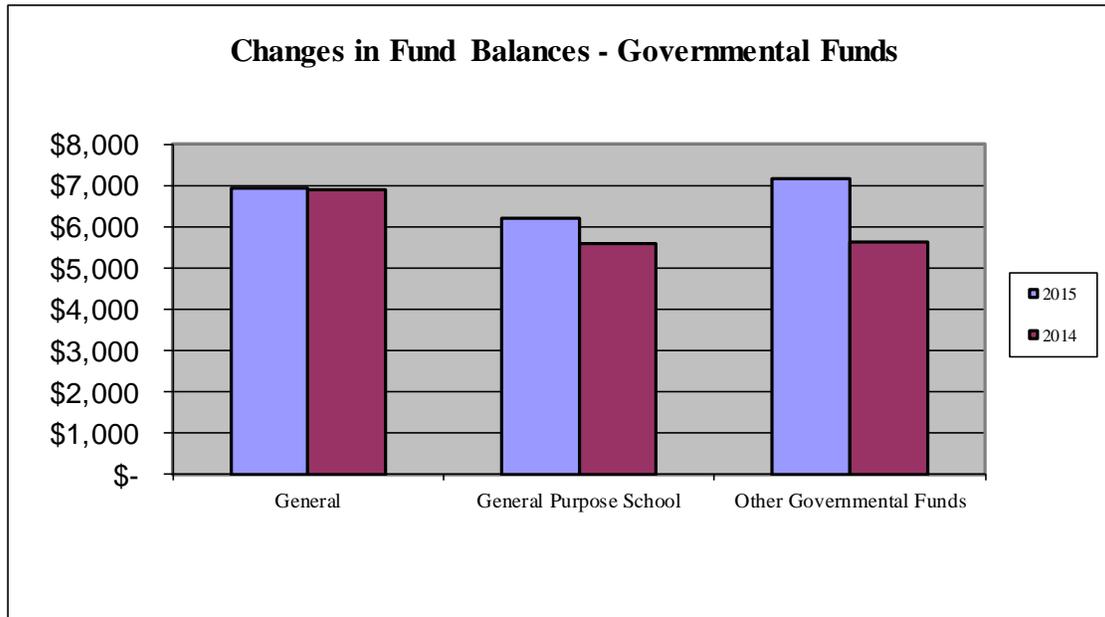
For purposes of this report, the City of Tullahoma and the Tullahoma City Schools financial information has been consolidated and identified as Governmental Activities under the Primary Government sector, while Business-type Activities refers to the Tullahoma Utilities Board and internal service fund 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.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Governmental Activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,713 (net position). Of this amount, \$5,987 is net investment in capital assets; \$7,434 is restricted for debt service, education and other use, with \$5,292 available to meet other ongoing obligations. The Governmental Activities net position increased by \$4,171.
- The Governmental Activities indicates an increase in net investment in capital assets of \$590. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.
- The Business-type Activities total net position increased by \$1,542.
- Net investment in capital assets in the Business-type Activities increased by \$769 or 2.9% from last year, due to continued sewer rehabilitation efforts.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$20,292, an increase of \$2,190 from the prior year. While the fund balance in the General Purpose School Fund increased by \$615, the fund balance in the City General Fund increased by \$383 and the fund balance in the other governmental funds increased by \$1,192.
- At the end of the current fiscal year, fund balance for the City's General Fund was \$6,919, or 27.3% of total General Fund expenditures including transfers out.
- The ending fund balance in the General Purpose School Fund increased by 10.9% in FY2015 to \$6,211 or 21.5% of total expenses for that fund.
- The City's total gross debt decreased by only \$3,253 during 2015, 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 \$1,350 during this period, while the Governmental Activities debt also decreased by \$1,903.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)



OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(amounts expressed in thousands)

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, wastewater, 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, twelve (12) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the General-Purpose School 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.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

- **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, wastewater, 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 and deferred inflows of resources exceed liabilities and deferred outflows of resources reported by \$18,713 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 \$47,027 with 57.7% 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

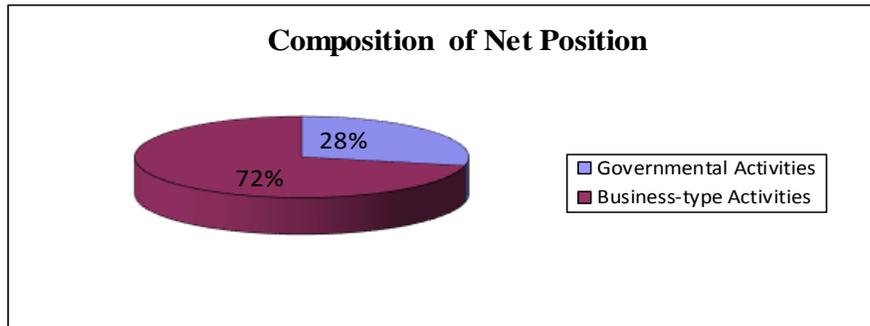
City of Tullahoma's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 as restated	2015	2014	2015	2014 as restated
Assets:						
Current and other assets	\$35,633	\$32,745	\$29,675	\$29,214	\$65,308	\$61,959
Capital assets, net of accumulated depreciation	45,980	44,253	48,411	49,021	94,391	93,274
Total assets	81,613	76,998	78,086	78,235	159,699	155,233
Deferred outflows of resources	3,294	333	-	-	3,294	333
Liabilities:						
Long-term liabilities outstanding	47,452	49,355	21,681	23,031	69,133	72,386
Other liabilities	3,649	3,453	9,377	9,719	13,026	13,172
Total liabilities	51,101	52,808	31,058	32,750	82,159	85,558
Deferred inflows of resources	15,093	9,981	-	-	15,093	9,981
Net position:						
Net investment in capital assets	5,987	5,397	27,147	26,378	33,134	31,775
Restricted	7,434	10,806	7,659	7,904	15,093	18,710
Unrestricted	5,292	(1,661)	12,221	11,203	17,513	9,542
Total net position	<u>\$18,713</u>	<u>\$14,542</u>	<u>\$47,027</u>	<u>\$45,485</u>	<u>\$65,740</u>	<u>\$60,027</u>

A portion of the Governmental Activities total net position \$7,434 (39.7%) 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, assets for capital construction and projects, equipment replacement, and pension net asset, as well as education funds. The remaining balance of unrestricted net position \$5,292 may be used to meet the government's ongoing obligations to citizens and short-term creditors.

For the Business-type Activities, \$7,659, or 16.3% of total net position is identified as restricted. This leaves \$12,221 available for various operating needs.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)



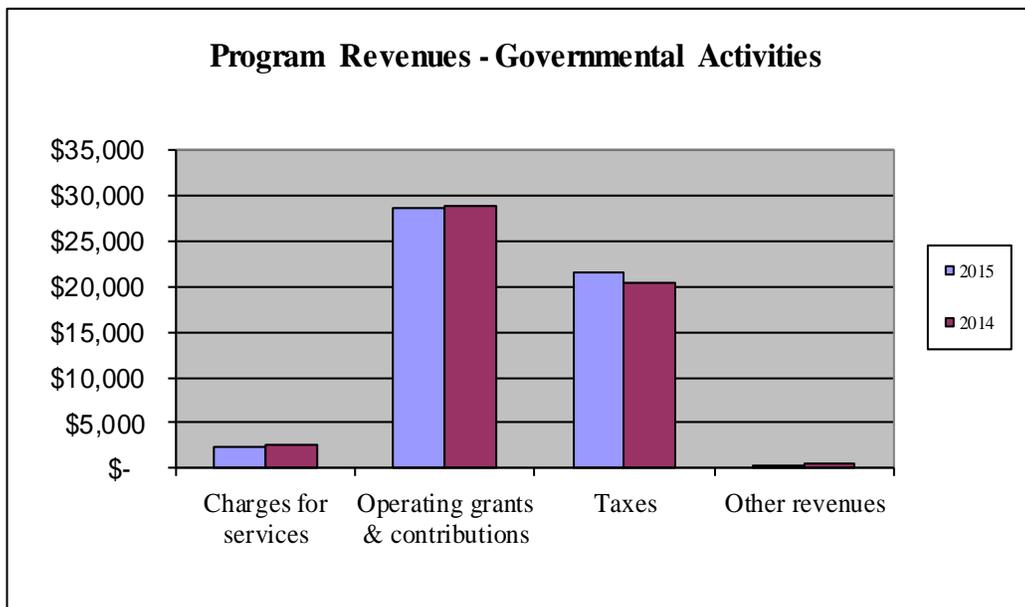
City of Tullahoma's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 as restated	2015	2014	2015	2014 as restated
Revenues:						
Program revenues:						
Charges for services	\$ 2,436	\$ 2,553	\$43,831	\$43,595	\$46,267	\$46,148
Operating grants & contributions	28,530	28,858	-	-	28,530	28,858
Capital grants & contributions	-	-	190	766	190	766
General revenues:						
Taxes	21,593	20,417	-	-	21,593	20,417
Other revenues	409	493	208	47	617	540
Investment earnings	56	62	24	26	80	88
Transfers	375	286	(375)	(286)	-	-
Total revenues	<u>53,399</u>	<u>52,669</u>	<u>43,878</u>	<u>44,148</u>	<u>97,277</u>	<u>96,817</u>
Expenses:						
General government	2,327	2,299	-	-	2,327	2,299
Public safety	5,262	5,158	-	-	5,262	5,158
Public works	4,892	4,520	-	-	4,892	4,520
Community services	511	575	-	-	511	575
Waste management	1,926	1,890	-	-	1,926	1,890
Education	33,329	33,748	-	-	33,329	33,748
Utilities	-	-	42,336	41,468	42,336	41,468
Interest & debt	981	1,026	-	-	981	1,026
Total expenses	<u>49,228</u>	<u>49,216</u>	<u>42,336</u>	<u>41,468</u>	<u>91,564</u>	<u>90,684</u>
Change in net position	4,171	3,453	1,542	2,680	5,713	6,133
Net position, beginning of period	14,542	18,026	45,485	42,805	60,027	60,831
Adjustment to restate beginning net position	-	(6,937)	-	-	-	(6,937)
Net position, beginning, as restated	<u>14,542</u>	<u>11,089</u>	<u>45,485</u>	<u>42,805</u>	<u>60,027</u>	<u>53,894</u>
Net position, end of period	<u>\$18,713</u>	<u>\$14,542</u>	<u>\$47,027</u>	<u>\$45,485</u>	<u>\$65,740</u>	<u>\$60,027</u>

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

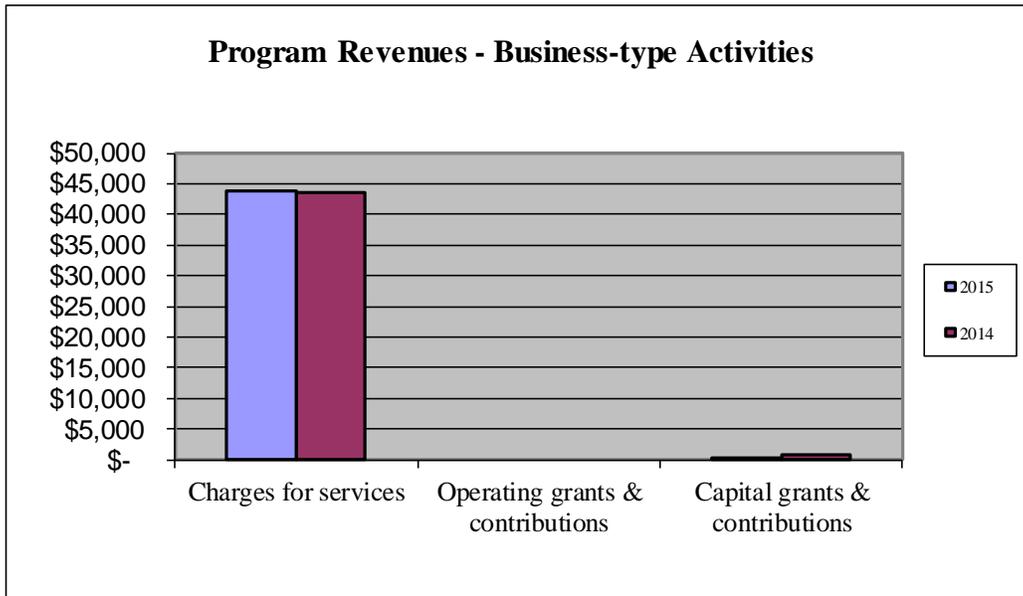
Changes in Net Position

- Governmental Activities increased net position by \$4,171. The improvement in Governmental Activities net position was mostly due to the increases in the General Purpose School Fund net assets of \$615, and the City General Fund improving by \$383. Fiscal year 2015 saw improvement in the local economy. The City's portion of sales tax increased by \$362 or 4.0% over fiscal year 2014, leading to improved financial positions for both governmental entities.
- Business-type Activities increased net position by \$1,542.



Governmental Activities reflect an increase of \$1,176 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 as well as airport updates and repairs.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)



Business-type Activities are financed almost entirely by service charges. Service charges remained consistent during the two year period, reflecting an increase of only \$236 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

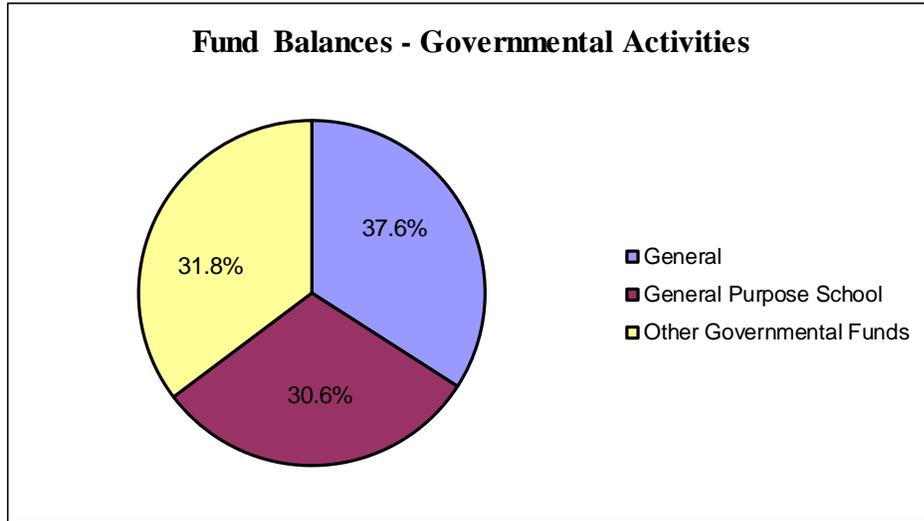
The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tullahoma's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's 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 \$20,292, an increase of \$2,191 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.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

- 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 \$5,492 while total fund balance amounted to \$6,919. 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 21.6% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund increased by \$383 as a result of the current fiscal year operations. The General Fund had \$13 in outstanding encumbrances at year end.
- The General Purpose School Fund has a total fund balance of \$6,211. Although expenditures increased by \$184, revenues decreased by \$329.
- The General Debt Service fund has an ending fund balance of only \$236. 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 \$2,838, which increased to \$3,120 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 completed in fiscal year 2012.
- The City Capital Projects are the next largest non-major fund, with an ending balance of \$1,456, increased by \$515 from fiscal year 2014. 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 \$7,161. 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, equipment replacement fund, and UDAG.

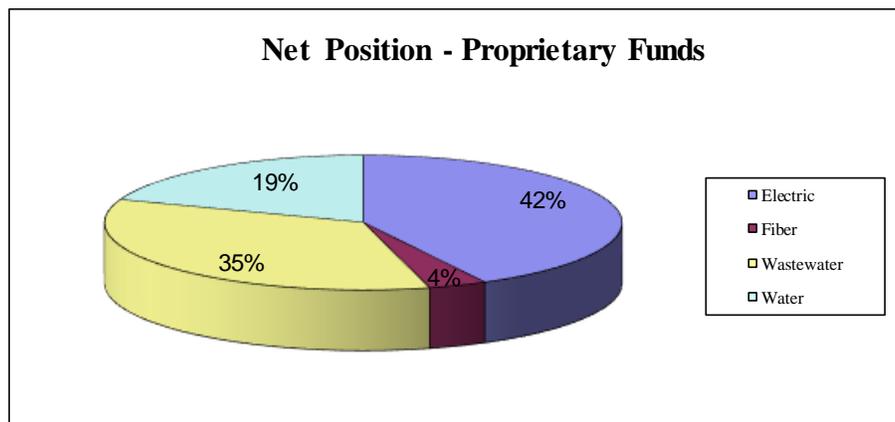
CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)



Proprietary Funds

The Business-type Activities at the Tullahoma Utilities Board have seen a change in composition due to the addition of a fourth enterprise fund in 2007 for the construction of a fiber optics system which began providing services to Tullahoma residents commencing in October 2008 and has now expanded to serving over 3,300 customers.

- The Electric System provided an increase in net position of \$34 in 2015, due to increased customer base. Accounts receivable increased \$88 (before allowances).
- The Wastewater System reflected an increase of \$889, which included a capital contribution of \$190, while the Water System's net position grew by \$286.
- As the Fiber Optics System is still finishing up build out and growing its customer base, their net position improved by \$333 to (\$1,844). The system plans to show positive net position in 2016.



CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

CAPITAL ASSETS AND DEBT ADMINISTRATION

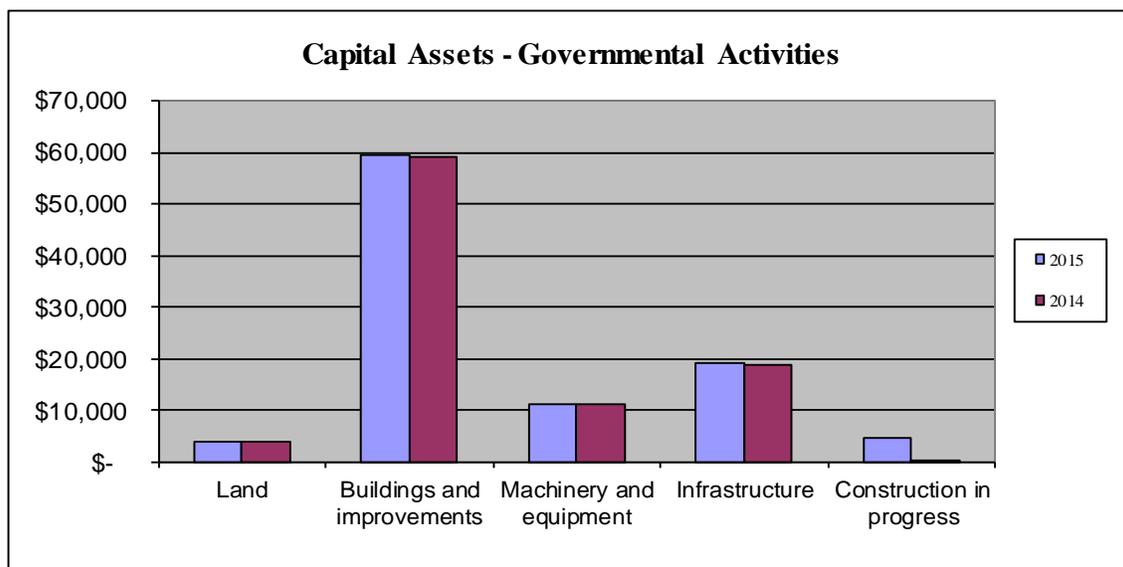
Capital Assets

The City's investment in capital assets from its Governmental and Business-type Activities as of June 30, 2015, 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

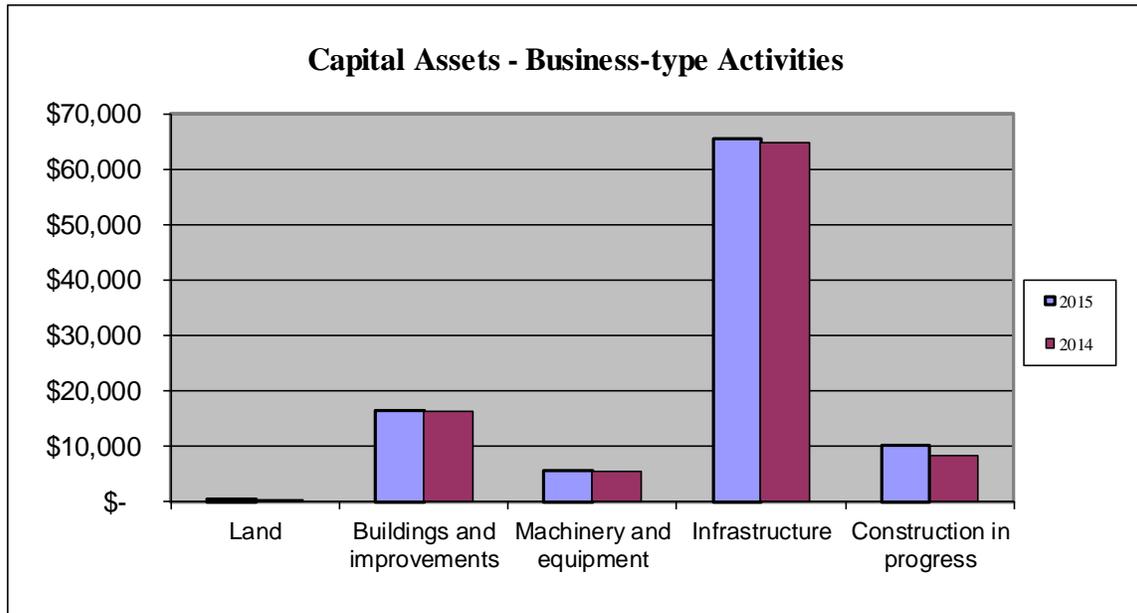
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,824	\$ 3,824	\$ 476	\$ 476	\$ 4,300	\$ 4,300
Buildings and improvements	59,385	59,196	16,435	16,402	75,820	75,598
Machinery and equipment	11,171	11,008	5,546	5,455	16,717	16,463
Infrastructure	19,037	18,896	65,582	64,857	84,619	83,753
Construction in progress	4,521	392	10,147	8,477	14,668	8,869
Total capital assets	<u>\$97,938</u>	<u>\$ 93,316</u>	<u>\$98,186</u>	<u>\$95,667</u>	<u>\$ 196,124</u>	<u>\$ 188,983</u>

The total capital assets in the Governmental Activities increased by \$4,622, and is reflected in the construction in progress account. The City began renovation of the indoor pool at D.W. Wilson Community Center, added a new concession area and converted the old outdoor pool into a water park called "Splash Island". The pool projects will be completed in FY2016. Machinery and equipment increased by \$163 with the addition of new police cars and pick-up trucks.



CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

The total capital assets in the Business-type Activities increased by \$2,519, of which \$1,670 was an increase in construction in progress for the on-going sewer rehabilitation. Tullahoma Utilities Board received a low interest loan from the State of Tennessee to fund the project.



Long-Term Debt

- Governmental Activities**
In fiscal year 2015, The City of Tullahoma drew down \$3,767 in construction loan proceeds for recreation projects including the indoor pool and "Splash Island" as well as renovation of the City's historic baseball stadium. This was offset by total City and School debt payments of \$2,659 resulting in an increase in long-term debt of \$1,108, excluding changes in other obligations payable. Other obligations payable include accrued vacation and sick leave and other obligations for both governmental entities.
- Business-type Activities**
The Tullahoma Utilities Board received approval for a \$5,000 state revolving loan for sewer rehabilitation in FY2014, which they are continuing to utilize for a multi-year sewer rehabilitation project. To encourage the feasibility of the project, the state provided a program with loan forgiveness of up to \$1,000 of the total principal.

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(amounts expressed in thousands)

- Component Units

No direct debt was issued by or on behalf of either the Tullahoma Municipal Airport Authority or the Tullahoma Industrial Development Board in fiscal year 2015. The Tullahoma Municipal Airport Authority does have outstanding loans through the City's UDAG Revolving Loan Program, which are offset by hangar rentals and fuel sales.

City of Tullahoma's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Notes payable	\$ 5,473	\$ 2,029	\$ 7,160	\$ 7,704	\$ 12,633	\$ 9,733
General obligation bonds	34,863	37,199	14,104	14,940	48,967	52,139
Other obligations payable	7,116	10,127 *	417	387	7,533	10,514 *
Total long-term debt	<u>\$ 47,452</u>	<u>\$ 49,355</u>	<u>\$ 21,681</u>	<u>\$ 23,031</u>	<u>\$ 69,133</u>	<u>\$ 72,386</u>

*Previous year is restated due to GASB Statement No. 68 and 71. Additional information concerning long-term debt can be found in Note 6 of the Notes to the Basic Financial Statements.

Requests for Information

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



CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 19,978,701	\$ 12,071,575	\$ 32,050,276	\$ 413,333
Receivables	11,826,469	3,582,551	15,409,020	1,111
Allowance for doubtful accounts	(958,353)	(26,731)	(985,084)	-
Unbilled revenue	-	2,312,793	2,312,793	-
Due from component units	91	-	91	-
Due from other governments	3,182,797	222,414	3,405,211	170,730
Inventory	-	1,411,186	1,411,186	11,770
Other assets	74,107	1,135,357	1,209,464	5,558
Restricted assets:				
Cash and cash equivalents	-	8,036,372	8,036,372	1,000
Notes receivable	1,472,252	929,493	2,401,745	-
Net pension asset	57,539	-	57,539	-
Capital assets:				
Utility plant in service	-	65,582,086	65,582,086	-
Land	3,824,195	476,080	4,300,275	1,738,799
Buildings and improvements	59,385,169	16,434,402	75,819,571	10,013,846
Furniture, machinery, and equipment	11,170,608	5,546,251	16,716,859	473,824
Construction in progress	4,520,813	10,147,319	14,668,132	1,283,892
Infrastructure	19,037,447	-	19,037,447	-
Accumulated depreciation	(51,958,643)	(49,775,198)	(101,733,841)	(3,772,297)
Total assets	81,613,192	78,085,950	159,699,142	10,341,566
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	306,734	-	306,734	-
Deferred outflows related to pension	2,986,939	-	2,986,939	1,487
Total deferred outflows of resources	3,293,673	-	3,293,673	1,487
LIABILITIES:				
Accounts payable	1,824,072	6,079,168	7,903,240	42,843
Accrued liabilities	1,485,683	617,288	2,102,971	-
Accrued interest payable	209,035	-	209,035	-
Due to the primary government	-	-	-	91
Due to other governments	129,557	-	129,557	-
Other liabilities	-	1,892,825	1,892,825	12,610
TVA advances	-	411,907	411,907	-
Liabilities payable from restricted assets:				
Accrued interest	-	301,709	301,709	-
Contracts and retainage	-	74,868	74,868	-
Noncurrent liabilities:				
Due within one year	2,748,000	1,815,980	4,563,980	39,335
Due in more than one year	44,704,196	19,864,781	64,568,977	153,124
Total liabilities	51,100,543	31,058,526	82,159,069	248,003
DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue	10,199,518	-	10,199,518	13,140
Deferred inflows related to pension	4,893,365	-	4,893,365	-
Total deferred inflows of resources	15,092,883	-	15,092,883	13,140
NET POSITION:				
Net investment in capital assets	5,986,578	27,146,940	33,133,518	9,566,108
Restricted:				
Restricted for debt service	3,355,975	1,107,168	4,463,143	-
Restricted for construction	1,455,692	6,552,627	8,008,319	-
Restricted for equipment replacement	590,235	-	590,235	-
Restricted for drug enforcement	103,615	-	103,615	-
Restricted for UDAG and USDA loans	1,980,478	-	1,980,478	-
Restricted for school operations	(435,376)	-	(435,376)	-
Restricted for net pension asset	57,539	-	57,539	-
Restricted - other	326,851	-	326,851	1,000
Unrestricted	5,291,852	12,220,689	17,512,541	514,802
Total net position	\$ 18,713,439	\$ 47,027,424	\$ 65,740,863	\$ 10,081,910

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

**CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,326,542	\$ 510,331	\$ 2,906,653	\$ -	\$ 1,090,442	\$ -	\$ 1,090,442	\$ -
Public safety:								
Police	2,899,313	21,158	-	-	(2,878,155)	-	(2,878,155)	-
Fire	2,362,711	-	-	-	(2,362,711)	-	(2,362,711)	-
Public works	4,891,574	-	-	-	(4,891,574)	-	(4,891,574)	-
Community services	511,199	-	502,697	-	(8,502)	-	(8,502)	-
Waste management	1,926,323	701,567	9,630	-	(1,215,126)	-	(1,215,126)	-
Education	33,329,968	1,202,796	25,111,402	-	(7,015,770)	-	(7,015,770)	-
Interest and other debt related costs	980,816	-	-	-	(980,816)	-	(980,816)	-
Total governmental activities	<u>49,228,446</u>	<u>2,435,852</u>	<u>28,530,382</u>	<u>-</u>	<u>(18,262,212)</u>	<u>-</u>	<u>(18,262,212)</u>	<u>-</u>
Business-type activities:								
Electric System	29,247,265	29,744,930	-	-	-	497,665	497,665	-
Fiber Optics System	6,146,344	6,470,028	-	-	-	323,684	323,684	-
Wastewater System	3,438,054	3,969,935	-	189,776	-	721,657	721,657	-
Water System	3,504,423	3,645,672	-	-	-	141,249	141,249	-
Total business-type activities	<u>42,336,086</u>	<u>43,830,565</u>	<u>-</u>	<u>189,776</u>	<u>-</u>	<u>1,684,255</u>	<u>1,684,255</u>	<u>-</u>
Total primary government	<u>\$ 91,564,532</u>	<u>\$ 46,266,417</u>	<u>\$ 28,530,382</u>	<u>\$ 189,776</u>	<u>(18,262,212)</u>	<u>1,684,255</u>	<u>(16,577,957)</u>	<u>-</u>
Component units:								
Industrial Development Board	\$ 26,014	\$ 35,337	\$ -	\$ -	-	-	-	9,323
Area Economic Development Corporation	148,616	-	159,664	-	-	-	-	11,048
Municipal Airport Authority	1,392,170	98,392	811,601	22,000	-	-	-	(460,177)
Total component units	<u>\$ 1,566,800</u>	<u>\$ 133,729</u>	<u>\$ 971,265</u>	<u>\$ 22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(439,806)</u>
General revenues:								
Taxes:								
Property					10,849,859	-	10,849,859	-
Sales					9,064,791	-	9,064,791	-
Wholesale beer					540,194	-	540,194	-
Wholesale liquor					208,083	-	208,083	-
Business					442,922	-	442,922	-
Cable tv franchise					235,400	-	235,400	-
Hotel/Motel					251,992	-	251,992	-
Sale of fuel and oil					-	-	-	787,492
Other revenues					407,671	189,502	597,173	33,436
Unrestricted investment earnings					56,349	23,637	79,986	198
Gain on sale of property					1,805	19,396	21,201	-
Transfers					374,523	(374,523)	-	-
Total general revenues and transfers					<u>22,433,589</u>	<u>(141,988)</u>	<u>22,291,601</u>	<u>821,126</u>
Change in net position					4,171,377	1,542,267	5,713,644	381,320
Net position, beginning, as previously presented					21,451,110	45,485,157	66,936,267	9,700,590
Adjustment to restate beginning net position (See Note 10)					(6,909,048)	-	(6,909,048)	-
Net position, beginning, as restated					<u>14,542,062</u>	<u>45,485,157</u>	<u>60,027,219</u>	<u>9,700,590</u>
Net position, ending					<u>\$ 18,713,439</u>	<u>\$ 47,027,424</u>	<u>\$ 65,740,863</u>	<u>\$ 10,081,910</u>

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

CITY OF TULLAHOMA, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	General Purpose School	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 5,969,135	\$ 1,591	\$ 6,978,455	\$ 12,949,181
Investments	-	6,892,085	-	6,892,085
Receivables	11,774,926	-	51,543	11,826,469
Allowance for doubtful accounts	(942,679)	-	(15,674)	(958,353)
Due from other governments	1,441,703	169,205	1,571,889	3,182,797
Due from other funds	478	1,354,154	168,635	1,523,267
Due from component units	91	-	-	91
Prepaid expenses	35,491	-	2,624	38,115
Notes receivable	-	-	1,472,252	1,472,252
Total assets	<u>\$ 18,279,145</u>	<u>\$ 8,417,035</u>	<u>\$ 10,229,724</u>	<u>\$ 36,925,904</u>
LIABILITIES:				
Accounts payable	\$ 299,333	\$ 966,949	\$ 557,790	\$ 1,824,072
Accrued liabilities	128,894	-	26,300	155,194
Accrued payroll	140,154	1,109,189	81,146	1,330,489
Due to other governments	-	129,557	-	129,557
Due to other funds	591,768	-	931,499	1,523,267
Total liabilities	<u>1,160,149</u>	<u>2,205,695</u>	<u>1,596,735</u>	<u>4,962,579</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	10,199,518	-	-	10,199,518
Unavailable revenue - loans	-	-	1,472,252	1,472,252
Total deferred inflows of resources	<u>10,199,518</u>	<u>-</u>	<u>1,472,252</u>	<u>11,671,770</u>
FUND BALANCES:				
Nonspendable:				
Prepaid items	35,491	-	2,624	38,115
Restricted for:				
Capital improvements	-	-	1,455,692	1,455,692
Debt service	-	-	3,355,975	3,355,975
Drug enforcement	5,158	-	98,457	103,615
Grant projects	-	-	638,589	638,589
School operations	-	5,924,604	647,244	6,571,848
Solid waste	-	-	219,807	219,807
Extended school	-	-	152,114	152,114
Equipment replacement	-	-	590,235	590,235
Other projects	104,420	-	-	104,420
Committed to:				
Encumbrances	13,069	-	-	13,069
Stabilization fund	1,269,493	-	-	1,269,493
Assigned to:				
School MOE	-	286,736	-	286,736
Unassigned	5,491,847	-	-	5,491,847
Total fund balances	<u>6,919,478</u>	<u>6,211,340</u>	<u>7,160,737</u>	<u>20,291,555</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,279,145</u>	<u>\$ 8,417,035</u>	<u>\$ 10,229,724</u>	<u>\$ 36,925,904</u>

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, 2015

Fund balances - total governmental funds \$ 20,291,555

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; therefore, they are not reported in governmental funds.

Capital assets	97,938,232
Less accumulated depreciation	(51,958,643)

Net pension assets are not current financial resources; therefore, they are not reported in the governmental funds 57,539

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

Bonds payable	(34,621,000)
Less deferred charge on refunding	306,734
Less deferred charge for issuance costs	35,992
Add bond premium	(242,115)
Accrued interest payable	(209,035)
Notes payable	(5,472,622)
Net pension obligation	(4,794,358)
OPEB obligation	(1,205,628)
Compensated absences	(1,116,473)

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. 137,435

Principal payments on notes receivable are revenues for governmental funds; therefore, they are reported as unearned revenues until they are received. 1,472,252

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expenses in future years.

Deferred outflows of resources related to pensions	2,986,939
Deferred inflows of resources related to pensions	<u>(4,893,365)</u>

Net position - total governmental activities \$ 18,713,439

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, 2015

	General	General Purpose School	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 10,849,859	\$ -	\$ -	\$ 10,849,859
Sales taxes	9,064,791	-	-	9,064,791
Other taxes	1,615,480	-	-	1,615,480
Payment in lieu of tax	63,111	-	-	63,111
Licenses and permits	69,970	-	-	69,970
Fines and forfeitures	296,694	-	-	296,694
Intergovernmental Grants	2,654,157	20,935,296	4,688,433	28,277,886
Charges for services	143,667	293,406	1,610,957	2,048,030
Investment income	17,088	14,092	24,986	56,166
Note repayments	-	-	251,447	251,447
Sale of property	-	-	1,805	1,805
Other revenues	229,369	122,286	77,174	428,829
Total revenues	25,256,682	21,365,080	6,654,802	53,276,564
EXPENDITURES:				
Current:				
General government	1,142,061	-	-	1,142,061
Planning	234,946	-	-	234,946
Public safety:				
Police protection	2,860,517	-	-	2,860,517
Fire protection	2,314,659	-	-	2,314,659
Public works	2,526,860	-	-	2,526,860
Parks and recreation	1,410,020	-	-	1,410,020
Community services	481,399	-	-	481,399
Education:				
Administration	-	3,289,966	-	3,289,966
Regular education	-	15,471,150	794,932	16,266,082
Special education	-	3,063,027	1,295,522	4,358,549
Vocational education	-	720,580	-	720,580
Attendance	-	268,791	-	268,791
Health services	-	207,142	-	207,142
Other student support	-	683,289	14,095	697,384
Instructional staff	-	493,815	71,527	565,342
Plant operations	-	2,645,502	-	2,645,502
Plant maintenance	-	859,571	-	859,571
Transportation	-	127,917	-	127,917
Community services	-	6,468	-	6,468
Program costs	-	-	4,291,040	4,291,040
Debt service:				
Principal retirement	-	-	2,613,115	2,613,115
Interest	-	-	1,012,054	1,012,054
Fiscal charges	-	-	1,800	1,800
Capital outlay	116,407	1,111,913	4,631,348	5,859,668
Loans disbursed	-	-	466,141	466,141
Total expenditures	11,086,869	28,949,131	15,191,574	55,227,574
Excess (deficiency) of revenues over (under) expenditures	14,169,813	(7,584,051)	(8,536,772)	(1,951,010)
OTHER FINANCING SOURCES (USES):				
Notes issuance	-	-	3,766,782	3,766,782
Transfers in	516,462	8,198,714	8,879,428	17,594,604
Transfers out	(14,303,007)	-	(2,917,074)	(17,220,081)
Total other financing sources (uses)	(13,786,545)	8,198,714	9,729,136	4,141,305
Net change in fund balances	383,268	614,663	1,192,364	2,190,295
Fund balances, July 1, 2014	6,536,210 *	5,596,677	5,968,373 *	18,101,260
Fund balances, June 30, 2015	\$ 6,919,478	\$ 6,211,340	\$ 7,160,737	\$ 20,291,555

* Beginning balances reclassified (See Note 10)

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, 2015

Net change in fund balances - governmental funds \$ 2,190,295

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	4,733,465
Depreciation expense	(2,997,094)

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 net book value of the capital assets sold.

(9,533)

Bond and note 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	(3,766,782)
Bond and note principal repayments:	
To bonds and notes holder	2,613,115
Amortization of insurance costs	(3,330)
Amortization of deferred charges	(26,673)
Amortization of premium	46,032
Decrease in accrued interest expense	17,009
Loans disbursed	466,141
Principal received on notes receivable	(251,447)

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.

(2,002)

Some expenses reported for governmental activities do not require the use of current financial resources; therefore, they are 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.

Increase in OPEB obligation	(230,334)
Decrease in compensated absences	31,200
Change in net pension liability/asset	3,267,741
Change in deferred outflows of resources related to pensions	2,986,939
Change in deferred inflows of resources related to pensions	(4,893,365)

Change in net position - governmental activities \$ 4,171,377

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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Taxes:						
Property	\$ 10,849,859	\$ -	\$ 10,849,859	\$ 10,329,278	\$ 10,850,870	\$ (1,011)
Sales	9,064,791	-	9,064,791	8,764,016	9,061,364	3,427
Wholesale beer	540,194	-	540,194	504,031	539,031	1,163
Wholesale liquor	208,083	-	208,083	186,052	204,052	4,031
Business	379,811	-	379,811	269,100	365,100	14,711
Cable tv franchise	235,400	-	235,400	192,610	230,610	4,790
Hotel/motel	251,992	-	251,992	222,338	251,961	31
Total taxes	21,530,130	-	21,530,130	20,467,425	21,502,988	27,142
Payment in lieu of taxes	63,111	-	63,111	93,538	68,538	(5,427)
Licenses and permits	69,970	-	69,970	66,370	65,670	4,300
Fines and forfeitures	296,694	-	296,694	333,054	308,054	(11,360)
Intergovernmental:						
State of Tennessee sales tax	1,404,604	-	1,404,604	1,345,026	1,375,026	29,578
State of Tennessee gas tax	489,195	-	489,195	492,185	495,185	(5,990)
State of Tennessee income tax	228,206	-	228,206	215,000	230,000	(1,794)
TVA gross receipts	216,889	-	216,889	205,205	220,205	(3,316)
Mixed drink tax	90,712	-	90,712	72,736	80,736	9,976
Excise tax	132,677	-	132,677	76,512	130,512	2,165
Streets and transportation	38,065	-	38,065	38,625	38,625	(560)
State street contracts	37,800	-	37,800	-	37,800	-
Supplemental pay	5,238	-	5,238	5,500	5,500	(262)
State of Tennessee beer tax	8,922	-	8,922	9,328	9,328	(406)
Telecommunications tax	1,849	-	1,849	2,364	2,364	(515)
Total intergovernmental	2,654,157	-	2,654,157	2,462,481	2,625,281	28,876
State and federal grants	252,496	-	252,496	29,761	29,761	222,735
Charges for services	143,667	-	143,667	202,840	145,055	(1,388)
Investment income	17,088	-	17,088	50,000	20,000	(2,912)
Other revenues	229,369	-	229,369	258,400	240,274	(10,905)
Total revenues	25,256,682	-	25,256,682	23,963,869	25,005,621	251,061

(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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES:						
General government:						
Legislative and judicial:						
Current:						
Salaries	\$ 37,788	\$ -	\$ 37,788	\$ 37,614	\$ 37,789	\$ 1
Payroll Taxes	2,891	-	2,891	2,878	2,895	4
Benefits	46,706	-	46,706	72,569	50,119	3,413
Contract and professional	104,316	-	104,316	112,700	109,925	5,609
Travel and training	4,988	-	4,988	4,635	5,435	447
Supplies	1,348	-	1,348	600	1,600	252
Telephone and utilities	8,919	-	8,919	10,000	10,000	1,081
Operating insurance	11,002	-	11,002	14,750	11,025	23
Other	33,724	-	33,724	30,965	35,145	1,421
Appropriations	-	-	-	1,360	1,360	1,360
Total legislative and judicial	251,682	-	251,682	288,071	265,293	13,611
Court system:						
Current:						
Salaries	20,113	-	20,113	20,886	20,886	773
Payroll taxes	2,639	-	2,639	2,758	2,758	119
Benefits	4,664	-	4,664	4,695	4,695	31
Contract and professional	14,000	-	14,000	14,000	14,000	-
Repairs and maintenance	1,800	-	1,800	1,800	1,800	-
Travel and training	90	-	90	375	375	285
Supplies	440	-	440	440	440	-
Operating insurance	563	-	563	563	563	-
Other	281	-	281	500	500	219
Total court system	44,590	-	44,590	46,017	46,017	1,427
City administrator:						
Current:						
Salaries	135,709	-	135,709	135,750	135,718	9
Payroll taxes	10,340	-	10,340	10,493	10,493	153
Benefits	43,371	-	43,371	43,229	43,665	294
Telephone and utilities	-	-	-	75	50	50
Repairs and maintenance	422	-	422	974	974	552
Travel and training	3,541	-	3,541	1,750	3,750	209
Supplies	52	-	52	250	250	198
Gas and oil	463	-	463	765	665	202
Operating insurance	2,590	-	2,590	2,896	2,896	306
Other	1,269	-	1,269	1,125	1,300	31
Total city administrator	197,757	-	197,757	197,307	199,761	2,004
Finance director:						
Current:						
Salaries	161,338	-	161,338	184,037	164,487	3,149
Payroll taxes	12,372	-	12,372	14,347	14,347	1,975
Benefits	31,710	-	31,710	43,430	33,030	1,320
Telephone and utilities	12,918	-	12,918	18,100	15,100	2,182
Contract and professional	1,695	-	1,695	-	2,300	605
Repairs and maintenance	7,466	-	7,466	7,430	7,480	14
Travel and training	1,989	-	1,989	3,000	2,500	511
Supplies	1,297	-	1,297	1,450	1,550	253
Operating insurance	3,248	-	3,248	3,301	3,301	53
Other	4,501	-	4,501	7,400	6,350	1,849
Total finance director	238,534	-	238,534	282,495	250,445	11,911

(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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
City recorder:						
Current:						
Salaries	\$ 96,423	\$ -	\$ 96,423	\$ 96,196	\$ 96,980	\$ 557
Payroll taxes	7,226	-	7,226	7,467	7,467	241
Benefits	29,377	-	29,377	30,920	30,195	818
Contract and professional	-	-	-	3,300	300	300
Telephone and utilities	-	-	-	154	154	154
Repairs and maintenance	5,800	-	5,800	5,800	5,800	-
Travel and training	1,435	-	1,435	2,251	2,251	816
Supplies	17,109	-	17,109	15,121	19,171	2,062
Operating insurance	1,742	-	1,742	1,500	1,742	-
Other	4,079	-	4,079	23,221	8,121	4,042
Total city recorder	163,191	-	163,191	185,930	172,181	8,990
Human resources:						
Current:						
Salaries	75,428	-	75,428	77,611	76,821	1,393
Payroll taxes	5,681	-	5,681	6,045	6,045	364
Benefits	18,265	-	18,265	18,354	18,537	272
Telephone and utilities	442	-	442	700	550	108
Contract and professional	4,051	800	4,851	5,000	5,000	149
Travel and training	2,620	-	2,620	4,300	3,498	878
Supplies	515	-	515	380	530	15
Operating insurance	1,494	-	1,494	1,277	1,494	-
Other	8,224	1,108	9,332	7,700	10,309	977
Total human resources	116,720	1,908	118,628	121,367	122,784	4,156
Community development:						
Current:						
Salaries	48,071	-	48,071	47,887	48,072	1
Payroll taxes	3,386	-	3,386	3,717	3,737	351
Benefits	19,141	-	19,141	19,106	19,156	15
Telephone and utilities	608	-	608	610	610	2
Travel and training	1,081	-	1,081	1,000	1,200	119
Supplies	958	-	958	1,250	1,250	292
Operating insurance	867	-	867	869	869	2
Other	3,612	-	3,612	7,100	7,100	3,488
Total community development	77,724	-	77,724	81,539	81,994	4,270
Planning:						
Current:						
Salaries	136,035	-	136,035	141,318	139,918	3,883
Payroll taxes	9,943	-	9,943	11,027	10,061	118
Benefits	56,054	-	56,054	56,448	56,508	454
Contract and professional	462	-	462	11,500	3,500	3,038
Telephone and utilities	5,411	-	5,411	7,900	7,000	1,589
Repairs and maintenance	4,204	4,280	8,484	6,125	11,005	2,521
Travel and training	2,091	189	2,280	9,200	3,100	820
Supplies	2,032	835	2,867	3,400	3,060	193
Uniforms	349	(402)	(53)	1,000	1,000	1,053
Gas and oil	1,249	-	1,249	2,420	1,720	471
Operating insurance	9,471	-	9,471	8,530	9,471	-
Other	7,645	-	7,645	10,440	9,940	2,295
Total planning	234,946	4,902	239,848	269,308	256,283	16,435

(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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
Municipal building:						
Current:						
Salaries	\$ -	\$ -	\$ -	\$ 500	\$ 500	\$ 500
Payroll taxes	-	-	-	38	38	38
Telephone and utilities	21,820	-	21,820	26,276	25,276	3,456
Rent	698	-	698	1,632	1,632	934
Repairs and maintenance	13,783	-	13,783	18,500	15,000	1,217
Operating insurance	15,562	-	15,562	15,637	15,637	75
Total municipal building	51,863	-	51,863	62,583	58,083	6,220
Total current	1,377,007	6,810	1,383,817	1,534,617	1,452,841	69,024
Capital outlay	4,453	-	4,453	-	4,735	282
Total general government	1,381,460	6,810	1,388,270	1,534,617	1,457,576	69,306
Public safety:						
Police:						
Current:						
Salaries	1,714,392	-	1,714,392	1,731,902	1,722,554	8,162
Payroll taxes	126,250	-	126,250	135,045	128,516	2,266
Benefits	639,911	-	639,911	676,385	646,185	6,274
Contract and professional	65	-	65	-	70	5
Telephone and utilities	13,403	-	13,403	19,745	15,145	1,742
Repairs and maintenance	85,730	-	85,730	66,944	86,985	1,255
Travel and training	10,560	-	10,560	12,952	12,452	1,892
Supplies	24,062	-	24,062	28,869	26,570	2,508
Uniforms	8,825	251	9,076	17,400	13,236	4,160
Gas and oil	88,866	-	88,866	129,598	92,372	3,506
Operating insurance	132,269	-	132,269	123,989	132,352	83
Other	16,184	600	16,784	21,873	20,658	3,874
Total current	2,860,517	851	2,861,368	2,964,702	2,897,095	35,727
Capital outlay	28,126	-	28,126	24,378	35,378	7,252
Total police	2,888,643	851	2,889,494	2,989,080	2,932,473	42,979
Fire:						
Current:						
Salaries	1,433,828	-	1,433,828	1,422,219	1,439,434	5,606
Payroll taxes	106,242	-	106,242	111,013	110,577	4,335
Benefits	470,835	-	470,835	506,449	476,629	5,794
Telephone and utilities	33,149	-	33,149	37,599	33,599	450
Repairs and maintenance	65,470	-	65,470	83,967	67,948	2,478
Travel and training	17,816	-	17,816	14,925	18,429	613
Supplies	31,219	485	31,704	29,752	32,722	1,018
Uniforms	17,057	(290)	16,767	21,403	17,853	1,086
Gas and oil	16,829	-	16,829	23,177	19,577	2,748
Operating insurance	113,799	-	113,799	113,667	113,808	9
Other	8,415	-	8,415	7,800	8,650	235
Total current	2,314,659	195	2,314,854	2,371,971	2,339,226	24,372
Capital outlay	82,739	-	82,739	73,500	82,739	-
Total fire	2,397,398	195	2,397,593	2,445,471	2,421,965	24,372
Total public safety	5,286,041	1,046	5,287,087	5,434,551	5,354,438	67,351

(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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Public works:						
Current:						
Salaries	\$ 793,900	\$ -	\$ 793,900	\$ 799,410	\$ 805,689	\$ 11,789
Payroll taxes	59,245	-	59,245	62,531	60,993	1,748
Benefits	293,889	-	293,889	310,770	304,334	10,445
Telephone and utilities	47,513	-	47,513	44,697	49,697	2,184
Street lights	420,988	-	420,988	427,500	425,500	4,512
State street aid expenditures	381,341	-	381,341	226,000	220,000	(161,341)
Contract and professional	73,042	(795)	72,247	85,310	78,610	6,363
Repairs and maintenance	139,623	-	139,623	124,745	156,695	17,072
Shop labor reimbursement	(75,539)	-	(75,539)	(77,000)	(77,000)	(1,461)
Travel and training	1,028	-	1,028	3,400	1,100	72
Supplies	37,512	-	37,512	34,779	40,500	2,988
Uniforms	5,324	-	5,324	8,680	8,680	3,356
Gas and oil	141,913	-	141,913	213,974	155,692	13,779
Parts and supplies	43,491	(1,050)	42,441	48,000	49,697	7,256
Materials	76,421	-	76,421	78,700	78,175	1,754
Operating insurance	82,410	-	82,410	85,607	83,059	649
Other	4,759	-	4,759	6,714	5,360	601
Total current	2,526,860	(1,845)	2,525,015	2,483,817	2,446,781	(78,234)
Capital outlay	1,089	-	1,089	-	1,100	11
Total public works	2,527,949	(1,845)	2,526,104	2,483,817	2,447,881	(78,223)
Parks and recreation:						
Current:						
Salaries	615,768	-	615,768	677,393	633,368	17,600
Payroll taxes	47,292	-	47,292	53,557	54,180	6,888
Benefits	150,002	-	150,002	157,122	155,479	5,477
Telephone and utilities	166,685	-	166,685	212,313	185,853	19,168
Street lights	10,062	-	10,062	15,662	11,462	1,400
Contract and professional	68,796	(1,346)	67,450	76,100	73,115	5,665
Repairs and maintenance	142,857	(9,401)	133,456	112,630	147,492	14,036
Travel and training	5,300	-	5,300	10,000	9,750	4,450
Supplies	84,091	90	84,181	74,963	92,808	8,627
Uniforms	5,414	-	5,414	4,450	6,450	1,036
Gas and oil	10,661	-	10,661	15,637	12,326	1,665
Operating insurance	77,913	-	77,913	80,387	79,036	1,123
Other	25,179	-	25,179	39,365	32,723	7,544
Total current	1,410,020	(10,657)	1,399,363	1,529,579	1,494,042	94,679
Total parks and recreation	1,410,020	(10,657)	1,399,363	1,529,579	1,494,042	94,679

(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, 2015

	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	\$ 32,972	\$ -	\$ 32,972	\$ 29,996	\$ 33,600	\$ 628
Operating insurance	10,155	-	10,155	10,204	10,204	49
Other	2,876	-	2,876	4,168	4,168	1,292
Appropriations	435,396	-	435,396	429,549	439,739	4,343
Total current	481,399	-	481,399	473,917	487,711	6,312
Total community services	481,399	-	481,399	473,917	487,711	6,312
Total expenditures	11,086,869	(4,646)	11,082,223	11,456,481	11,241,648	159,425
Excess revenues over (under) expenditures	14,169,813	4,646	14,174,459	12,507,388	13,763,973	410,486
OTHER FINANCING SOURCES (USES):						
Transfers in	516,462	-	516,462	544,962	544,962	(28,500)
Transfers out	(14,303,007)	-	(14,303,007)	(13,052,655)	(14,308,935)	5,928
Total other financing sources (uses)	(13,786,545)	-	(13,786,545)	(12,507,693)	(13,763,973)	(22,572)
Net change in fund balance	383,268	4,646	387,914	(305)	-	387,914
Fund balance, July 1, 2014	6,536,210 *	(17,715)	6,518,495	6,536,210	6,536,210	(17,715)
Fund balance, June 30, 2015	\$ 6,919,478	\$ (13,069)	\$ 6,906,409	\$ 6,535,905	\$ 6,536,210	\$ 370,199

* Beginning balances reclassified (See Note 10)

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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
Local shared taxes	\$ 6,024,879	\$ -	\$ 6,024,879	\$ 6,073,666	\$ 6,073,666	\$ (48,787)
Federal and state	14,910,417	-	14,910,417	15,021,000	15,021,000	(110,583)
Charges for services	293,406	-	293,406	220,000	220,000	73,406
Interest income	14,092	-	14,092	10,000	10,000	4,092
Other	122,286	-	122,286	20,000	20,000	102,286
Total revenues	21,365,080	-	21,365,080	21,344,666	21,344,666	20,414
EXPENDITURES:						
Current:						
Administration:						
Salaries	1,312,306	-	1,312,306	1,399,909	1,399,909	87,603
Payroll taxes	91,305	-	91,305	107,093	107,093	15,788
Benefits	1,131,646	-	1,131,646	1,226,704	1,166,704	35,058
Contract services	276,453	-	276,453	289,330	294,330	17,877
Travel	33,762	-	33,762	15,000	15,000	(18,762)
Supplies	26,998	-	26,998	31,700	31,700	4,702
Other	109,668	-	109,668	143,400	143,400	33,732
Insurance	307,828	-	307,828	258,127	296,127	(11,701)
Total administration	3,289,966	-	3,289,966	3,471,263	3,454,263	164,297
Regular education:						
Salaries	10,831,182	-	10,831,182	10,665,621	10,740,621	(90,561)
Payroll taxes	775,707	-	775,707	815,921	821,658	45,951
Benefits	2,759,804	-	2,759,804	3,079,688	3,079,688	319,884
Travel	48,941	-	48,941	25,000	25,000	(23,941)
Supplies	359,249	-	359,249	250,000	250,000	(109,249)
Books	659,396	-	659,396	280,000	580,000	(79,396)
Other	36,871	-	36,871	-	-	(36,871)
Total regular education	15,471,150	-	15,471,150	15,116,230	15,496,967	25,817
Special education:						
Salaries	2,086,556	-	2,086,556	2,258,523	2,258,523	171,967
Payroll taxes	148,081	-	148,081	172,778	172,777	24,696
Benefits	526,873	-	526,873	638,721	548,721	21,848
Contract services	192,028	-	192,028	141,400	141,400	(50,628)
Travel	16,952	-	16,952	12,000	12,000	(4,952)
Supplies	29,201	-	29,201	21,800	21,800	(7,401)
Other	63,336	-	63,336	50,500	50,500	(12,836)
Total special education	3,063,027	-	3,063,027	3,295,722	3,205,721	142,694
Vocational education:						
Salaries	522,105	-	522,105	554,922	554,922	32,817
Payroll taxes	38,090	-	38,090	42,451	42,451	4,361
Benefits	135,385	-	135,385	195,929	140,929	5,544
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	720,580	-	720,580	818,302	763,302	42,722
Attendance:						
Salaries	204,027	-	204,027	158,945	158,945	(45,082)
Payroll taxes	14,901	-	14,901	42,819	42,819	27,918
Benefits	39,833	-	39,833	58,461	58,461	18,628
Travel	8,543	-	8,543	2,922	2,922	(5,621)
Other	1,487	-	1,487	9,000	9,000	7,513
Total attendance	268,791	-	268,791	272,147	272,147	3,356

(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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Current:						
Health services:						
Salaries	\$ 139,822	\$ -	\$ 139,822	\$ 133,578	\$ 133,578	\$ (6,244)
Payroll taxes	10,081	-	10,081	10,219	10,219	138
Benefits	26,562	-	26,562	34,857	34,857	8,295
Supplies	30,677	-	30,677	30,000	30,000	(677)
Total health services	207,142	-	207,142	208,654	208,654	1,512
Other student support:						
Salaries	499,700	-	499,700	524,246	524,246	24,546
Payroll taxes	36,568	-	36,568	40,105	40,105	3,537
Benefits	123,462	-	123,462	147,518	127,518	4,056
Other	23,559	-	23,559	15,000	15,000	(8,559)
Total other student support	683,289	-	683,289	726,869	706,869	23,580
Instructional staff:						
Salaries	345,759	-	345,759	426,017	426,017	80,258
Payroll taxes	25,562	-	25,562	32,590	32,590	7,028
Benefits	72,626	-	72,626	113,685	83,685	11,059
Contract services	-	-	-	3,500	3,500	3,500
Travel	766	-	766	-	-	(766)
Books	49,067	-	49,067	50,000	50,000	933
Other	35	-	35	1,500	1,500	1,465
Total instructional staff	493,815	-	493,815	627,292	597,292	103,477
Plant operations:						
Salaries	585,962	-	585,962	609,263	609,263	23,301
Payroll taxes	42,484	-	42,484	46,608	46,609	4,125
Benefits	167,967	-	167,967	219,055	169,055	1,088
Contract services	469,356	-	469,356	475,000	405,000	(64,356)
Supplies	139,223	-	139,223	150,000	150,000	10,777
Utilities	1,169,592	-	1,169,592	1,517,000	1,189,000	19,408
Insurance	70,918	-	70,918	90,229	90,229	19,311
Total plant operations	2,645,502	-	2,645,502	3,107,155	2,659,156	13,654
Plant maintenance:						
Salaries	423,691	-	423,691	428,910	428,910	5,219
Payroll taxes	30,551	-	30,551	32,811	32,811	2,260
Benefits	84,996	-	84,996	110,744	110,744	25,748
Maintenance and repairs	320,333	-	320,333	400,000	400,000	79,667
Other	-	-	-	4,000	4,000	4,000
Total plant maintenance	859,571	-	859,571	976,465	976,465	116,894
Transportation:						
Salaries	56,962	-	56,962	48,653	48,653	(8,309)
Payroll taxes	4,009	-	4,009	3,721	3,722	(287)
Benefits	3,408	-	3,408	2,491	2,491	(917)
Maintenance and repairs	29,220	-	29,220	20,000	20,000	(9,220)
Other	25,118	-	25,118	40,000	40,000	14,882
Insurance	9,200	-	9,200	22,608	22,608	13,408
Total transportation	127,917	-	127,917	137,473	137,474	9,557

(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, 2015

	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:						
Salaries	\$ 243	\$ -	\$ 243	\$ -	\$ -	\$ (243)
Payroll taxes	(132)	-	(132)	-	-	132
Benefits	(643)	-	(643)	-	-	643
Other	7,000	-	7,000	7,000	7,000	-
Total community services	<u>6,468</u>	<u>-</u>	<u>6,468</u>	<u>7,000</u>	<u>7,000</u>	<u>532</u>
Capital outlay	1,111,913	-	1,111,913	944,970	1,304,970	193,057
Total expenditures	<u>28,949,131</u>	<u>-</u>	<u>28,949,131</u>	<u>29,709,542</u>	<u>29,790,280</u>	<u>841,149</u>
Excess revenues over (under) expenditures	(7,584,051)	-	(7,584,051)	(8,364,876)	(8,445,614)	861,563
OTHER FINANCING SOURCES (USES):						
Transfer from the City of Tullahoma	8,198,714	-	8,198,714	7,968,364	7,938,364	260,350
Transfer to other funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>8,198,714</u>	<u>-</u>	<u>8,198,714</u>	<u>7,968,364</u>	<u>7,938,364</u>	<u>260,350</u>
Net change in fund balance	614,663	-	614,663	(396,512)	(507,250)	1,121,913
Fund balance, July 1, 2014	<u>5,596,677</u>	<u>-</u>	<u>5,596,677</u>	<u>5,596,677</u>	<u>5,596,677</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 6,211,340</u>	<u>\$ -</u>	<u>\$ 6,211,340</u>	<u>\$ 5,200,165</u>	<u>\$ 5,089,427</u>	<u>\$ 1,121,913</u>

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Wastewater System	Water System	Total Enterprise Funds	
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 7,056,621	\$ 1,322,727	\$ 1,188,044	\$ 2,504,183	\$ 12,071,575	\$ 137,435
Accounts receivable	2,261,386	582,522	339,150	399,493	3,582,551	-
Allowance for doubtful accounts	(10,990)	(8,718)	(3,355)	(3,668)	(26,731)	-
Unbilled revenue	2,312,793	-	-	-	2,312,793	-
Due from other governments	-	-	222,414	-	222,414	-
Inventory	558,432	400,551	168,662	283,541	1,411,186	-
Due from other funds	894,616	-	2,340	853	897,809	-
Other assets	335,646	21,718	747,296	420	1,105,080	-
Restricted assets:						
Bond funds - cash and cash equivalents	-	1,124,509	33,500	250,868	1,408,877	-
Construction funds - cash and cash equivalents	5,377,666	1,014,351	166,047	69,431	6,627,495	-
Total current assets	18,786,170	4,457,660	2,864,098	3,505,121	29,613,049	137,435
CAPITAL AND OTHER NONCURRENT ASSETS:						
Capital assets:						
Utility plant in service	21,130,838	14,188,470	19,394,478	10,868,300	65,582,086	-
Land	333,168	-	134,588	8,324	476,080	-
Buildings and improvements	1,627,920	1,330	10,990,408	3,814,744	16,434,402	-
Furniture, machinery, and equipment	2,315,498	1,028,846	1,463,256	738,651	5,546,251	-
Construction in progress	1,979,149	130,123	6,563,449	1,474,598	10,147,319	-
Less accumulated depreciation	(16,851,004)	(5,946,254)	(18,841,594)	(8,136,346)	(49,775,198)	-
Capital assets, net	10,535,569	9,402,515	19,704,585	8,768,271	48,410,940	-
Other noncurrent assets:						
Notes receivable	392,382	-	1,194	535,917	929,493	-
Other assets	-	30,277	-	-	30,277	-
Total capital and other noncurrent assets	10,927,951	9,432,792	19,705,779	9,304,188	49,370,710	-
Total assets	29,714,121	13,890,452	22,569,877	12,809,309	78,983,759	137,435
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	5,571,724	174,994	16,094	316,356	6,079,168	-
Accrued expenses and other liabilities	274,787	301,265	9,076	32,160	617,288	-
Due to other funds	-	880,561	9,238	8,010	897,809	-
Customer deposits	1,834,931	57,894	-	-	1,892,825	-
Liabilities payable from restricted assets:						
Bonds and notes payable - current portion	-	825,000	540,980	450,000	1,815,980	-
Accrued interest	-	299,509	-	2,200	301,709	-
Contracts and retainage payable	-	22,271	52,597	-	74,868	-
Total current liabilities	7,681,442	2,561,494	627,985	808,726	11,679,647	-
NONCURRENT LIABILITIES:						
Conservation - TVA program	411,907	-	-	-	411,907	-
Revenue and tax bonds and other obligations payable - noncurrent portion	195,036	13,173,185	4,377,128	2,119,432	19,864,781	-
Total noncurrent liabilities	606,943	13,173,185	4,377,128	2,119,432	20,276,688	-
Total liabilities	8,288,385	15,734,679	5,005,113	2,928,158	31,956,335	-
NET POSITION						
Net investment in capital assets	10,535,569	(4,541,465)	14,881,565	6,271,271	27,146,940	-
Restricted:						
Restricted for debt service	-	825,000	33,500	248,668	1,107,168	-
Restricted for construction	5,377,666	992,080	113,450	69,431	6,552,627	-
Unrestricted	5,512,501	880,158	2,536,249	3,291,781	12,220,689	137,435
Total net position	\$ 21,425,736	\$ (1,844,227)	\$ 17,564,764	\$ 9,881,151	\$ 47,027,424	\$ 137,435

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, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Wastewater System	Water System	Total Enterprise Funds	
OPERATING REVENUES:						
Charges for services	\$ 28,508,994	\$ 6,470,028	\$ 3,885,816	\$ 3,530,108	\$ 42,394,946	\$ -
Forfeited discounts and penalties	186,045	-	25,269	22,138	233,452	-
Rental income	854,555	-	-	2,220	856,775	-
Other operating revenue	195,336	-	58,850	91,206	345,392	-
Total operating revenues	<u>29,744,930</u>	<u>6,470,028</u>	<u>3,969,935</u>	<u>3,645,672</u>	<u>43,830,565</u>	<u>-</u>
OPERATING EXPENSES:						
Purchased power	24,221,955	-	-	-	24,221,955	-
Purchased water	-	-	-	1,454,496	1,454,496	-
Distribution and transmission	1,427,047	3,054,023	832,225	415,604	5,728,899	-
Customer accounting and collection	463,772	296,824	219,456	222,146	1,202,198	-
Maintenance expense	1,097,775	192,962	756,668	373,752	2,421,157	-
Administrative and general	1,131,618	657,539	701,201	584,555	3,074,913	-
Depreciation and amortization	802,657	1,293,827	811,897	382,864	3,291,245	-
Tax and tax equivalents	102,441	51,377	83,963	51,906	289,687	-
Supplies	-	-	-	-	-	2,185
Total operating expenses	<u>29,247,265</u>	<u>5,546,552</u>	<u>3,405,410</u>	<u>3,485,323</u>	<u>41,684,550</u>	<u>2,185</u>
OPERATING INCOME	497,665	923,476	564,525	160,349	2,146,015	(2,185)
NONOPERATING REVENUES (EXPENSES):						
Interest income	16,778	2,478	1,750	2,631	23,637	183
Other income	21,509	2,335	165,658	-	189,502	-
Gain on sale of property	14,945	4,451	-	-	19,396	-
Interest expense	-	(599,792)	(32,644)	(19,100)	(651,536)	-
Total non-operating revenues (expenses)	<u>53,232</u>	<u>(590,528)</u>	<u>134,764</u>	<u>(16,469)</u>	<u>(419,001)</u>	<u>183</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS						
	550,897	332,948	699,289	143,880	1,727,014	(2,002)
Capital contributions	-	-	189,776	-	189,776	-
Transfers	<u>(516,462)</u>	<u>-</u>	<u>-</u>	<u>141,939</u>	<u>(374,523)</u>	<u>-</u>
Change in net position	34,435	332,948	889,065	285,819	1,542,267	(2,002)
Total net position, beginning of year	<u>21,391,301</u>	<u>(2,177,175)</u>	<u>16,675,699</u>	<u>9,595,332</u>	<u>45,485,157</u>	<u>139,437</u>
Total net position, end of year	<u>\$ 21,425,736</u>	<u>\$ (1,844,227)</u>	<u>\$ 17,564,764</u>	<u>\$ 9,881,151</u>	<u>\$ 47,027,424</u>	<u>\$ 137,435</u>

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 29,907,606	\$ 6,373,039	\$ 4,377,531	\$ 3,599,166	\$ 44,257,342	\$ -
Cash paid to suppliers	(26,318,089)	(3,489,686)	(1,792,948)	(2,233,298)	(33,834,021)	-
Cash paid to employees	(1,834,739)	(710,979)	(1,233,222)	(791,176)	(4,570,116)	-
Other payments	(102,441)	(51,377)	(83,963)	(51,906)	(289,687)	(2,185)
Net cash provided (used) by operating activities	<u>1,652,337</u>	<u>2,120,997</u>	<u>1,267,398</u>	<u>522,786</u>	<u>5,563,518</u>	<u>(2,185)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Increase (decrease) in customer deposits	61,168	864	-	-	62,032	-
(Increase) decrease in notes receivable	29,191	-	383	96,997	126,571	-
Advances from TVA-Home Weatherization Program	(13,832)	-	-	-	(13,832)	-
Payments from (to) other funds of the primary government	(516,462)	-	-	141,939	(374,523)	-
Net cash provided (used) by non-capital financing activities	<u>(439,935)</u>	<u>864</u>	<u>383</u>	<u>238,936</u>	<u>(199,752)</u>	<u>-</u>
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(824,115)	(552,916)	(1,278,766)	(178,867)	(2,834,664)	-
Proceeds from disposition of capital assets	14,945	4,451	-	-	19,396	-
Proceeds from borrowing long-term debt	-	-	719,104	-	719,104	-
Principal paid on long-term debt	-	(790,000)	(875,786)	(437,000)	(2,102,786)	-
Interest paid on long-term debt	-	(615,592)	(32,644)	(19,788)	(668,024)	-
Capital contributions received	-	-	189,776	-	189,776	-
Net cash provided (used) by capital financing activities	<u>(809,170)</u>	<u>(1,954,057)</u>	<u>(1,278,316)</u>	<u>(635,655)</u>	<u>(4,677,198)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and other income	16,778	2,478	1,750	2,631	23,637	183
Net cash provided in investing activities	<u>16,778</u>	<u>2,478</u>	<u>1,750</u>	<u>2,631</u>	<u>23,637</u>	<u>183</u>
Net increase (decrease) in cash and cash equivalents	420,010	170,282	(8,785)	128,698	710,205	(2,002)
Cash and cash equivalents, beginning of year	12,014,277	3,291,305	1,396,376	2,695,784	19,397,742	139,437
Cash and cash equivalents, end of year	<u>\$ 12,434,287</u>	<u>\$ 3,461,587</u>	<u>\$ 1,387,591</u>	<u>\$ 2,824,482</u>	<u>\$ 20,107,947</u>	<u>\$ 137,435</u>
Cash accounts consists of:						
Cash and cash equivalents	\$ 7,056,621	\$ 1,322,727	\$ 1,188,044	\$ 2,504,183	\$ 12,071,575	\$ 137,435
Bond funds - cash and cash equivalents	-	1,124,509	33,500	250,868	1,408,877	-
Construction funds - cash and cash equivalents	5,377,666	1,014,351	166,047	69,431	6,627,495	-
	<u>\$ 12,434,287</u>	<u>\$ 3,461,587</u>	<u>\$ 1,387,591</u>	<u>\$ 2,824,482</u>	<u>\$ 20,107,947</u>	<u>\$ 137,435</u>

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

Operating Income:	\$ 497,665	\$ 923,476	\$ 564,525	\$ 160,349	\$ 2,146,015	\$ (2,185)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	802,657	1,293,827	811,897	382,864	3,291,245	-
Depreciation charged to other accounts	97,476	9,495	55,921	20,169	183,061	-
Other income	21,509	2,335	165,658	-	189,502	-
(Gain) loss on disposal of property	(14,945)	(4,451)	-	-	(19,396)	-
(Increase) decrease in:						
Accounts receivable	(43,072)	(104,368)	182,490	(69,080)	(34,030)	-
Inventories	9,614	40,130	33,017	34,883	117,644	-
Other assets	10,458	37,192	(12,341)	674	35,983	-
Due from other funds	101,708	-	3,527	2,405	107,640	-
Increase (decrease) in:						
Accounts payable	135,574	11,247	(382,053)	(14,021)	(249,253)	-
Due to other funds	-	(101,441)	(1,727)	(4,472)	(107,640)	-
Accrued expenses	33,693	13,555	(153,516)	9,015	(97,253)	-
Total adjustments	<u>1,154,672</u>	<u>1,197,521</u>	<u>702,873</u>	<u>362,437</u>	<u>3,417,503</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,652,337</u>	<u>\$ 2,120,997</u>	<u>\$ 1,267,398</u>	<u>\$ 522,786</u>	<u>\$ 5,563,518</u>	<u>\$ (2,185)</u>

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015

	Governmental Type		Proprietary Type	Total Component Units
	Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	
ASSETS:				
Cash and cash equivalents	\$ 49,881	\$ 59,891	\$ 303,561	\$ 413,333
Accounts receivable	1,000	-	111	1,111
Due from other governments	-	-	170,730	170,730
Inventory	-	-	11,770	11,770
Prepaid expenses	-	-	47	47
Other assets	-	70	5,441	5,511
Restricted assets - cash	-	-	1,000	1,000
Capital assets:				
Land	-	-	1,738,799	1,738,799
Buildings and improvements	-	-	10,013,846	10,013,846
Furniture, machinery, and equipment	-	-	473,824	473,824
Construction in progress	-	-	1,283,892	1,283,892
Accumulated depreciation	-	-	(3,772,297)	(3,772,297)
Total assets	<u>50,881</u>	<u>59,961</u>	<u>10,230,724</u>	<u>10,341,566</u>
DEFERRED OUTFLOW OF RESOURCES:				
Deferred outflows related to pension	-	-	1,487	1,487
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>1,487</u>	<u>1,487</u>
LIABILITIES:				
Accounts payable	-	1,096	41,747	42,843
Due to the primary government	91	-	-	91
Other liabilities	-	5,486	7,124	12,610
Long-term liabilities:				
Due within one year	-	-	39,335	39,335
Due in more than one year	-	-	153,124	153,124
Total liabilities	<u>91</u>	<u>6,582</u>	<u>241,330</u>	<u>248,003</u>
DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue	-	-	13,140	13,140
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>13,140</u>	<u>13,140</u>
NET POSITION:				
Net investment in capital assets	-	-	9,566,108	9,566,108
Restricted	-	-	1,000	1,000
Unrestricted	50,790	53,379	410,633	514,802
Total net position	<u>\$ 50,790</u>	<u>\$ 53,379</u>	<u>\$ 9,977,741</u>	<u>\$ 10,081,910</u>

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

**CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Type		Proprietary Type	
					Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	Total Component Units
Industrial Development Board	\$ 26,014	\$ 35,337	\$ -	\$ -	\$ 9,323	\$ -	\$ -	\$ 9,323
Area Economic Development Corporation	148,616	-	159,664	-	-	11,048	-	11,048
Municipal Airport Authority	1,392,170	98,392	811,601	22,000	-	-	(460,177)	(460,177)
Total component units	<u>\$ 1,566,800</u>	<u>\$ 133,729</u>	<u>\$ 971,265</u>	<u>\$ 22,000</u>	<u>9,323</u>	<u>11,048</u>	<u>(460,177)</u>	<u>(439,806)</u>
General revenues:								
Unrestricted investment earnings					-	-	198	198
Sale of fuel and oil					-	-	787,492	787,492
Other revenues					<u>28,813</u>	<u>-</u>	<u>4,623</u>	<u>33,436</u>
Total general revenues and transfers					28,813	-	792,313	821,126
Change in net position					38,136	11,048	332,136	381,320
Net position, beginning					<u>12,654</u>	<u>42,331</u>	<u>9,645,605</u>	<u>9,700,590</u>
Net position, ending					<u>\$ 50,790</u>	<u>\$ 53,379</u>	<u>\$ 9,977,741</u>	<u>\$ 10,081,910</u>

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

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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 No. 14, due to the City's lack of financial accountability for their operations. The following related agencies provide services within the City:

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 DRUC reported net position of \$2,142,262 as of June 30, 2015. 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 2015, these costs amounted to \$438,289 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 \$591,944 as of June 30, 2015. 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.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 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 **Wastewater System** is used to account for the wastewater 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."

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.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 constraints on the specific purposes for which amounts in the funds can be spent. Fund balance is reported in the fund financial statements under the following classifications:

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

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

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

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

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

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves, Designations of Fund Balances (continued)

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

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

Restricted
Committed
Assigned
Unassigned

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pensions and pension expense, information about the fiduciary net position of the City Pension Plan and the Tullahoma City Schools Plans and additions/deductions from the plan net positions have been determined on the same basis as they are reported by the plans.

Benefit payments (including refunds of employee contributions) are recognized in the fund financial statements when due and payable in accordance with the benefit terms. Payments made after the measurement date are deferred in government-wide statements. Investments are reported at fair value.

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 represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City reports deferred gains on refunding and deferred contributions on pension plans. 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. Deferred contributions for the pension plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The City has the following items that qualify for reporting in this category: the unavailable revenue reported in the governmental funds balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. These amounts relate to the unavailable revenue from uncollected property taxes (including penalties and interest) and unavailable revenues relating to loans. The deferred inflows of resources reported in the statement of net position, arise from property tax levied on January 1, 2015, will not be available for collection until fiscal year 2016, beginning October 1, 2015. Certain amounts related to pensions must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. The City did not have deferred inflows of resources to report in its Proprietary Fund financial statements for the current year.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 \$2.60 for property located in Coffee and \$2.61 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 \$9,833,739 for the fiscal year ended June 30, 2015 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 June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions Liabilities, An Amendment of GASB Statement No. 27*, required for fiscal periods beginning after June 15, 2014. This statement improves the usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances value for assessing accountability by requiring recognition of the entire net pension liability and more comprehensive measure of pension expense. The new standard intends to improve the accounting and financial reporting by state and local governments for pensions and by providing more transparency about the pension plan through new note disclosures and supplementary information. It will result in the City recognizing the net pension liability on the statement of net position for its pension plan. The net pension liability is the discounted liability determined based on the expected benefit payments for past periods of service (i.e., the Total Pension Liability) less the net position of the plan based on the fair value of assets at the measurement date (i.e., the Fiduciary Net Position). Implementation of Statement GASB No. 68 resulted in a restatement of the beginning net position in government-wide statement of activities (see Note 10).

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The City adopted GASB Statement No.71 during fiscal year 2015.

H. Date of Management’s Subsequent Review

Management has evaluated subsequent events through March 15, 2016, which is the date the financial statements were available to be issued.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Mayor 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, 2015 are as follows:

Fund	Outstanding Encumbrances
General Fund	\$ 13,069

B. Excess Expenditures

For the year ended June 30, 2015, the following City funds had total expenditures exceeding total appropriations. These over expenditures were funded by available fund balances.

Budgeted Unit:	Final Budget	Actual	Variance
General Fund:			
Public works	\$ 2,447,881	\$ 2,526,104	\$ (78,223)
Total General Fund	\$ 2,447,881	\$ 2,526,104	\$ (78,223)

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

C. Deficit Fund Balances

The following fund has a deficit balance as of June 30, 2015:

	Undesignated Fund Balance/ Unrestricted Net Position	Reserved	Total Fund Balance/Total Net Position
Proprietary Fund:			
Fiber Optics Fund	\$ 880,158	\$ (2,724,385)	\$ (1,844,227)

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 2015, 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, 2015, the City’s deposits were collateralized 100%; however, did not meet the 105% collateral requirements.

B. Investments

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

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

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - AMOUNTS RECEIVABLE

A. Accounts receivable

A summary of accounts receivable as of June 30, 2015 is as follows:

Primary Government:

	Governmental Activities	Business-type Activities	Total	Component Units
Property tax	\$ 10,833,720	\$ -	\$ 10,833,720	\$ -
Court receivables	941,253	-	941,253	-
Customer accounts receivables	-	3,582,551	3,582,551	1,111
Other	51,496	-	51,496	-
	<u>\$ 11,826,469</u>	<u>\$ 3,582,551</u>	<u>\$ 15,409,020</u>	<u>\$ 1,111</u>

NOTE 5 - CAPITAL ASSETS

A. Transaction Summary

Capital asset activity for the year ended June 30, 2015 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 3,824,195	\$ -	\$ -	\$ 3,824,195
Construction in process	391,822	4,177,438	(48,447)	4,520,813
Total capital assets, not being depreciated	4,216,017	4,177,438	(48,447)	8,345,008
Capital assets, being depreciated:				
Buildings and improvements	59,196,281	188,888	-	59,385,169
Furniture, machinery, and equipment	11,008,111	273,910	(111,413)	11,170,608
Infrastructure	18,895,772	141,675	-	19,037,447
Total capital assets, being depreciated	89,100,164	604,473	(111,413)	89,593,224
Less accumulated depreciation:				
Buildings and improvements	(28,251,551)	(1,387,377)	-	(29,638,928)
Furniture, machinery, and equipment	(8,343,655)	(493,817)	101,880	(8,735,592)
Infrastructure	(12,468,223)	(1,115,900)	-	(13,584,123)
Total accumulated depreciation	(49,063,429)	(2,997,094)	101,880	(51,958,643)
Total capital assets being depreciated, net	40,036,735	(2,392,621)	(9,533)	37,634,581
Governmental activities capital assets, net	<u>\$ 44,252,752</u>	<u>\$ 1,784,817</u>	<u>\$ (57,980)</u>	<u>\$ 45,979,589</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities:

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 476,080	\$ -	\$ -	\$ 476,080
Construction in process	8,477,069	2,922,808	(1,252,558)	10,147,319
Total capital assets, not being depreciated	8,953,149	2,922,808	(1,252,558)	10,623,399
Capital assets, being depreciated:				
Utility plant in service	64,857,241	1,023,603	(298,758)	65,582,086
Buildings and improvements	16,402,135	32,267	-	16,434,402
Furniture, machinery, and equipment	5,454,336	108,544	(16,629)	5,546,251
Total capital assets, being depreciated	86,713,712	1,164,414	(315,387)	87,562,739
Less accumulated depreciation:				
Utility plant in service	(31,612,581)	(2,650,026)	323,096	(33,939,511)
Buildings and improvements	(10,986,459)	(451,126)	-	(11,437,585)
Furniture, machinery, and equipment	(4,046,708)	(364,474)	13,080	(4,398,102)
Total accumulated depreciation	(46,645,748)	(3,465,626)	336,176	(49,775,198)
Total capital assets being depreciated, net	40,067,964	(2,301,212)	20,789	37,787,541
Business-type activities capital assets, net	\$ 49,021,113	\$ 621,596	\$ (1,231,769)	\$ 48,410,940

Component Units:

Tullahoma Municipal Airport Authority:

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 1,738,799	\$ -	\$ -	\$ 1,738,799
Construction in process	654,631	678,813	(49,552)	1,283,892
Total capital assets, not being depreciated	2,393,430	678,813	(49,552)	3,022,691
Capital assets, being depreciated:				
Buildings and improvements	9,964,294	49,552	-	10,013,846
Furniture, machinery, and equipment	462,439	11,385	-	473,824
Total capital assets, being depreciated	10,426,733	60,937	-	10,487,670
Less accumulated depreciation:				
Buildings and improvements	(2,973,583)	(402,706)	-	(3,376,289)
Furniture, machinery, and equipment	(378,291)	(17,717)	-	(396,008)
Total accumulated depreciation	(3,351,874)	(420,423)	-	(3,772,297)
Total capital assets being depreciated, net	7,074,859	(359,486)	-	6,715,373
Component unit capital assets, net	\$ 9,468,289	\$ 319,327	\$ (49,552)	\$ 9,738,064

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS (continued)

B. Depreciation

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental activities:

General government	\$ 747,750
Public works	1,115,899
Education	11,413
Food Service	1,122,032
Total depreciation expense, governmental activities	<u>\$ 2,997,094</u>

Business-type activities:

Tulahoma Utilities Board	<u>\$ 3,465,626</u>
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Component Units:

Tulahoma Municipal Airport Authority	<u>\$ 420,423</u>
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Depreciation expense and amounts charged to construction in process for the year ended June 30, 2015 for the four systems was as follows:

	Total	Charged to Other Accounts	Expense Amount
Electric	\$ 900,133	\$ 97,476	\$ 802,657
Water	401,321	20,169	381,152
Wastewater	867,818	55,921	811,897
Fiber Optics	1,296,354	9,495	1,286,859
	<u>\$ 3,465,626</u>	<u>\$ 183,061</u>	<u>\$ 3,282,565</u>

Interest expense and amounts charged to construction in progress for the year ended June 30, 2015 were as follows:

	Total Interest	Capitalized Interest	Expensed Interest
<u>Primary Government:</u>			
Business-type activities:			
Tulahoma Utilities Board	<u>\$ 727,805</u>	<u>\$ 76,269</u>	<u>\$ 651,536</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS

A. Transaction Summary

Bonds, notes, and other obligations activity for the year ended June 30, 2015 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
<u>General Obligation Bonds:</u>					
General Obligation Public Improvement and Refunding					
Bonds, Series 2005	\$ 5,970,000	\$ -	\$ (675,000)	\$ 5,295,000	\$ 710,000
General Obligation Refunding Bonds, Series 2006	9,150,000	-	(30,000)	9,120,000	30,000
General Obligation Refunding Bonds, Series 2009	1,095,000	-	(780,000)	315,000	100,000
TMBF City Note, Series 2008	977,000	-	(34,000)	943,000	35,000
TMBF 12M School Note, Series 2008	10,844,000	-	(346,000)	10,498,000	361,000
General Obligation School Bonds, Series 2010	4,450,000	-	(100,000)	4,350,000	100,000
General Obligation School Refunding Bonds, Series 2012	4,425,000	-	(325,000)	4,100,000	1,000,000
	36,911,000	-	(2,290,000)	34,621,000	2,336,000
Bond premium	288,147	-	(46,032)	242,115	-
Total General Obligation Bonds	37,199,147	-	(2,336,032)	34,863,115	2,336,000
<u>Capital Outlay Notes Payable:</u>					
Capital Outlay Note, Series 2007	291,000	-	(93,000)	198,000	97,000
Capital Outlay Note, Series 2013	890,115	-	(60,115)	830,000	65,000
Local Government Loan Program, Series 2013	197,840	2,202,160	(85,000)	2,315,000	86,000
Capital Outlay Note, Series 2014	650,000	-	(85,000)	565,000	89,000
Local Government Loan Program, Series 2015*	-	1,564,622	-	1,564,622	-
Total Capital Outlay Notes Payable	2,028,955	3,766,782	(323,115)	5,472,622	337,000
<u>Other Obligations Payable:</u>					
Net OPEB liability - City employees	524,964	75,031	-	599,995	-
Net OPEB liability - School employees	450,330	155,303	-	605,633	-
Net pension obligation (TCRS) - School employees **	4,770,903	-	(4,828,442)	(57,539)	-
Net pension obligation (TCSDBP) - School employees **	3,233,657	1,560,701	-	4,794,358	-
Compensated absences	1,147,673	3,300	(34,500)	1,116,473	75,000
Total Other Obligations Payable	10,127,527	1,794,335	(4,862,942)	7,058,920	75,000
Total Governmental Activities Long-term Liabilities	\$ 49,355,629	\$ 5,561,117	\$ (7,522,089)	\$ 47,394,657	\$ 2,748,000

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

** Restatement of 2014 Obligations Payable due to GASB Statement No. 68 an No. 71. See Note 10.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

Business-type Activities:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
<u>Bonds Payable:</u>					
Broadband Network Revenue and Tax Bonds, Series 2007	\$ 14,785,000	\$ -	\$ (790,000)	\$ 13,995,000	\$ 825,000
Water and Wastewater Revenue and Tax Bonds, Series 1997	210,000	-	(50,000)	160,000	50,000
Less: bond discount	(55,393)	4,373	-	(51,020)	-
Total Bonds Payable	<u>14,939,607</u>	<u>4,373</u>	<u>(840,000)</u>	<u>14,103,980</u>	<u>875,000</u>
<u>Notes Payable:</u>					
Water System:					
TML Loan 1999	1,985,000	-	(303,000)	1,682,000	314,000
Revenue and Tax Capital Outlay Notes, Series 2011	739,000	-	(84,000)	655,000	86,000
Total Notes Payable - Water System	<u>2,724,000</u>	<u>-</u>	<u>(387,000)</u>	<u>2,337,000</u>	<u>400,000</u>
Wastewater System:					
Loan Fund 319-02, Series 2003	7,452	-	(7,452)	-	-
State Revolving Loan Fund, 93-053	582,736	-	(497,904)	84,832	84,832
State Revolving Loan Fund, 94-077	517,837	-	(201,312)	316,525	209,028
Revenue and Tax Capital Outlay Notes, Series 2011	576,000	-	(65,000)	511,000	67,000
State Revolving Fund Loan	3,295,677	719,104	(104,118)	3,910,663	180,120
Total Notes Payable - Wastewater System	<u>4,979,702</u>	<u>719,104</u>	<u>(875,786)</u>	<u>4,823,020</u>	<u>540,980</u>
<u>Other Obligations Payable:</u>					
Compensated absences	387,450	29,311	-	416,761	-
Total Other Obligations Payable	<u>387,450</u>	<u>29,311</u>	<u>-</u>	<u>416,761</u>	<u>-</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 23,030,759</u>	<u>\$ 752,788</u>	<u>\$ (2,102,786)</u>	<u>\$ 21,680,761</u>	<u>\$ 1,815,980</u>

Component Units:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Tullahoma Municipal Airport Authority:					
<u>Notes Payable:</u>					
UDAG Note Payable (11-05-05)	\$ 150,976	\$ -	\$ (29,028)	\$ 121,948	\$ 29,109
UDAG Note Payable (01-04-12)	2,128	-	(900)	1,228	991
UDAG Note Payable (08-05-13)	22,996	-	(2,403)	20,593	2,433
UDAG Note Payable (03-14-14)	21,878	-	(4,520)	17,358	4,565
UDAG Note Payable (03-06-15)	-	11,385	(556)	10,829	2,237
Total Notes Payable	<u>197,978</u>	<u>11,385</u>	<u>(37,407)</u>	<u>171,956</u>	<u>39,335</u>
<u>Other Obligations Payable:</u>					
Compensated absences	16,767	3,736	-	20,503	-
Total Other Obligations Payable	<u>16,767</u>	<u>3,736</u>	<u>-</u>	<u>20,503</u>	<u>-</u>
Total Component Units Long-term Liabilities	<u>\$ 214,745</u>	<u>\$ 15,121</u>	<u>\$ (37,407)</u>	<u>\$ 192,459</u>	<u>\$ 39,335</u>

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

B. Annual Debt Service Requirements

The annual requirements to amortize all general obligation bonds, notes, and revenue bonds outstanding as of June 30, 2015 are as follows:

Primary Government:

Governmental Activities:

	General Obligation Bonds		Notes Payable*		Total Governmental Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2016	\$ 2,336,000	\$ 1,300,707	\$ 337,000	\$ 114,058	\$ 2,673,000	\$ 1,414,765
2017	2,394,000	1,220,185	346,000	103,384	2,740,000	1,323,569
2018	2,502,000	1,159,432	250,000	92,401	2,752,000	1,251,833
2019	2,567,000	1,077,754	255,000	85,609	2,822,000	1,163,363
2020	2,663,000	981,727	261,000	78,682	2,924,000	1,060,409
2021-2025	10,973,000	3,617,272	971,000	297,944	11,944,000	3,915,216
2026-2030	6,532,000	1,708,229	596,000	181,335	7,128,000	1,889,564
2031-2035	4,654,000	452,788	546,000	101,490	5,200,000	554,278
2036-2038	-	-	346,000	20,850	346,000	20,850
	<u>34,621,000</u>	<u>11,518,094</u>	<u>3,908,000</u>	<u>1,075,753</u>	<u>38,529,000</u>	<u>12,593,847</u>
Bond premium	242,115	-	-	-	242,115	-
	<u>\$ 34,863,115</u>	<u>\$ 11,518,094</u>	<u>\$ 3,908,000</u>	<u>\$ 1,075,753</u>	<u>\$ 38,771,115</u>	<u>\$ 12,593,847</u>

* Since the terms of Local Government Loan Program, series 2015 have not been finalized, it is not included in the schedule above. The amount excluded is \$1,564,622.

Business-type Activities:

	Revenue Bonds		Notes Payable		Total Proprietary Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2016	\$ 875,000	\$ 588,912	\$ 940,980	\$ 135,254	\$ 1,815,980	\$ 724,166
2017	915,000	550,218	771,705	110,770	1,686,705	660,988
2018	955,000	509,794	682,308	94,590	1,637,308	604,384
2019	935,000	469,872	700,444	77,902	1,635,444	547,774
2020	975,000	430,478	719,604	60,722	1,694,604	491,200
2021-2025	5,545,000	1,485,270	1,332,200	158,494	6,877,200	1,643,764
2026-2030	3,955,000	264,578	1,033,956	85,944	4,988,956	350,522
2031-2035	-	-	978,823	25,142	978,823	25,142
	<u>14,155,000</u>	<u>4,299,122</u>	<u>7,160,020</u>	<u>748,818</u>	<u>21,315,020</u>	<u>5,047,940</u>
Bond discount	(51,020)	-	-	-	(51,020)	-
	<u>\$ 14,103,980</u>	<u>\$ 4,299,122</u>	<u>\$ 7,160,020</u>	<u>\$ 748,818</u>	<u>\$ 21,264,000</u>	<u>\$ 5,047,940</u>

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Component Units:

	Notes Payable	
	Principal	Interest
June 30,		
2016	\$ 39,335	\$ 1,345
2017	38,895	1,025
2018	38,971	711
2019	38,109	394
2020	8,465	125
2021-2024	8,181	133
	\$ 171,956	\$ 3,733

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 \$535,917 as of June 30, 2015.

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

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

Business-type Activities:

Revenue bond covenants of the Proprietary Fund generally provide that the related bonds are primarily secured by net revenues of the system. Bond covenants relating to the issues require the establishment of various reserve funds for payment of principal and interest, and for renewal and replacement. These reserves have been satisfactorily maintained during 2015.

Component Units:

The Authority's UDAG Loan (11-01-05) has a variable rate, determined each November 1 at four percentage points below prime with a .75% floor. The interest rate at June 30, 2015 was 0.75%. Future principal and interest payments have been calculated using this rate.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

D. Issuance of Notes

Primary Government:

Governmental Activities:

In December 2013, the City entered into an agreement with the City of Clarksville, Tennessee to secure a 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, 2015 totaled \$2,202,160.

In January 2015, the City entered into an agreement with the City of Clarksville, Tennessee to secure a loan for the purpose of financing the cost of Phase II of the reconstruction of the swimming pool in the outdoor water park style, as well as upgrades to the adjacent indoor pool. The total project is \$2,988,500 with interest rate of 3.00% over 25 years. Funds received in the year ended June 30, 2015 totaled \$1,564,622.

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%. In the year ended June 30, 2015, the fund received a total of \$1,086,698, of which \$179,776 represented principal forgiveness. The amount of principal forgiveness is treated as contributed capital in the financial statements.

Component Units:

In March 2015, the Authority signed an \$11,385 UDAG Loan (03-06-15) payable to the City of Tullahoma over a 5-year period to provide resources for the purchase of equipment with interest at the rate of 1%, per annum, payable on unpaid balance, for the first year of this obligation, until April 6, 2016. Upon 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 manages (1) a defined contribution plan and also participates in (2) the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS).

(1) Defined Contribution 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.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - RETIREMENT PLANS (continued)

A. City Plan (continued)

(1) Defined Contribution Plan (continued)

The City is required to contribute 5% of full-time qualified employees' earnable compensation. For the year ended June 30, 2015, the City contributions to the plan totaled \$201,371 and employee contributions were \$219,619.

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)

General Information about the Pension Plan

Plan description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provide

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	0
	<hr/>
	<hr/>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Tullahoma makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Tullahoma were \$0 based on a rate of 5.78 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Tullahoma's state shared taxes if required employer contributions are not remitted.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

A. City Plan (continued)

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (continued)

The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities

Since the measurement date is June 30, 2014, which is prior to Tullahoma's April 1, 2015 participation in the Public Employee Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension Expense

Since the measurement date is June 30, 2014, Tullahoma did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Tullahoma reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date of June 30, 2014	\$ 30,332	\$ -

Tullahoma's employer contributions of \$30,332 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016. The City and the Authority recognized \$28,845 and \$1,487 respectively.

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$56,571 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

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).

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

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

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.

There are no nonemployer contributing entities, as defined by GASB Statement No. 68, for this plan.

There are no special funding situations, as defined by GASB Statement No. 68, for this plan.

Plan Administration

The plan is administrated by the Plan Trustees named by the Tullahoma Board of Education. The Trustees consist of the Chairman of the Board, the Superintendent, and the Director of Personnel.

Plan membership

	June 30, 2015
Active plan members	103
Inactive plan members entitled to but not yet receiving benefits	29
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	12
Total	144

Benefits provided

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

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

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

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

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

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

There have been no changes in plan provisions during the measurement period.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

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

Contributions

Contributions for employees are established in the statutes governing the Plan and may only be changed by the Plan Trustees. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation Report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. Employees are currently required to contribute 3.00% of salary. The actuarially determined employer contribution for the measurement period ending December 31, 2014 is \$583,976 and the expected employee contributions are \$75,865. The actuarially determined employer contribution for the upcoming measurement period ending December 31, 2015 is \$764,403 and the expected employee contributions are \$82,107. The actuarially determined employer contribution for the fiscal year ended June 30, 2014 is \$603,719 and the expected employee contributions are \$78,319.

Net Pension Liability (Assets)

Net pension liability (assets) was measured as of December 31, 2014, and the total pension liability used to calculate net pension liability (assets) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% increase per year
Wage Base Increases	3.25% per year Real wage growth combined with inflation assumption indicates an economic assumption of social security national wage in pension plan valuations. Based on historical real growth in National Average Wages (from 1951) and Social Security estimate of around 1%, our best estimate places this assumption in the range of 0.75% to 1.25% above inflation.
Liability Interest	6.50% The interest rate is developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of board asset classes' arithmetic returns of the plan's target asset allocation, and then converted to the geometric under lognormal distribution assumption.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

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

Mortality Rates: Total mortality rates as of 2007 from SOA RP-2014 study (baseline 2006 table trued up to 2007 with actual improvement rate).
Mortality Improvement: RPEC_2014 model beyond 2007 with following assumptions:
a) Convergence period of 10-years
b) Long-term mortality improvement is the sex-distinct and the age-based assumption calibrated to the annual improvement averages, for the period 2010-2088 published in the Social Security Administration (SSA) Trustees report for 2014.

The expected long-term rate of return assumption as of December 31, 2014 is 6.50%. The actual weighted average asset allocation for the four quarterly dates from March 31, 2014 to December 31, 2014 is used as an approximation of the plan's target asset allocation over the upcoming period, and is shown below:

<u>Asset Class</u>	<u>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	8.80%	7.45%	27.27%
US Equity - Mid Cap	9.10%	7.45%	3.09%
US Equity - Small Cap	9.55%	7.45%	3.05%
Non-US Equity	9.20%	7.45%	10.02%
REITs	8.35%	6.55%	1.02%
Real Estate (direct property)	6.30%	5.95%	5.16%
TIPS	4.10%	3.90%	1.52%
Core Bond	4.25%	4.15%	38.05%
High Yield	6.30%	5.90%	10.82%
			<u>100.00%</u>
Exp LTROA (arithmetic mean)			6.67%
Portfolio Standard Deviation			8.74%
40th percentile			5.70%
45th percentile			6.01%
Expected Compound Return			6.31%
55th percentile			6.61%
60th percentile			6.92%
Equity/Fixed Income/Other			43% / 50% / 6%

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

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

Basis used to determine expected long-term return on plan assets

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20-30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

Capital market modeling assumptions

The Capital Market Assumptions used in our model were developed focusing on forward-looking market indicators and valuation models, as well as utilizing the analysis of historical data and trends, the outlook and forecasts from credible economic studies, and investment expert opinions.

The long-term rate of return assumptions as of the beginning of the period was 6.75%.

Discount rate

The discount rate used to determine the end of period Total Pension Liability is 6.50%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2014 to 2071. Benefit payments after 2071 are projected to be \$0.

The long-term rate of return of 6.50% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 4.05% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the December 31, 2014 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

The discount rate used to determine the beginning of period Total Pension Liability is 6.75%.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 1/1/14	\$ 7,895,424	\$ 4,132,556	\$ 3,762,868
Changes for the year:			
Service cost	282,987	-	282,987
Interest	538,503	-	538,503
Differences between expected and actual experience	130,781	-	130,781
Changes in assumptions	893,733	-	893,733
Changes in benefit terms	-	-	-
Contributions-employees	-	90,214	(90,214)
Contributions-employer	-	529,211	(529,211)
Contributions-other	-	-	-
Net investment income	-	228,690	(228,690)
Administrative expense	-	(33,601)	33,601
Other expenses	-	-	-
Net changes	<u>1,846,004</u>	<u>814,514</u>	<u>1,031,490</u>
Balance at 12/31/14	<u>\$ 9,741,428</u>	<u>\$ 4,947,070</u>	<u>\$ 4,794,358</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Tullahoma City Schools calculated using the discount rate of 6.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability (asset)	\$ 5,350,245	\$ 4,794,358	\$ 4,273,970

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

The pension expense for the fiscal year ended June 30, 2015 is \$629,959.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

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

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 112,439	\$ -
Effects of changes in assumptions	768,385	-
Net difference between projected and actual earnings on pension plan investments	49,918	-
Contributions subsequent to the measurement date as of December 31, 2014	614,838	-
Total	\$ 1,545,580	\$ -

The amount shown above for “Contributions subsequent to the measurement date as of December 31, 2014”, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ 156,169
2017	156,169
2018	156,169
2019	156,171
2020	143,690
Thereafter	162,374

Payable to the Pension Plan

At June 30, 2015, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCSDBP) required at the year ended June 30, 2015.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

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

Multiple Employer Defined Benefit Plan

General Information about the Pension Plan

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Tullahoma City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Tullahoma City Schools for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$1,272,824 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Tennessee Consolidated Retirement System (TCRS) (continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset

At June 30, 2014, the Tullahoma City Schools reported an asset of \$57,539 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Tullahoma City Schools' proportion of the net pension liability was based on Tullahoma City Schools' employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Tullahoma City Schools' proportion was 0.354096 percent. The proportion measured as of June 30, 2013 was 0.364909 percent.

Pension income

For the year ended June 30, 2015, Tullahoma City Schools recognized a pension income of \$74,767.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 139,690	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,740,842
Changes in proportion of Net Pension Liability (Asset)	-	152,523
LEA's contributions subsequent to the measurement date as of June 30, 2014	1,272,824	-
Total	<u>\$ 1,412,514</u>	<u>\$ 4,893,365</u>

Tullahoma City Schools employer contributions of \$1,272,824, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Tennessee Consolidated Retirement System (TCRS) (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2016	\$	(1,187,349)
2017		(1,187,349)
2018		(1,187,349)
2019		(1,187,349)
2020		(2,139)
Thereafter		(2,140)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Tennessee Consolidated Retirement System (TCRS) (continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents Tullahoma City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Tullahoma City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

**CITY OF TULLAHOMA, TENNESSEE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 7 - RETIREMENT PLANS (continued)

B. Tullahoma Board of Education (continued)

(2) Tennessee Consolidated Retirement System (TCRS) (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Tullahoma City Schools' proportionate share of the net pension liability (asset)	\$ 9,704,591	\$ (57,539)	\$ (8,139,524)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2015, Tullahoma City Schools did not have a payable relating to contributions to the Plan (TCRS) required at the year ended June 30, 2015.

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, 2015 is as follows:

	<u>Target plan</u>	<u>Money Purchase plan</u>
Employee contribution	\$ 50,873	\$ 153,812
Employer contribution	298,435	292,674
Total plan assets as of June 30, 2015	6,683,119	3,762,766

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, 2015 was \$4,126,082. Total payroll was \$4,570,116.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 6 employees that receive post employment benefits. Benefits for the year ended June 30, 2015 totaled \$85,603. 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 Statement No. 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 No. 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 (ARC)	\$ 169,240
Interest on net OPEB obligation	23,623
Net OPEB obligation amortization adjustment to the ARC	<u>(32,229)</u>
Annual OPEB cost	160,634
Contributions made	<u>(85,603)</u>
Increase in net OPEB obligation	<u><u>\$ 75,031</u></u>
Net OPEB obligation - July 1, 2014	\$ 524,964
Net OPEB obligation - June 30, 2015	\$ 599,995

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 2010-2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
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
6/30/2015	160,634	50.58%	599,995

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,536,349, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,536,349. The covered payroll (annual payroll of active employees covered by the plan) was \$5,049,574 and the ratio of the UAAL to the covered payroll was 30.43%.

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, 2014 actuarial valuation, the projected unit credit with linear proration to decrements 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. Healthcare cost trend rates have been reset to an initial rate of 9% decreasing by 0.5% annually to an ultimate rate of 5% after 8 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 dollar of pay over thirty years on an open group.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the City Schools paid medical insurance benefits for 40 eligible retirees totaling \$212,628, dental for 40 eligible retirees totaling \$16,665, vision and life insurance benefits for 19 and 40 eligible retirees totaling \$2,203 and \$4,759, 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 (ARC)	\$ 348,667
Interest on net OPEB obligation	20,265
Net OPEB obligation amortization adjustment to the ARC	<u>(27,045)</u>
Annual OPEB cost	341,887
Contributions made	<u>(186,584)</u>
Increase in net OPEB obligation	<u><u>\$ 155,303</u></u>
Net OPEB obligation - July 1, 2014	\$ 450,330
Net OPEB obligation - June 30, 2015	\$ 605,633

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 2011-2015 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
6/30/2015	341,887	54.57%	605,633

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,141,069, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,141,069. The covered payroll (annual payroll of active employees covered by the plan) was \$19,300,000 and the ratio of the UAAL to the covered payroll was 16.27%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets 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, 2014 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 7.50% 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 period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability as a level period for 30 years.

**CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, 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.

The Board was involved in two legal proceedings and claims, which arose in the normal course of business.

One course of action is against a Company that failed to pay for oil obtained from certain electrical equipment that was being decommissioned by Tullahoma Utilities Board. The Company filed a counter suit against the Board seeking to recover the damage because the oil allegedly did not meet certain environmental standards.

The counter suit is being defended by the Board’s insurance carrier under a reservation of rights. An Order dismissing the claim was submitted to the Administrative Law Judge for entry.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS

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 RECLASSIFICATION

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions Liabilities* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. These pension standards include significant changes on how governmental employers report liabilities related to pension obligations. 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
Net position, beginning, as previously presented	\$ 21,451,110
Implementation of GASB Statements No. 68 and 71 to reduce net position for amount of net pension liability as of July 1, 2014	(6,909,048)
Net position, beginning, as restated	\$ 14,542,062

In addition, the beginning fund balances for fiscal year 2015 have been reclassified to separate Equipment Replacement Fund and Building Replacement Fund from General Fund and present them as Special Revenue Fund and Capital Project Fund, respectively.

	Non-major Governmental Funds			Total
	General Fund	Equipment Replacement Fund	Capital Projects Fund	
Fund balance, beginning of the year, as previously presented	\$ 6,872,868	\$ -	\$ 857,251	\$ 7,730,119
Reclassification	(336,658)	252,750	83,908	\$ -
Fund balance, beginning of year, as restated	\$ 6,536,210	\$ 252,750	\$ 941,159	\$ 7,730,119

NOTE 11 - NEW PRONOUNCEMENTS

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City's financial statements.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 - NEW PRONOUNCEMENTS (Continued)

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, which is effective in fiscal year 2016 for the City. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is effective for fiscal year 2016 for the City - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which is effective for fiscal year 2017. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal year 2017 for the City. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for fiscal year 2016 for the City. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal year 2017 for the City. This Statement improved financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

NOTE 12 - INTERFUND TRANSACTIONS

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.

CITY OF TULLAHOMA, TENNESSEE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 – INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended June 30, 2015 consist of the following:

Transferred To	Transferred From			
	General Fund	Non-major Governmental Funds	Electric System	Total
General Fund	\$ -	\$ -	\$ 516,462	\$ 516,462
General Purpose School	8,198,714	-	-	8,198,714
Non-major Governmental Funds	5,962,354	2,917,074	-	8,879,428
Water System	141,939	-	-	141,939
Total	<u>\$ 14,303,007</u>	<u>\$ 2,917,074</u>	<u>\$ 516,462</u>	<u>\$ 17,736,543</u>

Interfund receivables and payables and amounts due to and due from funds of the primary government at June 30, 2015 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, 2015 are as follows:

Due To	Due From						
	General Fund	Fiber System	Non-major Governmental Funds	Component Units	Water System	Wastewater System	Total
General Fund	\$ -	\$ -	\$ 478	\$ 91	\$ -	\$ -	\$ 569
General Purpose School	430,154	-	924,000	-	-	-	1,354,154
Non-major Governmental Funds	161,614	-	7,021	-	-	-	168,635
Electric System	-	880,376	-	-	5,670	8,570	894,616
Water System	-	185	-	-	-	668	853
Wastewater System	-	-	-	-	2,340	-	2,340
Total	<u>\$ 591,768</u>	<u>\$ 880,561</u>	<u>\$ 931,499</u>	<u>\$ 91</u>	<u>\$ 8,010</u>	<u>\$ 9,238</u>	<u>\$ 2,421,167</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
City of Tullahoma - Pension Plan
 Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	2015
Actuarially determined contribution	\$ 30,332
Contribution in relation to the actuarially determined contribution	30,332
Contribution deficiency (excess)	\$ -
 Covered-employee payroll	\$ 524,775
 Contributions as a percentage covered-employee payroll	5.78%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Tullahoma City Schools Defined Benefit Plan (TCSDBP)
Unaudited - See Accompanying Accountants' Report

Measurement date as of December 31, 2014 has been used for the fiscal year ending June 30, 2015.

	2015
Total pension liability	
Service cost	\$ 282,987
Interest	538,503
Benefit payments	(391,229)
Differences between actual and expected experience	130,781
Change of assumptions	893,733
Changes in benefit terms	-
Net change in total pension liability	1,454,775
Total pension liability, beginning of period	7,895,424
Total pension liability, end of period (a)	\$ 9,350,199
 Fiduciary net position	
Employee contributions	\$ 90,214
Employer contributions	529,211
Other contributions	-
Net investment income	228,690
Benefit payments	(391,229)
Administrative expenses	(33,601)
Other expenses	-
Other deductions	-
Net change in fiduciary net position	423,285
Fiduciary net position, beginning of period	4,132,556
Fiduciary net position, end of period (b)	\$ 4,555,841
 Net Pension Liability (asset), (a) – (b)	\$ 4,794,358
 End of period assumptions	
Long-term rate of return	6.50%
Discount rate	6.50%
Salary increase assumption	3.00%
Retirement age assumption	NRA
Plan changes	none
 Fiduciary net position as a percentage of total pension liability	48.72%
 Covered employee payroll	\$ 2,738,273
 Net pension liability (asset) as a percentage of covered employee payroll	175.09%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Tullahoma City Schools Defined Benefit Plan (TCSDBP)
 Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	2014	2015
Actuarially Determined Contribution (ADC)	\$ 603,719	\$ 652,617
ER Contributions received by the plan	680,909	652,617
Contribution deficiency/(excess)	\$ (77,190)	\$ -
 Covered employee payroll	 \$ 2,530,326	 \$ 2,738,273
 ER Contributions received as a percentage of covered-employee payroll	 23.86%	 23.83%
 ADC assumptions		
Long-term rate of return on assets	6.50%	6.50%
Interest rate	6.50%	6.50%
Salary increase assumption	3.00%	3.00%
COLA increase assumption	0.00%	0.00%
Retirement age assumption	NRA	NRA
Plan changes	none	none

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS
Tullahoma City Schools Defined Benefit Plan (TCSDBP)
Unaudited - See Accompanying Accountants' Report

Measurement date as of December 31, 2014 has been used for the fiscal year ending June 30, 2015.

	<u>2015</u>
Annual money-weighted rate of return on plan investments, net of investment expense	5.30%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET
Teacher Legacy Pension Plan of TCRS
 Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30*

	2014
Proportion of the net pension asset	0.354096%
Proportionate share of the net pension asset	\$ 57,539
Covered-employee payroll	\$ 13,898,234
Proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Teacher Legacy Pension Plan of TCRS
Unaudited - See Accompanying Accountants' Report

Fiscal Year Ended June 30,

	2014	2015
Actuarially Determined Contribution (ADC)	\$ 1,234,163	\$ 1,272,824
Contributions in relation to the actuarially determined contribution	1,234,163	1,272,824
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 13,898,234	 \$ 14,079,911
 Contributions as a percentage of covered-employee payroll	 8.88%	 9.04%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**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%
07/01/14	-	1,536,349	1,536,349	0%	5,049,574	30.43%

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

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	OPEB Obligation
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
2015	169,240	50.58%	599,995

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%
07/01/14	-	3,141,069	3,141,069	0%	19,300,000	16.27%

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
06/30/15	348,667	54.57%	605,633



**CITY OF TULLAHOMA, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds							Debt Service Funds		Capital Projects Funds		Total Non-major Governmental Funds	
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	General Debt Services	Education Debt Service	Capital Projects		Federal Projects
ASSETS:													
Cash and cash equivalents	\$ 791	\$ 655,740	\$ 144,207	\$ 239,612	\$ 98,457	\$ 590,235	\$ 365,190	\$ 143,036	\$ 232,529	\$ 2,965,477	\$ 1,543,181	\$ -	\$ 6,978,455
Receivables	-	243	9,928	41,372	-	-	-	-	-	-	-	-	51,543
Allowance for doubtful accounts	-	-	(2,021)	(13,653)	-	-	-	-	-	-	-	-	(15,674)
Notes receivable	-	-	-	-	-	-	1,414,328	57,924	-	-	-	-	1,472,252
Due from other governments	1,136,542	2,556	-	48,850	-	-	-	-	-	-	383,941	-	1,571,889
Due from other funds	-	-	-	-	-	-	-	-	7,021	161,614	-	-	168,635
Prepaid expenses	-	-	-	2,624	-	-	-	-	-	-	-	-	2,624
Total assets	\$ 1,137,333	\$ 658,539	\$ 152,114	\$ 318,805	\$ 98,457	\$ 590,235	\$ 1,779,518	\$ 200,960	\$ 239,550	\$ 3,127,091	\$ 1,927,122	\$ -	\$ 10,229,724
LIABILITIES:													
Accrued liabilities	\$ -	\$ -	\$ -	\$ 26,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,300
Accrued payroll	81,146	-	-	-	-	-	-	-	-	-	-	-	81,146
Accounts payable	1,824	11,295	-	70,074	-	-	-	-	3,645	-	470,952	-	557,790
Due to other funds	924,000	-	-	-	-	-	-	-	-	7,021	478	-	931,499
Total liabilities	1,006,970	11,295	-	96,374	-	-	-	-	3,645	7,021	471,430	-	1,596,735
DEFERRED INFLOWS OF RESOURCES:													
Unavailable revenue - loans	-	-	-	-	-	-	1,414,328	57,924	-	-	-	-	1,472,252
Total deferred inflows of resources	-	-	-	-	-	-	1,414,328	57,924	-	-	-	-	1,472,252
FUND BALANCES:													
Nonspendable:													
Prepaid items	-	-	-	2,624	-	-	-	-	-	-	-	-	2,624
Restricted for:													
Debt service	-	-	-	-	-	-	-	-	235,905	3,120,070	-	-	3,355,975
Capital improvements	-	-	-	-	-	-	-	-	-	-	1,455,692	-	1,455,692
Drug enforcement	-	-	-	-	98,457	-	-	-	-	-	-	-	98,457
Grant projects	130,363	-	-	-	-	-	365,190	143,036	-	-	-	-	638,589
School operations	-	647,244	-	-	-	-	-	-	-	-	-	-	647,244
Solid waste	-	-	-	219,807	-	-	-	-	-	-	-	-	219,807
Extended school	-	-	152,114	-	-	-	-	-	-	-	-	-	152,114
Committed to:													
Equipment replacement	-	-	-	-	-	590,235	-	-	-	-	-	-	590,235
Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	130,363	647,244	152,114	222,431	98,457	590,235	365,190	143,036	235,905	3,120,070	1,455,692	-	7,160,737
Total liabilities, deferred inflows of resources and fund balances	\$ 1,137,333	\$ 658,539	\$ 152,114	\$ 318,805	\$ 98,457	\$ 590,235	\$ 1,779,518	\$ 200,960	\$ 239,550	\$ 3,127,091	\$ 1,927,122	\$ -	\$ 10,229,724

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, 2015

	Special Revenue Funds							Debt Service Fund		Capital Projects Funds		Total Non-major Governmental Funds	
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	General Debt Service	Education Debt Service	Capital Projects		Federal Projects
REVENUES:													
Intergovernmental	\$ 2,304,339	\$ 1,513,017	\$ -	\$ 9,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,750	\$ 502,697	\$ -	\$ 4,688,433
Charges for services	-	575,007	334,383	701,567	-	-	-	-	-	-	-	-	1,610,957
Investment income	-	1,208	252	125	114	234	10,505	1,191	-	10,848	509	-	24,986
Note repayments	-	-	-	-	-	-	206,858	44,589	-	-	-	-	251,447
Sale of property	-	-	-	-	-	1,805	-	-	-	-	-	-	1,805
Other revenues	-	-	2,638	-	21,158	10,000	1,043	54	-	-	42,281	-	77,174
Total revenues	2,304,339	2,089,232	337,273	711,322	21,272	12,039	218,406	45,834	-	369,598	545,487	-	6,654,802
EXPENDITURES:													
Current:													
Education:													
Regular education	794,932	-	-	-	-	-	-	-	-	-	-	-	794,932
Special education	1,295,522	-	-	-	-	-	-	-	-	-	-	-	1,295,522
Other student support	14,095	-	-	-	-	-	-	-	-	-	-	-	14,095
Instructional staff	71,527	-	-	-	-	-	-	-	-	-	-	-	71,527
Program costs	-	1,997,285	273,595	1,896,571	7,861	-	8,495	130	-	-	104,489	2,614	4,291,040
Debt service:													
Principal retirement	-	-	-	-	-	-	-	-	2,613,115	-	-	-	2,613,115
Interest	-	-	-	-	-	-	-	-	1,012,054	-	-	-	1,012,054
Fiscal charges	-	-	-	-	-	-	-	-	1,800	-	-	-	1,800
Capital outlay	128,263	39,137	-	42,052	4,989	253,001	-	-	-	-	4,163,906	-	4,631,348
Loans disbursed	-	-	-	-	-	-	452,878	13,263	-	-	-	-	466,141
Total expenditures	2,304,339	2,036,422	273,595	1,938,623	12,850	253,001	461,373	13,393	3,626,969	-	4,268,395	2,614	15,191,574
Excess (deficiency) revenues over (under) expenditures	-	52,810	63,678	(1,227,301)	8,422	(240,962)	(242,967)	32,441	(3,626,969)	369,598	(3,722,908)	(2,614)	(8,536,772)
OTHER FINANCING SOURCES (USES):													
Note issuance	-	-	-	-	-	-	-	-	-	-	3,766,782	-	3,766,782
Transfers in	-	-	-	1,464,781	-	578,447	65,000	-	3,710,757	2,244,689	815,754	-	8,879,428
Transfers out	-	-	-	(240,000)	-	-	-	-	-	(2,331,979)	(345,095)	-	(2,917,074)
Total other financing sources	-	-	-	1,224,781	-	578,447	65,000	-	3,710,757	(87,290)	4,237,441	-	9,729,136
Net change in fund balances	-	52,810	63,678	(2,520)	8,422	337,485	(177,967)	32,441	83,788	282,308	514,533	(2,614)	1,192,364
Fund balance, July 1, 2014	130,363	594,434	88,436	224,951	90,035	252,750 *	543,157	110,595	152,117	2,837,762	941,159 *	2,614	5,968,373
Fund balance, June 30, 2015	\$ 130,363	\$ 647,244	\$ 152,114	\$ 222,431	\$ 98,457	\$ 590,235	\$ 365,190	\$ 143,036	\$ 235,905	\$ 3,120,070	\$ 1,455,692	\$ -	\$ 7,160,737

* Beginning balances reclassified (See Note 10)

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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
State and federal	\$ 2,304,339	\$ -	\$ 2,304,339	\$ 2,460,408	\$ 2,460,408	\$ (156,069)
Total revenues	2,304,339	-	2,304,339	2,460,408	2,460,408	(156,069)
EXPENDITURES:						
Regular education:						
Salaries	567,635	-	567,635	585,053	585,053	17,418
Payroll taxes	40,487	-	40,487	44,551	44,551	4,064
Benefits	161,113	-	161,113	196,037	196,037	34,924
Supplies	25,697	-	25,697	31,719	31,719	6,022
Total regular education	794,932	-	794,932	857,360	857,360	62,428
Special education:						
Salaries	916,230	-	916,230	943,092	943,092	26,862
Payroll taxes	66,654	-	66,654	69,181	69,181	2,527
Benefits	258,130	-	258,130	253,305	253,305	(4,825)
Contract services	1,782	-	1,782	13,826	13,826	12,044
Supplies	23,158	-	23,158	27,312	27,312	4,154
Travel	21,674	-	21,674	27,481	27,481	5,807
Other	7,894	-	7,894	9,835	9,835	1,941
Total special education	1,295,522	-	1,295,522	1,344,032	1,344,032	48,510
Other student support:						
Travel	10,866	-	10,866	10,761	10,761	(105)
Other	3,229	-	3,229	10,000	10,000	6,771
Total other student support	14,095	-	14,095	20,761	20,761	6,666
Instructional staff:						
Travel	37,580	-	37,580	54,981	54,981	17,401
Maintenance and repairs	2,224	-	2,224	2,200	2,200	(24)
Other	31,723	-	31,723	52,740	52,740	21,017
Total instructional staff	71,527	-	71,527	109,921	109,921	38,394
Capital outlay	128,263	-	128,263	128,334	128,334	71
Total expenditures	2,304,339	-	2,304,339	2,460,408	2,460,408	156,069
Net change in fund balance	-	-	-	-	-	-
Fund balance, July 1, 2014	130,363	-	130,363	130,363	130,363	-
Fund balance, June 30, 2015	\$ 130,363	\$ -	\$ 130,363	\$ 130,363	\$ 130,363	\$ -

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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
State and federal	\$ 1,513,017	\$ -	\$ 1,513,017	\$ 1,487,000	\$ 1,487,000	\$ 26,017
Charges for services	575,007	-	575,007	570,000	570,000	5,007
Interest income	1,208	-	1,208	2,000	2,000	(792)
Total revenues	<u>2,089,232</u>	<u>-</u>	<u>2,089,232</u>	<u>2,059,000</u>	<u>2,059,000</u>	<u>30,232</u>
EXPENDITURES:						
Current:						
Salaries	633,705	-	633,705	638,830	638,830	5,125
Payroll taxes	48,478	-	48,478	50,400	50,400	1,922
Benefits	169,075	-	169,075	175,905	175,905	6,830
Contract services	46,823	-	46,823	32,950	32,950	(13,873)
Maintenance and repairs	1,607	-	1,607	15,000	15,000	13,393
Travel	5,967	-	5,967	7,000	7,000	1,033
Supplies	978,466	-	978,466	968,730	968,730	(9,736)
Other	113,164	-	113,164	109,900	109,900	(3,264)
Capital outlay	39,137	-	39,137	60,285	60,285	21,148
Total expenditures	<u>2,036,422</u>	<u>-</u>	<u>2,036,422</u>	<u>2,059,000</u>	<u>2,059,000</u>	<u>22,578</u>
Net change in fund balance	52,810	-	52,810	-	-	52,810
Fund balance, July 1, 2014	<u>594,434</u>	<u>-</u>	<u>594,434</u>	<u>594,434</u>	<u>594,434</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 647,244</u>	<u>\$ -</u>	<u>\$ 647,244</u>	<u>\$ 594,434</u>	<u>\$ 594,434</u>	<u>\$ 52,810</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EXTENDED SCHOOL PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Charges for services	\$ 334,383	\$ -	\$ 334,383	\$ 352,883	\$ 352,883	\$ (18,500)
Interest income	252	-	252	-	-	252
Other income	2,638	-	2,638	-	-	2,638
Total revenues	<u>337,273</u>	<u>-</u>	<u>337,273</u>	<u>352,883</u>	<u>352,883</u>	<u>(15,610)</u>
EXPENDITURES:						
Salaries	220,690	-	220,690	270,000	270,000	49,310
Payroll taxes	16,883	-	16,883	21,000	21,000	4,117
Benefits	19,588	-	19,588	23,000	23,000	3,412
Supplies	9,281	-	9,281	29,700	29,700	20,419
Other	7,153	-	7,153	8,883	8,883	1,730
Total expenditures	<u>273,595</u>	<u>-</u>	<u>273,595</u>	<u>352,583</u>	<u>352,583</u>	<u>78,988</u>
Net change in fund balance	63,678	-	63,678	300	300	63,378
Fund balance, July 1, 2014	<u>88,436</u>	<u>-</u>	<u>88,436</u>	<u>88,436</u>	<u>88,436</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 152,114</u>	<u>\$ -</u>	<u>\$ 152,114</u>	<u>\$ 88,736</u>	<u>\$ 88,736</u>	<u>\$ 63,378</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SOLID WASTE MANAGEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental	\$ 9,630	\$ -	\$ 9,630	\$ 230,000	\$ 9,780	\$ (150)
Charges for services	701,425	-	701,425	512,000	712,000	(10,575)
Investment income	125	-	125	900	900	(775)
Other revenues	142	-	142	200	200	(58)
Total revenues	711,322	-	711,322	743,100	722,880	(11,558)
EXPENDITURES:						
Current:						
Salaries	688,337	-	688,337	743,344	712,519	24,182
Payroll taxes	50,997	-	50,997	58,660	57,815	6,818
Benefits	286,832	-	286,832	282,675	291,422	4,590
Telephone and utilities	902	-	902	800	1,000	98
Contract and professional	22,652	(9,176)	13,476	34,000	22,000	8,524
Repairs and maintenance	188,510	-	188,510	183,586	203,396	14,886
Travel and training	563	-	563	1,700	700	137
Supplies	22,049	-	22,049	20,843	23,853	1,804
Uniforms	4,936	-	4,936	10,700	5,700	764
Gas and oil	117,895	-	117,895	157,996	133,496	15,601
Parts and supplies	2,603	-	2,603	2,790	2,790	187
Operating insurance	70,576	-	70,576	70,783	71,620	1,044
Landfill	438,289	-	438,289	397,156	441,000	2,711
Other	1,430	-	1,430	14,888	3,300	1,870
Total program costs	1,896,571	(9,176)	1,887,395	1,979,921	1,970,611	83,216
Capital outlay	42,052	-	42,052	54,747	46,047	3,995
Total expenditures	1,938,623	(9,176)	1,929,447	2,034,668	2,016,658	87,211
Excess (deficiency) of revenues over (under) expenditures	(1,227,301)	9,176	(1,218,125)	(1,291,568)	(1,293,778)	75,653
OTHER FINANCING SOURCES (USES):						
Transfers in	1,464,781	-	1,464,781	1,220,228	1,464,781	-
Transfers out	(240,000)	-	(240,000)	-	(240,000)	-
Total other financing sources (uses)	1,224,781	-	1,224,781	1,220,228	1,224,781	-
Net change in fund balance	(2,520)	9,176	6,656	(71,340)	(68,997)	75,653
Fund balance, July 1, 2014	224,951	(9,176)	215,775	224,951	224,951	(9,176)
Fund balance, June 30, 2015	\$ 222,431	\$ -	\$ 222,431	\$ 153,611	\$ 155,954	\$ 66,477

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Drug fines	\$ 11,454	\$ -	\$ 11,454	\$ 20,000	\$ 20,000	\$ (8,546)
Confiscated money	6,130	-	6,130	5,000	6,500	(370)
Sale of confiscated equipment	3,574	-	3,574	-	3,000	574
Investment income	114	-	114	750	750	(636)
Total revenues	<u>21,272</u>	<u>-</u>	<u>21,272</u>	<u>25,750</u>	<u>30,250</u>	<u>(8,978)</u>
EXPENDITURES:						
Current:						
Salaries	83	-	83	2,000	1,000	917
Payroll taxes	6	-	6	232	232	226
Travel and training	695	-	695	1,000	1,000	305
Supplies	4,577	-	4,577	4,750	7,250	2,673
Other	2,500	-	2,500	8,000	7,500	5,000
Capital outlay	4,989	-	4,989	20,000	19,000	14,011
Total expenditures	<u>12,850</u>	<u>-</u>	<u>12,850</u>	<u>35,982</u>	<u>35,982</u>	<u>23,132</u>
Excess (deficiency) of revenues over (under) expenditures	8,422	-	8,422	(10,232)	(5,732)	14,154
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	10,232	5,732	(5,732)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,232</u>	<u>5,732</u>	<u>(5,732)</u>
Net change in fund balance	8,422	-	8,422	-	-	8,422
Fund balance, July 1, 2014	<u>90,035</u>	<u>-</u>	<u>90,035</u>	<u>90,035</u>	<u>90,035</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 98,457</u>	<u>\$ -</u>	<u>\$ 98,457</u>	<u>\$ 90,035</u>	<u>\$ 90,035</u>	<u>\$ 8,422</u>

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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 206,858	\$ -	\$ 206,858	\$ 200,000	\$ 200,000	\$ 6,858
Investment income	10,505	-	10,505	1,500	1,500	9,005
Other	1,043	-	1,043	100	100	(943)
Total revenues	218,406	-	218,406	201,600	201,600	14,920
EXPENDITURES:						
Program cost	1,352	-	1,352	31,300	31,300	29,948
Sign grant	7,143	-	7,143	10,000	10,000	2,857
Industrial loans	452,878	-	452,878	350,000	500,000	47,122
Total expenditures	461,373	-	461,373	391,300	541,300	79,927
Excess (deficiency) of revenues over (under) expenditures	(242,967)	-	(242,967)	(189,700)	(339,700)	(65,007)
OTHER FINANCING SOURCES (USES):						
Transfers in	65,000	-	65,000	65,000	65,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	65,000	-	65,000	65,000	65,000	-
Net change in fund balance	(177,967)	-	(177,967)	(124,700)	(274,700)	(65,007)
Fund balance, July 1, 2014	543,157	-	543,157	543,157	543,157	-
Fund balance, June 30, 2015	<u>\$ 365,190</u>	<u>\$ -</u>	<u>\$ 365,190</u>	<u>\$ 418,457</u>	<u>\$ 268,457</u>	<u>\$ (65,007)</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
USDA REVOLVING LOANS FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 44,589	\$ -	\$ 44,589	\$ 50,000	\$ 50,000	\$ (5,411)
Investment Income	1,191	-	1,191	500	500	691
Other revenues	54	-	54	250	250	(196)
Total revenues	<u>45,834</u>	<u>-</u>	<u>45,834</u>	<u>50,750</u>	<u>50,750</u>	<u>(4,916)</u>
EXPENDITURES:						
Program costs	130	-	130	2,000	2,000	1,870
Loans disbursed	13,263	-	13,263	70,000	70,000	56,737
Total expenditures	<u>13,393</u>	<u>-</u>	<u>13,393</u>	<u>72,000</u>	<u>72,000</u>	<u>58,607</u>
Excess (deficiency) of revenues over (under) expenditures	32,441	-	32,441	(21,250)	(21,250)	53,691
Net change in fund balance	32,441	-	32,441	(21,250)	(21,250)	53,691
Fund balance, July 1, 2014	<u>110,595</u>	<u>-</u>	<u>110,595</u>	<u>110,595</u>	<u>110,595</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 143,036</u>	<u>\$ -</u>	<u>\$ 143,036</u>	<u>\$ 89,345</u>	<u>\$ 89,345</u>	<u>\$ 53,691</u>

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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:						
Principal retirement	2,613,115	-	2,613,115	2,613,903	2,613,903	788
Interest	1,012,054	-	1,012,054	1,505,668	1,505,668	493,614
Fiscal charges	1,800	-	1,800	3,000	3,000	1,200
Total expenditures	3,626,969	-	3,626,969	4,122,571	4,122,571	495,602
Excess (deficiency) of revenues over (under) expenditures	(3,626,969)	-	(3,626,969)	(4,122,571)	(4,122,571)	495,602
OTHER FINANCING SOURCES (USES):						
Transfers in	3,710,757	-	3,710,757	4,122,571	4,122,571	(411,814)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	3,710,757	-	3,710,757	4,122,571	4,122,571	(411,814)
Net change in fund balance	83,788	-	83,788	-	-	83,788
Fund balance, July 1, 2014	152,117	-	152,117	152,117	152,117	-
Fund balance, June 30, 2015	\$ 235,905	\$ -	\$ 235,905	\$ 152,117	\$ 152,117	\$ 83,788

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, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Local shared taxes	\$ 358,750	\$ -	\$ 358,750	\$ -	\$ -	\$ 358,750
Interest income	10,848	-	10,848	-	-	10,848
Total revenues	369,598	-	369,598	-	-	369,598
EXPENDITURES:						
Program costs	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	369,598	-	369,598	-	-	369,598
OTHER FINANCING SOURCES (USES):						
Transfers in	2,244,689	-	2,244,689	2,334,000	2,334,000	(89,311)
Transfers out	(2,331,979)	-	(2,331,979)	(2,334,000)	(2,334,000)	2,021
Total other financing sources (uses)	(87,290)	-	(87,290)	-	-	(87,290)
Net change in fund balance	282,308	-	282,308	-	-	282,308
Fund balance, July 1, 2014	2,837,762	-	2,837,762	2,837,762	2,837,762	-
Fund balance, June 30, 2015	<u>\$ 3,120,070</u>	<u>\$ -</u>	<u>\$ 3,120,070</u>	<u>\$ 2,837,762</u>	<u>\$ 2,837,762</u>	<u>\$ 282,308</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EQUIPMENT REPLACEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Investment income	\$ 234	\$ -	\$ 234	\$ 500	\$ 500	\$ (266)
Sale of property	1,805	-	1,805	-	-	1,805
Other Revenue	10,000	-	10,000	-	10,000	-
Total revenues	12,039	-	12,039	500	10,500	1,539
EXPENDITURES:						
General governments:						
Legislative and judicial:						
Current:						
Other	-	-	-	5,773	294,123	294,123
Total current	-	-	-	5,773	294,123	294,123
Capital outlay	-	-	-	23,100	23,100	23,100
Total general governments	-	-	-	28,873	317,223	317,223
Public safety:						
Police:						
Capital outlay	78,381	-	78,381	78,000	78,400	19
Total police	78,381	-	78,381	78,000	78,400	19
Total public safety	78,381	-	78,381	78,000	78,400	19
Public works:						
Capital outlay	144,100	-	144,100	140,000	144,100	-
Total public works	144,100	-	144,100	140,000	144,100	-
Total public works	144,100	-	144,100	140,000	144,100	-
Parks and recreation:						
Capital outlay	30,520	-	30,520	53,325	49,225	18,705
Total parks and recreation	30,520	-	30,520	53,325	49,225	18,705
Total parks and recreation	30,520	-	30,520	53,325	49,225	18,705
Total expenditures	253,001	-	253,001	300,198	588,948	335,947
Excess (deficiency) of revenues over (under) expenditures	(240,962)	-	(240,962)	(299,698)	(578,448)	337,486
OTHER FINANCING SOURCES (USES):						
Transfers in	578,447	-	578,447	299,698	578,447	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	578,447	-	578,447	299,698	578,447	-
Net change in fund balance	337,485	-	337,485	-	(1)	337,486
Fund balance, July 1, 2014	252,750 *	-	252,750	252,750	252,750	-
Fund balance, June 30, 2015	\$ 590,235	\$ -	\$ 590,235	\$ 252,750	\$ 252,749	\$ 337,486

* Beginning balances reclassified (See Note 10)

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 MANAGEMENT FUND

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

DRUG ENFORCEMENT FUND

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

EQUIPMENT REPLACEMENT FUND

To account for the replacement of vehicles purchased by municipal departments.

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.

DEBT SERVICE FUNDS

GENERAL DEBT SERVICE FUND

To account for the accumulation of resources and the payment of principal and interest for the debt.

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.

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS

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

FEDERAL PROJECTS FUND

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



CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2015

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2015	Interest to Maturity as of June 30, 2015
Governmental Activities:						
<u>General Obligation Bonds Payable</u>						
General Obligation Refunding Bonds, Series 2009	2% - 3.25%	August 27, 2009	October 1, 2017	\$ 4,005,000	\$ 315,000	\$ 15,163
General Obligation Public Improvement and Refunding Bonds, Series 2005	3.25% - 5%	November 1, 2005	April 1, 2026	9,880,000	5,295,000	1,005,540
General Obligation Refunding Bonds, Series 2006	3.5% - 4%	December 15, 2006	April 1, 2026	9,320,000	9,120,000	2,526,163
General Obligation School Bonds, Series 2010	3% - 4%	August 10, 2010	October 1, 2032	4,750,000	4,350,000	1,949,643
General Obligation School Refunding Bonds, Series 2012	1% - 2%	November 28, 2012	April 1, 2021	4,795,000	4,100,000	227,500
TMBF School Note, Series 2008	4.5%	August 6, 2008	May 25, 2033	12,084,000	10,498,000	5,341,320
TMBF City Note, Series 2008	4.5%	December 29, 2008	December 25, 2033	1,125,000	943,000	452,765
Total General Obligation Bonds Payable - Governmental Activities				45,959,000	34,621,000	11,518,094
<u>Notes Payable</u>						
Capital Outlay Notes, Series 2007	4.28%	February 7, 2007	February 1, 2017	627,000	198,000	12,797
Capital Outlay Notes, Series 2013	2.93%	September 16, 2013	October 1, 2025	890,115	830,000	140,757
Local Government Loan Program, Series 2013	3.00%	December 20, 2013	May 25, 2038	2,400,000	2,315,000	876,660
Capital Outlay Notes, Series 2014	2.26%	May 16, 2014	April 1, 2021	650,000	565,000	45,539
Local Government Loan Program, Series 2015	3.00%	March 31, 2015	*	2,988,500	1,564,622	-
Total Notes Payable - Governmental Activities				7,555,615	5,472,622	1,075,753
Total Bonds and Notes Payable - Governmental Activities				\$ 53,514,615	\$ 40,093,622	\$ 12,593,847

*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, 2015

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding June 30, 2015	Interest to Maturity as of June 30, 2015
Business-type Activities:						
<u>Revenue Bonds Payable</u>						
Fiber Optics System Revenue and Tax Bonds, Series 2007	4.0% - 4.375%	August 1, 2007	July 1, 2027	\$ 16,975,000	\$ 13,995,000	\$ 4,285,647
Water and Wastewater Revenue and Tax Bonds, Series 1997	5.5% - 6.5%	July 1, 1997	October 1, 2017	720,000	160,000	13,475
Total Revenue Bonds Payable - Business-type Activities				<u>17,695,000</u>	<u>14,155,000</u>	<u>4,299,122</u>
<u>Notes Payable</u>						
Wastewater System:						
State Revolving Loan Fund, 93-053	3.80%	September 1, 1995	August 1, 2015	7,157,000	84,832	404
State Revolving Loan Fund, 94-077	3.80%	January 1, 1997	December 1, 2016	3,050,000	316,525	8,348
State Revolving Fund Loan	1.15%	March 1, 2012	November 1, 2034	4,014,781	3,910,663	453,002
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	700,000	511,000	57,960
Water System:						
TML Loan 1999	4.50%	May 25, 1999	May 25, 2020	4,708,000	1,682,000	154,860
Revenue and Tax Capital Outlay Notes, Series 2011	2.76%	December 29, 2011	January 1, 2022	900,000	655,000	74,244
Total Notes Payable - Business-type Activities				<u>20,529,781</u>	<u>7,160,020</u>	<u>748,818</u>
Total Bonds and Notes Payable - Business-type Activities				<u>\$ 38,224,781</u>	<u>\$ 21,315,020</u>	<u>\$ 5,047,940</u>
 Component Units:						
<u>Notes Payable</u>						
Tullahoma Municipal Airport Authority:						
UDAG Notes Payable (11-05-05)	0.75%	October 6, 2005	October 1, 2019	\$ 369,780	\$ 121,948	\$ 2,263
UDAG Notes Payable (01-04-12)	1.00%	January 4, 2012	February 1, 2017	9,500	1,228	9
UDAG Notes Payable (08-05-13)	1.00%	August 5, 2013	August 5, 2023	25,000	20,593	861
UDAG Notes Payable (03-14-14)	1.00%	March 14, 2014	March 14, 2019	23,000	17,358	336
UDAG Notes Payable (03-06-15)	1.00%	March 6, 2015	March 6, 2020	11,385	10,829	264
Total Notes Payable - Component Units				<u>\$ 438,665</u>	<u>\$ 171,956</u>	<u>\$ 3,733</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2015

<u>Year</u>	General Obligation School Refunding Bonds Series 2012		General Obligation Refunding Bonds Series 2009	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,000,000	\$ 72,000	\$ 100,000	\$ 8,225
2017	1,000,000	52,000	105,000	5,150
2018	375,000	38,250	110,000	1,788
2019	150,000	33,000	-	-
2020	750,000	24,000	-	-
2021	825,000	8,250	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
	<u>\$ 4,100,000</u>	<u>\$ 227,500</u>	<u>\$ 315,000</u>	<u>\$ 15,163</u>

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2015

Year	General Obligation Public Improvement and Refunding Bonds Series 2005		General Obligation Refunding Bonds Series 2006		General Obligation School Bonds Series 2010	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	-	-	-	-
	<u>\$ 5,295,000</u>	<u>\$ 1,005,540</u>	<u>\$ 9,120,000</u>	<u>\$ 2,526,163</u>	<u>\$ 4,350,000</u>	<u>\$ 1,949,643</u>

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2015

Year	Tennessee Municipal Bond Fund City Note Series 2008		Tennessee Municipal Bond Fund School Note Series 2008		Total General Obligation Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
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
	<u>\$ 943,000</u>	<u>\$ 452,765</u>	<u>\$ 10,498,000</u>	<u>\$ 5,341,320</u>	<u>\$ 34,621,000</u>	<u>\$ 11,518,094</u>	<u>\$ 46,139,094</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
CAPITAL OUTLAY NOTES
JUNE 30, 2015

Year	Capital Outlay Notes Series 2007 (02-07-07)		Capital Outlay Notes Series 2013 (09-16-13)		Capital Outlay Notes Series 2014 (05-16-14)		Local Government Loan Program Series 2013 (12-20-13)		Total Capital Outlay Notes*		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 97,000	\$ 8,474	\$ 65,000	\$ 23,365	\$ 89,000	\$ 12,769	\$ 86,000	\$ 69,450	\$ 337,000	\$ 114,058	\$ 451,058
2017	101,000	4,323	67,000	21,433	91,000	10,758	87,000	66,870	346,000	103,384	449,384
2018	-	-	69,000	19,440	93,000	8,701	88,000	64,260	250,000	92,401	342,401
2019	-	-	71,000	17,390	95,000	6,599	89,000	61,620	255,000	85,609	340,609
2020	-	-	73,000	15,280	97,000	4,452	91,000	58,950	261,000	78,682	339,682
2021	-	-	75,000	13,112	100,000	2,260	92,000	56,220	267,000	71,592	338,592
2022	-	-	77,000	10,885	-	-	93,000	53,460	170,000	64,345	234,345
2023	-	-	80,000	8,585	-	-	95,000	50,670	175,000	59,255	234,255
2024	-	-	82,000	6,212	-	-	96,000	47,820	178,000	54,032	232,032
2025	-	-	84,000	3,780	-	-	97,000	44,940	181,000	48,720	229,720
2026	-	-	87,000	1,275	-	-	99,000	42,030	186,000	43,305	229,305
2027	-	-	-	-	-	-	100,000	39,060	100,000	39,060	139,060
2028	-	-	-	-	-	-	102,000	36,060	102,000	36,060	138,060
2029	-	-	-	-	-	-	103,000	33,000	103,000	33,000	136,000
2030	-	-	-	-	-	-	105,000	29,910	105,000	29,910	134,910
2031	-	-	-	-	-	-	106,000	26,760	106,000	26,760	132,760
2032	-	-	-	-	-	-	108,000	23,580	108,000	23,580	131,580
2033	-	-	-	-	-	-	109,000	20,340	109,000	20,340	129,340
2034	-	-	-	-	-	-	111,000	17,070	111,000	17,070	128,070
2035	-	-	-	-	-	-	112,000	13,740	112,000	13,740	125,740
2036	-	-	-	-	-	-	114,000	10,380	114,000	10,380	124,380
2037	-	-	-	-	-	-	115,000	6,960	115,000	6,960	121,960
2038	-	-	-	-	-	-	117,000	3,510	117,000	3,510	120,510
	<u>\$ 198,000</u>	<u>\$ 12,797</u>	<u>\$ 830,000</u>	<u>\$ 140,757</u>	<u>\$ 565,000</u>	<u>\$ 45,539</u>	<u>\$ 2,315,000</u>	<u>\$ 876,660</u>	<u>\$ 3,908,000</u>	<u>\$ 1,075,753</u>	<u>\$ 4,983,753</u>

* Construction loan and terms of the loan will be finalized when construction is complete. Balance due at June 30, 2015 is \$1,564,622.

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA MUNICIPAL AIRPORT AUTHORITY
JUNE 30, 2015

Year	City of Tullahoma UDAG Note (11-01-05)			City of Tullahoma UDAG Note (01-04-12)			City of Tullahoma UDAG Note (08-05-13)			City of Tullahoma UDAG Note (03-14-14)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 29,109	\$ 891	\$ 30,000	\$ 991	\$ 8	\$ 999	\$ 2,433	\$ 195	\$ 2,628	\$ 4,565	\$ 153	\$ 4,718
2017	29,329	671	30,000	237	1	238	2,458	170	2,628	4,611	107	4,718
2018	29,549	451	30,000	-	-	-	2,482	146	2,628	4,657	61	4,718
2019	29,772	228	30,000	-	-	-	2,507	121	2,628	3,525	15	3,540
2020	4,189	22	4,211	-	-	-	2,532	96	2,628	-	-	-
2021	-	-	-	-	-	-	2,558	70	2,628	-	-	-
2022	-	-	-	-	-	-	2,584	44	2,628	-	-	-
2023	-	-	-	-	-	-	2,610	18	2,628	-	-	-
2024	-	-	-	-	-	-	429	1	430	-	-	-
	<u>\$ 121,948</u>	<u>\$ 2,263</u>	<u>\$ 124,211</u>	<u>\$ 1,228</u>	<u>\$ 9</u>	<u>\$ 1,237</u>	<u>\$ 20,593</u>	<u>\$ 861</u>	<u>\$ 21,454</u>	<u>\$ 17,358</u>	<u>\$ 336</u>	<u>\$ 17,694</u>

Year	City of Tullahoma UDAG Note (03-06-15)			Total		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 2,237	\$ 98	\$ 2,335	\$ 39,335	\$ 1,345	\$ 40,680
2017	2,260	76	2,336	38,895	1,025	39,920
2018	2,283	53	2,336	38,971	711	39,682
2019	2,305	30	2,335	38,109	394	38,503
2020	1,744	7	1,751	8,465	125	8,590
2021	-	-	-	2,558	70	2,628
2022	-	-	-	2,584	44	2,628
2023	-	-	-	2,610	18	2,628
2024	-	-	-	429	1	430
	<u>\$ 10,829</u>	<u>\$ 264</u>	<u>\$ 11,093</u>	<u>\$ 171,956</u>	<u>\$ 3,733</u>	<u>\$ 175,689</u>

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2015

Year	Water and Waste Water Revenue and Tax Bonds Series 1997 (3-1-97)		Fiber Optics System Revenue and Tax Bonds Series 2007 (8-1-07)		Total Proprietary Funds Revenue and Tax Bond Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
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
	<u>\$ 160,000</u>	<u>\$ 13,475</u>	<u>\$ 13,995,000</u>	<u>\$ 4,285,647</u>	<u>\$ 14,155,000</u>	<u>\$ 4,299,122</u>	<u>\$ 18,454,122</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2015**

Year	State Revolving Loan Fund 93-053		State Revolving Loan Fund 94-077		State Revolving Loan Fund CWO 12-297		Wastewater Revenue and Tax Capital Outlay, Series 2011		Total Wastewater System Note Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 84,832	\$ 404	\$ 209,028	\$ 8,348	\$180,120	\$43,860	\$ 67,000	\$ 14,104	\$ 540,980	\$ 66,716
2017	-	-	107,497	-	182,208	41,772	69,000	12,254	358,705	54,026
2018	-	-	-	-	184,308	39,672	71,000	10,350	255,308	50,022
2019	-	-	-	-	186,444	37,536	73,000	8,390	259,444	45,926
2020	-	-	-	-	188,604	35,376	75,000	6,376	263,604	41,752
2021	-	-	-	-	190,776	33,204	77,000	4,306	267,776	37,510
2022	-	-	-	-	192,984	30,996	79,000	2,180	271,984	33,176
2023	-	-	-	-	195,216	28,764	-	-	195,216	28,764
2024	-	-	-	-	197,472	26,508	-	-	197,472	26,508
2025	-	-	-	-	199,752	24,228	-	-	199,752	24,228
2026	-	-	-	-	202,068	21,912	-	-	202,068	21,912
2027	-	-	-	-	204,396	19,584	-	-	204,396	19,584
2028	-	-	-	-	206,760	17,220	-	-	206,760	17,220
2029	-	-	-	-	209,160	14,820	-	-	209,160	14,820
2030	-	-	-	-	211,572	12,408	-	-	211,572	12,408
2031	-	-	-	-	214,020	9,960	-	-	214,020	9,960
2032	-	-	-	-	216,492	7,488	-	-	216,492	7,488
2033	-	-	-	-	219,000	4,980	-	-	219,000	4,980
2034	-	-	-	-	221,532	2,448	-	-	221,532	2,448
2035	-	-	-	-	107,779	266	-	-	107,779	266
	<u>\$84,832</u>	<u>\$ 404</u>	<u>\$ 316,525</u>	<u>\$ 8,348</u>	<u>\$ 3,910,663</u>	<u>\$ 453,002</u>	<u>\$ 511,000</u>	<u>\$ 57,960</u>	<u>\$ 4,823,020</u>	<u>\$ 519,714</u>

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2015

Year	Water TML Loan 1999		Water Revenue and Tax Capital Outlay Note, Series 2011		Total Water System Note Obligations		Wastewater, Water Total Note Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 314,000	\$ 50,460	\$ 86,000	\$ 18,078	\$ 400,000	\$ 68,538	\$ 940,980	\$ 135,254
2017	324,000	41,040	89,000	15,704	413,000	56,744	771,705	110,770
2018	336,000	31,320	91,000	13,248	427,000	44,568	682,308	94,590
2019	348,000	21,240	93,000	10,736	441,000	31,976	700,444	77,902
2020	360,000	10,800	96,000	8,170	456,000	18,970	719,604	60,722
2021	-	-	99,000	5,520	99,000	5,520	366,776	43,030
2022	-	-	101,000	2,788	101,000	2,788	372,984	35,964
2023	-	-	-	-	-	-	195,216	28,764
2024	-	-	-	-	-	-	197,472	26,508
2025	-	-	-	-	-	-	199,752	24,228
2026	-	-	-	-	-	-	202,068	21,912
2027	-	-	-	-	-	-	204,396	19,584
2028	-	-	-	-	-	-	206,760	17,220
2029	-	-	-	-	-	-	209,160	14,820
2030	-	-	-	-	-	-	211,572	12,408
2031	-	-	-	-	-	-	214,020	9,960
2032	-	-	-	-	-	-	216,492	7,488
2033	-	-	-	-	-	-	219,000	4,980
2034	-	-	-	-	-	-	221,532	2,448
2035	-	-	-	-	-	-	107,779	266
	<u>\$ 1,682,000</u>	<u>\$ 154,860</u>	<u>\$ 655,000</u>	<u>\$ 74,244</u>	<u>\$ 2,337,000</u>	<u>\$ 229,104</u>	<u>\$ 7,160,020</u>	<u>\$ 748,818</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2014	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2015
STATE FINANCIAL ASSISTANCE PROGRAMS								
Tennessee Department of Agriculture:								
Child Nutrition Match	N/A	7/1/14-6/30/15	\$ 19,912	\$ -	\$ -	\$ (19,912)	\$ 19,912	\$ -
Total Tennessee Department of Agriculture				<u>-</u>	<u>-</u>	<u>(19,912)</u>	<u>19,912</u>	<u>-</u>
Tennessee Department of Education:								
ACT - Explore	N/A	7/1/14-6/30/15	\$ 4,852	-	-	(4,852)	4,852	-
Career Ladder Supplement	N/A	7/1/13-6/30/14	\$ 129,901	1,165	-	(1,165)	-	-
Career Ladder Supplement	N/A	7/1/14-6/30/15	\$ 140,000	-	-	(107,918)	107,918	-
Basic Education Program	N/A	7/1/13-6/30/14	\$ 14,198,000	1,000	-	(14,247,000)	14,246,000	-
Coordinated School Health - ARRA	N/A	7/1/14-6/30/15	\$ 95,000	-	-	(52,261)	95,000	42,739
Extended Contract	N/A	2014-2015	\$ 52,000	-	-	(42,670)	42,670	-
Connectenn	N/A	2014-2015	\$ 9,880	-	-	(9,880)	9,880	-
Pre-K Voluntary for Tennessee Program	N/A	2014-2015	\$ 369,942	-	-	(249,579)	369,942	120,363
Safe Schools	N/A	2014-2015	\$ 16,730	-	-	(16,730)	16,730	-
Arts Student Ticket Subsidy	N/A	7/1/14-6/30/15	\$ 5,196	-	-	(5,196)	5,196	-
Total Tennessee Department of Education				<u>2,165</u>	<u>-</u>	<u>(14,737,251)</u>	<u>14,898,188</u>	<u>163,102</u>
Tennessee Department of Environment and Conservation:								
Recycling Equipment Grant	32701-01901	2/14/14-2/13/19	\$ 25,000	25,000	-	(25,000)	-	-
Recycling Equipment Grant	32701-02272	2/14/15-2/13/16	\$ 9,630	-	-	-	9,630	9,630
Capitalization Grants for Clean Water State Revolving Funds*	CS470001XX	3/2012-3/2032	\$ 5,000,000	68,386	-	(181,153) *	149,844 *	37,077
Total Tennessee Department of Environment and Conservation				<u>93,386</u>	<u>-</u>	<u>(206,153)</u>	<u>159,474</u>	<u>46,707</u>
Tennessee Department of Health:								
Project Diabetes Initiative	GG1438796	8/1/13-6/30/16	\$ 423,800	60,921	-	(201,907)	143,405	2,419
Tallahoma Community Garden	N/A	5/27/14-6/15/14	\$ 2,000	2,000	-	(2,000)	-	-
Total Tennessee Department of Health				<u>62,921</u>	<u>-</u>	<u>(203,907)</u>	<u>143,405</u>	<u>2,419</u>
Tennessee Department of Labor and Workforce Development:								
Literacy Council	N/A	2014-2015	\$ 21,326	4,657	-	(26,682)	22,025	-
Total Tennessee Department of Labor and Workforce Development				<u>4,657</u>	<u>-</u>	<u>(26,682)</u>	<u>22,025</u>	<u>-</u>
Tennessee Department of Transportation:								
Downtown 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				<u>31,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,744</u>
Total State Financial Assistance Programs				<u>\$ 194,873</u>	<u>\$ -</u>	<u>\$ (15,193,905)</u>	<u>\$ 15,243,004</u>	<u>\$ 243,972</u>
Component Units:								
Municipal Airport Authority								
Tennessee Department of Transportation:								
Turf Runway Study	13-227-00	2/15/13-2/14/18	\$ 14,250	\$ 1,425	\$ -	\$ (9,500)	\$ 9,500	\$ 1,425
Northwest Ramp Expansion	11-168-00	3/1/11-8/31/15	\$ 27,000	6,460	-	(6,460)	-	-
Airport Maintenance and Upkeep	13-331-00	7/1/14-6/30/15	\$ 19,800	7,397	-	(14,707)	14,198	6,888
NW Taxiway Rehabilitation	AERO 13-190-00	3/31/13-10/23/17	\$ 1,280,920	-	-	(351,556)	361,816	10,260
South/Drainage Repairs	AERO 13-218-00	1/30/13-1/29/18	\$ 90,250	-	-	(89,205)	89,205	-
Turf R/W Drainage Repair	AERO-15-127-00	8/3/14-8/2/19	\$ 4,883	-	-	(4,883)	4,883	-
Ramp and T/W Pavement Repairs	12-177-00	12/1/11-6/29/16	\$ 270,000	-	-	(187,993)	187,993	-
Total State Financial Assistance Programs				<u>\$ 15,282</u>	<u>\$ -</u>	<u>\$ (664,304)</u>	<u>\$ 667,595</u>	<u>\$ 18,573</u>

*Note: As of June 30, 2015 there is an outstanding loan balance of \$3,910,663 on loan through State Revolving Loan Fund. The loan is 80% federally and state funded with 20% principal forgiveness.

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2014	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2015
FEDERAL FINANCIAL ASSISTANCE PROGRAMS									
U.S. Department of Agriculture:									
Passed Through Tennessee Department of Agriculture:									
National School Breakfast Program	10.553	N/A	7/1/12-6/30/15	\$ 310,649	\$ -	\$ -	\$ (310,649)	\$ 310,649	\$ -
National School Breakfast Program	10.553	N/A	7/1/13-6/30/14	\$ 266,997	32,122	-	(32,122)	-	-
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	\$ 856,547	99,706	-	(99,706)	-	-
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	\$ 976,025	-	-	(976,025)	976,025	-
Child Nutrition - Fruits and Vegetable	10.582	N/A	7/1/13-6/30/14	\$ 27,400	10,238	-	(10,238)	-	-
Child Nutrition - Fruits and Vegetable	10.582	N/A	7/1/14-6/30/15	\$ 28,500	-	-	(25,944)	28,500	2,556
National Snack	10.555	N/A	7/1/14-6/30/15	\$ 50,992	-	-	(50,992)	50,992	-
CN Direct Certification Performance	10.589	N/A	7/1/14-6/30/15	\$ 10,000	-	-	(10,000)	10,000	-
Equipment	10.579	N/A	7/1/14-9/30/15	\$ 13,000	-	-	(13,000)	13,000	-
Total U.S. Department of Agriculture					142,066	-	(1,528,676)	1,389,166	2,556
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	111,597	-	(111,597)	-	-
IDEA - Part B	84.027	#H027A140052	7/1/14-9/30/15	\$ 741,358	-	-	(409,236)	741,358	332,122
IDEA - Part B High Cost	84.027	N/A	7/1/14-6/30/15	\$ 83,030	-	-	(83,030)	83,030	-
IDEA - Part B Discretionary (Statewide Assessment)	84.173A	Spec Ed Assist Tech	7/1/13-9/30/14	\$ 79,956	16,383	-	(16,383)	-	-
IDEA - B Discretionary Focus	84.173A	15-16200	7/1/14-6/30/15	\$ 59,322	-	-	(32,216)	47,752	15,536
IDEA - Preschool	84.173A	N/A	7/1/13-9/30/14	\$ 35,772	1,733	-	(1,733)	-	-
IDEA - Preschool	84.173A	#H173A140095	7/1/14-9/30/15	\$ 37,356	-	-	(28,107)	37,356	9,249
IDEA B - Pre-K 619 Discretionary	84.173A	N/A	7/1/14-6/30/15	\$ 64,319	-	-	(41,106)	58,410	17,304
Public Law 874	84.041	N/A	7/1/14-6/30/15	\$ 6,000	-	-	(1,833)	1,833	-
Title I	84.010A	N/A	7/1/13-6/30/14	\$ 839,322	253,920	-	(253,920)	-	-
Title I	84.010A	#S010A140042	7/1/14-6/30/15	\$ 820,006	-	-	(394,657)	724,019	329,362
Title II, Part A	84.367A	N/A	7/1/13-6/30/14	\$ 122,350	36,202	-	(36,202)	-	-
Title II, Part A	84.367A	#S365A140042	7/1/14-6/30/15	\$ 121,720	-	-	(43,681)	121,720	78,039
Title III	84.365	N/A	7/1/13-6/30/14	\$ 30,605	30,605	-	(30,605)	-	-
Title III	84.365A	#S365A140042	7/1/14-6/30/15	\$ 4,732	-	-	(4,730)	4,730	-
Title IV, Part B 21st Century	84.287C	192-10-5-033	7/1/13-6/30/14	\$ 270,000	113,401	-	(113,401)	-	-
Title IV, Part B 21st Century	84.287C	192-14-01-006	7/1/14-6/30/15	\$ 340,000	-	-	(105,607)	318,862	213,255
Title IV, Part B 21st Century	84.287C	192-13-01-018	8/15/13-6/30/14	\$ 146,000	53,604	-	(53,604)	-	-
Title IV, Part B 21st Century	84.287C	N/A	7/1/14-6/30/15	\$ 161,000	-	-	(49,966)	139,537	89,571
Title VI, Part B, Subpart 2	84.358	N/A	7/1/13-9/30/14	\$ 60,072	17,250	-	(17,250)	-	-
Title VI, Part B, Subpart 2	84.358	#S35B140042	7/1/14-9/30/15	\$ 66,714	-	-	(32,539)	66,714	34,175
FTTT 14.01 ARRA	84.395	N/A	7/1/13-6/30/14	\$ 111,400	88,479	-	(88,479)	-	-
Carl Perkins, Title I Part C	84.048A	#N048A140042	7/1/14-9/30/15	\$ 43,881	-	-	(25,952)	43,881	17,929
Total U.S. Department of Education					723,174	-	(1,975,834)	2,389,202	1,136,542

(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, 2015

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2014	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2015
U.S. Environmental Protection Agency Direct Program:									
EPA, Office of Water:									
Capitalization Grants for Clean Water State Revolving Funds*	66.458	CS470001XX	3/2012-3/2032	\$ 5,000,000	\$ 341,846	\$ -	\$ (905,545) *	\$ 749,036	\$ 185,337
Total U.S. Environmental Protection Agency Direct Program					<u>341,846</u>	<u>-</u>	<u>(905,545)</u>	<u>749,036</u>	<u>185,337</u>
U.S. Department of Justice:									
Direct Program:									
Bullet Proof Vest Partnership	16.607	N/A	4/1/13-8/31/15	\$ 2,200	-	-	(38)	38	-
Bullet Proof Vest Partnership	16.607	N/A	4/1/14-8/31/16	\$ 1,793	-	-	(1,793)	1,793	-
Total U.S. Department of Justice					<u>-</u>	<u>-</u>	<u>(1,831)</u>	<u>1,831</u>	<u>-</u>
U.S. Department of Housing and Urban Redevelopment:									
HOME Investment Partnership Program	14.239	HA-12-24	7/1/14-6/30/17	\$ 375,000	-	-	(2,250)	2,728	478
Total U.S. Department of Housing and Urban Redevelopment					<u>-</u>	<u>-</u>	<u>(2,250)</u>	<u>2,728</u>	<u>478</u>
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	(26)	(97,204)	-	-
Cedar Lane Improvement Project	20.603	STP-M-9209(11)	9/24/09-6/30/14	\$ 1,863,000	319,036	736	(319,036)	(736)	-
Tallahoma Safe Roads Traffic Enforcement Program	20.600	Z14GHD399	10/1/13-9/30/14	\$ 13,760	867	-	(2,785)	1,918	-
Tallahoma Safe Roads Traffic Enforcement Program	20.600	Z15GH8412	10/1/14-9/30/15	\$ 15,817	-	-	(3,747)	3,747	-
Collins Street Paving	20.205	STP-M-9209(15)	3/31/13-3/31/18	\$ 601,445	-	-	(8,000)	602,300	594,300
Total U.S. Department of Transportation					<u>417,133</u>	<u>710</u>	<u>(430,772)</u>	<u>607,229</u>	<u>594,300</u>
Total Federal Financial Assistance Programs					<u>\$ 1,624,219</u>	<u>\$ 710</u>	<u>\$ (4,844,908)</u>	<u>\$ 5,139,192</u>	<u>\$ 1,919,213</u>
FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM									
Non-Cash Federal Assistance:									
U.S. Department of Agriculture:									
Commodities: Food Distribution Program	10.555	N/A	7/1/14-6/30/15	N/A	\$ -	\$ -	\$ (116,023)	\$ 116,023	\$ -
Total U.S. Department of Agriculture					<u>-</u>	<u>-</u>	<u>(116,023)</u>	<u>116,023</u>	<u>-</u>

*Note: As of June 30, 2015 there is an outstanding loan balance of \$3,910,663 on loan through State Revolving Loan Fund. The loan is 80% federally and state 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, 2015**

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, 2015

<u>Calendar Year of Levy</u>	<u>Amount</u>
2015	\$ 10,199,518
2014	365,779
2013	99,045
2012	53,030
2011	34,662
2010	27,313
2009	22,886
2008	10,536
2007	9,692
2006	7,072
2005	2,178
2004	2,009
2003	-
Total property tax receivable	<u>10,833,720</u>
Less: allowance for uncollectibles	<u>(634,202)</u>
Net property taxes receivable	<u><u>\$ 10,199,518</u></u>

*Estimated amount of taxes levied on January 1, 2015 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, 2015

<u>Tax Year</u>	<u>Balance July 1, 2014</u>	<u>Tax Levy</u>	<u>Payments/ Adjustments</u>	<u>Anticipated Tax Levy</u>	<u>Balance June 30, 2015</u>
2015	\$ -	\$ -	\$ -	\$ 10,199,518	\$ 10,199,518
2014	-	10,199,518	(9,833,739)	-	365,779
2013	547,561	-	(448,516)	-	99,045
2012	149,737	-	(96,707)	-	53,030
2011	61,087	-	(26,425)	-	34,662
2010	47,105	-	(19,792)	-	27,313
2009	34,515	-	(11,629)	-	22,886
2008	18,830	-	(8,294)	-	10,536
2007	11,146	-	(1,454)	-	9,692
2006	7,442	-	(370)	-	7,072
2005	2,558	-	(380)	-	2,178
2004	2,318	-	(309)	-	2,009
2003	8,006	-	(8,006)	-	-
	<u>\$ 890,305</u>	<u>\$ 10,199,518</u>	<u>\$ (10,455,621)</u>	<u>\$ 10,199,518</u>	<u>\$ 10,833,720</u>

*Estimated amount of taxes levied on January 1, 2015 based upon estimate of assessment.

See accompanying accountants' report.



**STATISTICAL SECTION
(UNAUDITED)**

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	E-2
Revenue Capacity	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	E-6
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	E-10
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments.	E-15
Operating Information	
These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	E-18
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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ (10,583,923)	\$ (5,641,138)	\$ (2,118,850)	\$ 360,871	\$ 305,935	\$ 235,191	\$ 2,710,459	\$ 4,863,118	\$ 5,397,379	\$ 5,986,578
Restricted	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	7,435,009
Unrestricted	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	5,291,852
Total governmental activities net position	\$ 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	\$ 18,713,439
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 27,146,940
Restricted	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	7,659,795
Unrestricted	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	12,220,689
Total business-type activities net position	\$ 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	\$ 47,027,424
Primary government:										
Net investment in capital assets	\$ 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	\$ 33,133,518
Restricted	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	15,094,804
Unrestricted	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	17,512,541
Total primary government net position	\$ 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	\$ 65,740,863

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 2,356,527	\$ 2,338,809	\$ 2,507,541	\$ 2,098,177	\$ 2,207,429	\$ 2,064,175	\$ 2,475,135	\$ 2,200,671	\$ 2,301,526	\$ 2,326,542
Public safety	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	5,262,024
Public works	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	4,891,574
Community services	1,147,695	1,317,433	280,122	258,962	196,297	184,212	442,897	428,682	575,091	511,199
Waste management	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	1,926,323
Education	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	33,329,968
Interest and other debt related costs	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	980,816
Total governmental activities expenses	<u>41,632,025</u>	<u>41,388,706</u>	<u>45,213,247</u>	<u>46,236,114</u>	<u>45,998,211</u>	<u>47,531,386</u>	<u>48,334,282</u>	<u>48,947,433</u>	<u>49,218,603</u>	<u>49,228,446</u>
Business-type activities:										
Tullahoma Utilities Board	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	42,336,086
Total primary government expenses	<u>\$ 69,717,831</u>	<u>\$ 70,185,146</u>	<u>\$ 75,247,118</u>	<u>\$ 81,454,102</u>	<u>\$ 82,519,538</u>	<u>\$ 87,439,201</u>	<u>\$ 88,882,254</u>	<u>\$ 89,415,641</u>	<u>\$ 90,686,198</u>	<u>\$ 91,564,532</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 667,906	\$ 589,999	\$ 672,665	\$ 455,051	\$ 412,598	\$ 458,043	\$ 586,807	\$ 451,699	\$ 522,931	\$ 510,331
Public safety	-	-	29,998	82,432	43,081	49,571	30,229	44,739	22,055	21,158
Waste management	702,155	709,810	575,730	702,726	724,926	772,619	782,997	733,094	724,011	701,567
Education	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	1,202,796
Operating grants and contributions	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	28,530,382
Capital grants and contributions	-	-	15,843	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>24,725,404</u>	<u>24,545,588</u>	<u>27,628,976</u>	<u>27,992,120</u>	<u>27,590,305</u>	<u>29,143,061</u>	<u>29,431,414</u>	<u>30,401,900</u>	<u>31,411,300</u>	<u>30,966,234</u>
Business-type activities:										
Charges for services:										
Tullahoma Utilities Board	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	43,830,565
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	2,500	59,364	3,000	25,022	317,305	28,896	446,530	766,249	189,776
Total business-type activities program revenues	<u>29,135,117</u>	<u>30,265,669</u>	<u>31,613,897</u>	<u>35,928,238</u>	<u>36,068,837</u>	<u>41,299,887</u>	<u>41,236,140</u>	<u>42,842,548</u>	<u>44,361,209</u>	<u>44,020,341</u>
Total primary government program revenues	<u>\$ 53,860,521</u>	<u>\$ 54,811,257</u>	<u>\$ 59,242,873</u>	<u>\$ 63,920,358</u>	<u>\$ 63,659,142</u>	<u>\$ 70,442,948</u>	<u>\$ 70,667,554</u>	<u>\$ 73,244,448</u>	<u>\$ 75,772,509</u>	<u>\$ 74,986,575</u>
Net (Expense)/Revenue										
Governmental activities	\$ (16,906,621)	\$ (16,843,118)	\$ (17,584,271)	\$ (18,243,994)	\$ (18,407,906)	\$ (18,388,325)	\$ (18,902,868)	\$ (18,545,533)	\$ (17,807,303)	\$ (18,262,212)
Business-type activities	1,049,311	1,469,229	1,580,026	710,250	452,490	1,392,072	688,168	2,374,340	2,893,614	1,684,255
Total primary government net (expense)/revenue	<u>\$ (15,857,310)</u>	<u>\$ (15,373,889)</u>	<u>\$ (16,004,245)</u>	<u>\$ (17,533,744)</u>	<u>\$ (18,860,396)</u>	<u>\$ (16,996,253)</u>	<u>\$ (18,214,700)</u>	<u>\$ (16,171,193)</u>	<u>\$ (14,913,689)</u>	<u>\$ (16,577,957)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	\$ 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	\$ 10,849,859
Local option sales	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	9,064,791
Other taxes	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	1,678,591
Investment earnings	589,450	916,930	604,899	164,840	153,616	310,219	138,125	115,731	62,326	56,349
Other revenues	254,879	313,487	464,469	364,450	309,968	296,752	1,000,543	904,568	492,884	407,671
Gain on sale of property	638,450	4,500	-	-	5,000	6,630	10,315	4,335	-	1,805
Transfers	-	337,047	396,924	404,579	395,866	348,169	321,649	(89,082)	286,474	374,523
Total governmental activities	<u>17,206,476</u>	<u>17,639,127</u>	<u>19,701,136</u>	<u>18,965,280</u>	<u>18,659,925</u>	<u>18,898,230</u>	<u>20,323,383</u>	<u>20,352,119</u>	<u>21,260,949</u>	<u>22,433,589</u>
Business-type activities:										
Investment earnings	352,934	514,059	989,279	311,483	74,961	36,217	32,161	37,439	26,099	23,637
Other revenues	57,195	46,215	25,713	108,956	81,615	153,804	66,558	113,324	65,118	189,502
Gain on disposal of equipment	4,523	25,241	8,001	1,000	10,777	-	12,147	9,546	(17,796)	19,396
Transfers	-	(383,085)	(396,924)	(404,579)	(382,884)	(403,406)	(232,124)	(271,591)	(286,474)	(374,523)
Total business-type activities	<u>414,652</u>	<u>202,430</u>	<u>626,069</u>	<u>16,860</u>	<u>(215,531)</u>	<u>(213,385)</u>	<u>(211,282)</u>	<u>(111,282)</u>	<u>(213,053)</u>	<u>(141,988)</u>
Total primary government	<u>\$ 17,621,128</u>	<u>\$ 17,841,557</u>	<u>\$ 20,327,205</u>	<u>\$ 18,982,140</u>	<u>\$ 18,444,394</u>	<u>\$ 18,684,845</u>	<u>\$ 20,202,125</u>	<u>\$ 20,240,837</u>	<u>\$ 21,047,896</u>	<u>\$ 22,291,601</u>
Change in Net Position										
Governmental activities	\$ 299,855	\$ 796,009	\$ 2,116,865	\$ 721,286	\$ 252,019	\$ 509,905	\$ 1,420,515	\$ 1,806,586	\$ 3,453,646	\$ 4,171,377
Business-type activities	1,463,963	1,671,659	2,206,095	727,110	(668,021)	1,178,687	566,910	2,263,058	2,680,561	1,542,267
Total primary government	<u>1,763,818</u>	<u>2,467,668</u>	<u>4,322,960</u>	<u>1,448,396</u>	<u>(416,002)</u>	<u>1,688,592</u>	<u>1,987,425</u>	<u>4,069,644</u>	<u>6,134,207</u>	<u>5,713,644</u>
Prior period adjustment ⁽¹⁾	(172,255)	3,284,513	-	-	607,843	2,271,438	(35,563)	(47,704)	(488,647)	(6,909,048)
Total change in net position	<u>\$ 1,591,563</u>	<u>\$ 5,752,181</u>	<u>\$ 4,322,960</u>	<u>\$ 1,448,396</u>	<u>\$ 191,841</u>	<u>\$ 3,960,030</u>	<u>\$ 1,951,862</u>	<u>\$ 4,021,940</u>	<u>\$ 5,645,560</u>	<u>\$ (1,195,404)</u>

⁽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,									
	2006	2007	2008	2009	2010	2011*	2012	2013	2014	2015
General Fund:										
Reserved	\$ 110,677	\$ 141,968	\$ 213,279	\$ 181,327	\$ 75,819	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	35,491
Restricted for:										
Drug enforcement	-	-	-	-	-	-	-	57,657	22,262	5,158
Other projects	-	-	-	-	-	-	-	80,236	81,375	104,420
Committed to:										
Encumbrances	-	-	-	-	-	52,887	144,615	87,745	17,715	13,069
Permanent streets - SSA	-	-	-	-	-	-	-	-	163,101	-
Equipment replacement	-	-	-	-	-	936,414	-	544,132	262,023	- **
Stabilization fund	-	-	-	-	-	-	-	-	891,666	1,269,493
Assigned to:										
Paving appropriated by 2012 budget	-	-	-	-	-	445,000	-	-	-	-
Unassigned	-	-	-	-	-	4,260,389	6,318,096	5,685,487	5,412,758	5,491,847
Total general fund	\$ 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	\$ 6,919,478
All Other Governmental Funds:										
Reserved, reported in:										
Special revenue funds	\$ 162,207	\$ 1,535,859	\$ 503,586	\$ 236,886	\$ 259,630	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds	4,968,801	3,679,499	1,919,975	96,722	213,361	-	-	-	-	-
Debt service funds	1,343,576	1,359,445	1,367,538	2,402,922	2,839,340	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	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	2,624
Restricted for:										
Capital improvements	-	-	-	-	-	711,588	975,466	972,978	859,865	1,455,692
Debt service	-	-	-	-	-	2,769,685	2,464,343	2,547,489	2,989,879	3,355,975
Drug enforcement	-	-	-	-	-	84,230	81,250	96,652	90,035	98,457
Grant projects	-	-	-	-	-	811,316	387,705	572,792	784,114	638,589
School operations	-	-	-	-	-	5,268,135	4,203,984	3,954,593	5,904,375	6,571,848
Solid waste	-	-	-	-	-	171,083	182,700	198,950	214,275	219,807
Extended school	-	-	-	-	-	117,399	123,369	104,504	88,436	152,114
Equipment replacement	-	-	-	-	-	-	-	-	-	590,235
Committed to:										
Encumbrances	-	-	-	-	-	21,806	8,668	1,070	9,176	-
Assigned to:										
School MOE	-	-	-	-	-	139,268	139,268	286,736	286,736	286,736
Total all other governmental funds	\$ 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	\$ 13,372,077

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 Statement No. 54.

** General Fund balance committed to Equipment replacement is not in the 2015 amounts since fund was pulled out

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 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	\$ 21,530,130
Payment in lieu of tax	-	-	159,817	187,223	162,559	183,937	197,651	64,002	117,034	63,111
Intergovernmental	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	28,530,382
Licenses and permits	165,487	129,021	146,560	138,158	80,908	78,399	83,580	60,667	75,761	69,970
Fines and forfeitures	368,985	334,293	410,656	244,343	232,525	271,996	401,497	285,286	339,439	296,694
Charges for services	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	2,048,030
Investment income	372,317	741,567	379,913	164,840	153,614	172,165	136,234	114,043	61,377	56,166
Sale of property	907,072	4,500	400	19,852	5,000	10,630	263,704	33,979	380	1,805
Note repayments	125,859	130,180	43,009	95,613	132,323	136,012	21,852	231,108	268,744	251,447
Other	530,884	488,851	719,051	446,882	353,049	484,324	1,030,772	949,307	514,939	428,829
Total revenues	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	53,276,564
Expenditures:										
General government	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	1,377,007
Public safety	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	5,175,176
Public works	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	2,526,860
Parks and recreation	-	-	1,153,305	1,256,631	1,301,424	1,250,197	1,319,151	1,286,665	1,246,121	1,410,020
Community services	1,152,278	1,177,283	262,571	253,497	176,690	174,919	451,058	479,868	576,904	481,399
Waste management	1,508,520	1,599,771	1,832,253	1,807,441	1,733,132	1,717,743	-	-	-	-
Public education	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	30,013,294
Program costs	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	4,291,040
Capital outlay	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	5,859,668
Loans disbursed	269,780	125,000	7,055	79,650	70,000	468,589	639,500	71,905	90,000	466,141
Debt service:										
Principal	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	2,613,115
Interest	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	1,012,054
Fiscal charges	122,294	149,512	2,599	94,828	89,167	67,784	1,465	67,050	2,600	1,800
Total expenditures	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	55,227,574
Excess of revenues over (under) expenditures	(1,976,038)	(1,445,131)	(1,660,293)	(3,654,874)	(9,433,149)	(6,125,719)	(998,900)	(283,732)	886,958	(1,951,010)
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	3,766,782
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	12,639,783	13,122,649	14,196,338	17,838,616	23,703,053	19,785,433	15,816,090	15,547,893	16,514,047	17,594,604
Transfers out	(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)	(17,220,081)
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	4,141,305
Net change in fund balances	\$ 3,123,030	\$ (184,503)	\$ (1,263,369)	\$ (357,832)	\$ (7,820)	\$ 289,624	\$ (677,221)	\$ 133,420	\$ 2,911,387	\$ 2,190,295
Debt service as a percentage of noncapital expenditures	6.82%	7.21%	6.42%	6.72%	6.30%	7.33%	7.74%	7.87%	7.31%	7.51%

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
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	Coffee County			Franklin County		
	City Direct Rate	Coffee County Rate	Overlapping Rate ⁽¹⁾	City Direct Rate	Franklin County Rate	Overlapping Rate ⁽²⁾
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
2015	2.60	2.87	5.47	2.61	2.45	5.06

(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**

Taxpayer	2015 (for tax year 2014)			2006 (for tax year 2005)		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Tullahoma HMA, Inc.	\$ 9,726,080	1	2.52%	\$ 6,481,480	1	2.25%
Goodrich/United Technology	9,305,819	2	2.41%	2,195,388	10	0.76%
Ascend Federal Credit Union	5,338,720	3	1.38%	3,555,127	5	1.24%
Forest Gallery, LLC	4,489,760	4	1.16%	4,595,680	2	1.60%
Centro NP Commerce Central	4,330,800	5	1.12%	-	0	-
Harton Regional Medical Center	3,649,200	6	0.94%	-	-	-
Lowes Home Center, Inc.	3,424,600	7	0.89%	3,446,720	7	1.20%
Coffee County Ind. Board	2,571,680	8	0.67%	-	-	-
ADA Ferrell Garden II LP	2,540,000	9	0.66%	-	-	-
Bell South	2,533,156	10	0.66%	3,476,867	6	1.21%
Northgate Unlimited	-	-	-	3,798,440	4	1.32%
Excel Realty Partners	-	-	-	4,199,640	3	1.46%
Harton Realty Partners	-	-	-	2,993,915	8	1.04%
Continental, LTD	-	-	-	2,371,640	9	0.82%
Total	\$ 47,909,815		12.41%	\$ 37,114,897		12.90%

Source: Tullahoma Director of Finance

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

Fiscal Year Ended June 30,	Tax Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
			Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2006	2005	\$ 8,081,892	\$ 8,061,326	99.75%	\$ 18,388	\$ 8,079,714	99.97%
2007	2006	8,366,611	8,066,479	96.41%	293,060	8,359,539	99.92%
2008	2007	8,359,817	8,130,511	97.26%	219,614	8,350,125	99.88%
2009	2008	8,466,612	8,292,213	97.94%	163,863	8,456,076	99.88%
2010	2009	8,588,443	8,454,948	98.45%	110,609	8,565,557	99.73%
2011	2010	8,756,655	8,562,514	97.78%	166,828	8,729,342	99.69%
2012	2011	8,782,720	8,349,786	95.07%	398,272	8,748,058	99.61%
2013	2012	8,871,714	8,479,360	95.58%	339,324	8,818,684	99.40%
2014	2013	9,981,425	9,433,864	94.51%	448,516	9,882,380	99.01%
2015	2014	10,199,518	9,833,739	96.41%	-	9,833,739	96.41%

Source: City of Tullahoma Finance Department

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

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Outlay Notes	Capital Leases	Revenue Bonds	Notes			
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	3,147
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	3,431
2011	43,498,000	548,000	-	17,315,000	6,020,276	67,381,276	N/A	3,612
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
2015	34,863,115	5,472,622	-	14,103,980	7,160,020	61,599,737	N/A	3,302

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
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	2,219.57
2013	39,408,179	0.03	2,112.47
2014	37,199,147	0.03	1,994.06
2015	34,863,115	0.03	1,868.83

**CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Coffee County Bonds (exclude school debt)	\$ 25,400,000	37.41%	\$ 9,502,140
Franklin County Bonds (exclude school debt)	5,803,457	2.89%	<u>167,720</u>
Subtotal, overlapping debt			\$ 9,669,860
City of Tullahoma direct debt			<u>40,335,737</u>
Total direct and overlapping debt			<u><u>\$ 50,005,597</u></u>

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

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

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Tullahoma Utilities Board Revenue Bonds							Coverage
	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements				
				Principal	Interest	Total		
2015	\$ 43,830,565	\$ 38,393,305	\$ 5,437,260	\$ 875,000	\$ 588,912	\$ 1,463,912	3.71	
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	

* 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
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%
2015	18,655	N/A	23,334	43.4	3,465	5.9%

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**

Employer	2015			2006		
	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%	-	-	-
United Tech/Goodrich	300	2	1.10%	285	2	1.19%
Ascend Federal Credit Union	247	3	0.93%	-	-	-
TE Connectivity	239	4	0.90%	-	-	-
Cubic Transportation Systems	235	5	0.88%	242	4	1.01%
Wisco Envelopes Co., Inv.	202	6	0.75%	245	3	1.02%
JSP International LLC	177	7	0.66%	-	-	-
Schmiede Corporation	157	8	0.59%	113	7	0.47%
Sonoco Corporation	150	9	0.56%	-	-	-
Tullahoma Industries	100	10	0.37%	-	-	-
Coca Cola Bottling Works	95	11	0.36%	94	9	0.39%
LINPAC	-	-	-	95	8	0.40%
Tennessee Apparel	-	-	-	396	1	1.65%
Createc Corporation	-	-	-	140	5	0.58%
Worth, Inc.	-	-	-	117	6	0.49%
ATK-Gasl Inc.	-	-	-	93	10	0.39%
Total	2,452		9.16%	1,820		7.59%

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

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

	Fiscal year ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Administrative	6	4	4	4	7	7	7	7	7	7
Finance	8	7	6	6	4	3	4	4	4	4
Planning	4	4	4	4	4	4	4	4	4	4
Building	2	2	2	2	2	2	2	2	2	2
Police:										
Personnel and officers	41	44	46	47	45	45	45	45	45	45
Fire:										
Firefighters and officers	38	38	38	40	39	38	38	38	38	38
Public Works	41	42	42	42	42	42	42	42	42	44
Parks and recreation	51	36	35	35	35	14	14	14	14	39
Education	491	490	517	502	502	502	492	492	489	495
Business-type Activities:										
Tullahoma Utilities Board	66	70	72	77	75	79	79	80	81	80
Total	748	737	766	759	755	736	727	728	726	758

Source: Various city departments.

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

Function/Program	Fiscal year ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Physical arrests	1,203	866	2,294	1,534	1,765	1,699	1,236	1,193	1,314	1,214
Traffic violations	N/A	4,513	6,414	2,757	2,626	2,992	4,247	4,193	4,531	4,479
Fire:										
Emergency response	449	457	564	487	495	600	536	699	1,018	1,180
Inspections	1,127	1,389	652	463	599	750	649	295	652	669
Business-type activities:										
Average number of customers:										
Power System	10,284	10,393	11,004	10,287	10,359	10,359	10,376	10,396	11,045	10,586
Water System	9,364	9,439	9,463	9,500	9,504	9,540	9,597	9,637	9,740	9,824
Wastewater System	7,212	7,320	7,321	7,321	7,310	7,335	7,390	7,415	7,499	7,569
Fiber Optics System	N/A	N/A	N/A	1,393	1,756	2,565	2,852	3,131	3,247	3,379

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

<u>Function</u>	<u>Fiscal year ended June 30,</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works:										
Streets (miles)	187	187	330	330	330	330	330	330	330	330
Parks and recreation:										
Parks	8	8	8	8	8	8	8	8	8	8
Acreage	161	200	200	200	590	590	590	590	590	590
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer fields	7	7	11	11	11	11	11	11	11	11
Baseball fields	6	6	6	6	6	6	6	6	6	6
Softball fields	-	-	-	4	4	4	4	4	4	4
Business-type activities:										
Tullahoma Utilities Board:										
Electric:										
Streetlights	2,951	2,829	2,829	2,854	2,854	2,854	2,882	2,886	2,886	2,912
Water:										
Water mains (miles)	240	265	265	270	260	260	260	270	270	270
Fire hydrants	1,100	1,009	1,009	1,032	1,024	1,024	1,024	1,093	1,093	1,093
Storage capacity (thousand gallons)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Wastewater:										
Sanitary sewers (miles)	160	155	160	160	160	160	160	200	200	200
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	7
Daily treatment capacity (thousand gallons)	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent 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, 2015

ELECTRIC RATES

RESIDENTIAL SERVICE	<u>Base Rate</u>	<u>Fuel Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Retail Rate</u>
Customer Charge	\$12.00		
Peak kWh (12 PM - 8 PM, Mon - Fri)	\$0.10341 kWh	0.0224	\$0.12581
Off-Peak	\$0.05341 kWh	0.0224	\$0.07581
Transition	\$0.05776 kWh	0.0224	\$0.08016

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 50kW 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)	\$0.09372 kWh	0.02211	\$0.11583
Off-Peak	\$0.07172 kWh	0.02211	\$0.09383
Transition	\$0.07376 kWh	0.02211	\$0.09587

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 50kW but not more than 1,000 kW 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	\$11.81 kW		
First 4,650 kWh Onpeak	\$0.09518 kWh	0.02211	\$0.11729
First 10,350 kWh	\$0.07215 kWh	0.02211	\$0.09426
Additional kWh Onpeak	\$0.05538 kWh	0.02177	\$0.07715
Additional kWh Offpeak	\$0.03235 kWh	0.02177	\$0.05412
First 15,000 kWh Transition	\$0.07451 kWh	0.02211	\$0.09662
Additional kWh Transition	\$0.03560 kWh	0.02177	\$0.05737

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

Customer Charge	\$200.00		
0 - 1,000 kW	\$10.57 kW		
1,001 - 5,000 kW	\$12.89 kW		
Peak kWh (12 PM - 8 PM, Mon - Fri)	\$0.05551 kWh	0.02177	\$0.07728
Off-Peak	\$0.03351 kWh	0.02177	\$0.05528
Transition	\$0.03644 kWh	0.02177	\$0.05821

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2015

BROADBAND SERVICE RATES

Residential

TV Packages

Lifeline Basic	\$	19.95
Expanded Basic	\$	61.49
Digital Plus (includes HD set top box)	\$	80.49
Single Service Adder (subscribe to only one service)	\$	15.00

Digital Tiers

Sports Tier (11 Channels)	\$	3.00
Movie Tier (4 Channels)	\$	3.00
Latino Tier (11 Channels)	\$	3.00

Premium Movie Channels

Showtime	\$	15.00
Cinemax	\$	15.00
Starz!	\$	15.00
HBO	\$	18.00
\$3.00 discount for 2 movie channels		
\$6.00 discount for 3 movie channels		
\$9.00 discount for 4 movie channels		

Equipment

HD Digital Box - Primary		Included
HD Digital Box - Additional	\$	8.00
HD/DVR Digital Box - Primary	\$	7.00
HD/DVR Digital Box - Additional	\$	15.00
High Capacity HD/DVR Digital Box - Primary	\$	14.00
High Capacity HD/DVR Digital Box - Additional	\$	22.00
Whole Home DVR Service	\$	5.00

High Speed Internet

15 Mbps down / 5 Mbps up (more than one service)	\$	37.95
single service	\$	52.95
50 Mbps down / 25 Mbps up	\$	49.95
single service	\$	59.95
80 Mbps down / 40 Mbps up	\$	59.95
single service	\$	64.95
200 Mbps down / 200 Mbps up	\$	79.95
1 Gbps down / 1 Gbps up	\$	99.95

DoublePlay Bundles

LightTube DoublePlay #1	\$	51.90
Lifeline Basic TV, Premium Home Phone		
LightTube DoublePlay #2	\$	57.90
Lifeline Basic TV, 15 Mbps down/5 Mbps up Internet		
LightTube DoublePlay #3	\$	69.90
15 Mbps down/5 Mbps up Internet, Premium Home Phone		
LightTube DoublePlay #4	\$	99.44
Expanded Basic TV, 15 Mbps down/5 Mbps up Internet		
LightTube DoublePlay #5	\$	118.44
Digital Plus TV w/HD, 15 Mbps down/5 Mbps up Internet		

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2015

BROADBAND SERVICE RATES (Continued)

Residential (Continued)

TriplePlay Bundles

LightTUBE Lifeline TriplePlay	\$ 79.95
Lifeline Basic TV, 15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay	\$ 113.49
Expanded Basic TV, 15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay Plus	\$ 132.49
Digital Plus TV with HD, 15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay HD	\$ 139.49
Digital Plus TV with HD/DVR, 15 Mbps down/5 Mbps up Internet, Premium Home Phone	
LightTUBE TriplePlay Super Fast	\$ 161.49
Digital Plus TV with HD/DVR, 80 Mbps down/40 Mbps up Internet, Premium Home Phone	

Telephone Services

Premium Home Phone (26 features & unlimited LD)	\$ 31.95
Additional Line with Unlimited LD	\$ 24.95
Single Service Adder (subscribe to only one service)	\$ 15.00

Commercial

High Speed Internet

3 Mbps Tier (3M/1M) / No Term	\$ 49.95
36 month Term	\$ 39.95
15 Mbps Tier (15M/3M) / No Term	\$ 79.95
36 Month Term	\$ 69.95
Non-Profit No Term	\$ 69.95
Non-Profit 36-Month Term	\$ 49.95
25 Mbps Tier (25M/5M) / No Term	\$ 129.95
36 Month Term	\$ 99.95
40 Mbps Tier (40M/20M) / No Term	\$ 249.95
36 Month Term	\$ 199.95
70Mbps Tier (70M/35M) / 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

LightTUBE Domain	Included
Vanity Domain	\$ 5.00 each
Additional email addresses (single)	\$ 2.00
Additional email addresses (block of 25)	\$ 40.00

Telephone Services

Standard Business Phone (22 features & unlimited LD)	
No Term	\$ 39.95
2 Year Term	\$ 34.95
3 Year Term	\$ 29.95

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2015

BROADBAND SERVICE RATES (Continued)
Commercial (Continued)

Telephone Services (Continued)

Premium Business Phone (22 features & unlimited LD)		
No Term	\$	43.95
2 Year Term	\$	38.95
3 Year Term	\$	33.95
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
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
Expanded Basic (Hospitality)		Varies
Digital Basic (no music)	\$	100.49
Commercial Music Only	\$	39.95

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2015

BROADBAND SERVICE RATES (Continued)
Commercial (Continued)

Equipment

HD Digital Box - Primary	Included
HD Digital Box - Additional	\$ 8.00
HD/DVR Digital Box - Primary	\$ 10.00
HD/DVR Digital Box - Additional	\$ 15.00
High Capacity HD/DVR Digital Box - Primary	\$ 17.00
High Capacity HD/DVR Digital Box - Additional	\$ 22.00
Unreturned Digital Box	\$ 150.00
Unreturned Digital HD Box	\$ 200.00
Unreturned Digital HD/DVR Box	\$ 350.00
Unreturned High Capacity HD/DVR Box	\$ 500.00

Number of customers as of June 30, 2015:

Electric System	10,586
Water System	9,824
Waste Water System	7,569
Fiber System	3,379

AWWA Free Water Audit Software:
 Reporting Worksheet

WAS v5.0
 American Water Works Association
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? Click to access definition
 + Click to add a comment

Water Audit Report for: **Tullahoma Utilities Board (TN0000715)**
 Reporting Year: **2015** / 7/2014 - 6/2015

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 (n/a or 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**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: + ? n/a [] MG/Yr
 Water imported: + ? 10 [] 1,164.823 MG/Yr
 Water exported: + ? 9 [] 241.534 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value:
 + ? [] [] MG/Yr
 + ? 5 0.25% [] [] MG/Yr
 + ? 5 0.25% [] [] MG/Yr

Enter negative % or value for under-registration
 Enter positive % or value for over-registration

WATER SUPPLIED: 920.987 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? 8 [] 729.536 MG/Yr
 Billed unmetered: + ? n/a [] MG/Yr
 Unbilled metered: + ? n/a [] MG/Yr
 Unbilled unmetered: + ? [] 11.512 MG/Yr

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

AUTHORIZED CONSUMPTION: 741.048 MG/Yr

Click here: ?
 for help using option buttons below

Pcnt: Value:
 1.25% [] [] MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

179.938 MG/Yr

Apparent Losses

Unauthorized consumption: + ? [] 2.302 MG/Yr

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

Customer metering inaccuracies: + ? 8 [] 3.666 MG/Yr
 Systematic data handling errors: + ? [] 1.824 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 7.792 MG/Yr

Pcnt: Value:
 0.25% [] [] MG/Yr

0.50% [] [] MG/Yr
 0.25% [] [] MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: [] 172.146 MG/Yr

WATER LOSSES: 179.938 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 191.451 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 9 [] 261.0 miles
 Number of active AND inactive service connections: + ? 8 [] 11,306
 Service connection density: [] 43 conn./mile main

Are customer meters typically located at the curbstops or property line? [] Yes

Average length of customer service line: + ? [] (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 8 [] 55.0 psi

COST DATA

Total annual cost of operating water system: + ? 10 [] \$3,485,323 \$/Year
 Customer retail unit cost (applied to Apparent Losses): + ? 8 [] \$9.49 \$/1000 gallons (US)
 Variable production cost (applied to Real Losses): + ? 10 [] \$1,250.00 \$/Million gallons Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 86 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: Unauthorized consumption

2: Systematic data handling errors

3: Billed metered



AWWA Free Water Audit Software:
 System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: **Tullahoma Utilities Board (TN0000715)**
 Reporting Year: **2015** | **7/2014 - 6/2015**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 *****

System Attributes:

Apparent Losses: **7.792** MG/Yr
 + Real Losses: **172.146** MG/Yr
 = **Water Losses: 179.938** MG/Yr

? Unavoidable Annual Real Losses (UARL): **62.39** MG/Yr

Annual cost of Apparent Losses: **\$73,949**

Annual cost of Real Losses: **\$215,182** Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: **20.8%**
 Non-revenue water as percent by cost of operating system: **8.7%** Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: **1.89** gallons/connection/day
 Real Losses per service connection per day: **41.72** gallons/connection/day
 Real Losses per length of main per day*: **N/A**
 Real Losses per service connection per day per psi pressure: **0.76** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **172.15** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.76**

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PUBLIC OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Tullahoma Board of Education

All Board Members	Each occurrence with \$2,500 Retention	\$ 1,000,000
Director of Schools	Dr. Dan Lawson	\$ 773,800
All Employees:		
Employee Wright Specialty	Each and every loss with \$500 deductible	\$ 150,000

Tullahoma Utilities Board

All Public Officials:		
Liability	Each occurrence/ \$5,000 per occurrence deductible	\$ 1,000,000
All Employees		
Employee Fidelity	Each and every loss	\$ 500,000

REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

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

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Tullahoma, Tennessee's basic financial statements and have issued our report thereon dated March 15, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-1 to 2015-6 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tullahoma, Tennessee's financial statements are free 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 an item 2015-6.

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.

Honsholder Citma PLLC

Tullahoma, Tennessee
March 15, 2016

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

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Tullahoma, Tennessee's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Tullahoma, Tennessee's major federal programs for the year ended June 30, 2015. The City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Tullahoma, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

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

Report on Internal Control over Compliance

Management of the City of Tullahoma, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Tullahoma, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control over compliance.

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

Honsholder Antman PLLC

Tullahoma, Tennessee
March 15, 2016

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

I. Summary of Auditor’s Results

1. The June 30, 2015 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, 2015 report on compliance for major programs is an unqualified opinion.
6. No audit findings required to be reported under § 510(a) of Circular A-133 were noted.
7. Major Programs include:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
--------------------	---

Child Nutrition Cluster:

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	National School Snacks Program
10.555	Commodities

Department of Transportation:

20.205	Highway Planning and Construction
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8. Type A programs have been distinguished as those programs with expenditures greater than \$300,000.
9. City of Tullahoma does qualify to be a low risk auditee.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

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

CITY OF TULLAHOMA

Finding 2015-1: Excess Expenditures

The General Fund had an expenditure that exceeded total appropriation.

Recommendation:

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

Management's Response:

We concur with the auditors' finding and recommendation.

TULLAHOMA UTILITIES BOARD

Finding 2015-2: Deficit fund balance for Fiber Optics Fund-repeat finding

As of June 30, 2015 the Fiber Optics Fund has a deficit fund balance of \$1,844,227.

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 15, we are net income positive and are actively reducing the deficit fund balance from prior years.

TULLAHOMA BOARD OF EDUCATION

Finding 2015-3: Preparation of Financial Statements and Related Disclosures

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

Recommendation:

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

Management's Response:

We concur with the auditor's finding and recommendation.

**CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

Finding 2015-4: Audit Adjustments

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

- Grants receivables were overstated by \$8,402 in the School Federal and State Projects Fund.
- Due from primary government was understated by \$430,154 in the General Fund.
- Revenue for sanitation charges from the City of Tullahoma of \$70,070 were not recorded in the General Purpose Fund.

Recommendation:

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

Management's Response:

We concur with the auditors' finding and recommendation.

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

Finding 2015-5: Preparation of Financial Statements and Related Disclosures

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

Recommendation:

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

Management's Response:

We concur with the auditors' finding and recommendation.

Finding 2015-6: Cash Counts

During our two cash counts, April 28, 2015 and June 23, 2015, we noted that the cash drawer was short by \$14.36 and over by \$15.88; therefore, the cash drawer was not balanced on both days.

Recommendation:

We recommended that the collection should be reconciled each day and amounts over or short, if any, should be accounted for in the accounting record and deposited if applicable.

Management's Response:

We concur with the auditors' finding and recommendation.

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

There were no findings related to the Federal awards for the year ended June 30, 2015.

**CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

TULLAHOMA UTILITIES BOARD

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

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

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 2015-2.

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.

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 2015-3.

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.

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

Current Status:
See Finding 2015-4.

CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015

Finding 2014-4: Excess Expenditures

The General Purpose School Fund and School Federal and State Project Fund had several expenditures that exceeded total appropriations.

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

Current Status:
Implemented.

Finding 2014-5: Deposits

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

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

Current Status:
Implemented.

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.

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

Current Status:
Implemented.

Finding 2014-7: Cash Receipts

During the course of the audit we noted that two receipts were not properly fill out.

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. 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."

Current Status:
Implemented.

**CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

Finding 2014-8: Cash Disbursements

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

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.

Current Status:
Implemented.

Finding 2014-9: Credit Cards Fee

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

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 processor.

Current Status:
Implemented.

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

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