CITY OF TULLAHOMA, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

PREPARED BY:

DEPARTMENT OF FINANCE

CITY OF TULLAHOMA, TENNESSEE
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INTRODUCTORY SECTION

February 28, 2012

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, 2011.

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, 2011, are fairly presented in conformity with GAAP.

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

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

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

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

Profile of the Government

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

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

Economic Conditions

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

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

Tullahoma has continued to partner with Coffee County and the State of Tennessee for economic development projects and has been honored with the Governor's Three Star Award for the past 15 years. With a large expansion in progress at the local hospital and credit union, the establishment of two new local banks, and a diverse growing retail, Tullahoma continued to thrive in 2011.

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

Primary Government and Component Units

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

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

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

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 new plan uses a five-year planning horizon. 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 relies heavily on this document for capital expenditure planning and direction.

Budget Process

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

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

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

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

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

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

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

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

Annual Independent Audit

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

Single Audit

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

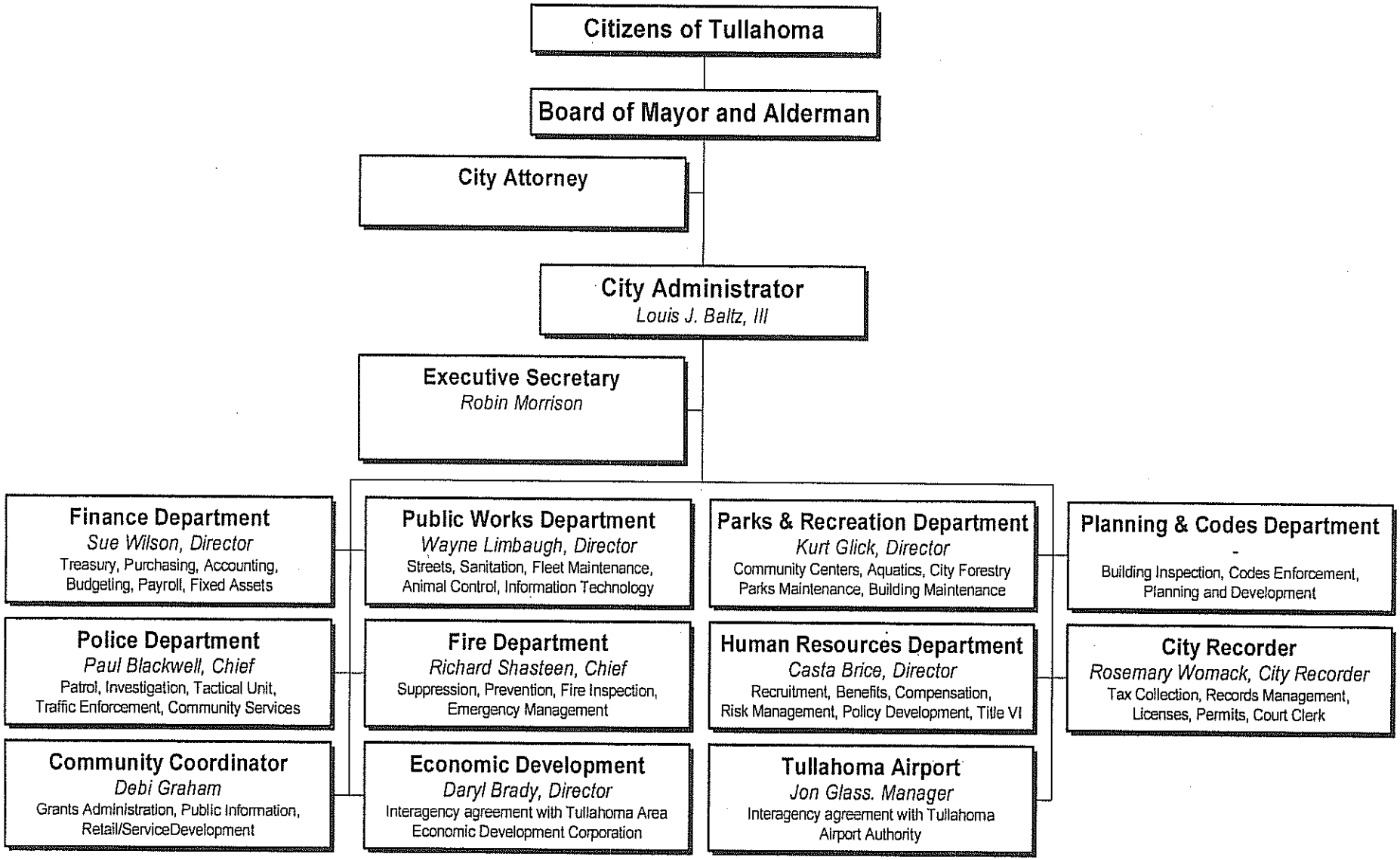
Respectfully submitted,

Susan B. Wilson
Finance Director

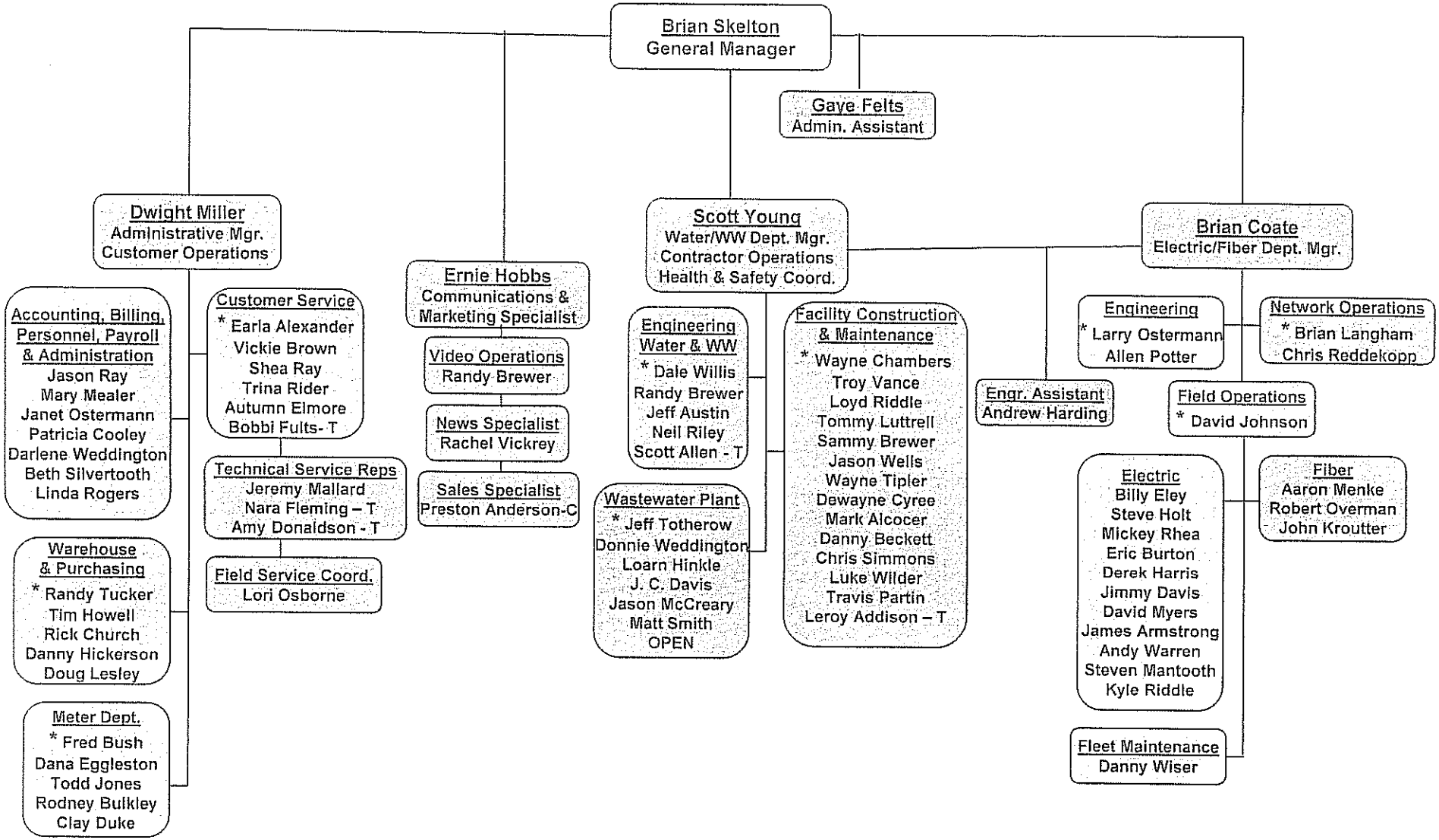
Louis J. Baltz, III
City Administrator

CITY OF TULLAHOMA, TENNESSEE
PUBLIC OFFICIALS

Mayor (took the office on August 22, 2011)	Lane Curlee
Mayor (left the office on August 22, 2011)	Troy L. Bisby
Mayor Pro-Tem	Mike Norris
Alderman	Jimmy Blanks
Alderman	James Eads
Alderman	Jerry Mathis
Alderman	Greg Sandlin
Alderman	Mike Stanton
City Administrator	Louis J. Baltz, III
City Attorney	Randall Morrison
Director of Finance	Susan Wilson
City Recorder	Rosemary Womack
Accountant	Donna Graham
Director of Public Works	Wayne Limbaugh
Fire Chief	Richard Shasteen
Police Chief	Paul Blackwell
Director of Parks and Recreation	Kurt Glick
General Manager, Tullahoma Utilities Board	Brian Skelton
Director of Schools, Tullahoma Board of Education	Dr. Dan Lawson
Executive Director, Tullahoma Municipal Airport Authority	Jon Glass
Treasurer, Tullahoma Industrial Development Board	Susan Wilson


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

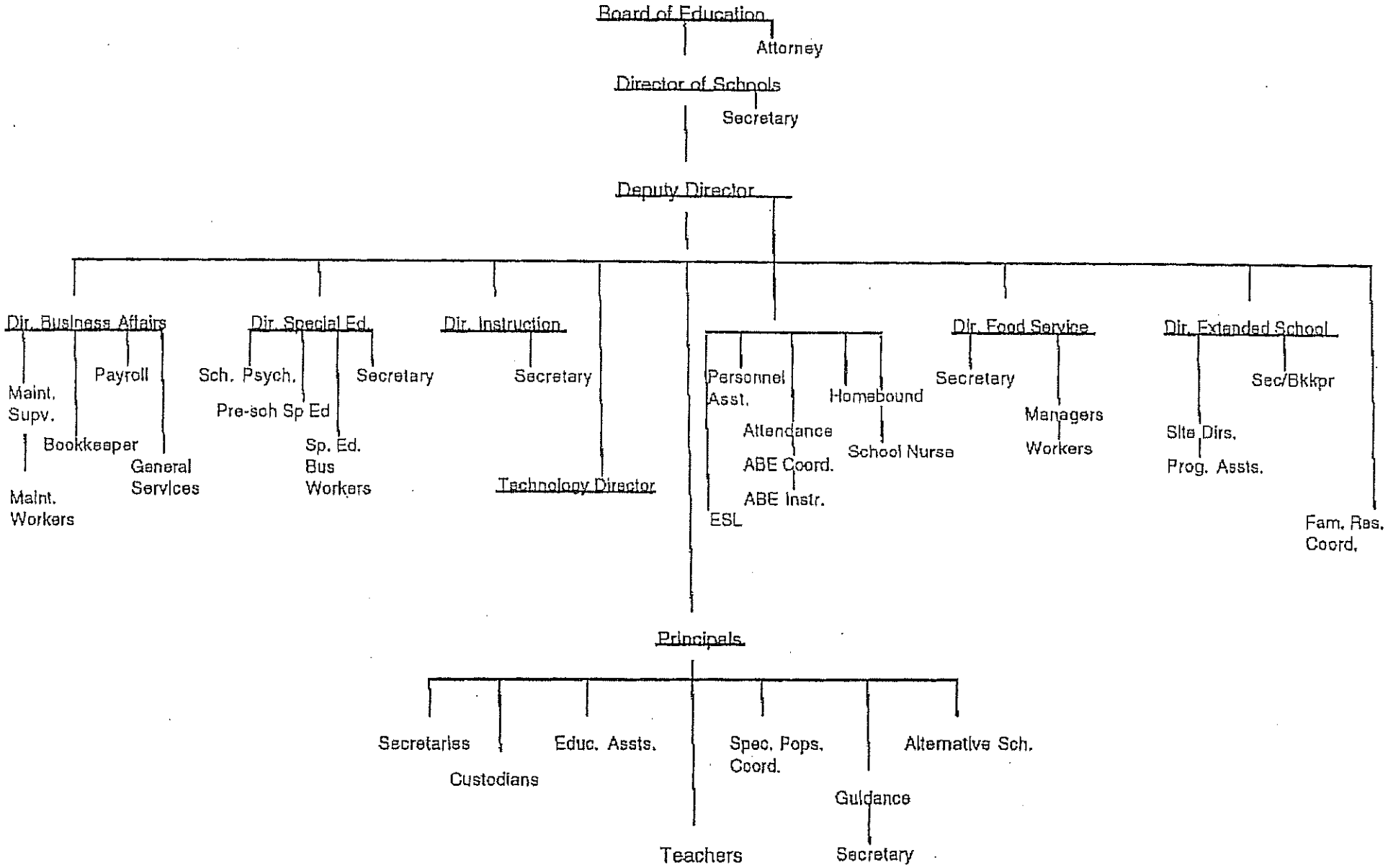
Tullahoma Utilities Board
Organization Chart



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

TULLAHOMA CITY SCHOOLS

STAFFING CHART



FINANCIAL SECTION

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1568
Tullahoma, Tennessee 37388

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

INDEPENDENT AUDITOR'S REPORT

February 28, 2012

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tullahoma, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of June 30, 2011, and the respective changes in financial position, the respective budgetary comparison for the General Fund, the General Purpose School Fund and the UDAG Fund, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2012, on our consideration of the City of Tullahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, employer contributions, and actuarial methods and significant assumptions on pages A-1 through A-15 and B-48 through B-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tullahoma, Tennessee's financial statements as a whole. The Introductory Section on pages i through x, the Combining and Individual Nonmajor Fund Statements on pages C-1 through C-9 and Financial Schedules on pages C-10 and D-1 through D-16 and the Statistical Section on pages E-1 through E-19, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Combining and Individual Nonmajor Fund Statements and Financial Schedules, except for that marked "Unaudited" on which we express no opinion, and the schedules of Federal and State awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The Introductory Section and Statistical Section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hornsholder Antman PLLC

CITY OF TULLAHOMA
STATE OF TENNESSEE

CITY OF TULLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
(amounts expressed in thousands)

As management of the City of Tullahoma, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City and its related agencies for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

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

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

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

THE REPORTING ENTITY AND ITS COMPONENT UNITS

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

The City of Tullahoma (Primary Government – Governmental Activities)

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

Tullahoma City Schools (Primary Government – Governmental Activities)

Tullahoma City Schools encompasses four elementary schools, two middle schools and one high school. The school system employs 281 certified staff and 168 classified staff that serve approximately 3,600 students in grades K-12. An extended school program is in place to provide before and after school child care for our students. The school system is recognized within the State of Tennessee for its academic excellence.

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

The Tullahoma Utilities Board is a municipal public utility and an independent agency of the City of Tullahoma, and provides electricity, water and wastewater services to the residents of Tullahoma and parts of the surrounding area. A distributor of TVA power, with rates among the lowest in the country, TUB currently serves 10,359 electric customers. TUB purchases wholesale water from the Duck River Utility Commission to serve its 9,540 water customers. TUB also operates a wastewater treatment facility with 7,335 sewer customers. TUB recently expanded into the fiber optics area and now offers television, telephone and internet services to 2,565 customers.

Tullahoma Airport Authority (A Component Unit)

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

Tullahoma Industrial Development Board (A Component Unit)

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

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

FINANCIAL HIGHLIGHTS

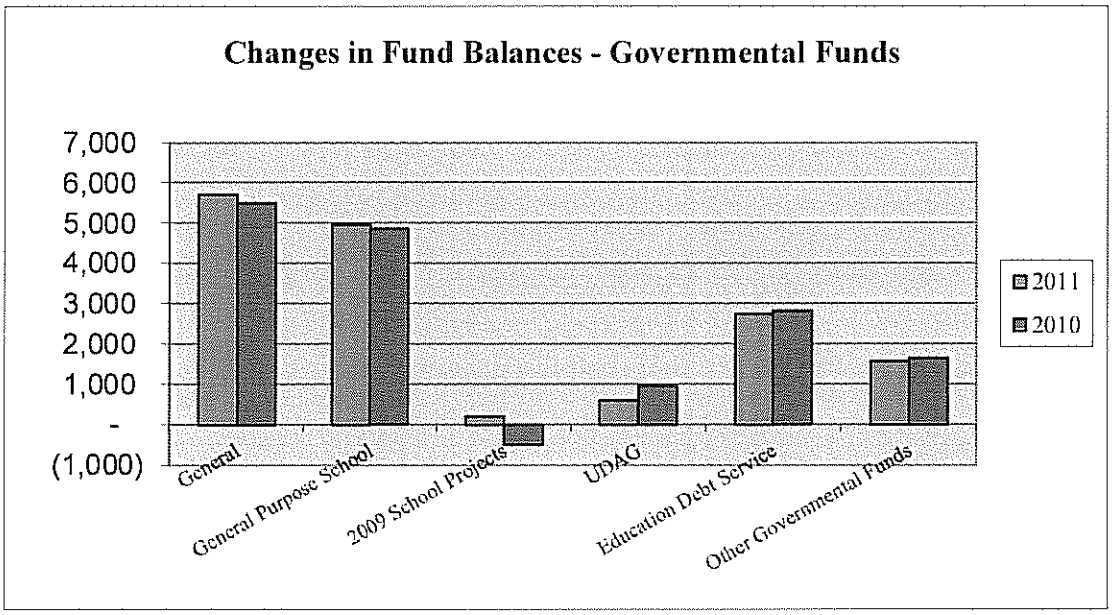
- The assets of the Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by $15,230 (net assets). Of this amount, $2,770 is restricted for debt service and other use, with $12,460 available to meet other ongoing obligations. The Governmental Activities' net assets increased by $725.

- The Governmental Activities reflected a decrease in capital assets net of related debt of $71. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.

- The Business-type Activities' total net assets increased by only $3,235.

- The capital assets in the Business-type Activities decreased by $4,622 or 17.6% from last year.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $15,798, an increase of $504 from the prior year. While the fund balance in the General Purpose School Fund increased by $109, the fund balance in the City General Fund increased by $199 and the fund balance in the other governmental funds also increased by $196.



- At the end of the current fiscal year, fund balance for the City General Fund was $5,703, or 26% of total General Fund expenditures including transfers out.

- The ending fund balance in the General Purpose School Fund was $4,959 or 18% of total expenses for that fund.

- The City Governmental Activities' total gross debt increased by $4,235 or 9% during the 2011 fiscal year due to the issuance of bonds for the completion of East Lincoln Elementary School. The Tullahoma Utilities Board's gross debt decreased by $997 or 4% during this period.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

- **Governmental Funds**

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

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

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

- **Proprietary Funds**

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

- **Internal Service Fund**

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

Notes to the Financial Statements

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

Other Information

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

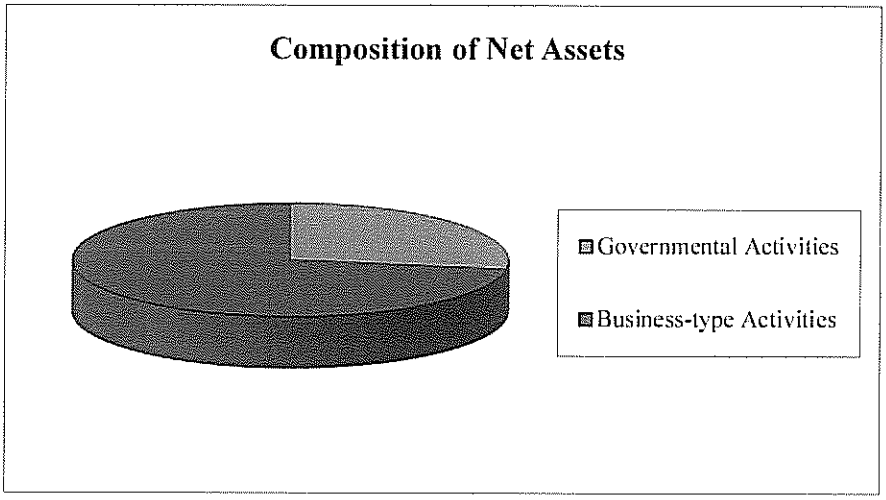
GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the Governmental Activities, assets exceed liabilities by $15,230 at the close of the most recent fiscal year. The City's investment in capital assets (e.g. land, buildings, and equipment) is largely offset by accumulated assets. The Business-type Activities shows net assets of $40,087 with 54% reflecting investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Tullahoma's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 30,141	$ 20,435	$ 27,524	$ 23,340	$ 57,665	$ 43,775
Capital assets, net of accumulated depreciation	43,744	39,598	44,973	45,669	88,717	85,267
Total assets	73,885	60,033	72,497	69,009	146,382	129,042
Long-term liabilities outstanding	46,233	41,998	23,335	24,333	69,568	66,331
Other liabilities	12,422	3,530	9,075	7,824	21,497	11,354
Total liabilities	58,655	45,528	32,410	32,157	91,065	77,685
Net assets:						
Invested in capital assets, net of related debt	235	306	21,637	26,259	21,872	26,565
Restricted	3,715	3,292	8,180	4,636	11,895	7,928
Unrestricted	11,280	10,907	10,270	5,957	21,550	16,864
Total net assets	$ 15,230	$ 14,505	$ 40,087	$ 36,852	$ 55,317	$ 51,357

A portion of the Governmental Activities' total net assets $3,715 (24%) represents resources that are subject to external restrictions on how they may be used. These include assets restricted for payments on bonded debts and notes, drug prevention assets and assets for capital construction and projects. The remaining balance of unrestricted net assets $11,280 may be used to meet the government's ongoing obligations to citizens and short-term creditors.



City of Tullahoma's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 2,625	$ 2,639	$ 40,983	$ 36,044	$ 43,608	$ 38,683
Operating grants & contributions	26,518	24,951	-	-	26,518	24,951
Capital grants & contributions	-	-	317	25	317	25
General revenues:						
Taxes	17,937	17,795	-	-	17,937	17,795
Other revenues	303	315	154	92	457	407
Investment earnings	310	154	36	75	346	229
Transfers	348	396	(403)	(383)	(55)	13
Total revenues	48,041	46,250	41,087	35,853	89,128	82,103
Expenses:						
General government	2,064	2,207	-	-	2,064	2,207
Public safety	4,899	4,896	-	-	4,899	4,896
Public works	4,012	3,959	-	-	4,012	3,959
State street aid	1	-	-	-	1	-
Community services	184	196	-	-	184	196
Waste management	1,771	1,772	-	-	1,771	1,772
Education	33,264	31,731	-	-	33,264	31,731
Utilities	-	-	39,908	36,521	39,908	36,521
Interest & debt	1,336	1,237	-	-	1,336	1,237
Total expenses	47,531	45,998	39,908	36,521	87,439	82,519
Change in net assets	510	252	1,179	(668)	1,689	(416)
Net assets, beginning of period	14,505	13,639	36,852	37,526	51,357	51,165
Prior period adjustment	215	614	2,056	(6)	2,271	608
Net assets, end of period	$ 15,230	$ 14,505	$ 40,087	$ 36,852	$ 55,317	$ 51,357

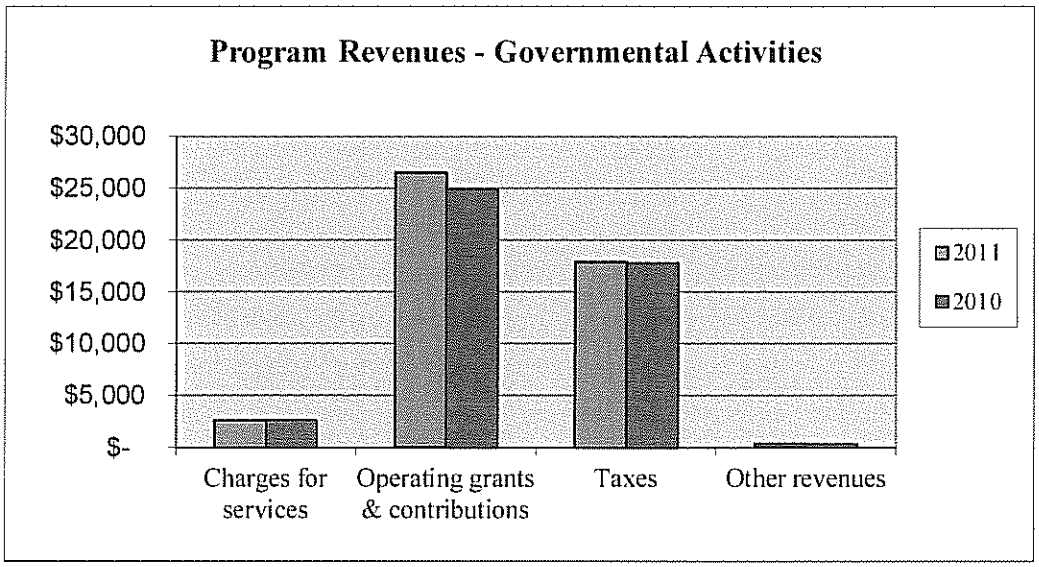
Changes in Net Assets

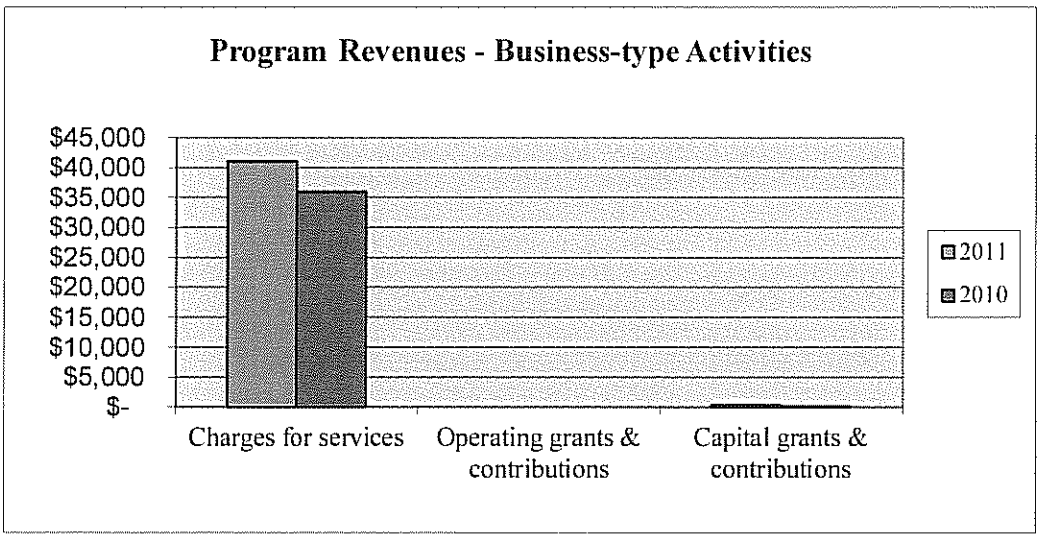
- Governmental activities increased net assets by $510 while business-type activities increased net assets by $1,179. Revenues from year to year remained fairly consistent, as indicated below. Investment interest increased due to a negotiated rate on idle funds on deposit with a local bank.

- Fiscal year 2011 saw an increase of $1,567 in operating grants and contributions for the Tullahoma City Schools. Sales tax collections remained essentially flat, decreasing from $7,644 to $7,568.

- Although the Board of Mayor and Aldermen did not pass a property tax increase, that revenue area did improve $88 due to a slight growth in the tax base.

- Flat or declining revenues, reflecting state and national economic trends, have constrained governmental spending and postponed some capital project plans. The city has benefited from conservative financial management and a healthy reserve balance.





Business-type activities are financed almost entirely by service charges.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tullahoma's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the City of Tullahoma's governmental funds reported combined ending fund balances of $15,798, an increase of $504 from the prior year.

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

- The General Fund is the chief operating fund of the City. During 2011, GASB 54 was implemented 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 $4,260 while total fund balance amounted to $5,703. As a matter of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out.

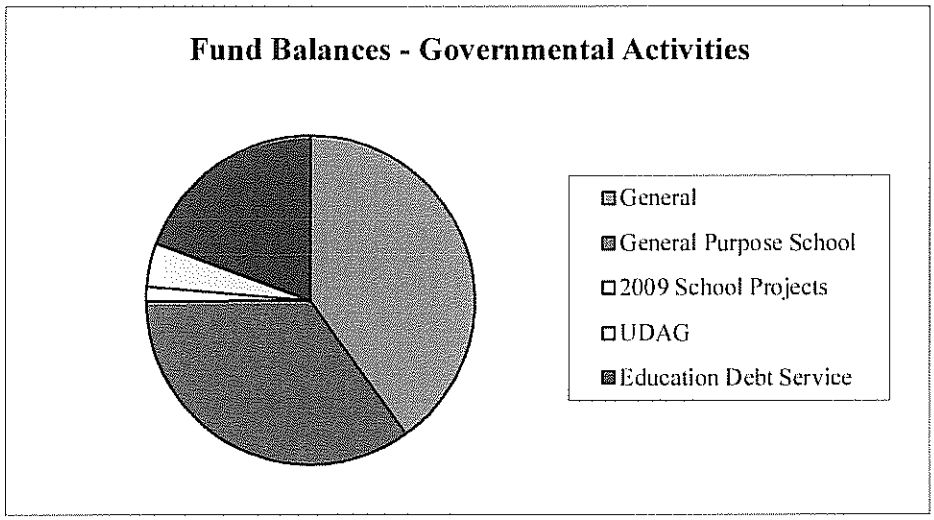
- Unassigned fund balance represents 20% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund increased by $199 as a result of the current fiscal year operations. The General Fund had $53 in outstanding encumbrances at year end.

- The General Purpose School Fund has a total fund balance of $4,959. Although revenues increased by $691 the fund balance only increased by $16. The General Purpose School Fund had no outstanding encumbrances at year end.

- The School Debt Service Fund had a beginning fund balance of $2,818, which decreased to $2,750 at year end, due to beginning repayment on the 2009 $17,000 loan for school renovation projects. Those projects included the renovation of the Tullahoma High School football stadium and auditorium which were completed in FY2011, and the renovation and expansion of East Lincoln Elementary which was not completed until 2012.

- The UDAG Revolving Loan Fund was created through a federal grant for a commercial job creation loan. Loan repayment was then utilized for new commercial loans. The UDAG Fund ended 2011 with a balance of $607, a decrease of $353 from 2010, due to new loan disbursements.

- Non-Major Governmental Funds have an ending fund balance of $1,575. This grouping consists primarily of smaller city capital projects funds, and school federal projects, debt service, cafeteria, after school program and capital projects funds.



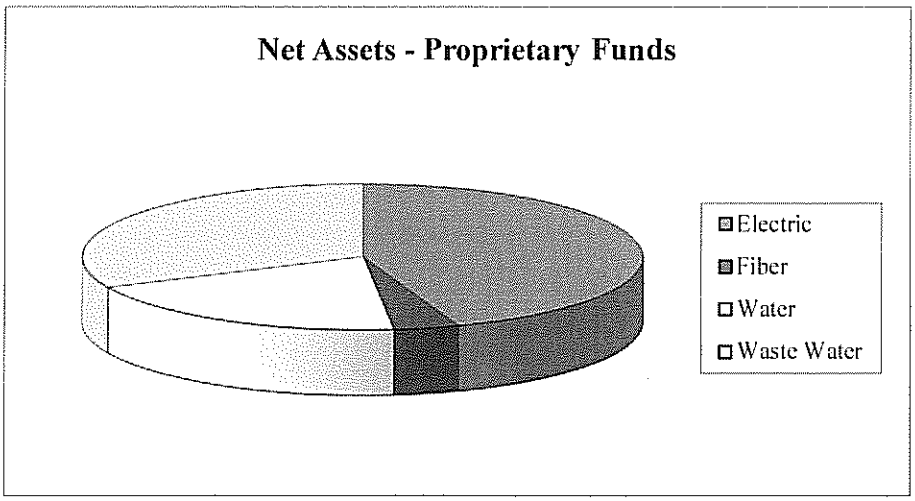
Proprietary Funds

The business-type activities at the Tullahoma Utilities Board have seen a change in composition due to the addition of a fourth enterprise fund in 2007 for the construction of a fiber optics system which began providing services to Tullahoma residents commencing in October, 2008, and has now expanded to serving over 2,500 customers.

- The Electric System provided an increase in net assets of $3,450 in 2011, due in part to an accounting change in the recognition of accounts receivable. Accounts receivable increased $960 (before allowances).

- The Waste Water System reflected a modest increase of $467 or 3%, and the Water System net assets grew by $398 or 5%.

- As the Fiber Optics System is still finishing up build out and growing its customer base, their net assets decreased by $1,080 to ($1,637). The system plans to show positive net assets in 2012.



CAPITAL ASSETS AND DEBT ADMINISTRATION

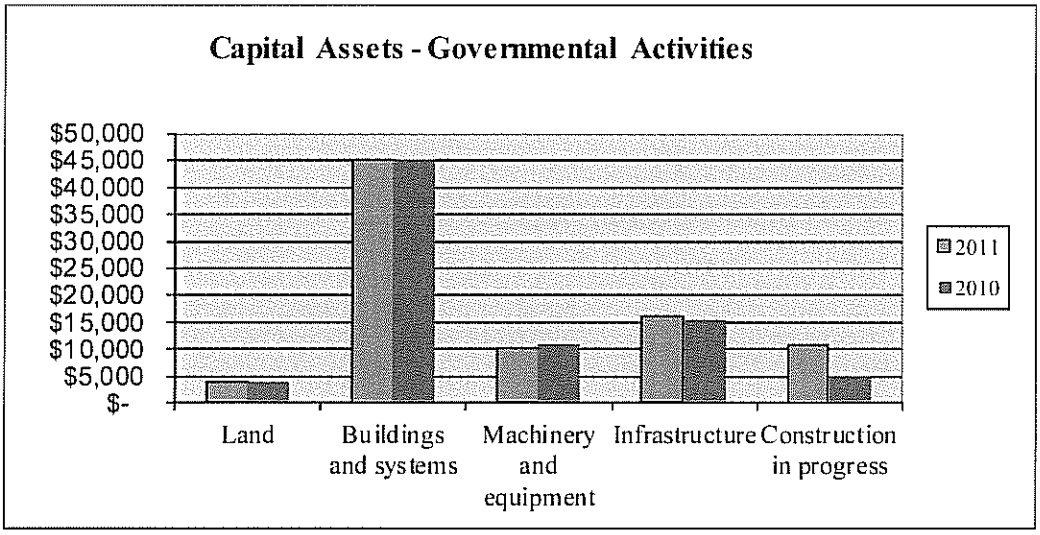
Capital Assets

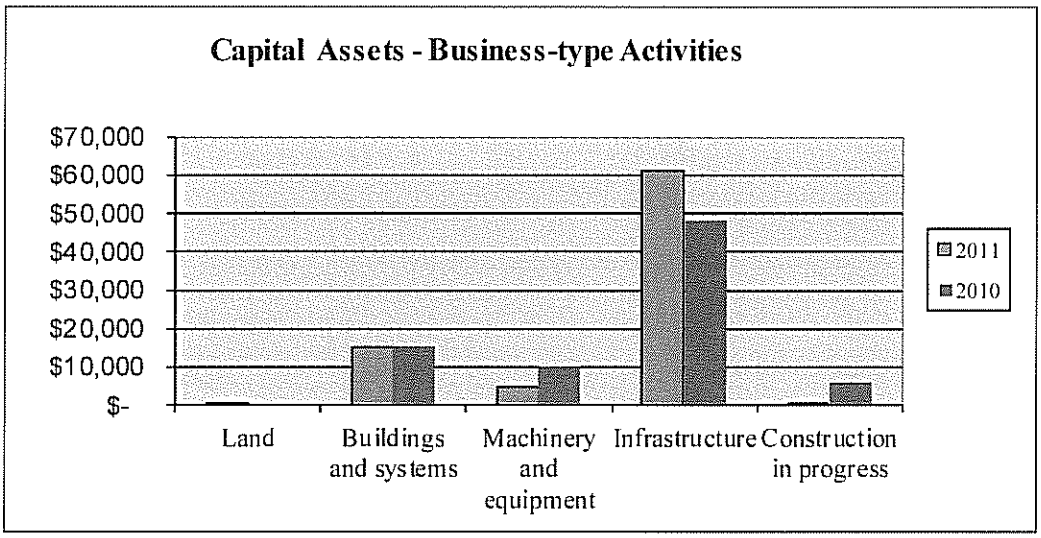
The City's investment in capital assets from its governmental and business-type activities as of June 30, 2011, is shown as follows. The Government Accounting Standards Board required that infrastructure assets be inventoried and carried on the balance sheet as of 2007.

City of Tullahoma's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 3,824	$ 3,824	$ 476	$ 476	$ 4,300	$ 4,300
Buildings and systems	45,172	45,118	15,337	15,281	60,509	60,399
Machinery and equipment	10,308	11,098	4,711	10,248	15,019	21,346
Infrastructure	15,990	15,379	61,046	48,061	77,036	63,440
Construction in progress	10,908	5,295	831	6,324	11,739	11,619
Total capital assets	$ 86,202	$ 80,714	$ 82,401	$ 80,390	$ 168,603	$ 161,104

The total capital assets in the Governmental Activities increased by $5,488. This was primarily due to adding approximately $5,613 in construction in progress for the renovation and expansion of East Lincoln Elementary School, offset by furniture and equipment disposals of $790.





Business-type Activities' capital assets demonstrated a net increase of $2,011. Infrastructure increased $12,985 or 27% due to the completion of the fiber optics system and a re-classification of almost $5,500 from FY2010 equipment to buildings. This also explains the reason that investment in machinery and equipment decreased by $5,537 or 54%.

Long-Term Debt

- Governmental Activities
  The City of Tullahoma issued $4,750 in general obligation bonds in FY2011 for the completion of the East Lincoln Elementary School renovation. No new debt was issued for city capital projects or equipment.

- Business-type Activities
  The Board of Mayor and Aldermen authorized the issuance of $16,975 in general obligation and revenue bonds for the construction of a new fiber optics system in FY2007. Principal payments were deferred during the construction period. It is projected that system revenues will be sufficient to provide annual debt service payments. The general obligation backing was attached to the issuance to assure the optimum interest rate.

- Component Units
  No direct debt was issued by or on behalf of either the Airport Authority or the Tullahoma Industrial Development Board in FY2011. The Airport Authority does have an outstanding note through the UDAG revolving loan program in the amount of $249. The loan was used to finance construction of a hangar for life flight helicopters. The tenant provides monthly rental payments to the Airport Authority, who in turn pays back into the City's UDAG Revolving Loan Fund.

City of Tullahoma's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes payable	$ 548	$ 627	$ 6,020	$ 6,978	$ 6,568	$ 7,605
General obligation bonds	43,682	39,459	17,315	17,355	60,997	56,814
Other obligations payable	2,003	1,911	-	-	2,003	1,911
Total long-term debt	$ 46,233	$ 41,997	$ 23,335	$ 24,333	$ 67,565	$ 64,419

Requests for Information

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

CITY OF TULLAHOMA
STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and cash equivalents	$ 16,637,739	$ 9,991,461	$ 26,629,200	$ 146,121
Receivables	10,448,129	3,201,798	13,649,927	71,627
Allowance for doubtful accounts	(994,026)	(43,797)	(1,037,823)	-
Unbilled revenue	-	2,337,888	2,337,888	-
Due from component units	106,097	-	106,097	-
Due from other governments	1,892,265	-	1,892,265	72,041
Accrued interest receivable	1,917	-	1,917	-
Inventory	-	1,394,693	1,394,693	50,887
Other assets	818,635	578,744	1,397,379	32,306
Restricted assets:				
Cash and cash equivalents	-	8,624,940	8,624,940	-
Notes receivable	1,230,141	1,438,839	2,668,980	-
Capital assets:				
Utility plant in service	-	61,045,894	61,045,894	-
Land	3,824,195	476,080	4,300,275	1,738,799
Buildings and improvements	45,172,137	15,336,914	60,509,051	9,801,243
Furniture, machinery, and equipment	10,307,694	4,711,421	15,019,115	452,703
Construction in progress	10,907,839	831,335	11,739,174	-
Infrastructure	15,990,013	-	15,990,013	-
Accumulated depreciation	(42,458,025)	(37,429,063)	(79,887,088)	(2,072,940)
Total assets	73,884,750	72,497,147	146,381,897	10,292,787
LIABILITIES:				
Accounts payable	2,135,728	5,612,910	7,748,638	81,449
Accrued liabilities	1,209,661	788,119	1,997,780	-
Accrued interest payable	287,795	-	287,795	-
Due to the primary government	-	-	-	106,097
Due to other governments	586	-	586	-
Deferred revenue	8,787,729	-	8,787,729	-
Other liabilities	-	1,682,582	1,682,582	15,831
TVA advances	-	546,001	546,001	-
Liabilities payable from restricted assets:				
Accrued interest	-	364,670	364,670	-
Contracts and retainage	-	80,685	80,685	-
Noncurrent liabilities:				
Due within one year	2,174,000	1,683,779	3,857,779	30,594
Due in more than one year	44,059,249	21,651,498	65,710,747	218,114
Total liabilities	58,654,748	32,410,244	91,064,992	452,085
NET ASSETS:				
Invested in capital assets, net of related debt	235,191	21,637,303	21,872,494	9,671,097
Restricted for debt service	2,769,685	141,129	2,910,814	-
Restricted for construction	861,330	8,038,456	8,899,786	-
Restricted for drug enforcement	84,230	-	84,230	-
Unrestricted	11,279,566	10,270,015	21,549,581	169,605
Total net assets	$ 15,230,002	$ 40,086,903	$ 55,316,905	$ 9,840,702

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities:								
General government	$ 2,064,175	$ 458,043	$ 2,315,729	$ -	$ 709,597	$ -	$ 709,597	$ -
Public safety								
Police	2,622,131	49,571	-	-	(2,572,560)	-	(2,572,560)	-
Fire	2,277,197	-	-	-	(2,277,197)	-	(2,277,197)	-
Public works	4,011,961	-	-	-	(4,011,961)	-	(4,011,961)	-
State street aid	1,101				(1,101)		(1,101)	
Community services	184,212	-	15,000	-	(169,212)	-	(169,212)	-
Waste management	1,770,754	772,619	13,156	-	(984,979)	-	(984,979)	-
Education	33,264,419	1,344,984	24,173,959	-	(7,745,476)	-	(7,745,476)	-
Interest and other debt related costs	1,335,436	-	-	-	(1,335,436)	-	(1,335,436)	-
Total governmental activities	47,531,386	2,625,217	26,517,844	-	(18,388,325)	-	(18,388,325)	-
Business-type activities:								
Electric System	28,287,376	30,007,775	-	-	-	1,720,399	1,720,399	-
Fiber Optics System	4,970,577	3,843,861	-	3,698	-	(1,123,018)	(1,123,018)	-
Waste Water System	3,348,127	3,463,124	-	287,418	-	402,415	402,415	-
Water System	3,301,735	3,667,822	-	26,189	-	392,276	392,276	-
	39,907,815	40,982,582	-	317,305	-	1,392,072	1,392,072	-
Total primary government	$ 87,439,201	$ 43,607,799	$ 26,517,844	$ 317,305	(18,388,325)	1,392,072	(16,996,253)	-
Component units:								
Industrial Development Board	$ 16,962	$ 40,915	$ -	$ -	-	-	-	23,953
Municipal Airport Authority	746,126	73,861	58,967	123,387	-	-	-	(489,911)
Total component units	$ 763,088	$ 114,776	$ 58,967	$ 123,387	-	-	-	(465,958)
General revenues								
Taxes:								
Property					8,859,312	-	8,859,312	-
Sales					7,567,686	-	7,567,686	-
Wholesale beer					488,562	-	488,562	-
Wholesale liquor					178,296	-	178,296	-
Business					513,824	-	513,824	-
Cable television franchise					190,147	-	190,147	-
Hotel-Motel					138,633	-	138,633	-
Sale of fuel					-	-	-	127,289
Other revenues					296,752	153,804	450,556	278
Unrestricted investment earnings					310,219	36,217	346,436	1,062
Gain on sale of property					6,630	-	6,630	-
Transfers					348,169	(403,406)	(55,237)	67,476
Total general revenues and transfers					18,898,230	(213,385)	18,684,845	196,105
Change in net assets					509,905	1,178,687	1,688,592	(269,853)
Net assets, beginning					14,504,889	36,851,986	51,356,875	10,110,555
Prior period adjustment (See Note 2)					215,208	2,056,230	2,271,438	-
Net assets, ending					$ 15,230,002	$ 40,086,903	$ 55,316,905	$ 9,840,702

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

CITY OF TULLAHOMA, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	General Purpose School	2009 School Projects	UDAG	Education Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and cash equivalents	$ 4,285,203	$ 51,100	$ 308,577	$ 607,121	$ 2,758,588	$ 1,374,723	$ 9,385,312
Investments	-	7,083,210	-	-	-	-	7,083,210
Accrued interest receivable	-	-	-	-	1,917	-	1,917
Receivables	10,322,191	-	-	-	-	125,938	10,448,129
Allowance for doubtful accounts	(981,934)	-	-	-	-	(12,092)	(994,026)
Due from other governments	949,037	583,475	73,000	-	-	286,753	1,892,265
Due from other funds of the primary government	100,705	-	-	-	-	345,712	446,417
Due from component units	106,097	-	-	-	-	-	106,097
Prepaid expenses	8,432	-	-	-	-	-	8,432
Notes receivable	-	-	-	1,164,670	-	65,471	1,230,141
Total assets	$ 14,789,731	$ 7,717,785	$ 381,577	$ 1,771,791	$ 2,760,505	$ 2,186,505	$ 29,607,894
LIABILITIES:							
Accounts payable	$ 169,898	$ 1,430,670	$ -	$ -	$ -	$ 357,223	$ 1,957,791
Retainage payable	-	-	177,937	-	-	-	177,937
Accrued liabilities	67,075	168,975	-	-	-	12,128	248,178
Accrued payroll	66,330	822,510	-	-	-	72,643	961,483
Unearned revenue	8,782,720	-	-	1,164,670	-	70,480	10,017,870
Due to other governments	586	-	-	-	-	-	586
Due to other funds of the primary government	-	336,736	-	-	10,448	99,233	446,417
Total liabilities	9,086,609	2,758,891	177,937	1,164,670	10,448	611,707	13,810,262
FUND BALANCES:							
Nonspendable:							
Prepaid items	8,432	-	-	-	-	-	8,432
Restricted for:							
Capital improvements	-	-	203,640	-	-	507,948	711,588
Debt service	-	-	-	-	2,750,057	19,628	2,769,685
Drug enforcement	-	-	-	-	-	84,230	84,230
Grant projects	-	-	-	607,121	-	204,195	811,316
School operations	-	4,819,626	-	-	-	448,509	5,268,135
Solid Waste	-	-	-	-	-	171,083	171,083
Extended school	-	-	-	-	-	117,399	117,399
Committed to:							
Specific projects	936,414	-	-	-	-	-	936,414
Assigned to:							
Encumbrances	52,887	-	-	-	-	21,806	74,693
Paving appropriated by 2011-2012 budget	445,000	-	-	-	-	-	445,000
School MOE	-	139,268	-	-	-	-	139,268
Unassigned	4,260,389	-	-	-	-	-	4,260,389
Total fund balances	5,703,122	4,958,894	203,640	607,121	2,750,057	1,574,798	15,797,632
Total liabilities and fund balances	$ 14,789,731	$ 7,717,785	$ 381,577	$ 1,771,791	$ 2,760,505	$ 2,186,505	$ 29,607,894

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

CITY OF TULLAHOMA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

Fund balances - total governmental funds	$ 15,797,632
Amounts reported for governmental activities in the Statement of Net Assets are different from amounts reported for governmental funds in the Balance Sheet because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in governmental funds.	
Capital assets	86,201,878
Less accumulated depreciation	(42,458,025)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds payable	(43,498,000)
Less deferred charge on refunding	413,424
Less deferred charge for issuance costs	396,779
Add bond premium	(183,737)
Accrued interest payable	(287,795)
Net pension obligation	(609,198)
OPEB obligation	(191,973)
Notes payable	(548,000)
Compensated absences	(1,202,341)
An internal service fund is used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	169,217
Principal payments on notes receivable are revenues for governmental funds and therefore are reported as unearned revenues until they are received.	1,230,141
Net assets - total governmental activities	$ 15,230,002

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	General Purpose School	2009 School Projects	UDAG	Education Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	$ 8,859,312	$ -	$ -	$ -	$ -	$ -	$ 8,859,312
Local option sales taxes	7,567,686	-	-	-	-	-	7,567,686
Other taxes	1,325,525	-	-	-	-	-	1,325,525
Payment in lieu of tax	183,937	-	-	-	-	-	183,937
Licenses and permits	78,399	-	-	-	-	-	78,399
Fines and forfeitures	271,996	-	-	-	-	-	271,996
Intergovernmental	2,310,571	19,885,755	-	-	-	4,321,518	26,517,844
Charges for services	107,648	298,954	-	-	-	1,818,649	2,225,251
Investment income	67,568	24,673	24,187	17,055	26,018	12,664	172,165
Note repayments	-	-	-	96,980	-	39,032	136,012
Sale of property	10,630	-	-	-	-	-	10,630
Other revenues	206,947	67,753	138,002	840	-	70,782	484,324
Total revenues	20,990,219	20,277,135	162,189	114,875	26,018	6,262,645	47,833,081
EXPENDITURES:							
Current:							
General government	1,020,148	-	-	-	-	-	1,020,148
Planning	213,933	-	-	-	-	-	213,933
Public safety:							
Police protection	2,575,802	-	-	-	-	-	2,575,802
Fire protection	2,233,814	-	-	-	-	-	2,233,814
Public works	1,946,470	-	-	-	-	-	1,946,470
State street aid	1,101	-	-	-	-	-	1,101
Parks and recreation	1,250,197	-	-	-	-	-	1,250,197
Community services	174,919	-	-	-	-	-	174,919
Education:							
Administration	-	2,830,028	-	-	-	-	2,830,028
Regular education	-	13,675,328	-	-	-	1,762,189	15,437,517
Special education	-	2,851,390	-	-	-	1,058,450	3,909,840
Vocational education	-	938,907	-	-	-	44,132	983,039
Adult education	-	204,071	-	-	-	-	204,071
Attendance	-	247,411	-	-	-	-	247,411
Health services	-	190,477	-	-	-	-	190,477
Other student support	-	642,518	-	-	-	22,466	664,984
Instructional staff	-	715,316	-	-	-	130,636	845,952
Plant operations	-	2,869,487	-	-	-	-	2,869,487
Plant maintenance	-	1,047,269	-	-	-	-	1,047,269
Transportation	-	117,056	-	-	-	-	117,056
Community services	-	7,759	-	-	-	-	7,759
Program costs	-	-	-	14,177	-	3,628,452	3,642,629
Debt service:							
Principal retirement	-	-	-	-	-	1,917,000	1,917,000
Interest	-	-	-	-	-	1,263,774	1,263,774
Fiscal charges	-	-	66,542	-	-	1,242	67,784
Capital outlay	378,611	877,456	5,568,104	-	-	1,003,579	7,827,750
Loans disbursed	-	-	-	453,589	-	15,000	468,589
Total expenditures	9,794,995	27,214,473	5,634,646	467,766	-	10,846,920	53,958,800
Excess (deficiency) of revenues over (under) expenditures	11,195,224	(6,937,338)	(5,472,457)	(352,891)	26,018	(4,584,275)	(6,125,719)
OTHER FINANCING SOURCES (USES):							
Bond issuance	-	-	4,750,000	-	-	-	4,750,000
Proceeds from issue of notes payable	-	-	1,329,412	-	-	-	1,329,412
Transfers in	731,605	6,953,214	5,442,441	-	2,009,429	4,648,744	19,785,433
Transfers out	(11,721,378)	-	(5,442,441)	-	(2,103,861)	(181,822)	(19,449,502)
Total other financing sources (uses)	(10,989,773)	6,953,214	6,079,412	-	(94,432)	4,466,922	6,415,343
Net change in fund balances	205,451	15,876	606,955	(352,891)	(68,414)	(117,353)	289,624
Fund balances, July 1, 2010	5,504,165	4,850,464	(489,806)	960,012	2,818,471	1,650,582	15,293,888
Prior period adjustment (See Note 2)	(6,494)	92,554	86,491	-	-	41,569	214,120
Fund balances, June 30, 2011	$ 5,703,122	$ 4,958,894	$ 203,640	$ 607,121	$ 2,750,057	$ 1,574,798	$ 15,797,632

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, 2011

Net change in fund balances - governmental funds	$	289,624
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		6,418,681
Depreciation expense		(2,268,119)
The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs in the change in fund balances by the the net book value of the capital assets sold.		(4,463)
Bonds proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of principal on bonds and notes payable is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities. Governmental funds include interest paid in debt service expenditures, whereas interest is accrued and expensed as it becomes payable for governmental activities.		
Bond and note issuance		(6,079,412)
Bond and note principal repayments		1,917,000
Bond issuance costs		66,542
Amortization of issuance costs		(24,258)
Amortization of deferred charges		(26,673)
Amortization of premium		19,087
Increase in accrued interest expense		(38,576)
Loans disbursed		468,589
Principal received on notes receivable		(136,012)
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.		52
Some expenses reported for governmental activities do not require the use of current financial resources and therefore not reported as expenditures for governmental funds. Compensated absences are an expenditure when they are paid in the governmental funds, but are accrued and expended when they are incurred for governmental activities.		
Decrease in net pension obligation		34,329
Increase in OPEB obligation		(94,000)
Increase in compensated absences		(32,486)
Change in net assets - governmental activities	$	509,905

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, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Taxes:						
Property taxes	$ 8,859,312	$ -	$ 8,859,312	$ 8,743,866	$ 8,857,866	$ 1,446
Local option sales tax	7,567,686	-	7,567,686	7,772,475	7,577,475	(9,789)
Wholesale beer	488,562	-	488,562	472,665	482,665	5,897
Wholesale liquor	178,296	-	178,296	181,514	181,514	(3,218)
Business	329,887	-	329,887	260,000	320,000	9,887
Cable TV	190,147	-	190,147	183,000	188,000	2,147
Hotel and motel	138,633	-	138,633	125,187	145,187	(6,554)
Total taxes	17,752,523	-	17,752,523	17,738,707	17,752,707	(184)
Payment in lieu of taxes	183,937	-	183,937	535,000	585,000	(401,063)
Licenses and permits	78,399	-	78,399	80,945	79,325	(926)
Fines and forfeitures	271,996	-	271,996	260,690	283,500	(11,504)
Intergovernmental:						
State of Tennessee sales tax	1,198,085	-	1,198,085	1,151,448	1,198,500	(415)
State of Tennessee gas tax	505,461	-	505,461	469,362	505,500	(39)
State of Tennessee income tax	177,433	-	177,433	177,432	177,432	1
TVA gross receipts	203,176	-	203,176	203,726	203,726	(550)
State and federal grants	22,819	-	22,819	2,500	42,175	(19,356)
Mixed drink tax	67,988	-	67,988	71,310	71,310	(3,322)
Excise tax	30,334	-	30,334	73,541	32,000	(1,666)
Streets and transportation	41,183	-	41,183	38,514	38,514	2,669
State street contracts	15,494	-	15,494	1,000	13,000	2,494
Supplemental pay	37,800	-	37,800	-	37,800	-
State of Tennessee beer tax	9,387	-	9,387	8,999	9,500	(113)
Telecommunications tax	1,411	-	1,411	2,318	2,318	(907)
Other local agencies	-	-	-	-	-	-
Total intergovernmental	2,310,571	-	2,310,571	2,200,150	2,331,775	(21,204)
Charges for services	107,648	-	107,648	97,015	109,835	(2,187)
Investment income	67,568	-	67,568	35,000	68,000	(432)
Sale of property	10,630	-	10,630	-	-	10,630
Other revenues	206,947	-	206,947	467,775	489,650	(282,703)
Total revenues	20,990,219	-	20,990,219	21,415,282	21,699,792	(709,573)
EXPENDITURES:						
General government:						
Legislative and judicial:						
Current:						
Salaries	37,614	-	37,614	37,614	37,614	-
Payroll Taxes	2,877	-	2,877	2,878	2,878	1
Benefits	29,932	-	29,932	40,000	30,200	268
Contract and professional	72,734	-	72,734	99,700	82,200	9,466
Travel and training	4,184	-	4,184	5,000	5,000	816
Supplies	569	-	569	750	750	181
Operating insurance	25,325	-	25,325	18,991	25,329	4
Other	27,391	250	27,641	25,950	29,150	1,509
Total legislative and judicial	200,626	250	200,876	230,883	213,121	12,245
Court system:						
Current:						
Salaries	16,823	-	16,823	22,078	17,235	412
Payroll taxes	2,354	-	2,354	2,760	2,760	406
Benefits	3,868	-	3,868	3,978	3,978	110
Contract and professional	14,000	-	14,000	14,000	14,000	-
Repairs and maintenance	1,500	-	1,500	1,700	1,700	200
Travel and training	300	-	300	300	300	-
Supplies	150	-	150	150	150	-
Operating insurance	409	-	409	255	409	-
Other	220	-	220	364	364	144
Total court system	39,624	-	39,624	45,585	40,896	1,272

(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, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
City administrator:						
Current:						
Salaries	123,839	-	123,839	123,586	124,041	202
Payroll taxes	9,587	-	9,587	9,454	9,593	6
Benefits	32,498	-	32,498	34,329	33,313	815
Telephone and utility	-	-	-	75	75	75
Repairs and maintenance	90	-	90	-	90	-
Travel and training	2,505	-	2,505	3,500	2,620	115
Supplies	157	-	157	250	250	93
Gas and oil	641	-	641	500	650	9
Operating insurance	2,181	-	2,181	2,419	2,239	58
Other	1,124	-	1,124	1,072	1,165	41
Total city administrator	172,622	-	172,622	175,185	174,036	1,414
Finance director:						
Current:						
Salaries	160,339	-	160,339	150,230	161,222	883
Payroll taxes	12,205	-	12,205	11,493	12,333	128
Benefits	38,471	-	38,471	42,096	40,054	1,583
Telephone and utility	14,817	-	14,817	24,600	16,000	1,183
Contract and professional	20,018	-	20,018	23,400	22,000	1,982
Repairs and maintenance	7,480	-	7,480	9,400	8,000	520
Travel and training	1,526	-	1,526	2,000	1,600	74
Supplies	271	-	271	900	500	229
Operating insurance	2,327	-	2,327	2,425	2,425	98
Other	2,671	(100)	2,571	5,028	3,350	779
Total finance director	260,125	(100)	260,025	271,572	267,484	7,459
City recorder:						
Current:						
Salaries	89,267	-	89,267	88,262	89,471	204
Payroll taxes	6,802	-	6,802	6,752	6,846	44
Benefits	23,257	-	23,257	25,040	24,101	844
Telephone and utility	-	-	-	200	200	200
Repairs and maintenance	5,927	-	5,927	7,600	6,600	673
Travel and training	1,056	-	1,056	1,350	1,100	44
Supplies	1,183	-	1,183	750	1,300	117
Operating insurance	1,158	-	1,158	1,025	1,158	-
Other	19,335	(50)	19,285	33,372	22,510	3,225
Total finance director	147,985	(50)	147,935	164,351	153,286	5,351
Human resources:						
Current:						
Salaries	68,233	-	68,233	68,198	68,235	2
Payroll taxes	5,231	-	5,231	5,217	5,235	4
Benefits	8,418	-	8,418	8,527	8,444	26
Telephone and utility	473	-	473	800	550	77
Travel and training	2,220	-	2,220	2,300	2,300	80
Supplies	573	-	573	480	600	27
Operating insurance	1,007	-	1,007	778	1,007	-
Other	5,419	2,178	7,597	5,182	7,892	295
Total human resources	91,574	2,178	93,752	91,482	94,263	511
Community development:						
Current:						
Salaries	42,869	-	42,869	41,902	42,882	13
Payroll taxes	3,302	-	3,302	3,206	3,305	3
Benefits	8,107	-	8,107	8,478	8,373	266
Telephone and utility	460	-	460	720	500	40
Travel and training	141	-	141	500	400	259
Supplies	299	-	299	550	450	151
Operating insurance	635	-	635	510	635	-
Other	4,624	(50)	4,574	4,972	4,792	218
Total community development	60,437	(50)	60,387	60,838	61,337	950

(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, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Planning:						
Current:						
Salaries	134,796	-	134,796	153,791	140,907	6,111
Payroll taxes	10,187	-	10,187	11,765	11,765	1,578
Benefits	40,079	-	40,079	60,863	42,187	2,108
Telephone and utility	5,886	-	5,886	7,500	6,700	814
Repairs and maintenance	3,330	-	3,330	6,000	4,700	1,370
Travel and training	1,459	-	1,459	2,000	1,700	241
Supplies	1,866	-	1,866	2,000	2,000	134
Uniforms	1,117	(983)	134	1,500	800	666
Gas and oil	2,041	-	2,041	2,400	2,400	359
Operating insurance	6,015	-	6,015	7,630	6,200	185
Other	7,157	(200)	6,957	9,786	8,395	1,438
Total planning	213,933	(1,183)	212,750	265,235	227,754	15,004
Information technology:						
Current:						
Contract and professional	17,152	(2,300)	14,852	13,000	15,200	348
Total information technology	17,152	(2,300)	14,852	13,000	15,200	348
Municipal building:						
Current:						
Telephone and utility	14,877	-	14,877	26,180	16,000	1,123
Rent	685	-	685	1,632	1,632	947
Repairs and maintenance	9,841	(447)	9,394	20,000	11,711	2,317
Operating insurance	4,600	-	4,600	12,225	5,500	900
Total municipal building	30,003	(447)	29,556	60,037	34,843	5,287
Total current	1,234,081	(1,702)	1,232,379	1,378,168	1,282,220	49,841
Capital outlay	35,192	(8,810)	26,382	-	29,073	2,691
Total general government	1,269,273	(10,512)	1,258,761	1,378,168	1,311,293	52,532
Public safety:						
Police:						
Current:						
Salaries	1,649,091	-	1,649,091	1,635,222	1,658,978	9,887
Payroll taxes	125,989	-	125,989	125,095	127,998	2,009
Benefits	456,461	-	456,461	514,886	470,558	14,097
Telephone and utility	6,819	-	6,819	9,000	6,970	151
Repairs and maintenance	59,649	50	59,699	38,700	60,155	456
Travel and training	13,747	-	13,747	12,760	14,146	399
Supplies	17,339	(107)	17,232	20,840	18,291	1,059
Uniforms	16,234	1,182	17,416	18,900	18,156	740
Gas and oil	109,863	-	109,863	86,100	110,915	1,052
Operating insurance	100,964	-	100,964	108,765	102,661	1,697
Other	19,646	110	19,756	22,102	21,000	1,244
Total current	2,575,802	1,235	2,577,037	2,592,370	2,609,828	32,791
Capital outlay	33,100	4,685	37,785	40,000	41,328	3,543
Total police	2,608,902	5,920	2,614,822	2,632,370	2,651,156	36,334
Fire:						
Current:						
Salaries	1,356,078	-	1,356,078	1,323,579	1,361,015	4,937
Payroll taxes	103,471	-	103,471	101,253	104,606	1,135
Benefits	382,945	-	382,945	422,792	384,946	2,001
Telephone and utility	33,405	-	33,405	37,095	34,990	1,585
Rent	132,350	-	132,350	132,350	132,350	-
Repairs and maintenance	62,220	(3,213)	59,007	46,000	59,135	128
Travel and training	13,786	(855)	12,931	12,500	12,950	19
Supplies	12,279	-	12,279	11,650	12,640	361
Uniforms	19,544	(2,028)	17,516	21,525	18,025	509
Gas and oil	18,596	-	18,596	14,500	19,825	1,229
Operating insurance	95,021	-	95,021	107,112	95,092	71
Other	4,119	-	4,119	3,160	6,483	2,364
Total current	2,233,814	(6,096)	2,227,718	2,233,516	2,242,057	14,339
Capital outlay	46,853	(12,115)	34,738	-	36,959	2,221
Total fire	2,280,667	(18,211)	2,262,456	2,233,516	2,279,016	16,560
Total public safety	4,889,569	(12,291)	4,877,278	4,865,886	4,930,172	52,894

(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, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Public works:						
Current:						
Salaries	744,374	-	744,374	706,756	749,949	5,575
Payroll taxes	56,946	-	56,946	54,067	58,115	1,169
Benefits	228,250	-	228,250	256,283	233,680	5,430
Telephone and utility	39,854	-	39,854	45,180	43,390	3,536
Street lights	389,175	-	389,175	440,000	449,522	60,347
Contract and professional	93,309	(10,098)	83,211	92,860	86,511	3,300
Repairs and maintenance	115,928	(211)	115,717	94,000	127,793	12,076
Shop labor reimbursement	(75,002)	-	(75,002)	(60,000)	(75,580)	(578)
Travel and training	3,167	-	3,167	3,300	3,415	248
Supplies	22,300	-	22,300	21,700	22,442	142
Uniforms	5,127	3,963	9,090	9,880	9,005	(85)
Gas and oil	160,131	-	160,131	135,483	162,820	2,689
Parts and supplies	10,373	(902)	9,471	12,000	10,400	929
Materials	51,696	-	51,696	54,400	51,945	249
Operating insurance	60,499	-	60,499	63,033	60,585	86
Other	40,343	-	40,343	30,383	47,288	6,945
Total current	1,946,470	(7,248)	1,939,222	1,959,325	2,041,280	102,058
Capital outlay	254,358	578	254,936	-	255,258	322
Total public works	2,200,828	(6,670)	2,194,158	1,959,325	2,296,538	102,380
State street aid:						
State street aid expenditures	1,101	15,460	16,561	16,492	16,492	(69)
Parks and recreation:						
Current:						
Salaries	579,141	-	579,141	581,795	589,357	10,216
Payroll taxes	44,336	-	44,336	44,506	45,225	889
Benefits	134,263	-	134,263	151,333	141,490	7,227
Telephone and utility	198,637	-	198,637	192,796	206,431	7,794
Street lights	10,657	-	10,657	14,916	13,146	2,489
Contract and professional	71,261	(3,290)	67,971	55,300	69,340	1,369
Repairs and maintenance	80,938	(987)	79,951	100,437	96,343	16,392
Travel and training	4,667	-	4,667	7,800	6,200	1,533
Supplies	48,511	-	48,511	50,625	51,480	2,969
Uniforms	2,896	-	2,896	4,900	4,100	1,204
Gas and oil	11,015	-	11,015	11,513	11,615	600
Operating insurance	49,545	-	49,545	57,337	49,632	87
Other	14,330	-	14,330	10,960	15,140	810
Total current	1,250,197	(4,277)	1,245,920	1,284,218	1,299,499	53,579
Capital outlay	9,108	-	9,108	-	10,154	1,046
Total parks and recreation	1,259,305	(4,277)	1,255,028	1,284,218	1,309,653	54,625
Community services:						
Current:						
Salaries	890	-	890	-	890	-
Telephone and utilities	37,446	-	37,446	35,670	38,662	1,216
Contract and professional	6,898	-	6,898	4,500	8,195	1,297
Travel and training	1,216	-	1,216	-	1,300	84
Supplies	22	-	22	-	770	748
Operating insurance	18,366	-	18,366	19,350	18,427	61
Other	383	-	383	-	420	37
Appropriations	109,698	(4,642)	105,056	106,089	111,523	6,467
Total community services	174,919	(4,642)	170,277	165,609	180,187	9,910
Total expenditures	9,794,995	(22,932)	9,772,063	9,669,698	10,044,335	272,272
Excess revenues over (under) expenditures	11,195,224	22,932	11,218,156	11,745,584	11,655,457	(437,301)
OTHER FINANCING SOURCES (USES):						
Transfers in	731,605	-	731,605	45,000	187,857	543,748
Transfers out	(11,721,378)	-	(11,721,378)	(11,541,176)	(11,843,314)	121,936
Total other financing sources (uses)	(10,989,773)	-	(10,989,773)	(11,496,176)	(11,655,457)	665,684
Net change in fund balance	205,451	22,932	228,383	249,408	-	228,383
Fund balance, July 1, 2010	5,504,165	(75,819)	5,428,346	5,504,165	5,504,165	(75,819)
Prior period adjustment (See Note 2)	(6,494)	-	(6,494)	-	-	(6,494)
Fund balance, June 30, 2011	$ 5,703,122	$ (52,887)	$ 5,650,235	$ 5,753,573	$ 5,504,165	$ 146,070

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, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Intergovernmental						
Local shared taxes	$ 5,783,641	$ -	$ 5,783,641	$ 5,212,535	$ 5,212,535	$ 571,106
Federal and state	14,102,114	-	14,102,114	14,474,112	14,474,112	(371,998)
Charges for services	298,954	-	298,954	301,317	301,317	(2,363)
Interest income	24,673	-	24,673	15,000	15,000	9,673
Other	67,753	-	67,753	30,000	30,000	37,753
Total revenues	20,277,135	-	20,277,135	20,032,964	20,032,964	244,171
EXPENDITURES:						
Current:						
Administration						
Salaries	1,292,927	-	1,292,927	1,309,364	1,309,364	16,437
Payroll taxes	90,563	-	90,563	99,524	99,524	8,961
Benefits	859,542	-	859,542	820,346	820,346	(39,196)
Contract services	272,008	-	272,008	236,440	236,440	(35,568)
Travel	28,510	-	28,510	10,800	10,800	(17,710)
Supplies	33,352	-	33,352	31,200	31,200	(2,152)
Other	49,761	-	49,761	93,000	93,000	43,239
Insurance	203,365	-	203,365	218,500	218,500	15,135
Total administration	2,830,028	-	2,830,028	2,819,174	2,819,174	(10,854)
Regular education						
Salaries	9,758,037	-	9,758,037	10,463,192	10,463,192	705,155
Payroll taxes	716,194	-	716,194	806,026	806,026	89,832
Benefits	2,526,605	-	2,526,605	2,604,702	2,604,702	78,097
Travel	28,129	-	28,129	-	-	(28,129)
Supplies	338,701	-	338,701	250,000	250,000	(88,701)
Books	282,414	-	282,414	280,000	280,000	(2,414)
Other	25,248	-	25,248	75,093	75,093	49,845
Total regular education	13,675,328	-	13,675,328	14,479,013	14,479,013	803,685
Special education						
Salaries	1,980,952	-	1,980,952	1,792,260	1,792,260	(188,692)
Payroll taxes	138,803	-	138,803	137,108	137,108	(1,695)
Benefits	546,084	-	546,084	463,504	463,504	(82,580)
Contract services	141,740	-	141,740	64,000	64,000	(77,740)
Travel	6,134	-	6,134	3,500	3,500	(2,634)
Supplies	16,428	-	16,428	21,800	21,800	5,372
Other	21,249	-	21,249	16,250	16,250	(4,999)
Total special education	2,851,390	-	2,851,390	2,498,422	2,498,422	(352,968)
Vocational education						
Salaries	642,587	-	642,587	672,927	672,927	30,340
Payroll taxes	46,313	-	46,313	51,478	51,478	5,165
Benefits	200,007	-	200,007	192,480	192,480	(7,527)
Travel	10,000	-	10,000	10,000	10,000	-
Supplies	30,000	-	30,000	30,000	30,000	-
Other	10,000	-	10,000	10,000	10,000	-
Total vocational education	938,907	-	938,907	966,885	966,885	27,978
Adult education						
Salaries	146,324	-	146,324	133,227	133,227	(13,097)
Payroll taxes	10,962	-	10,962	10,192	10,192	(770)
Benefits	15,926	-	15,926	19,574	19,574	3,648
Contract services	3,678	-	3,678	-	-	(3,678)
Travel	2,113	-	2,113	1,300	1,300	(813)
Supplies	22,717	-	22,717	2,000	2,000	(20,717)
Other	2,351	-	2,351	2,400	2,400	49
Total adult education	204,071	-	204,071	168,693	168,693	(35,378)
Attendance						
Salaries	188,472	-	188,472	189,555	189,555	1,083
Payroll taxes	14,213	-	14,213	14,501	14,501	288
Benefits	34,569	-	34,569	35,051	35,051	482
Travel	5,321	-	5,321	4,500	4,500	(821)
Other	4,836	-	4,836	4,800	4,800	(36)
Total attendance	247,411	-	247,411	248,407	248,407	996

(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, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Health services						
Salaries	119,104	-	119,104	118,500	118,500	(604)
Payroll taxes	8,339	-	8,339	9,065	9,065	726
Benefits	31,416	-	31,416	33,004	33,004	1,588
Supplies	31,618	-	31,618	18,000	18,000	(13,618)
Total health services	190,477	-	190,477	178,569	178,569	(11,908)
Other student support						
Salaries	469,364	-	469,364	471,166	471,166	1,802
Payroll taxes	33,819	-	33,819	36,044	36,044	2,225
Benefits	123,321	-	123,321	119,833	119,833	(3,488)
Other	16,014	-	16,014	15,000	15,000	(1,014)
Total other student support	642,518	-	642,518	642,043	642,043	(475)
Instructional staff						
Salaries	511,021	-	511,021	526,800	526,800	15,779
Payroll taxes	37,200	-	37,200	40,301	40,301	3,101
Benefits	114,030	-	114,030	112,996	112,996	(1,034)
Contract services	5,451	-	5,451	13,300	13,300	7,849
Travel	2,261	-	2,261	13,368	13,368	11,107
Books	44,837	-	44,837	47,712	47,712	2,875
Other	516	-	516	1,500	1,500	984
Total instructional staff	715,316	-	715,316	755,977	755,977	40,661
Plant operations						
Salaries	610,336	-	610,336	627,940	627,940	17,604
Payroll taxes	43,994	-	43,994	48,037	48,037	4,043
Benefits	198,013	-	198,013	188,182	188,182	(9,831)
Contract services	479,278	-	479,278	475,000	475,000	(4,278)
Supplies	148,285	-	148,285	125,464	125,464	(22,821)
Utilities	1,312,016	-	1,312,016	1,330,000	1,330,000	17,984
Insurance	77,565	-	77,565	63,677	63,677	(13,888)
Total plant operations	2,869,487	-	2,869,487	2,858,300	2,858,300	(11,187)
Plant maintenance						
Salaries	403,898	-	403,898	415,000	415,000	11,102
Payroll taxes	29,383	-	29,383	31,748	31,748	2,365
Benefits	89,391	-	89,391	93,665	93,665	4,274
Maintenance and repairs	521,400	-	521,400	400,000	400,000	(121,400)
Other	3,197	-	3,197	4,000	4,000	803
Total plant maintenance	1,047,269	-	1,047,269	944,413	944,413	(102,856)
Transportation						
Salaries	34,102	-	34,102	31,152	31,152	(2,950)
Payroll taxes	1,809	-	1,809	2,383	2,383	574
Benefits	2,480	-	2,480	3,786	3,786	1,306
Maintenance and repairs	31,030	-	31,030	20,000	20,000	(11,030)
Other	31,800	-	31,800	33,000	33,000	1,200
Insurance	15,835	-	15,835	20,000	20,000	4,165
Total transportation	117,056	-	117,056	110,321	110,321	(6,735)
Community services						
Salaries	960	-	960	-	-	(960)
Payroll taxes	(201)	-	(201)	-	-	201
Other	7,000	-	7,000	7,000	7,000	-
Total community services	7,759	-	7,759	7,000	7,000	(759)
Capital outlay	877,456	-	877,456	480,320	480,320	(397,136)
Total expenditures	27,214,473	-	27,214,473	27,157,537	27,157,537	(56,936)
Excess revenues over (under) expenditures	(6,937,338)	-	(6,937,338)	(7,124,573)	(7,124,573)	187,235
OTHER FINANCING SOURCES (USES):						
Transfer from City of Tullahoma	6,953,214	-	6,953,214	7,373,205	7,373,205	(419,991)
Transfer to other funds	-	-	-	-	-	-
Total other financing sources (uses)	6,953,214	-	6,953,214	7,373,205	7,373,205	(419,991)
Net change in fund balance	15,876	-	15,876	248,632	248,632	(232,756)
Fund balance, July 1, 2010	4,850,464	-	4,850,464	4,850,464	4,850,464	-
Prior period adjustment (See Note 2)	92,554	-	92,554	-	-	92,554
Fund balance, June 30, 2011	$ 4,958,894	$ -	$ 4,958,894	$ 5,099,096	$ 5,099,096	$ (140,202)

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
UDAG
FOR THE YEAR ENDED JUNE 30, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Note repayments	$ 96,980	$ -	$ 96,980	$ 120,000	$ 106,000	$ (9,020)
Interest income	17,055	-	17,055	12,000	8,000	9,055
Other	840	-	840	-	1,000	160
Total revenues	114,875	-	114,035	132,000	115,000	195
EXPENDITURES:						
Sign grant	14,177	-	14,177	22,000	24,000	9,823
Industrial loans	453,589	-	453,589	700,000	490,000	36,411
Total expenditures	467,766	-	467,766	722,000	514,000	46,234
Net change in fund balance	(352,891)	-	(352,891)	(590,000)	(399,000)	46,429
Fund balance, July 1, 2010	960,012	-	960,012	960,012	960,012	-
Fund balance, June 30, 2011	$ 607,121	$ -	$ 607,121	$ 370,012	$ 561,012	$ 46,429

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
2009 SCHOOL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest income	$ 24,187	$ -	$ 24,187	$ -	$ 24,187	$ -
Other income	138,002	-	138,002	-	-	138,002
	162,189	-	162,189	-	24,187	138,002
EXPENDITURES:						
Bond issuance expense	66,542	-	66,542	84,000	49,000	(17,542)
Capital outlay	5,568,104	-	5,568,104	6,000,000	6,000,000	431,896
Total expenditures	5,634,646	-	5,634,646	6,084,000	6,049,000	414,354
Excess (deficiency) of revenues over (under) expenditures	(5,472,457)	-	(5,472,457)	(6,084,000)	(6,024,813)	552,356
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds	6,079,412	-	6,079,412	16,834,000	6,061,870	17,542
Transfers in	5,442,441	-	5,442,441	6,000,000	6,000,000	(557,559)
Transfers out	(5,442,441)	-	(5,442,441)	(16,000,000)	(6,355,324)	912,883
Total other financing sources (uses)	6,079,412	-	6,079,412	6,834,000	5,706,546	372,866
Net change in fund balance	606,955	-	606,955	750,000	(318,267)	925,222
Fund balance, July 1, 2010	(489,806)	-	(489,806)	(489,806)	(489,806)	-
Prior period adjustment (See Note 2)	86,491	-	86,491	-	-	86,491
Fund balance, June 30, 2011	$ 203,640	$ -	$ 203,640	$ 260,194	$ (808,073)	$ 1,011,713

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 6,406,713	$ 727,303	$ 475,223	$ 2,382,222	$ 9,991,461	$ 169,217
Accounts receivable	2,214,679	360,884	296,614	329,621	3,201,798	-
Allowance for doubtful accounts	(24,628)	(6,956)	(5,784)	(6,429)	(43,797)	-
Unbilled revenue	2,337,888	-	-	-	2,337,888	-
Inventory	508,307	426,744	188,825	270,817	1,394,693	-
Due from other funds of the primary government	984,684	43	2,360	3,022	990,109	-
Other assets	255,793	59,803	13,843	6,697	336,136	-
Restricted assets:						
Bond funds - cash and cash equivalents	-	1,060,022	56,286	34,648	1,150,956	-
Construction funds - cash and cash equivalents	4,799,415	2,396,093	209,043	69,433	7,473,984	-
Total current assets	17,482,851	5,023,936	1,236,410	3,090,031	26,833,228	169,217
CAPITAL AND OTHER NONCURRENT ASSETS:						
Capital assets:						
Plant in service	19,055,453	12,426,082	18,734,716	10,829,643	61,045,894	-
Land	333,168	-	134,588	8,324	476,080	-
Buildings and improvements	1,411,675	1,330	10,929,960	2,993,949	15,336,914	-
Furniture, machinery, and equipment	1,961,488	775,943	1,226,249	747,741	4,711,421	-
Construction in progress	108,354	103,067	557,166	62,748	831,335	-
Less accumulated depreciation	(13,936,246)	(1,329,377)	(15,545,769)	(6,617,671)	(37,429,063)	-
Capital assets, net	8,933,892	11,977,045	16,036,910	8,024,734	44,972,581	-
Other noncurrent assets:						
Notes receivable	535,368	-	-	903,471	1,438,839	-
Other assets	-	216,611	-	25,997	242,608	-
Total capital and other noncurrent assets	9,469,260	12,193,656	16,036,910	8,954,202	46,654,028	-
Total assets	26,952,111	17,217,592	17,273,320	12,044,233	73,487,256	169,217
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	5,176,711	232,807	46,534	156,858	5,612,910	-
Accrued expenses and other liabilities	303,882	253,050	124,815	106,372	788,119	-
Due to other funds of the primary government	-	971,296	11,321	7,492	990,109	-
Customer deposits	1,642,555	40,027	-	-	1,682,582	-
Liabilities payable from restricted assets:						
Bonds and notes payable - current portion	-	700,000	670,779	313,000	1,683,779	-
Accrued interest	-	360,022	-	4,648	364,670	-
Contracts and retainage payable	-	22,271	58,414	-	80,685	-
Total current liabilities	7,123,148	2,579,473	911,863	588,370	11,202,854	-
NONCURRENT LIABILITIES:						
Conservation - TVA program	546,001	-	-	-	546,001	-
Revenue and tax bonds and other obligations payable - non current portion	-	16,275,000	2,515,498	2,861,000	21,651,498	-
Total noncurrent liabilities	546,001	16,275,000	2,515,498	2,861,000	22,197,499	-
Total liabilities	7,669,149	18,854,473	3,427,361	3,449,370	33,400,353	-
NET ASSETS						
Invested in capital assets, net of related debt	8,933,892	(4,997,956)	12,850,633	4,850,734	21,637,303	-
Restricted	4,799,415	3,073,822	206,915	99,433	8,179,585	-
Unrestricted	5,549,655	287,253	788,411	3,644,696	10,270,015	169,217
Total net assets	$ 19,282,962	$ (1,636,881)	$ 13,845,959	$ 8,594,863	$ 40,086,903	$ 169,217

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
OPERATING REVENUES:						
Charges for services	$ 29,176,633	$ 3,843,861	$ 3,370,076	$ 3,559,361	$ 39,949,931	$ -
Forfeited discounts and penalties	203,354	-	23,798	23,486	250,638	-
Rental income	427,643	-	-	2,520	430,163	-
Other operating revenue	200,145	-	69,250	82,455	351,850	-
Total operating revenues	30,007,775	3,843,861	3,463,124	3,667,822	40,982,582	-
OPERATING EXPENSES:						
Purchased power	24,667,750	-	-	-	24,667,750	-
Purchased water	-	-	-	1,381,772	1,381,772	-
Distribution and transmission	533,254	2,179,505	734,376	384,596	3,831,731	-
Customer accounting and collection	430,763	223,535	195,862	204,484	1,054,644	-
Maintenance expense	829,950	226,998	778,611	282,927	2,118,486	-
Administrative and general	963,112	676,005	618,384	585,868	2,843,369	-
Depreciation and amortization	778,051	903,704	807,153	382,918	2,871,826	-
Tax and tax equivalents	84,496	38,870	76,435	43,570	243,371	-
Total operating expenses	28,287,376	4,248,617	3,210,821	3,266,135	39,012,949	-
OPERATING INCOME (LOSS)	1,720,399	(404,756)	252,303	401,687	1,969,633	-
NONOPERATING REVENUES (EXPENSES):						
Interest income	20,431	8,311	1,853	5,622	36,217	52
Other income (expense)	55,942	34,653	63,209	-	153,804	-
Gain on sale of property	-	-	-	-	-	-
Interest expense	-	(721,960)	(137,306)	(35,600)	(894,866)	-
Total non-operating revenues (expenses)	76,373	(678,996)	(72,244)	(29,978)	(704,845)	52
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,796,772	-	180,059	371,709	1,264,788	52
Capital contributions	-	3,698	287,418	26,189	317,305	-
Transfers	(403,406)	-	-	-	(403,406)	-
Change in net assets	1,393,366	(1,080,054)	467,477	397,898	1,178,687	52
Total net assets, beginning of year	15,833,366	(556,827)	13,378,482	8,196,965	36,851,986	167,945
Prior period adjustment (See Note 2)	2,056,230	-	-	-	2,056,230	1,220
Total net assets, end of year	$ 19,282,962	$ (1,636,881)	$ 13,845,959	$ 8,594,863	$ 40,086,903	$ 169,217

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, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Power System	Fiber Optics System	Waste Water System	Water System	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	$ 29,419,320	$ 3,771,803	$ 3,314,300	$ 3,663,453	$ 40,168,876	$ -
Cash paid to suppliers	(26,790,606)	(2,669,850)	(1,551,566)	(2,385,093)	(33,397,115)	-
Cash paid to employees	(1,045,467)	(391,843)	(758,510)	(437,192)	(2,633,012)	-
Other payments	(84,496)	(38,870)	(76,435)	(43,570)	(243,371)	-
Net cash provided by operating activities	1,498,751	671,240	927,789	797,598	3,895,378	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Increase in customer deposits	261,406	16,980	-	-	278,386	-
Repayment and disbursement of notes receivable	(10,470)	-	-	84,303	73,833	-
Advances from TVA-Home Weatherization Program	8,143	-	-	-	8,143	-
Payments to other funds of the primary government	(403,406)	-	-	-	(403,406)	-
Other receipts (payments)	55,942	34,654	63,209	-	153,805	-
Net cash provided (used) by non-capital financing activities	(88,385)	51,634	63,209	84,303	110,761	-
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(669,735)	(454,614)	(621,121)	(50,241)	(1,795,711)	-
Principal paid on long-term debt	-	-	(645,289)	(352,021)	(997,310)	-
Interest paid on long-term debt	-	(721,960)	(137,529)	(36,120)	(895,609)	-
Capital contributions received	-	3,698	287,418	26,189	317,305	-
Net cash provided (used) by capital financing activities	(669,735)	(1,172,876)	(1,116,521)	(412,193)	(3,371,325)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and other income	20,431	8,310	1,853	5,623	36,217	52
Net cash provided in investing activities	20,431	8,310	1,853	5,623	36,217	52
Net increase (decrease) in cash and cash equivalents	761,062	(441,692)	(123,670)	475,331	671,031	52
Cash and cash equivalents, beginning of year	10,445,066	4,625,110	864,222	2,010,972	17,945,370	169,165
Cash and cash equivalents, end of year	$ 11,206,128	$ 4,183,418	$ 740,552	$ 2,486,303	$ 18,616,401	$ 169,217
Cash accounts consists of:						
Cash and cash equivalents	$ 6,406,713	$ 727,303	$ 475,223	$ 2,382,222	$ 9,991,461	$ 169,217
Bond funds - cash and cash equivalents	-	1,060,022	56,286	34,648	1,150,956	-
Construction funds - cash and cash equivalents	4,799,415	2,396,093	209,043	69,433	7,473,984	-
	$ 11,206,128	$ 4,183,418	$ 740,552	$ 2,486,303	$ 18,616,401	$ 169,217
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS						
Operating Income	$ 1,720,399	$ (404,756)	$ 252,303	$ 401,687	$ 1,969,633	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	778,051	903,704	807,153	382,918	2,871,826	-
(Increase) decrease in:						
Accounts receivable	(454,724)	(67,702)	(118,625)	(13,752)	(654,803)	-
Inventory	11,245	(24,090)	(7,996)	4,322	(16,519)	-
Other assets	(110,689)	(4,313)	(6,459)	4,623	(116,838)	-
Due from other funds	(23,043)	(43)	(520)	2,380	(21,226)	-
Increase (decrease) in:						
Accounts payable	11,645	158,390	(7,683)	6,933	169,285	-
Due to other funds	-	22,168	(2,159)	1,215	21,224	-
Accrued expenses	(434,133)	87,882	11,775	7,272	(327,204)	-
Total adjustments	(221,648)	1,075,996	675,486	395,911	1,925,745	-
Net cash provided by operating activities	$ 1,498,751	$ 671,240	$ 927,789	$ 797,598	$ 3,895,378	$ -

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

CITY OF TULLAHOMA, TENNESSEE
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2011

	Governmental Type	Proprietary Type	
	Industrial Development Board	Municipal Airport Authority	Total Component Units
ASSETS:			
Cash and cash equivalents	$ 110,919	$ 35,202	$ 146,121
Accounts receivable	-	71,627	71,627
Due from other governments	-	72,041	72,041
Inventory	-	50,887	50,887
Other assets	-	32,306	32,306
Capital assets:			
Land	-	1,738,799	1,738,799
Buildings and improvements	-	9,801,243	9,801,243
Furniture, machinery, and equipment	-	452,703	452,703
Accumulated depreciation	-	(2,072,940)	(2,072,940)
Total assets	110,919	10,181,868	10,292,787
LIABILITIES:			
Accounts payable	-	81,449	81,449
Due to primary government	-	106,097	106,097
Other liabilities	-	15,831	15,831
Long-term liabilities:			
Due within one year	-	30,594	30,594
Due in more than one year	-	218,114	218,114
Total liabilities	-	452,085	452,085
NET ASSETS:			
Invested in capital assets, net of related debt	-	9,671,097	9,671,097
Unrestricted	110,919	58,686	169,605
Total net assets	$ 110,919	$ 9,729,783	$ 9,840,702

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, 2011

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Type — Industrial Development Board	Net (Expense) Revenue and Changes in Net Assets: Proprietary Type — Municipal Airport Authority	Total Component Units
Industrial Development Board	$ 16,962	$ 40,915	$ -	$ -	$ 23,953	$ -	$ 23,953
Municipal Airport Authority	746,126	73,861	58,967	123,387	-	(489,911)	(489,911)
Total component units	$ 763,088	$ 114,776	$ 58,967	$ 123,387	23,953	(489,911)	(465,958)
General revenues:							
Unrestricted investment earnings					742	320	1,062
Sale of fuel					-	127,289	127,289
Other income					-	278	278
Transfers					(57,857)	125,333	67,476
Total general revenues and transfers					(57,115)	253,220	196,105
Change in net assets					(33,162)	(236,691)	(269,853)
Net assets, beginning					144,081	9,966,474	10,110,555
Net assets, ending					$ 110,919	$ 9,729,783	$ 9,840,702

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Tullahoma Municipal Airport Authority operates and maintains the airport and its related property. The purpose of the Authority is to provide rental services for the Tullahoma Municipal Airport. 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 was established in order to promote industry and develop trade for the City and surrounding county government. The Board is required to have annual budgets and debt issues approved by the Mayor and Aldermen and receive an annual operating subsidy from the City.

Complete financial statements of the individual component units can be obtained from their respective administrative offices listed below:

Tullahoma Industrial Development Board
201 West Grundy Street
Tullahoma, Tennessee 37388

Tullahoma Municipal Airport Authority
P.O. Box 1584
Tullahoma, Tennessee 37388

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

B. Jointly Governed Organizations

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

Duck River Utility Commission:

The City, in conjunction with the City of Manchester, appoints the Board of the Duck River Utility Commission, which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six member board. Neither city has any other responsibility for the commission. The City has no equity interest in the net resources of the Commission. Assets of the Utility are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the Utility. The Commission reported net assets of $2,641,232 as of June 30, 2011. Complete financial statements can be obtained by writing P.O. Box 1237, Tullahoma, TN 37388.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interlocal Solid Waste Authority:

The Interlocal Solid Waste Authority was created pursuant to an interlocal agreement authorized by State Statutes in March 1993. Its Board is composed of two members from each of the adjoining counties of Lincoln, Giles and Franklin. The purpose of the Authority is to provide solid waste recycling and disposal services to the City and the three county areas. The Authority entered into agreement with a waste recycling company for recycling of its solid waste. The City has an ongoing financial responsibility to fund its Pro Rata share of costs incidental to the operation of the Authority. During 2011, these costs amounted to $363,151 and were paid from the Solid Waste Fund of the City. The City has no equity interest in the Authority. The Authority had reported net assets of $639,513 as of June 30, 2011. Complete financial statements can be obtained by writing Interlocal Solid Waste, C/O City of Tullahoma, P.O. Box 807, Tullahoma, TN 37388.

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The Government reports the following major governmental funds:

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

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

The **2009 School Projects Fund** is used to account for the use of bond proceeds for the construction and equipping of various school facilities.

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

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

The Government reports the following major proprietary funds:

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the Government reports the following fund types:

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

E. Assets, Liabilities, and Net Assets or Equity

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

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

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

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

Receivables – Customer utility accounts receivable of the Enterprise Fund is presented net of an allowance for uncollectible accounts. Delinquent taxes receivable have been included in the balance sheet with offsetting deferred revenue to reflect amounts which were not available at June 30, 2011. Amounts which were available at June 30, 2011 have been recorded as revenue.

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Claims Payable – Losses for medical claim liabilities, as determined in accordance with GASB Statement No. 10 are recorded in the internal service fund. Claims payable include reported claims and an estimated liability for claims incurred but not reported at June 30, 2011.

Reserves, Designations of Fund Balances – During 2011, the City implemented GASB 54 for its governmental funds. As a result, fund balance is reported in the fund financial statements under the following categories:

Nonspendable fund balance - Amounts that are required to remain intact, such as inventories and prepaid expenses.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves, Designations of Fund Balances (continued)

Committed fund balance - Amounts constrained for specific purposes as determined by formal action of the City Board.

Assigned fund balance - Amounts are intended to be used by the City but do not meet the criteria of restricted or committed. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

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

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

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

F. Revenues, Expenditures and Expenses

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

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

Public Utility Property	55%
Industrial and Commercial Property – Real	30%
Industrial and Commercial Property – Personal	30%
Farm and Residential Property	5%

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

Payments may be made during the period from October 1 through February 28. Current tax collections of $8,397,814 for the fiscal year ended June 30, 2011 were approximately 96 percent of the tax levy.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Date of Management's Subsequent Review

Management has evaluated subsequent events through February 28, 2012, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

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

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

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

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

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, 2011 are as follows:

Fund	Outstanding Encumbrances
General Fund	$ 52,887
Special Revenue Fund:	
Solid Waste Management	21,806
	$ 74,693

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

B. Excess Expenditures

For the year ended June 30, 2011, the following funds had total expenditures exceeding total appropriations. These over expenditures were funded by available fund balances.

Budgeted Unit:	Final Budget	Actual	Variance
General Purpose School:			
Administration	$ 2,819,174	$ 2,830,028	$ (10,854)
Special education	2,498,422	2,851,390	(352,968)
Adult education	168,693	204,071	(35,378)
Health services	178,569	190,477	(11,908)
Other student support	642,043	642,518	(475)
Plant operations	2,858,300	2,869,487	(11,187)
Plant maintenance	944,413	1,047,269	(102,856)
Transportation	110,321	117,056	(6,735)
Community services	7,000	7,759	(759)
Capital outlay	480,320	877,456	(397,136)
Total General Purpose School	10,707,255	11,637,511	(930,256)
Federal and State Projects:			
Vocational education	41,782	44,132	(2,350)
Capital outlay	321,678	384,059	(62,381)
Total Federal and State Projects	321,678	384,059	(62,381)

C. Deficit Fund Balances

The following fund has a deficit balance as of June 30, 2011:

	Undesignated Fund Balance/Unrestricted Net Assets	Reserved	Total Fund Balance/Total Net Assets
Proprietary Fund:			
Fiber Optics Fund	$ 287,253	$ (1,924,134)	$ (1,636,881)

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

D. Prior Period Adjustments

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

A prior period adjustment to record unbilled revenue has been recorded in the Power System. In prior years unbilled revenue had not been recorded; however, due to changes in the TVA billing to the Power System, the amount of unbilled revenue has become material to the financial statements. Unbilled revenue totaled $2,337,888 as of June 30, 2011 of which $2,056,230 has been recorded as a prior period adjustment. The net effect to the current earnings is an increase of $281,658. The Water System has followed the practice of not recording unbilled revenue. The effect on the financial statements is not material.

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 2011, 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, 2011, all deposits were fully collateralized or insured except for $106,835 of School System funds.

B. Investments

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

NOTE 4 - AMOUNTS RECEIVABLE

A. Accounts receivable

A summary of accounts receivable as of June 30, 2011 is as follows:

Primary Government:

	Governmental Activities	Business-type Activities	Total	Component Units
Property tax	$ 9,481,595	$ -	$ 9,481,595	$ -
Court receivables	781,762	-	781,762	-
Customer accounts receivables	58,834	3,201,798	3,260,632	71,627
Other	125,938	-	125,938	-
	$ 10,448,129	$ 3,201,798	$ 13,649,927	$ 71,627

NOTE 5 - CAPITAL ASSETS

A. Transaction Summary

Capital asset activity for the year ended June 30, 2011 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 3,824,195	$ -	$ -	$ 3,824,195
Construction in process	5,295,379	5,629,190	(16,730)	10,907,839
Total capital assets, not being depreciated	9,119,574	5,629,190	(16,730)	14,732,034
Capital assets, being depreciated				
Buildings and improvements	45,117,532	54,605	-	45,172,137
Furniture, machinery, and equipment	11,098,092	140,369	(930,767)	10,307,694
Infrastructure	15,378,768	611,245	-	15,990,013
Total capital assets, being depreciated	71,594,392	806,219	(930,767)	71,469,844
Less accumulated depreciation:				
Buildings and improvements	(23,221,320)	(981,084)	-	(24,202,404)
Furniture, machinery, and equipment	(8,634,841)	(506,311)	926,304	(8,214,848)
Infrastructure	(9,260,049)	(780,724)	-	(10,040,773)
Total accumulated depreciation	(41,116,210)	(2,268,119)	926,304	(42,458,025)
Total capital assets being depreciated, net	30,478,182	(1,461,900)	(4,463)	29,011,819
Governmental activities capital assets, net	$39,597,756	$ 4,167,290	$ (21,193)	$43,743,853

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities:

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 476,080	$ -	$ -	$ 476,080
Construction in process	6,324,352	2,077,997	(7,571,014)	831,335
Total capital assets, not being depreciated	6,800,432	2,077,997	(7,571,014)	1,307,415
Capital assets, being depreciated				
Utility plant in service*	53,908,161	7,430,222	(292,489)	61,045,894
Buildings and improvements	15,281,029	55,885	-	15,336,914
Furniture, machinery, and equipment*	4,400,339	330,978	(19,896)	4,711,421
Total capital assets, being depreciated	73,589,529	7,817,085	(312,385)	81,094,229
Less accumulated depreciation:				
Utility plant in service	(22,556,093)	(2,221,394)	286,129	(24,491,358)
Buildings and improvements	(9,304,553)	(444,953)	-	(9,749,506)
Furniture, machinery, and equipment	(2,860,075)	(340,247)	12,123	(3,188,199)
Total accumulated depreciation	(34,720,721)	(3,006,594)	298,252	(37,429,063)
Total capital assets being depreciated, net	38,868,808	4,810,491	(14,133)	43,665,166
Business-type activities capital assets, net	$45,669,240	$ 6,888,488	$ (7,585,147)	$44,972,581

* amounts reclassed from prior year

Component Units:

Tullahoma Municipal Airport:

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 1,738,799	$ -	$ -	$ 1,738,799
Construction in process	5,989,431	34,395	(6,023,826)	-
Total capital assets, not being depreciated	7,728,230	34,395	(6,023,826)	1,738,799
Capital assets, being depreciated				
Buildings and improvements	3,730,091	6,071,152	-	9,801,243
Furniture, machinery, and equipment	443,488	9,215	-	452,703
Total capital assets, being depreciated	4,173,579	6,080,367	-	10,253,946
Less accumulated depreciation:				
Buildings and improvements	(1,358,140)	(393,219)	-	(1,751,359)
Furniture, machinery, and equipment	(302,731)	(18,850)	-	(321,581)
Total accumulated depreciation	(1,660,871)	(412,069)	-	(2,072,940)
Total capital assets being depreciated, net	2,512,708	5,668,298	-	8,181,006
Component unit capital assets, net	$ 10,240,938	$ 5,702,693	$ (6,023,826)	$ 9,919,805

NOTE 5 - CAPITAL ASSETS (continued)

B. Depreciation

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government	$ 738,136
Public works	780,724
Education	738,594
Food Service	10,665
Total depreciation expense, governmental activities	$2,268,119
Business-type activities:	
Tullahoma Utilities Board	$3,006,594
Component Units:	
Business-type activities:	
Tullahoma Airport Authority	$ 412,069

NOTE 6 - BONDS, NOTES, AND OTHER OBLIGATIONS

A. Transaction Summary

Bonds, notes, and other obligations activity for the year ended June 30, 2011 is as follows:

Primary Government:

Governmental Activities:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
General Obligation Bonds					
General Obligation School Refunding Bonds, Series 2002	$ 5,755,000	$ -	$ (230,000)	$ 5,525,000	$ 320,000
General Public Improvement and Refunding Bonds, Series 2005	8,395,000	-	(570,000)	7,825,000	600,000
General Obligation Refunding Bonds, Series 2006	9,250,000	-	(20,000)	9,230,000	20,000
General Obligation Refunding Bonds, Series 2009	4,005,000	-	(700,000)	3,305,000	720,000
TMBF City Note, Series 2008	1,097,000	-	(28,000)	1,069,000	29,000
TMBF 12M School Note, Series 2008 *	10,754,588	1,329,412	(290,000)	11,794,000	303,000
2010 General Obligation School Bonds, Series 2010	-	4,750,000	-	4,750,000	100,000
	39,256,588	6,079,412	(1,838,000)	43,498,000	2,092,000
Bond premium	202,824	-	(19,087)	183,737	-
Total General Obligation Bonds	39,459,412	6,079,412	(1,857,087)	43,681,737	2,092,000
Capital Outlay Notes Payable					
Capital Outlay Notes, Series 2007	627,000	-	(79,000)	548,000	82,000
Total Capital Outlay Notes Payable	627,000	-	(79,000)	548,000	82,000
Other Obligations Payable					
Net OPEB liability-City employees	97,973	89,128	-	187,101	-
Net OPEB liability-School employees	-	4,872	-	4,872	-
Net pension obligation (TCSDBP)	643,527	-	(34,329)	609,198	-
Compensated absences	1,169,855	32,486	-	1,202,341	-
Total Other Obligations Payable	1,911,355	126,486	(34,329)	2,003,512	-
Total Governmental Activities Long-term Liabilities	$ 41,997,767	$ 6,205,898	$ (1,970,416)	$ 46,233,249	$ 2,174,000

* In August 2008, the City authorized $12,084,000 in loans through the Tennessee Municipal Bond Fund. These funds are to be used for education construction projects. The total amount was drawn as of June 30, 2011.

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

Business-type Activities:

	July 1, 2010	Additions	Reductions	June 30, 2011	One Year
Bonds Payable					
Broadband Network Revenue and Tax Bonds, Series 2007	$ 16,975,000	$ -	$ -	$ 16,975,000	$ 700,000
Water and Wastewater Revenue and Tax Bonds, Series 1997	380,000	-	(40,000)	340,000	40,000
Total Bonds Payable	17,355,000	-	(40,000)	17,315,000	740,000
Notes Payable					
Water System-					
State Loan 76-6A, Series 2003	48,021	-	(48,021)	-	-
TML Loan 1999	3,098,000	-	(264,000)	2,834,000	273,000
Total Notes Payable - Water System	3,146,021	-	(312,021)	2,834,000	273,000
Wastewater System-					
Loan Fund 319-02, Series 2003	44,553	-	(8,602)	35,951	9,099
Loan Fund 319-03, Series 2003	139,847	-	(35,715)	104,132	37,530
State Revolving Loan Fund, 93-053	2,395,756	-	(427,800)	1,967,956	444,336
State Revolving Loan Fund, 94-077	1,251,409	-	(173,172)	1,078,237	179,814
Total Notes Payable - Wastewater System	3,831,565	-	(645,289)	3,186,276	670,779
Total Business-type Activities Long-term Liabilities	$ 24,332,586	$ -	$ (997,310)	$ 23,335,276	$ 1,683,779

Component Units:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
UDAG Note Payable	$ 276,595	$ -	$ (27,887)	$ 248,708	$ 30,594

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, 2011 are as follows:

Primary Government:

Governmental Activities:

	General Obligation Bonds		Notes Payable		Total Governmental Funds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 2,092,000	$ 1,740,900	$ 82,000	$ 23,454	$ 2,174,000	$ 1,764,354
2013	2,237,000	1,668,197	86,000	19,945	2,323,000	1,688,142
2014	2,378,000	1,583,629	89,000	16,264	2,467,000	1,599,893
2015	2,540,000	1,484,815	93,000	12,455	2,633,000	1,497,270
2016-2020	12,917,000	5,795,805	198,000	12,797	13,115,000	5,808,602
2021-2025	10,148,000	3,609,019	-	-	10,148,000	3,609,019
2026-2030	6,532,000	1,708,229	-	-	6,532,000	1,708,229
2031-2035	4,654,000	452,788	-	-	4,654,000	452,788
	43,498,000	18,043,383	548,000	84,915	44,046,000	18,128,298
Bond premium	183,737	-	-	-	183,737	-
	$ 43,681,737	$ 18,043,383	$ 548,000	$ 84,915	$ 44,229,737	$ 18,128,298

Business-type Activities:

	Revenue Bonds		Notes Payable		Total Proprietary Funds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 740,000	$ 723,557	$ 943,779	$ 197,048	$ 1,683,779	$ 920,605
2013	775,000	691,737	980,293	162,355	1,755,293	854,092
2014	805,000	658,583	1,003,586	126,286	1,808,586	784,869
2015	840,000	624,993	1,009,259	89,563	1,849,259	714,556
2016-2020	4,655,000	2,549,274	2,083,359	163,612	6,738,359	2,712,886
2021-2025	5,545,000	1,485,270	-	-	5,545,000	1,485,270
2026-2030	3,955,000	264,578	-	-	3,955,000	264,578
	$ 17,315,000	$ 6,997,992	$ 6,020,276	$ 738,864	$ 23,335,276	$ 7,736,856

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

Component Units:

	Notes Payable	
June 30,	Principal	Interest
2012	$ 30,594	$ 1,906
2013	28,462	1,538
2014	28,676	1,324
2015	28,892	1,108
2016-2020	132,084	2,263
	$ 248,708	$ 8,139

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.

The City is contingently liable on $443,792 in debt being serviced by the Duck River Utility Commission, a joint venture. The debt is recorded by the Commission and accordingly not presented above. Notes payable by the Utilities Board to the State of Tennessee includes debt assumed by the Duck River Utility Commission. The balance of the debt assumed by the Duck River Utility Commission and included in notes payable and notes receivable is $903,471 as of June 30, 2011.

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

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

Business-type Activities:

Revenue bond covenants of the Proprietary Fund generally provide that the related bonds are primarily secured by net revenues of the system. Bond covenants relating to the issues require the establishment of various reserve funds for payment of principal and interest, and for renewal and replacement. These reserves have been satisfactorily maintained during 2011.

Component Units:

The Tullahoma Municipal Airport Authority's note payable has a variable rate, determined each November 1 at four percentage points below prime. The interest rate at June 30, 2011 was 0.75%. Future principal and interest payments have been calculated using this rate.

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

D. Advance and Current Refunding of Bonds

In August 2009, The City issued $4,005,000 General Obligation Refunding Bonds, Series 2009 with interest rates ranging from 2% to 3.25% to refund $3,515,000 in outstanding 1998 General Obligation Refunding Bonds and $515,000 in outstanding 1997 General Obligation School Improvement and Refunding Bonds. As a result of the refunding, the 1997 and 1998 bonds were defeased and the liability for the refunded portion of those bonds has been removed from the long-term debt in the fiscal year 2011 financial statements.

In prior years, the City has defeased certain other obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements of the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2011, $17,470,000 of general obligations bonds are considered defeased.

NOTE 7 - RETIREMENT PLANS

Primary Government:

Governmental Activities:

A. City Plan

The City offers all employees of the governmental activities (exclusive of employees of the School System) a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the plan is optional for full-time employees with one year of service. The City contributes 5% of each participating employee's compensation to the plan. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider, ICMA-RC, administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City. For the year ended June 30, 2011, total contributions to the plan totaled $489,475.

B. Tullahoma Board of Education

The Board of Education (1) maintains a single-employer defined benefit pension plan, the Tullahoma City Schools Defined Benefit Plan (TCSDBP) which covers employees other than teachers, as defined by state statute, and (2) participates in the statewide Tennessee Consolidated Retirement System (TCRS), a multiple-employer, public employer pension plan which covers all of the teachers, as defined by state statute, of the Board.

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

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

NOTE 7 - RETIREMENT PLANS (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.

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

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

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

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

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

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

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

a. Selected Pension Information

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

b. Required Supplementary Information

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

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION - DECEMBER 31, 2010 (LATEST ACTUARIAL INFORMATION)	TCSDBP
Annual required contribution	$ 591,474
Interest on net pension obligation	48,265
Adjustment to annual required contribution	(54,488)
Annual pension cost	585,251
Contributions made	619,580
Increase (decrease) in net pension obligation	(34,329)
Net pension obligation beginning of plan year	643,527
Net pension obligation end of plan year	$ 609,198
THREE YEAR TREND INFORMATION	
2010*	
Annual pension cost (APC)	$ 585,251
Percentage of APC contributed	105.87%
Net pension obligation	$ 609,198
2009*	
Annual pension cost (APC)	$ 636,471
Percentage of APC contributed	61.62%
Net pension obligation	$ 643,527
2008*	
Annual pension cost (APC)	$ 460,427
Percentage of APC contributed	102.35%
Net pension obligation	$ 399,249
PARTICIPANTS	
Active:	
Fully vested	92
Non-vested and partially vested	26
Total active	118
Retirees and beneficiaries receiving benefits	6
Total	124

* Plan year is January 1 to December 31.

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

	TCSDBP
ACTUARIAL VALUATION	
Valuation date	January 1, 2011
Actuarial cost method	entry age normal
Amortization method	level dollar open
Amortization period	30 years
Asset valuation method	market
Actuarial assumptions:	
Valuation interest:	
Pre-retirement	7.50%
Post-retirement	6.50%
Projected salary increases	4.50%
Interest rate for employee accumulations	5.00%
Retirement age	65
Disability	none

NOTE 7 - RETIREMENT PLANS (continued)

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

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

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

Most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Tullahoma City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2011 is 9.05% of annual covered payroll. The employer contribution requirement for Tullahoma City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contribution to TCRS for the years ending June 30, 2011, 2010, and 2009 were $1,232,404, $866,877, $874,659, and $836,796, respectively, equal to the required contributions for each year.

Business-type Activities:

The Board has a defined contribution plan "Tullahoma Utilities Board Employees' Pension Trust" covering all of its eligible employees. The Board is the plan's administrator. The Board has the right to amend or terminate the plan at any time. This plan includes all full time employees that have attained age 21, and have worked 1,000 hours in a twelve-month period to be eligible on July 1 of that plan year. The employer's costs are determined by the individual level premium cost method using a 6% interest assumption. The financial information for the year ended June 30, 2011 is as follows:

	Target plan	Money Purchase plan
Employee contribution	$ 55,500	$ 111,905
Employer contribution	342,108	265,240
Total plan assets as of June 30, 2011	4,858,668	1,476,892

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

The payroll for employees covered under the plan for the year ended June 30, 2011 was $1,920,090. Total payroll was $3,835,057.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Primary Government:

Governmental Activities:

A. City Plan

Plan Description

The City's current single-employer defined benefit post employment healthcare plan only provides health insurance benefits, under a fully insured health plan, to eligible retired City employees and their beneficiaries. There are currently only 5 employees that receive post employment benefits. Benefits for the year ended June 30, 2011 totaled $52,505. The City currently funds the benefits on a pay-as-you-go basis. The benefits of post employment obligations will be reviewed by the City in the future allowing for any improvements or changes to the present plan. The report may be obtained by contacting the finance director for the City.

Funding Policy

The City intends to continue its policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB 45.

Annual OPEB Cost and Net OPEB Obligation

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

Components of the Net OPEB Obligation

Annual required contribution	$ 143,108
Interest on net OPEB obligation	-
Adjustment to annual required contribution	(1,475)
Annual OPEB cost (expense)	141,633
Contributions made	(52,505)
Increase in net OPEB obligation	$ 89,128
Net OPEB obligation - July 1, 2010	$ 97,973
Net OPEB obligation - June 30, 2011	$ 187,101

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 2010-2011 is as follows:

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

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

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

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

B. Tullahoma Board of Education

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

The retiring employees may have the same options for the insurance package as current employees, and the system will assume the same percentage of costs for the package as for the current employees. The System currently pays 100% of premiums. For the year ended June 30, 2011, the System paid medical insurance benefits for 46 eligible retirees totaling $175,000 and dental and life insurance benefits for 46 and 47 eligible retirees totaling $12,000 and $4,300, respectively.

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

Information concerning the plan follows:

Components of the Net OPEB Obligation:

Annual required contribution	$	11,143
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		11,143
Contributions made		6,271
Increase in net OPEB obligation	$	4,872
Net OPEB obligation-July 1	$	-
Net OPEB obligation-June 30	$	4,872

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

Business-type Activities:

The System administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees until age 65 and their families through the System's healthcare insurance plan which covers both active and retired members. The System contributes to the coverage for the retiree based on years of service while family coverage is paid by the retiree. Eligible retirees are those that are age 62 and have completed ten (10) years of service. The System contributes to coverage based on the following provisions:

10 years service	TUB pays 40%, retiree pays 60%
15 years service	TUB pays 60% retiree pays 40%
20 years service	TUB pays 80%, retiree pays 20%
25 years service	TUB pays 100%

During the year ended June 30, 2011, the System paid $2,146 for the one retiree participating in the plan.

The System has not implemented GASB 45 and has not completed an actuarial study to determine the net OPEB obligation or the annual OPEB cost as required by governmental regulations. Therefore, there is no liability recorded as of June 30, 2011. Based upon the employee census and preliminary estimate of the net OPEB obligation, the unrecorded liability is not believed to be material to the overall financial statements.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS

A. Federal and State Financial Assistance

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

B. Other Commitments

Primary Government:

Governmental Activities:

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

Business-type Activities:

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

At June 30, 2011, Tullahoma Utilities Board had several construction projects in process. The Board takes bids for these projects and awards construction contracts to various companies. A sewer improvement project is underway that is projected to cost $500,000, of which grant funding of $400,000 from a Community Development Block Grant has been awarded. The project was completed as of June 30, 2011 with expenditures totaling $395,284.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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

Component Unit:

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

NOTE 10 - EMPLOYEE HEALTH INSURANCE AND RISK MANAGEMENT

Primary Government:

Governmental Activities:

During the year ended June 30, 2007, the City chose to discontinue use of the Employee Health Insurance Program and obtained private insurance coverage. Previously, the City had chosen to establish the Employee Health Insurance Program for risks associated with the employees' health insurance plan. The activities of the Employee Health Insurance Program have been accounted for within the internal service fund where assets are set aside for claim settlements.

All full-time employees of the governmental activities of the primary government exclusive of employees of the Tullahoma Board of Education were eligible to participate. A premium charge was allocated to each fund that accounts for full-time employees. The charge is based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was $169,217 at June 30, 2011 and is reported as fund equity of the internal service fund. Liabilities of the program are reported in the internal service fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Health Insurance Program establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount.

Changes in the balance of claims liabilities during the past three fiscal years are as follows:

Fiscal Year	Claim Liability (Receivable) Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claim Liability (Receivable) End of Year
2008-2009	$ -	$ -	$ -	$ -
2009-2010	-	-	-	-
2010-2011	-	-	-	-

The City has commercial insurance for all other risks of loss, including general liability, property and casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transferred From						
Transferred To	General Fund	2009 School Projects	Education Debt Service	Nonmajor Governmental Funds	Power System	Component Units	Total
General Fund	$ 129,702	$ -	$ -	$ 140,640	$ 403,406	$ 57,857	$ 731,605
General Purpose School	6,953,214	-	-	-	-	-	6,953,214
Education Capital Projects	-	5,442,441	-	-	-	-	5,442,441
Education Debt Service	2,009,429	-	-	-	-	-	2,009,429
Nonmajor Governmental Funds	2,544,882	-	2,103,861		-	-	4,648,743
Component Units	84,151	-	-	41,182	-	-	125,333
Total	$ 11,721,378	$ 5,442,441	$ 2,103,861	$ 181,822	$ 403,406	$ 57,857	$ 19,910,765

Interfund receivables and payables and amounts due to and due from funds of the primary government at June 30, 2011 are attributable to unsettled balances at year-end primarily for charges and transfers between funds. Balances at June 30, 2011 are as follows:

	Due From							
Due To	General Purpose School	Fiber System	Nonmajor Governmental Funds	Component Unit	Water System	Wastewater System	Education Debt Service	Total
General Fund	$ 1,472	$ -	$ 99,233	$ 106,097	$ -	$ -	$ -	$ 206,802
Nonmajor Governmental Funds	335,264	-	-	-	-	-	10,448	345,712
Power System	-	970,839	-	-	5,379	8,466	-	984,684
Water System	-	210	-	-	-	2,812	-	3,022
Fiber System	-	-	-	-	-	43	-	43
Wastewater System	-	247	-	-	2,113	-	-	2,360
Total	$ 336,736	$ 971,296	$ 99,233	$ 106,097	$ 7,492	$ 11,321	$ 10,448	$ 1,542,623

SUPPLEMENTARY INFORMATION

CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION

Unaudited - See Accompanying Accountants' Report

SCHEDULE OF FUNDING PROGRESS - TCSDBP

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCSDBP

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

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

CITY OF TULLAHOMA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION

Unaudited - See Accompanying Accountants' Report

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	$ -	$ 1,453,099	$ 1,453,099	0%	$ 4,657,403	31.2%
7/1/2010	-	1,353,250	1,353,250	0%	5,150,789	26.27%

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

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	OPEB Obligation
6/30/2009	$ 111,573	50.45%	$ 55,279
6/30/2010	$ 112,087	61.91%	$ 97,973
6/30/2011	$ 141,633	37.07%	$ 187,101

School system:

The school's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010-2011 is as follows:

Fiscal Year Ended	Annual OPEB cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$ 11,143	$ 6,271	$ 4,872

CITY OF TULLAHOMA
STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds						Debt Service	Capital Projects Funds				
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	USDA Revolving Loans	General Debt Service	Capital Projects	Federal Projects	Industrial Development Projects	2009 Sewer System Rehabilitation	Total Nonmajor Governmental Funds
ASSETS:												
Cash and cash equivalents	$ -	$ 346,224	$ 106,640	$ 227,019	$ 84,320	$ 84,271	$ 9,180	$ 461,566	$ 5,009	$ 50,494	$ -	$ 1,374,723
Receivables	-	-	12,780	113,158	-	-	-	-	-	-	-	125,938
Allowance for doubtful accounts	-	-	(2,021)	(10,071)	-	-	-	-	-	-	-	(12,092)
Notes receivable	-	-	-	-	-	65,471	-	-	-	-	-	65,471
Due from other governments	171,312	102,285	-	13,156	-	-	-	-	-	-	-	286,753
Due from other funds of primary government	335,264	-	-	-	-	-	10,448	-	-	-	-	345,712
Total assets	$ 506,576	$ 448,509	$ 117,399	$ 343,262	$ 84,320	$ 149,742	$ 19,628	$ 461,566	$ 5,009	$ 50,494	$ -	$ 2,186,505
LIABILITIES:												
Accrued liabilities	$ -	$ -	$ -	$ 12,128	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,128
Accrued payroll	72,643	-	-	-	-	-	-	-	-	-	-	72,643
Accounts payable	314,009	-	-	39,012	90	-	-	4,112	-	-	-	357,223
Unearned revenue	-	-	-	-	-	65,471	-	-	5,009	-	-	70,480
Due to other funds of the primary government	-	-	-	99,233	-	-	-	-	-	-	-	99,233
Total liabilities	386,652	-	-	150,373	90	65,471	-	4,112	5,009	-	-	611,707
FUND BALANCES:												
Restricted for:												
Debt service	-	-	-	-	-	-	19,628	-	-	-	-	19,628
Capital improvements	-	-	-	-	-	-	-	457,454	-	50,494	-	507,948
Drug enforcement	-	-	-	-	84,230	-	-	-	-	-	-	84,230
Grant projects	119,924	-	-	-	-	84,271	-	-	-	-	-	204,195
School operations	-	448,509	-	-	-	-	-	-	-	-	-	448,509
Solid Waste	-	-	-	171,083	-	-	-	-	-	-	-	171,083
Extended School	-	-	117,399	-	-	-	-	-	-	-	-	117,399
Assigned to:												
Encumbrances	-	-	-	21,806	-	-	-	-	-	-	-	21,806
Total fund balances	119,924	448,509	117,399	192,889	84,230	84,271	19,628	457,454	-	50,494	-	1,574,798
Total liabilities and fund balances	$ 506,576	$ 448,509	$ 117,399	$ 343,262	$ 84,320	$ 149,742	$ 19,628	$ 461,566	$ 5,009	$ 50,494	$ -	$ 2,186,505

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						Debt Service	Capital Projects Funds				
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	USDA Revolving Loans	General Debt Service	Capital Projects	Federal Projects	Industrial Development Projects	2009 Sewer System Rehabilitation	Total Nonmajor Governmental Funds
REVENUES:												
Intergovernmental	$ 3,401,073	$ 887,131	$ -	$ 13,156	$ -	$ 15,000	$ -	$ -	$ 5,158	$ -	$ -	$ 4,321,518
Charges for services	-	726,346	319,684	772,619	-	-	-	-	-	-	-	1,818,649
Investment income	-	2,953	759	-	1,159	1,835	-	5,958	-	-	-	12,664
Proceeds from notes	-	-	-	-	-	39,032	-	-	-	-	-	39,032
Other revenues	-	-	21,117	-	49,571	94	-	-	-	-	-	70,782
Total revenues	3,401,073	1,616,430	341,560	785,775	50,730	55,961	-	5,958	5,158	-	-	6,262,645
EXPENDITURES:												
Current:												
Education:												
Regular education	1,762,189	-	-	-	-	-	-	-	-	-	-	1,762,189
Special education	1,058,450	-	-	-	-	-	-	-	-	-	-	1,058,450
Vocational education	44,132	-	-	-	-	-	-	-	-	-	-	44,132
Other student support	22,466	-	-	-	-	-	-	-	-	-	-	22,466
Instructional staff	130,636	-	-	-	-	-	-	-	-	-	-	130,636
Program costs	-	1,541,043	352,303	1,717,743	16,937	426	-	-	-	-	-	3,628,452
Debt service:												
Principal retirement	-	-	-	-	-	-	1,917,000	-	-	-	-	1,917,000
Interest	-	-	-	-	-	-	1,263,774	-	-	-	-	1,263,774
Fiscal charges	-	-	-	-	-	-	1,242	-	-	-	-	1,242
Capital outlay	384,059	53,519	-	53,011	55,405	-	-	436,478	5,158	15,949	-	1,003,579
Loans disbursed	-	-	-	-	-	15,000	-	-	-	-	-	15,000
Total expenditures	3,401,932	1,594,562	352,303	1,770,754	72,342	15,426	3,182,016	436,478	5,158	15,949	-	10,846,920
Excess (deficiency) revenues over (under) expenditures	(859)	21,868	(10,743)	(984,979)	(21,612)	40,535	(3,182,016)	(430,520)	-	(15,949)	-	(4,584,275)
OTHER FINANCING SOURCES (USES):												
Bond issuance	-	-	-	-	-	-	-	-	-	-	-	-
Payments to refunding escrow agent	-	-	-	-	-	-	-	-	-	-	-	-
Reoffering premium	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	1,180,469	-	-	3,180,775	287,500	-	-	-	4,648,744
Transfers out	-	-	-	(140,640)	-	-	-	-		(41,182)	-	(181,822)
Total other financing sources (uses)	-	-	-	1,039,829	-	-	3,180,775	287,500	-	(41,182)	-	4,466,922
Net change in fund balances	(859)	21,868	(10,743)	54,850	(21,612)	40,535	(1,241)	(143,020)	-	(57,131)	-	(117,353)
Fund balance, July 1, 2010	84,146	426,641	128,142	138,039	105,842	43,736	20,869	600,474	-	102,225	468	1,650,582
Prior period adjustment (See Note 2)	36,637		-	-	-	-	-	-	-	5,400	(468)	41,569
Fund balance, June 30, 2011	$ 119,924	$ 448,509	$ 117,399	$ 192,889	$ 84,230	$ 84,271	$ 19,628	$ 457,454	$ -	$ 50,494	$ -	$ 1,574,798

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FEDERAL AND STATE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Intergovernmental						
State and federal	$ 3,401,073	$ -	$ 3,401,073	$ 3,829,303	$ 3,829,303	$ (428,230)
Total revenues	3,401,073	-	3,401,073	3,829,303	3,829,303	(428,230)
EXPENDITURES:						
Regular education						
Salaries	993,392	-	993,392	1,070,940	1,070,940	77,548
Payroll taxes	70,512	-	70,512	59,609	59,609	(10,903)
Benefits	163,977	-	163,977	216,621	216,621	52,644
Contract services	99,735	-	99,735	105,300	105,300	5,565
Supplies	419,682	-	419,682	313,204	313,204	(106,478)
Travel	5,976	-	5,976	10,368	10,368	4,392
Other	8,915	-	8,915	453,503	453,503	444,588
Total regular education	1,762,189	-	1,762,189	2,229,545	2,229,545	467,356
Special education						
Salaries	626,268	-	626,268	646,205	646,205	19,937
Payroll taxes	44,898	-	44,898	42,984	42,984	(1,914)
Benefits	248,060	-	248,060	261,182	261,182	13,122
Contract services	20,917	-	20,917	29,982	29,982	9,065
Supplies	60,958	-	60,958	97,695	97,695	36,737
Travel	22,521	-	22,521	20,639	20,639	(1,882)
Other	34,828	-	34,828	43,600	43,600	8,772
Total special education	1,058,450	-	1,058,450	1,142,287	1,142,287	83,837
Vocational education						
Salaries	2,320	-	2,320	-	-	(2,320)
Payroll taxes	178	-	178	-	-	(178)
Benefits	210	-	210	-	-	(210)
Supplies	41,424	-	41,424	41,782	41,782	358
Total vocational education	44,132	-	44,132	41,782	41,782	(2,350)
Other student support						
Salaries	-	-	-	1,050	1,050	1,050
Travel	11,557	-	11,557	13,872	13,872	2,315
Other	10,909	-	10,909	8,490	8,490	(2,419)
Total other student support	22,466	-	22,466	23,412	23,412	946
Instructional staff						
Travel	87,439	-	87,439	88,385	88,385	946
Other	43,197	-	43,197	54,459	54,459	11,262
Total instructional staff	130,636	-	130,636	142,844	142,844	12,208
Capital outlay	384,059	-	384,059	321,678	321,678	(62,381)
Total expenditures	3,401,932	-	3,401,932	3,901,548	3,901,548	499,616
Net change in fund balance	(859)	-	(859)	(72,245)	(72,245)	71,386
Fund balance, July 1, 2010	84,146	-	84,146	84,146	84,146	-
Prior period adjustment (See Note2)	36,637	-	36,637	-	-	36,637
Fund balance, June 30, 2011	$ 119,924	$ -	$ 119,924	$ 11,901	$ 11,901	$ 108,023

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SCHOOL FOOD SERVICES
FOR THE YEAR ENDED JUNE 30, 2011

	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	$ 887,131	$ -	$ 887,131	$ 910,000	$ 910,000	$ (22,869)
Charges for services	726,346	-	726,346	1,030,000	1,030,000	(303,654)
Interest income	2,953	-	2,953	12,000	12,000	(9,047)
Total revenues	1,616,430	-	1,616,430	1,952,000	1,952,000	(335,570)
EXPENDITURES:						
Current:						
Salaries	594,311	-	594,311	649,000	649,000	54,689
Payroll taxes	39,835	-	39,835	50,000	50,000	10,165
Benefits	186,239	-	186,239	221,000	221,000	34,761
Contract services	14,297	-	14,297	10,000	10,000	(4,297)
Maintenance and repairs	12,337	-	12,337	20,000	20,000	7,663
Travel	4,999	-	4,999	6,000	6,000	1,001
Supplies	620,296	-	620,296	870,000	870,000	249,704
Other	68,729	-	68,729	89,000	89,000	20,271
Capital outlay	53,519	-	53,519	37,000	37,000	(16,519)
Total expenditures	1,594,562	-	1,594,562	1,952,000	1,952,000	357,438
Net change in fund balance	21,868	-	21,868	-	-	21,868
Fund balance, July 1, 2010	426,641	-	426,641	426,641	426,641	-
Fund balance, June 30, 2011	$ 448,509	$ -	$ 448,509	$ 426,641	$ 426,641	$ 21,868

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EXTENDED SCHOOL PROGRAM
FOR THE YEAR ENDED JUNE 30, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
REVENUES:						
Charges for services	$ 319,684	$ -	$ 319,684	$ 470,930	$ 470,930	$ (151,246)
Interest income	759	-	759	-	-	759
Other income	21,117	-	21,117	-	-	21,117
Total revenues	341,560	-	341,560	470,930	470,930	(129,370)
EXPENDITURES:						
Salaries	255,429	-	255,429	270,750	270,750	15,321
Payroll taxes	19,541	-	19,541	20,713	20,713	1,172
Benefits	22,569	-	22,569	22,899	22,899	330
Supplies	29,840	-	29,840	27,438	27,438	(2,402)
Other	24,924	-	24,924	14,000	14,000	(10,924)
Total expenditures	352,303	-	352,303	355,800	355,800	3,497
Net change in fund balance	(10,743)	-	(10,743)	115,130	115,130	(125,873)
Fund balance, July 1, 2010	128,142	-	128,142	128,142	128,142	-
Fund balance, June 30, 2011	$ 117,399	$ -	$ 117,399	$ 243,272	$ 243,272	$ (125,873)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
SOLID WASTE MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental	$ 13,156	$ -	$ 13,156	$ 15,246	$ 15,246	$ (2,090)
Charges for services	772,619	-	772,619	736,780	826,780	(54,161)
Other revenues	-	-	-	500	500	(500)
Total revenues	785,775	-	785,775	752,526	842,526	(56,751)
EXPENDITURES:						
Current:						
Salaries	687,669	-	687,669	679,857	701,751	14,082
Payroll taxes	52,557	-	52,557	52,009	53,424	867
Benefits	224,278	-	224,278	250,668	236,401	12,123
Telephone and utility	866	-	866	800	900	34
Contract and professional	26,839	(3,613)	23,226	19,500	23,467	241
Repairs and maintenance	150,486	12,299	162,785	137,303	170,705	7,920
Supplies	17,602	(543)	17,059	16,356	18,206	1,147
Uniforms	7,195	3,430	10,625	10,700	10,700	75
Gas and oil	133,566	-	133,566	114,431	139,545	5,979
Parts and supplies	700	-	700	300	700	-
Operating insurance	49,495	-	49,495	50,119	49,495	-
Landfill	363,151	-	363,151	382,000	370,500	7,349
Other	3,339	-	3,339	53,580	6,193	2,854
Total program costs	1,717,743	11,573	1,729,316	1,767,623	1,781,987	52,671
Capital outlay	53,011	84	53,095	62,280	63,030	9,935
Total expenditures	1,770,754	11,657	1,782,411	1,829,903	1,845,017	62,606
Excess (deficiency) of revenues over (under) expenditures	(984,979)	(11,657)	(996,636)	(1,077,377)	(1,002,491)	5,855
OTHER FINANCING SOURCES (USES):						
Transfers in	1,180,469	-	1,180,469	1,113,131	1,113,131	67,338
Transfers out	(140,640)	-	(140,640)	(35,754)	(140,640)	-
Total other financing sources (uses)	1,039,829	-	1,039,829	1,077,377	972,491	67,338
Net change in fund balance	54,850	(11,657)	43,193	-	(30,000)	73,193
Fund balance, July 1, 2010	138,039	(10,149)	127,890	138,039	138,039	(10,149)
Fund balance, June 30, 2011	$ 192,889	$ (21,806)	$ 171,083	$ 138,039	$ 108,039	$ 63,044

See accompanying acountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
DRUG ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	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	$ 32,917	$ -	$ 32,917	$ 18,979	$ 33,000	$ (83)
Confiscated money	3,023	-	3,023	-	3,000	23
Sale of confiscated equipment	5,808	-	5,808	-	5,900	(92)
Interest income	1,159	-	1,159	160	1,100	59
Other revenues	7,823	-	7,823	-	7,800	23
Total revenues	50,730	-	50,730	19,139	50,800	(70)
EXPENDITURES:						
Current:						
Salaries	1,783	-	1,783	3,000	2,000	217
Payroll taxes	135	-	135	232	232	97
Travel and training	3,750	-	3,750	-	3,750	-
Supplies	4,099	(260)	3,839	6,250	4,200	361
Other	7,170	-	7,170	10,200	7,700	530
Capital outlay	55,405	-	55,405	38,600	55,500	95
Total expenditures	72,342	(260)	72,082	58,282	73,382	1,300
Excess (deficiency) of revenues over (under) expenditures	(21,612)	260	(21,352)	(39,143)	(22,582)	1,230
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	39,143	22,582	(22,582)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	39,143	22,582	(22,582)
Net change in fund balance	(21,612)	260	(21,352)	-	-	(21,352)
Fund balance, July 1, 2010	105,842	(260)	105,582	105,842	105,842	(260)
Fund balance, June 30, 2011	$ 84,230	$ -	$ 84,230	$ 105,842	$ 105,842	$ (21,612)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
USDA REVOLVING LOANS
FOR THE YEAR ENDED JUNE 30, 2011

	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 grants	$ 15,000	$ -	$ 15,000	$ 199,000	$ 50,000	$ (35,000)
Note repayments	39,032	-	39,032	25,000	25,000	14,032
Interest Income	1,835	-	1,835	-	500	1,335
Other revenues	94	-	94	1,100	1,100	(1,006)
Total revenues	55,961	-	55,961	225,100	76,600	(20,639)
EXPENDITURES:						
Program costs	426	-	426	8,100	3,800	3,374
Loans disbursed	15,000	-	15,000	227,000	72,800	57,800
Total expenditures	15,426	-	15,426	235,100	76,600	61,174
Excess (deficiency) of revenues over (under) expenditures	40,535	-	40,535	(10,000)	-	40,535
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	10,000	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	10,000	-	-
Net change in fund balance	40,535	-	40,535	-	-	40,535
Fund balance, July 1, 2010	43,736	-	43,736	43,736	43,736	-
Fund balance, June 30, 2011	$ 84,271	$ -	$ 84,271	$ 43,736	$ 43,736	$ 40,535

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, 2011

	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	1,917,000	-	1,917,000	1,917,000	1,917,000	-
Interest	1,263,774	-	1,263,774	1,773,953	1,263,778	4
Fiscal charges	1,242	-	1,242	3,000	3,996	2,754
Total expenditures	3,182,016	-	3,182,016	3,693,953	3,184,774	2,758
Excess (deficiency) of revenues over (under) expenditures	(3,182,016)	-	(3,182,016)	(3,693,953)	(3,184,774)	2,758
OTHER FINANCING SOURCES (USES):						
Transfers in	3,180,775	-	3,180,775	3,693,953	3,184,774	(3,999)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	3,180,775	-	3,180,775	3,693,953	3,184,774	(3,999)
Net change in fund balance	(1,241)	-	(1,241)	-	-	(1,241)
Fund balance, July 1, 2010	20,869	-	20,869	20,869	20,869	-
Fund balance, June 30, 2011	$ 19,628	$ -	$ 19,628	$ 20,869	$ 20,869	$ (1,241)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BUDGETARY BASIS (NON-GAAP)
EDUCATION DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Actual (GAAP Basis)	Budgetary Adjustment for Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest income	$ 26,018	$ -	$ 26,018	$ -	$ -	$ 26,018
EXPENDITURES:						
Program costs	-	-	-	20,000	20,000	20,000
Excess (deficiency) of revenues over (under) expenditures	26,018	-	26,018	(20,000)	(20,000)	46,018
OTHER FINANCING SOURCES (USES):						
Transfers in	2,009,429	-	2,009,429	1,688,567	1,688,567	320,862
Transfers out	(2,103,861)	-	(2,103,861)	(1,668,567)	(1,668,567)	(435,294)
Total other financing sources (uses)	(94,432)	-	(94,432)	20,000	20,000	(114,432)
Net change in fund balance	(68,414)	-	(68,414)	-	-	(68,414)
Fund balance, July 1, 2010	2,818,471	-	2,818,471	2,818,471	2,818,471	-
Fund balance, June 30, 2011	$ 2,750,057	$ -	$ 2,750,057	$ 2,818,471	$ 2,818,471	$ (68,414)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

FEDERAL PROJECTS
To account for grant funds for the Tullahoma Technology and Coffee County Command Post Program.

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

INDUSTRIAL DEVELOPMENT PROJECTS
To account for the use of funds for projects to attract industrial development.

2009 SEWER SYSTEM REHABILITATION
To account for funds used for sewer system rehabilitation for utility system.

DEBT SERVICE FUNDS

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

CITY OF TULLAHOMA
STATE OF TENNESSEE

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF BONDS AND NOTES PAYABLE - PRIMARY GOVERNMENT
JUNE 30, 2011

Description	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Oustanding June 30, 2011	Interest to Maturity as of June 30, 2011
Governmental Activities:						
General Obligation Bonds Payable						
General Obligation Refunding Bonds, Series 2009	2%-3.25%	August 27, 2009	October 1, 2017	$ 4,005,000	$ 3,305,000	$ 221,837
General Obligation School Refunding, Series 2002	3.35%-4.7%	June 1, 2002	October 1, 2017	6,265,000	5,525,000	1,150,979
General Public Improvement and Refunding Bonds, Series 2005	3.25%-5%	November 1, 2005	April 1, 2026	9,880,000	7,825,000	2,103,373
General Obligation Refunding Bonds, Series 2006	3.5%-4%	December 15, 2006	April 1, 2026	9,320,000	9,230,000	3,966,138
General Obligation School Bonds, Series 2010	3%-4%	August 10, 2010	October 1, 2032	4,750,000	4,750,000	2,584,016
TMBF 12M School Note, Series 2008	4.5%	August 6, 2008	May 25, 2033	12,084,000	11,794,000	7,380,000
TMBF City Note, Series 2008	4.5%	December 29, 2008	December 25, 2033	1,125,000	1,069,000	637,040
Total General Obligation Bonds Payable - Governmental Activities				47,429,000	43,498,000	18,043,383
Notes Payable						
Capital Outlay Note, Series 2007	4.28%	February 7, 2007	February 1, 2017	627,000	548,000	84,915
Total Bonds and Notes Payable - Governmental Activities				$ 48,056,000	$ 44,046,000	$ 18,128,298
Business-type Activities:						
Revenue Bonds Payable						
Fiber Optics System Revenue and Tax Bonds, Series 2007	4.0%-4.375%	August 1, 2007	July 1, 2027	$ 16,975,000	$ 16,975,000	$ 6,928,858
Water and Wastewater Revenue and Tax Bonds, Series 1997	4.75%-6.5%	July 1, 1997	October 1, 2017	720,000	340,000	69,134
Total Revenue Bonds Payable - Business-type Activities				17,695,000	17,315,000	6,997,992
Notes Payable						
Wastewater System-						
Loan Fund 319-02, Series 2003	7.25%-10.03%	March 1, 2003	March 1, 2015	94,844	35,951	5,035
Loan Fund 319-03, Series 2003	7.25%-10.03%	March 1, 2003	March 1, 2014	354,177	104,132	10,055
State Revolving Loan Fund, 93-053	3.80%	September 1, 1995	August 1, 2015	7,157,000	1,967,956	163,016
State Revolving Loan Fund, 94-077	3.80%	January 1, 1997	December 1, 2016	3,050,000	1,078,237	116,158
Water System-						
State Loan 76-6A, Series 2003	5%-8.43%	March 1, 2003	March 1, 2011	513,399	-	-
TML Loan 1999	4.50%	May 25, 1999	May 25, 2020	4,708,000	2,834,000	444,600
Total Notes Payable - Business-type Activities				15,877,420	6,020,276	738,864
Total Bonds and Notes Payable - Business-type Activities				$ 33,572,420	$ 23,335,276	$ 7,736,856

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2011

Year	General Obligation School Refunding Bonds Series 2002		General Obligation Refunding Bonds, Series 2009					
			General Fund		School Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 320,000	$ 246,022	$ 25,930	$ 2,797	$ 694,070	$ 74,878	$ 720,000	$ 77,675
2013	410,000	230,510	26,470	2,273	708,530	60,852	735,000	63,125
2014	490,000	211,263	27,191	1,601	727,809	42,849	755,000	44,450
2015	575,000	187,934	28,091	772	751,909	20,652	780,000	21,424
2016	1,090,000	148,980	-	-	100,000	8,225	100,000	8,225
2017	1,260,000	93,840	-	-	105,000	5,150	105,000	5,150
2018	1,380,000	32,430	-	-	110,000	1,788	110,000	1,788
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
	$ 5,525,000	$ 1,150,979	$ 107,682	$ 7,443	$ 3,197,318	$ 214,394	$ 3,305,000	$ 221,837

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS

JUNE 30, 2011

Year	General Obligation Public Improvement Bonds Series 2005		General Obligation Refunding Bonds Series 2006		General Obligation School Bonds Series 2010	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 600,000	$ 313,911	$ 20,000	$ 361,363	$ 100,000	$ 163,094
2013	615,000	289,911	30,000	360,662	100,000	160,094
2014	640,000	263,005	30,000	359,537	100,000	157,094
2015	675,000	231,005	30,000	358,413	100,000	154,094
2016	710,000	197,255	30,000	357,288	100,000	151,094
2017	740,000	161,755	35,000	356,162	100,000	148,093
2018	765,000	139,555	820,000	354,850	-	146,594
2019	800,000	116,605	1,065,000	324,100	100,000	145,094
2020	285,000	92,605	1,055,000	284,163	100,000	142,344
2021	300,000	81,490	1,040,000	244,600	100,000	139,781
2022	310,000	69,490	1,035,000	203,000	100,000	137,094
2023	325,000	57,090	1,025,000	161,600	150,000	133,509
2024	340,000	44,090	1,015,000	120,600	150,000	128,969
2025	350,000	30,065	1,005,000	80,000	200,000	123,551
2026	370,000	15,540	995,000	39,800	200,000	117,219
2027	-	-	-	-	375,000	107,641
2028	-	-	-	-	400,000	94,313
2029	-	-	-	-	400,000	80,063
2030	-	-	-	-	425,000	64,843
2031	-	-	-	-	450,000	48,438
2032	-	-	-	-	475,000	30,500
2033	-	-	-	-	525,000	10,500
2034	-	-	-	-	-	-
	$ 7,825,000	$ 2,103,373	$ 9,230,000	$ 3,966,138	$ 4,750,000	$ 2,584,016

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION BONDS
JUNE 30, 2011

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
2012	$ 29,000	$ 48,105	$ 303,000	$ 530,730	$ 2,092,000	$ 1,740,900	$ 3,832,900
2013	31,000	46,800	316,000	517,095	2,237,000	1,668,197	3,905,197
2014	32,000	45,405	331,000	502,875	2,378,000	1,583,629	3,961,629
2015	34,000	43,965	346,000	487,980	2,540,000	1,484,815	4,024,815
2016	35,000	42,435	361,000	472,410	2,426,000	1,377,687	3,803,687
2017	37,000	40,860	377,000	456,165	2,654,000	1,262,025	3,916,025
2018	38,000	39,195	394,000	439,200	3,507,000	1,153,612	4,660,612
2019	40,000	37,485	412,000	421,470	2,417,000	1,044,754	3,461,754
2020	42,000	35,685	431,000	402,930	1,913,000	957,727	2,870,727
2021	44,000	33,795	450,000	383,535	1,934,000	883,201	2,817,201
2022	46,000	31,815	470,000	363,285	1,961,000	804,684	2,765,684
2023	48,000	29,745	492,000	342,135	2,040,000	724,079	2,764,079
2024	50,000	27,585	514,000	319,995	2,069,000	641,239	2,710,239
2025	52,000	25,335	537,000	296,865	2,144,000	555,816	2,699,816
2026	54,000	22,995	561,000	272,700	2,180,000	468,254	2,648,254
2027	57,000	20,565	586,000	247,455	1,018,000	375,661	1,393,661
2028	60,000	18,000	613,000	221,085	1,073,000	333,398	1,406,398
2029	62,000	15,300	640,000	193,500	1,102,000	288,863	1,390,863
2030	65,000	12,510	669,000	164,700	1,159,000	242,053	1,401,053
2031	68,000	9,585	699,000	134,595	1,217,000	192,618	1,409,618
2032	71,000	6,525	731,000	103,140	1,277,000	140,165	1,417,165
2033	74,000	3,350	763,000	70,245	1,362,000	84,095	1,446,095
2034	-	-	798,000	35,910	798,000	35,910	833,910
	$ 1,069,000	$ 637,040	$ 11,794,000	$ 7,380,000	$ 43,498,000	$ 18,043,383	$ 61,541,383

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS

CAPITAL OUTLAY NOTES

JUNE 30, 2011

Year	Capital Outlay Notes Series 2007 (2-7-07) Principal	Interest	Total
2012	$ 82,000	$ 23,454	$ 105,454
2013	86,000	19,945	105,945
2014	89,000	16,264	105,264
2015	93,000	12,455	105,455
2016	97,000	8,474	105,474
2017	101,000	4,323	105,323
	$ 548,000	$ 84,915	$ 632,915

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA AIRPORT AUTHORITY
JUNE 30, 2011

Year	City of Tullahoma UDAG Loan (11-1-05) Principal	Interest	Total Notes
2012	$ 30,594	$ 1,906	$ 32,500
2013	28,462	1,538	30,000
2014	28,676	1,324	30,000
2015	28,892	1,108	30,000
2016	29,109	891	30,000
2017	29,329	671	30,000
2018	29,549	451	30,000
2019	29,772	228	30,000
2020	14,325	22	14,347
	$ 248,708	$ 8,139	$ 256,847

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

Year	Water & Wastewater Revenue & Tax Bonds Series 1997 (3-1-97)		Fiber Optics System Revenue and Tax Bonds Series 2007 (8-1-07)		Total Proprietary Funds Revenue & Tax Bond Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2012	$ 40,000	$ 17,513	$ 700,000	$ 706,044	$ 740,000	$ 723,557	$ 1,463,557
2013	45,000	15,206	730,000	676,531	775,000	691,737	1,466,737
2014	45,000	12,765	760,000	645,818	805,000	658,583	1,463,583
2015	50,000	10,175	790,000	614,818	840,000	624,993	1,464,993
2016	50,000	7,425	825,000	581,487	875,000	588,912	1,463,912
2017	55,000	4,537	860,000	545,681	915,000	550,218	1,465,218
2018	55,000	1,513	900,000	508,281	955,000	509,794	1,464,794
2019	-	-	935,000	469,872	935,000	469,872	1,404,872
2020	-	-	975,000	430,478	975,000	430,478	1,405,478
2021	-	-	1,020,000	389,331	1,020,000	389,331	1,409,331
2022	-	-	1,060,000	345,769	1,060,000	345,769	1,405,769
2023	-	-	1,105,000	299,763	1,105,000	299,763	1,404,763
2024	-	-	1,155,000	251,016	1,155,000	251,016	1,406,016
2025	-	-	1,205,000	199,391	1,205,000	199,391	1,404,391
2026	-	-	1,260,000	145,469	1,260,000	145,469	1,405,469
2027	-	-	1,320,000	89,031	1,320,000	89,031	1,409,031
2028	-	-	1,375,000	30,078	1,375,000	30,078	1,405,078
	$ 340,000	$ 69,134	$ 16,975,000	$ 6,928,858	$ 17,315,000	$ 6,997,992	$ 24,312,992

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS

TULLAHOMA UTILITIES BOARD

JUNE 30, 2011

	Tennessee Local Development Authority					
	Loan Fund 319-02		Loan Fund 319-03		Subtotal	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 9,099	$ 2,079	$ 37,530	$ 5,291	$ 46,629	$ 7,370
2013	9,625	1,553	39,436	3,384	49,061	4,937
2014	10,182	996	27,166	1,380	37,348	2,376
2015	7,045	407	-	-	7,045	407
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
	$ 35,951	$ 5,035	$ 104,132	$ 10,055	$ 140,083	$ 15,090

	State Revolving Loan Fund 93-053		State Revolving Loan Fund 94-077		Subtotal		Total Wastewater System Note Obligations	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 444,336	$ 67,092	$ 179,814	$ 37,566	$ 624,150	$ 104,658	$ 670,779	$ 112,028
2013	461,520	49,920	186,712	30,668	648,232	80,588	697,293	85,525
2014	479,364	32,064	193,874	23,506	673,238	55,570	710,586	57,946
2015	497,904	13,536	201,310	16,070	699,214	29,606	706,259	30,013
2016	84,832	404	209,031	8,348	293,863	8,752	293,863	8,752
2017	-	-	107,496	-	107,496	-	107,496	-
	$ 1,967,956	$ 163,016	$ 1,078,237	$ 116,158	$ 3,046,193	$ 279,174	$ 3,186,276	$ 294,264

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

Year	TML Loan 1999		Total Water System Note Obligations		Water & Wastewater Systems Total Note Obligations		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2012	$ 273,000	$ 85,020	$ 273,000	$ 85,020	$ 943,779	$ 197,048	$ 1,140,827
2013	283,000	76,830	283,000	76,830	980,293	162,355	1,142,648
2014	293,000	68,340	293,000	68,340	1,003,586	126,286	1,129,872
2015	303,000	59,550	303,000	59,550	1,009,259	89,563	1,098,822
2016	314,000	50,460	314,000	50,460	607,863	59,212	667,075
2017	324,000	41,040	324,000	41,040	431,496	41,040	472,536
2018	336,000	31,320	336,000	31,320	336,000	31,320	367,320
2019	348,000	21,240	348,000	21,240	348,000	21,240	369,240
2020	360,000	10,800	360,000	10,800	360,000	10,800	370,800
	$ 2,834,000	$ 444,600	$ 2,834,000	$ 444,600	$ 6,020,276	$ 738,864	$ 6,759,140

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS-UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

ELECTRIC RATES

RESIDENTIAL SERVICE	Base Rate	Fuel Cost Adjustment	Total Retail Rate
Customer Charge	$12.00		
All kWh	$0.05800 kWh	0.0251	$0.08310

GENERAL POWER SERVICE

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

Customer Charge	$16.00		
All kWh	$0.07132 kWh	0.02477	$0.09609

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

Customer Charge	$80.00		
0 - 50 kW	No Charge		
51 - 1,000 kW	$11.03 kW		
First 15,000 kWh	$0.07207 kWh	0.02477	$0.09684
Additional kWh	$0.03503 kWh	0.02439	$0.05942

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

Customer Charge	$200.00
0 - 1,000 kW	$9.77 kW
1,001 - 5,000 kW	$11.91 kW

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS-UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

ELECTRIC RATES (continued)

Outdoor Lighting for Individual Customers

	Base Rate	Fuel Cost Adjustment	Total Retail Rate
All kWh	$0.03951 kWh	0.0251	$0.06461

An additional Facility Charge is applicable

Type Fixture		Rated kWh	Energy Charge	Facility Charge	Monthly Charge
100 Watt High Pressure Sodium	Type A	45	$2.91	$5.86	$8.77
250 Watt HPS Cobra Head	Type B	111	$7.17	$7.55	$14.72
175 Watt Mercury Vapor	Type C	77	$4.97	$5.35	$10.32
400 Watt Mercury Vapor Open	Type D	174	$11.24	$7.02	$18.26
1000 Watt Metal Halide	Type E	394	$25.46	$15.45	$40.91
Steel Pole	Type F	0	$0.00	$11.49	$11.49
100 Watt HPS Cobra Head	Type G	45	$2.91	$5.97	$8.88
150 Watt HPS Acorn w/concrete pole	Type H	68	$4.39	$31.66	$36.05
175 Watt MH Acorn w/concrete pole	Type I	75	$4.85	$33.68	$38.53
250 Watt HPS Flood	Type J	111	$7.17	$10.40	$17.57
250 Watt HPS Acorn w/concrete pole	Type K	111	$7.17	$31.80	$38.97
250 Watt HPS Shoebox w/sq. steel pole	Type L	111	$7.17	$55.47	$62.64
400 Watt HPS Flood	Type M	171	$11.05	$10.69	$21.74
400 Watt MH Cobra Head	Type N	164	$10.60	$8.41	$19.01
400 Watt MH Flood	Type O	164	$10.60	$12.59	$23.19

Extra Pole*	Monthly Charge
35' or less	$ 3.21
40'	$ 11.49
13 ft concrete pole	$ 15.53
Square steel pole	$ 41.52

*Includes an amount for typical footage of conductor

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS-UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

WATER RATES

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

WASTEWATER RATES

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS-UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

BROADBAND SERVICE RATES

Residential Rates

Video Packages	
Lifeline Basic	$ 19.95
Expanded Basic	$ 47.95
Digital Plus	$ 66.95
Digital Bronze	$ 81.95
Digital Silver	$ 93.95
Digital Gold	$ 105.95
Single Service Adder (subscribe to only one service)	$ 15.00
Digital Tiers	
Sports Tier	$ 3.00
Movie Tier	$ 3.00
Latino Tier	$ 3.00
Optional Services	
HBO	$ 15.00
Showtime	$ 15.00
Cinimax	$ 15.00
Starz!	$ 15.00
Installation, Repair, & Other	
Standard Install - Prewired	$ 29.95
Standard Install - Unwired	$ 29.95
Custom Install Hourly Rate	$ 39.95
Change of Service - Technician	$ 24.95
Change of Service - Electronic	Free
Add'l/Relocate Outlet-At Initial Install-First Outlet	$ 24.95
Add'l/Relocate Outlet-Separate Trip-First Outlet	$ 49.95
Add'l/Relocate Outlet-Separate Trip-Add'l Outlet on Same Trip	$ 24.95
Add new STB-Separate Trip	$ 24.95
Service Call - Customer Premise Issue	$ 49.95
Trip charge	$ 24.95
Wall Fish	$ 24.95
NSF Check Fee	$ 25.00
Late Fee	5%
Reactivation Fee	$ 34.95
Inside Wire Maintenance (All Services)	$ 3.95
Internet Parking	$10.00/mo
Additional charge - each foot beyond 300 ft for underground	$1.00/ft
Additional charge - each foot beyond 300 ft for overhead	$0.25/ft
High Speed Internet	
10Mbps Tier	$ 37.95
20Mbps Tier	$ 49.95
30Mbps Tier	$ 59.95
50Mbps Tier	$ 149.95
100Mbps Tier	$ 299.95
Single Service Adder (subscribe to only one service)	$ 15.00
Additional Email address (single)	$ 1.00

Bundles	
LightTUBe Lifeline TriplePlay Lifeline Basic 10Mbps Internet Home Phone	$ 79.95
LightTUBe TriplePlay Expanded Basic 10Mbps Internet Home Phone	$ 99.95
LightTUBe TriplePlay Plus Digital Plus 10Mbps Internet Home Phone	$ 118.95
LightTUBe TriplePlay HD Digital Plus with HD/DVR 10Mbps Internet Home Phone	$ 125.95
LightTUBe TriplePlay Max Digital Gold with HD/DVR Sports, Movie and HD Tiers 30Mbps Internet Home Phone	$ 192.95
Telephone Services	
Home Phone	$ 31.95
800 Service (monthly)	$ 5.00
Lifeline	$ 12.95
Additional Line with Unlimited LD	$ 24.95
Personal Mailbox	$ 1.95
Single Service Adder	$ 15.00
Premium Directory Listing	
Non-Published Listing	$ 5.00
Non-Listed Listing	$ 3.10
Additional Listing	$ 2.10
Alternate Listing	$ 1.80
Foreign Listing	$ 1.20
Directory Assistance	
Call Completion	$ 0.45
Local	$ 0.98
National	$ 0.98
Operated Assisted Service Surcharge	$ 2.25

BROADBAND SERVICE RATES (continued)

Residential (continued)

Equipment	
Standard Digital Box - Primary	Included
Standard Digital Box - Additinoal	$ 5.00
HD Digital Box - Primary	Included
HD Digital Box - Additional	$ 8.00
HD/DVR Digital Box - Primary	$ 7.00
HD/DVR Digital Box - Additional	$ 15.00
High Capacity HD/DVR Digital Box - Primary	$ 14.00
High Capacity HD/DVR Digital Box - Additional	$ 22.00
Unreturned Digital Box	$ 150.00
Unreturned Digital HD Box	$ 200.00
Unreturned Digital HD/DVR Box	$ 350.00
Unreturned High Capacity HD/DVR Box	$ 500.00

Commercial Rates

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

Video Packages	
Expanded Basic	$ 47.95
Expanded Basic (Hospitality)	Varies
Digital Basic (no music)	$ 86.95
Commercial Music Only	$ 39.95

Installation, Repair, & Other	
Standard Install - Prewired	Varies
Standard Install - Unwired	Varies
Custom Install Hourly Rate	$ 39.95
Change of Service - Technician	$ 29.95
Change of Service - Electronic	Free
Add'l/Relocate Outlet-At Initial Install-First Outlet	$ 24.95
Add'l/Relocate Outlet-Separate Trip-First Outlet	$ 49.95
Add'l/Relocate Outlet-Separate Trip-Add'l Outlet on Same Trip	$ 24.95
Add new STB-Separate Trip (waived if upgrading to digital service	$ 24.95
Service Call - Customer Premise Issue/Customer Request (Above one hour at custom install hourly rate)	$ 49.95
Trip Charge	$ 24.95
Wall Fish	$ 24.95
NSF Chack Fee	$ 25.00
Late Fee	5%
Reactivation Fee	$ 34.95
Additional charge - each foot beyond 300 ft for underground	$1.00/ft
Additional charge - each foot beyond 300 ft for overhead	$0.25/ft

Premium Directory Listing	
Non-Published Listing	$ 5.00
Non-Listed Listing	$ 5.00
Additional Listing	$ 5.00
Alternate Listing	$ 2.10
Foreign Listing	$ 2.10

Telephone Services	
Business Phone	
No Term	$ 39.95
2 Year Term	$ 34.95
3 Year Term	$ 29.95
Analog T1	
Fixed fee per T1	$ 100.00
PerChannel Charge (minimum of 9)	$ 20.00
Digital T1 (PRI)	
Full 2-Way T1	$ 500.00
Half 2-Way T1	$ 300.00
Full Inbound-Only T1	$ 250.00
Block of 20 DIDs	$ 5.00
Long Distance (per minute)	$ 0.05
800 Service (monthly)	$ 5.00
Remote Call Forward Line (monthly)	$ 16.00
Remote Call Forward Line (per minute)	$ 0.05
Toll Free Vanity Search	$ 5.00
Account Codes - Verified	$ 5.00
Account Codes - Non-Verified	$ 4.00

Directory Assistance	
Call Completion	$ 0.45
Local	$ 0.98
National	$ 0.98
Operated Assited Service Surcharge	$ 2.25

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS-UNAUDITED
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

BROADBAND SERVICE RATES (continued)

Commercial (continued)

Equipment

Standard Digital Box - Primary	Included
Standard Digital Box - Additional	$ 5.00
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

Additional Email and Hosting Services

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

Static IP Addresses

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

High Speed Internet

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

Average number of customers during the year:

Power System	10,359
Water System	9,540
Wastewater System	7,335
Fiber System	2,565

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
TULLAHOMA UTILITIES BOARD
JUNE 30, 2011

(All amounts in gallons)

Unaudited - See Accompanying Accountants' Report

A	**Water Treated and Purchased:**		
B	Water pumped (potable)	0	
C	Water Purchased	1,153,375,000	
D	**Total Water Treated and Purchased (Sum Lines B and C)**		1,153,375,000
E	**Accounted for Water:**		
F	Water Sold	981,319,900	
G	Metered for Consumption (in house usage)	0	
H	Fire Department Usage	0	
I	Flushing	3,796,000	
J	Tank cleaning/filling	0	
K	Street cleaning	0	
L	Bulk sales	0	
M	Water bill adjustments / plus or (minus)	0	
N	**Total Accounted for Water (Sum Lines F through N)**		985,115,900
O	**Unaccounted for Water (Line D minus Line O)**		168,259,100
P	**Percent Unaccounted for Water (Line P divided by Line D times 100)**		14.588%
Q	**Other (explain)**		

Not applicable

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

Program Name	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2010	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2011
STATE FINANCIAL ASSISTANCE PROGRAMS								
Tennessee Arts Commission:								
Arts Build Communities	15-D11	10/15/10-6/15/11	3,000	$ -	$ -	$ (2,225)	$ 2,225	$ -
Tennessee Department of Education:								
ACT-Explore	N/A	7/1/10-6/30/11	N/A	-	-	-	4,368	4,368
Career Ladder Supplement	N/A	7/1/10-6/30/11	N/A	-	-	(173,524)	174,691	1,167
Basic Education Program	N/A	7/1/10-6/30/11	N/A	-	-	(11,501,390)	11,828,665	327,275
Basic Education Program-ARRA	N/A	7/1/10-6/30/11	N/A	-	-	(1,251,335)	1,251,335	-
CEO Supplement	N/A	7/1/08-6/30/09	N/A	1,141	-	(1,141)	-	-
Coordinated School Health-ARRA	GZ8/AAX9	7/1/09-6/30/10	95,000	38,612	-	(38,612)	-	-
Coordinated School Health	GZ8/AAX9	7/1/10-6/30/11	95,000	-	-	(58,718)	94,999	36,281
Extended Contract	N/A	7/1/10-6/30/11	85,300	85,300	-	(85,300)	85,300	85,300
Internet Connectivity	N/A	7/1/10-6/30/11	9,985	-	-	(9,985)	9,985	-
Pre-K	MX9AAX	7/1/10-6/30/11	357,082	-	-	(253,994)	357,082	103,088
Voluntary Pre-K for TN Program	MX0AAX	7/1/09-6/30/10	348,233	348,232	-	(348,232)	-	-
Safe Schools-ARRA	N/A	7/1/09-6/30/10	8,400	8,400	-	(8,400)	-	-
Safe Schools-ARRA	N/A	7/1/10-6/30/11	16,300	-	-	(16,300)	16,300	-
ConnecTenn	N/A	7/1/10-6/30/11	1,832	-	-	(1,832)	1,832	-
Energy Efficient School Initiative	N/A	2010-2011	73,000	-	-	-	73,000	73,000
SSMS-ARRA	N/A	7/1/10-6/30/11	8,396	-	-	(8,396)	8,396	-
Total Tennessee Department of Education				481,685	-	(13,757,159)	13,905,953	630,479
Tennessee Department of Environment and Conservation:								
Recycling Equipment Grant	N/A	2/12/10-2/11/15	15,246	-	-	-	13,156	13,156
				-	-	-	13,156	13,156
Tennessee Department of Labor and Workforce Development:								
Adult Basic Education	Z-10-218561-00	7/1/09-6/30/10	27,695	2,352	-	(2,352)	-	-
Adult Basic Education	PO 6818/DG1131220	4/1/10-6/30/12	22,153	-	-	(18,697)	20,130	1,433
Total Tennessee Department of Labor and Workforce Development				2,352	-	(21,049)	20,130	1,433
Community Foundation of Middle Tennessee								
Discretionary Grant - Pre K	2,102,885	12/1/10-11/30/11	4,858	-	-	(4,858)	4,858	-
Total State Financial Assistance Programs				$ 484,037	$ -	$ (13,785,291)	$ 13,946,322	$ 645,068

(continued)

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

Program Name	State Grant Number	Grant Period	Award Amount	(Deferred) July 1, 2010	Adjustment	Grant Receipts	Grant Expenditures/ Uses	(Deferred) June 30, 2011
Component Units:								
Municipal Airport Authority								
Tennessee Department of Transportation								
Airport Improvement Program	Z-06-02-9514-00	10/01/05-09/30/10	3,012,568	$ -	$ -	$ -	$ -	$ -
Airport layout update	Z-06-02-9521-00	10/01/05-09/30/10	52,200	-	-	-	-	-
Airport maintenance and improvements	99-555-1194-04	07/01/09-06/30/10	18,000	6,173	-	(6,173)	-	-
Airport maintenance and improvements	Z-09-21-3423-00	07/01/08-06/30/09	18,000	-	-	-	-	-
Construction and engineering	Z-09-21-3957-00	12/31/08-09/30/13	700,000	68,412	-	(68,412)	-	-
Drainage study and repairs	Z-07-03-7714-00	12/01/06-11/30/11	99,000	-	-	-	37,000	37,000
Emergency repairs on 18/36	Z-07-03-7632-00	12/01/06-11/30/11	22,800	-	-	-	-	-
Fencing & security camera & gate	Z-09-21-4053-00	09/03/09-09/30/13	40,000	11,564	-	(35,786)	24,222	-
Install security fencing and gate	Z-07-03-7582-00	12/01/06-11/30/11	9,000	-	-	-	-	-
Install security fencing and gate	Z-08-20-0674-00	01/01/08-09/30/12	17,000	-	-	-	-	-
Obstruction Survey	Z-06-02-9511-00	10/01/05-09/30/10	65,550	-	-	-	-	-
Parking apron concrete repairs	Z-08-20-0666-00	12/01/07-09/30/12	351,840	4,264	-	(4,264)	-	-
Self service credit card machine	Z-08-20-0668-00	1/1/08-9/30/12	7,000	-	-	(3,500)	3,500	-
Ramp and taxiway construction	Z-07-09-7546-00	12/01/06-11/30/11	134,063	-	-	(8,720)	8,720	-
Ramp/taxiway pavement repairs	Z-07-03-7634-00	12/01/06-11/30/11	5,400	-	-	-	-	-
Repair and overlay of south taxiway	Z-08-20-0667-00	12/01/07-09/30/12	1,314,305	15,925	-	(15,925)	-	-
Security fencing and vehicle gate	Z-09-21-3912-00	10/03/08-09/30/13	9,500	-	-	-	-	-
Security fencing and vehicle gate	Z-09-21-4052-00	09/03/09-09/30/13	94,000	12,899	-	(65,653)	52,754	-
Taxiway Drainage repair	10-125-00	11/20/09-09/30/14	19,000	-	-	-	-	-
Tractor & bush hog	10-126-00	11/20/09-09/30/14	80,000	-	-	-	-	-
Tree clearing	Z-07-03-7581-00	12/01/06-11/30/11	9,682	-	-	-	-	-
Tree clearing	10-123-00	11/20/09-09/30/14	12,000	-	-	(2,000)	2,000	-
Total State Financial Assistance Programs				$ 119,237	$ -	$ (210,433)	$ 128,196	$ 37,000

See accompanying accountants' report.

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2010	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2011
FEDERAL FINANCIAL ASSISTANCE PROGRAMS									
U.S. Department of Agriculture:									
Passed Through Tennessee Department of Agriculture:									
National School Breakfast Program	10.553	N/A	7/1/10-6/30/11	N/A	$ -	$ -	$ (168,639)	$ 190,571	$ 21,932
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	N/A	-	-	(588,533)	661,365	72,832
Child Nutrition - Fruits and Veg	10.582	N/A	7/1/08-6/30/09	N/A	899	-	(10,026)	16,648	7,521
Child Nutrition Match	N/A	N/A	7/1/10-6/30/11	N/A	-	-	(18,547)	18,547	-
Passed Through Tennessee Rural Development:									
Rural Business Enterprise Grant	10.769	N/A	11/1/07-11/1/10	199,000	-	-	(15,000)	15,000	-
Total U.S. Department of Agriculture					899	-	(800,745)	902,131	102,285
U.S. Department of Labor									
Adult Basic Education 75%	84.002	Z-10-218561-00	7/1/09-6/30/10	83,085	7,056	-	(7,056)	-	-
Adult Basic Education 75%	84.002	PO 6818/DG1131220	7/1/10-6/30/12	110,736	-	-	(91,287)	98,286	6,999
ABE Workforce/Literacy/JTPA	17.259	11-06-031-010-youth	7/1/09-6/30/10	55,529	-	-	(35,721)	38,274	2,553
Total U.S. Department of Labor					7,056	-	(134,064)	136,560	9,552
U.S. Department of Education:									
Passed Through Tennessee Department of Education:									
IDEA - Part B	84.027A	N/A	7/1/10-6/30/11	764,436	-	-	(764,436)	764,436	-
IDEA - Part B ARRA	84.391A	N/A	7/1/09-9/30/10	744,889	49,481	369,051	(418,532)	-	-
IDEA - Part B ARRA	84.391A	N/A	7/1/10-9/30/11	369,051	-	(369,051)	-	319,135	(49,916)
IDEA - Part B Discretionary Inclusion	84.027	N/A	7/1/10-6/30/11	70,320	-	-	(56,946)	69,891	12,945
IDEA - Part B Discretionary AYP Improvement	84.027A	N/A	7/1/11-6/30/12	25,000	-	-	-	4,832	4,832
IDEA - Part B Excess Cost	84.027	N/A	7/1/09-6/30/10	N/A	-	-	(25,034)	25,034	-
IDEA - Part B Excess Cost Preschool	N/A	N/A	7/1/10-6/30/11	N/A	-	-	(18,874)	18,874	-
IDEA - Preschool	84.173A	N/A	7/1/10-9/30/11	34,770	-	-	(34,770)	34,770	-
IDEA - Preschool ARRA	84.392A	N/A	7/1/09-9/30/10	15,547	985	6,209	(7,194)	-	-
IDEA - Preschool ARRA	84.392A	N/A	7/1/10-9/30/11	6,209	-	(6,209)	-	5,068	(1,141)
Public Law 874	84.041	N/A	7/1/10/6/30/11	N/A	-	-	(30,722)	30,722	-
Reading First Program	84.357	GG-05-11254-00	7/1/08-6/30/09	228,163	-	-	-	-	-
Reading First Program	84.357	GG-05-11254-00	7/1/09-6/30/10	88,840	88,840	-	(88,840)	-	-
Title I, Part A	84.010	N/A	7/1/10-9/30/11	849,010	-	-	(849,010)	849,010	-
Title I, Part A	84.010A	N/A	7/1/09-6/30/10	739,714	58,136	-	(130,381)	72,245	-
Title I, Part A, ARRA	84.389	N/A	7/1/09-9/30/11	159,856	-	-	(159,856)	159,856	-
Title I, Part C	84.048A	N/A	7/1/09-6/30/10	54,426	-	-	-	-	-
Title II, Part A	84.367A	N/A	7/1/10-6/30/11	165,775	-	-	(165,775)	165,101	(674)
Title II, Part D, Competitive, ARRA	84.318X	N/A	7/1/10-9/30/11	20,000	-	-	(12,088)	14,020	1,932
Title II, Part D	84.318X	N/A	7/1/09-9/30/10	8,108	6,563	207	(6,770)	-	-
Title II, Part D, ARRA	84.386	N/A	7/1/09-9/30/10	19,939	8,278	-	(8,278)	-	-
Title II, Part D, ARRA	84.318X	N/A	7/1/10-9/30/11	2,456	-	(207)	(2,456)	2,663	-
Title III, Part A (GF)	84.365A	N/A	7/1/10-9/30/11	6,789	-	-	-	6,789	6,789
Title IV, Part A	84.186A	N/A	7/1/09-6/30/10	12,489	125	-	(125)	-	-
SNAP - School Supplies ARRA	93.558	N/A	7/1/10-9/30/10	24,263	-	-	(24,263)	24,263	-
Title IV, Part B 21st Century	84.287	192-10-033	7/1/09-6/30/10	250,000	172,167	-	(172,167)	-	-
Title IV, Part B 21st Century	84.287	192-10-033	7/1/10-6/30/11	250,000	-	-	(120,690)	249,029	128,339
Title VI, Part B, Subpart 2	84.358	N/A	7/1/10-9/30/11	84,257	-	-	(84,257)	84,257	-
Tennessee First to the Top Grant Award	84.359	Lea fund S395A100032	7/1/10-9/30/14	277,500	-	-	(277,500)	276,396	(1,104)
Tennessee First to the Top Grant Award	84.359	Focus Schools S395A10003	1/15/11-9/30/12	3,000	-	-	-	-	-
Education Jobs Program Grant Award	84.410	S410A100043	7/1/10-6/30/11	694,251	-	-	(255,047)	274,442	19,395
Carl Perkins, Title I Part C	84.048A	N/A	7/1/10-6/30/11	56,704	-	-	-	56,704	56,704
Total U.S. Department of Education					384,575	-	(3,714,011)	3,507,537	178,101

(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, 2011

Program Name	CFDA Number	State Grant Number	Grant Period	Award Amount	Receivable (Deferred) July 1, 2010	Adjustment	Grant Receipts	Grant Expenditures/ Uses	Receivable (Deferred) June 30, 2011
U.S. Department of Justice:									
Passed Through Tennessee Department of Finance and Administration									
Edward Byrne Memorial Justice Assistance Grant	20.607	2009SBB91875	8/2009-2/2013	60,303	(10,167)	-	-	5,158	(5,009)
Direct Program:									
Bullet Proof Vest Partnership	16.607	N/A	2010-2011	4,119	-	-	(1,014)	1,260	246
Total U.S. Department of Justice					(10,167)	-	(1,014)	6,418	(4,763)
U.S. Department of Homeland Security:									
AFG FEMA Hazmat	97.044	EMW-2009-FO-08839	2/11/10-2/10/11	39,900	37,962	-	(39,900)	1,938	-
FPS FEMA Fire Alarms	97.044	WMW-2009-FP-00451	2/26/10-2/25/11	14,250	13,796	-	(14,241)	445	-
Total U.S. Department of Homeland Security					51,758	-	(54,141)	2,383	-
U.S. Department of Housing and Urban Redevelopment:									
Community Development Block Grant	14.228	GG-1031427	10/29/2009-9/30/2014	400,000	23,690	-	(309,407)	285,717	-
U.S. Department of Transportation:									
Passed Through Tennessee Department of Transportation									
12 Radar Speed Signs	20.600	Z-10-220112-00	9/30/2010	30,000	4,387	(4,387)	(11,064)	11,064	-
Tullahoma Safe Roads Traffic Enforcement Program	20.600	PT-11-67	10/2010-9/2011	15,360	-	-	(6,142)	11,549	5,407
Total U.S. Department of Transportation					4,387	(4,387)	(17,206)	22,613	5,407
Total Federal Financial Assistance Programs					$ 462,198	$ (4,387)	$ (5,030,588)	$ 4,863,359	$ 290,582
FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM									
Non Cash Federal Assistance:									
U.S. Department of Agriculture									
Food Distribution Program	10.555	N/A	7/1/09-6/30/10	N/A	$ -	$ -	$ (116,435)	$ 116,435	$ -
Component Units:									
Municipal Airport Authority:									
U.S. Department of Transportation									
Passed through Tennessee Department of Transportation:									
Airport Improvement Program	20.106	Z-06-02-9514-00	10/01/05-09/30/10	306,700	$ -	$ -	$ (12,163)	$ 12,163	$ -
Total Federal Financial Assistance Programs					$ -	$ -	$ (12,163)	$ 12,163	$ -

See accompanying accountants' report.

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

NOTE 1 - BASIS OF PRESENTATION

A. Noncash Federal Programs – OMB Circular A-133

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

B. Federal Financial Assistance without CFDA Numbers

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

C. Schedule of Expenditures of State Awards

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

NOTE 2 - BASIS OF ACCOUNTING

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

NOTE 3 - MATCHING COST

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

NOTE 4 - INDIRECT COSTS

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

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE
GENERAL FUND
JUNE 30, 2011

Calendar Year of Levy	Amount
2011	$ 8,782,720
2010	384,906
2009	147,325
2008	65,282
2007	44,619
2006	20,391
2005	4,377
2004	3,022
2003	8,734
2002	6,799
2001	7,498
2000	5,922
1999	-
Total property tax receivable	9,481,595
Less: allowance for uncollectibles	(698,875)
Net property taxes receivable	$ 8,782,720

*Estimated amount of taxes levied on January 1, 2011 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, 2011

Tax Year	Balance July 1, 2010	Additions	Payments/ Adjustments	Balance June 30, 2011
2011	$ -	$ 8,782,720	$ -	$ 8,782,720
2010	-	8,782,720	(8,397,814)	384,906
2009	404,937	-	(257,612)	147,325
2008	108,131	-	(42,849)	65,282
2007	58,024	-	(13,405)	44,619
2006	27,593	-	(7,202)	20,391
2005	15,278	-	(10,901)	4,377
2004	4,018	-	(996)	3,022
2003	8,940	-	(206)	8,734
2002	7,004	-	(205)	6,799
2001	7,878	-	(380)	7,498
2000	5,952	-	(30)	5,922
1999	4,894	-	(4,894)	-
	$ 652,649	$ 17,565,440	$ (8,736,494)	$ 9,481,595

*Estimated amount of taxes levied on January 1, 2011 based upon estimate of assessment.

See accompanying accountants' report.

CITY OF TULLAHOMA
STATE OF TENNESSEE

STATISTICAL SECTION
(UNAUDITED)

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

Contents **Page**

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

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

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

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

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

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

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

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

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

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

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Taxes	$ 14,105,888	$ 14,413,165	$ 15,273,557	$ 15,723,697	$ 19,997,350	$ 18,075,027	$ 17,844,188	$ 17,632,917	$ 17,752,523
Payment in lieu of tax	-	-	-	-	-	159,817	187,223	162,559	183,937
Intergovernmental	18,259,432	19,388,278	20,088,688	21,563,840	17,632,092	24,695,475	25,097,961	24,951,016	26,517,844
Licenses and permits	141,841	122,121	127,421	165,487	129,021	146,560	138,158	80,908	78,399
Fines and forfeitures	258,341	302,838	313,710	368,985	334,293	410,656	244,343	232,525	271,996
Charges for services	2,337,894	2,361,749	2,448,006	2,528,097	2,518,375	2,346,287	2,429,226	2,282,775	2,225,251
Investment income	890,872	472,244	377,017	372,317	741,567	379,913	164,840	153,614	172,165
Sale of property	-	-	101,775	907,072	4,500	400	19,852	5,000	10,630
Note repayments	-	-	25,174	125,859	130,180	43,009	95,613	132,323	136,012
Other	-	133,976	107,937	530,884	488,851	719,051	446,882	353,049	484,324
Total revenues	35,994,268	37,194,371	38,863,285	42,286,238	41,976,229	46,976,195	46,668,286	45,986,686	47,833,081
Expenditures									
General government	1,124,920	1,257,003	1,338,757	1,577,057	1,295,275	1,177,901	1,182,578	1,322,151	1,234,081
Public Safety	3,869,616	3,837,478	4,311,464	4,427,745	4,376,307	4,665,946	4,726,599	4,697,942	4,809,616
Public Works	1,763,016	1,780,863	1,727,364	2,148,030	1,876,706	2,056,101	2,087,564	1,928,681	1,947,571
Parks and recreation	-	-	-	-	-	1,153,305	1,256,631	1,301,424	1,250,197
Community Services	1,172,230	1,074,192	1,092,692	1,152,278	1,177,283	262,571	253,497	176,690	174,919
Waste Management	1,480,131	1,527,422	1,634,335	1,508,520	1,599,771	1,832,253	1,807,441	1,733,132	1,717,743
Public Education	20,369,435	20,528,958	22,949,852	23,340,576	23,441,793	26,957,513	28,075,339	27,812,938	29,354,890
Program Costs	2,192,617	3,894,546	4,044,267	4,465,542	3,966,098	2,292,566	2,616,312	2,051,527	1,924,886
Capital outlay	3,298,626	8,198,295	2,423,705	2,704,993	2,840,558	5,563,226	5,368,217	11,608,444	7,827,750
Loans disbursed	-	-	280,000	269,780	125,000	7,055	79,650	70,000	468,589
Debt service									
Principal	2,482,024	2,087,473	1,615,000	1,170,000	1,233,310	1,312,068	1,463,025	1,484,368	1,917,000
Interest	1,578,724	1,353,671	1,402,123	1,375,461	1,339,747	1,353,384	1,311,479	1,143,371	1,263,774
Fiscal charges	-	-	2,597	122,294	149,512	2,599	94,828	89,167	67,784
Total expenditures	39,331,339	45,539,901	42,822,156	44,262,276	43,421,360	48,636,488	50,323,160	55,419,835	53,958,800
Excess of revenues over (under) expenditures	(3,337,071)	(8,345,530)	(3,958,871)	(1,976,038)	(1,445,131)	(1,660,293)	(3,654,874)	(9,433,149)	(6,125,719)
Other Financing Sources (Uses)									
Issuance of refunding bonds	-	-	-	9,880,000	9,320,000	-	2,892,463	12,992,125	4,750,000
Issuance of notes	-	-	-	-	845,000	-	-	-	1,329,412
Payment to refunding bond escrow agent	-	-	-	(4,873,115)	(9,283,450)	-	-	(4,131,287)	-
Bond issue premium	-	-	-	92,183	42,031	-	-	111,388	-
Transfers in	13,030,662	12,167,655	12,061,877	12,639,783	13,122,649	14,196,338	17,838,616	23,703,053	19,785,433
Transfers out	(13,175,762)	(12,167,655)	(12,061,877)	(12,639,783)	(12,785,602)	(13,799,414)	(17,434,037)	(23,249,950)	(19,449,502)
Total other financing sources (uses)	(145,100)	-	-	5,099,068	1,260,628	396,924	3,297,042	9,425,329	6,415,343
Net change in fund balances	(3,482,171)	(8,345,530)	(3,958,871)	3,123,030	(184,503)	(1,263,369)	(357,832)	(7,820)	289,624
Debt service as a percentage of noncapital expenditures	12.70%	9.93%	7.98%	6.82%	7.21%	6.42%	6.72%	6.30%	7.90%

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

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

Fiscal Year	Tax Year	Residential Property	Commercial Property	Total Taxable Assessed Value	County[a]	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2002	2001	122,863,500	123,313,682	246,177,182		2.39	832,602,282	29.567%
2003	2002	138,168,750	136,063,882	274,232,632		2.39	916,690,980	29.915%
2004	2003	141,056,575	137,961,634	279,018,209		2.39	933,857,961	29.878%
2005	2004	144,288,750	140,348,404	284,637,154		2.81	955,604,765	29.786%
2006	2005	143,179,375	144,416,030	287,595,405		2.81	968,403,216	29.698%
2007	2006	154,094,200	162,784,471	316,878,671	Coffee	2.49	1,052,832,610	30.098%
		13,588,000	3,183,952	16,771,952	Franklin	2.84	64,768,674	25.895%
2008	2007	157,042,475	163,527,494	320,569,969	Coffee	2.44	1,066,319,358	30.063%
		17,746,850	4,298,649	22,045,499	Franklin	2.44	84,379,680	26.127%
2009	2008	159,404,850	164,136,385	323,541,235	Coffee	2.44	1,086,798,263	29.770%
		18,423,550	5,027,499	23,451,049	Franklin	2.44	89,401,911	26.231%
2010	2009	166,140,275	162,085,710	328,225,985	Coffee	2.44	1,103,987,272	29.731%
		19,049,450	4,709,942	23,759,392	Franklin	2.44	90,930,491	26.129%
2011	2010	169,593,225	183,579,854	353,173,079	Coffee	2.29	1,165,946,883	30.291%
		18,803,125	4,482,745	23,285,870	Franklin	2.42	89,140,759	26.123%

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

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

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

Fiscal Year	City Direct Rate	Coffee County Rate	Total Rate (1)	City Direct Rate	Franklin County Rate	Total Rate (2)
2002	2.39	2.54	4.93	2.39	2.46	4.85
2003	2.39	2.56	4.95	2.39	2.16	4.55
2004	2.39	2.56	4.95	2.39	2.35	4.74
2005	2.81	2.56	5.37	2.81	2.62	5.43
2006	2.81	2.56	5.37	2.81	2.62	5.43
2007	2.49	2.25	4.74	2.84	2.62	5.46
2008	2.44	2.37	4.81	2.44	2.01	4.45
2009	2.44	2.46	4.90	2.44	2.11	4.55
2010	2.44	2.46	4.90	2.44	2.11	4.55
2011	2.29	2.58	4.87	2.42	2.23	4.65

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

Property tax rates are per $100 of assessed value.

Sources: Tennessee Comptroller of the Treasury, Division of Property Assessments, 2011 Property Tax Rates.

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

	2011 (for tax year 2010)			2001 (for tax year 2000)		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Tullahoma HMA, Inc.	$ 9,583,960	1	2.55%	$ 4,936,000	1	2.01%
Goodrich Aerospace	8,475,120	2	2.25%	3,894,148	2	1.58%
Forest Gallery, LLC	4,730,120	3	1.26%	2,711,600	5	1.10%
Centro NP Commerce Central	4,444,360	4	1.18%	3,372,920	4	1.37%
Lowes Home Center	3,497,120	5	0.93%	-		-
Harton Regional Medical Center	3,212,532	6	0.85%	-		-
Bell South	2,784,762	7	0.74%	3,804,453	3	1.55%
Ada Ferrell Apartments	2,680,960	8	0.71%	1,051,160	10	0.43%
Harton Family Partners	2,522,155	9	0.67%	-		-
Northgate Limited	2,368,240	10	0.63%	2,192,720	6	0.89%
Fuji Color Processing	-		-	2,041,081	7	0.83%
Development Enterprises	-		-	1,403,160	8	0.57%
Continental Properties	-		-	1,320,000	9	0.54%
Total	$ 44,299,329		11.77%	$ 26,727,242		10.87%

Source: Tullahoma Director of Finance

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

Fiscal Year Ended June 30,	Tax Year	Total Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Collections	Total Collected as Percent of Current Levy	Oustanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2011	2010	$ 8,782,720	$ 8,397,814	95.62%	$ 210,577	8,608,391	98.02%	$ 313,969	3.57%
2010	2009	8,723,445	8,318,508	95.36%	224,590	8,543,098	97.93%	247,712	2.84%
2009	2008	8,588,443	8,292,213	96.55%	212,052	8,504,265	99.02%	247,712	2.88%
2008	2007	8,466,612	8,130,511	96.03%	218,714	8,349,225	98.61%	301,472	3.56%
2007	2006	8,359,817	8,066,479	96.49%	152,556	8,219,035	98.32%	194,603	2.33%
2006	2005	8,366,611	8,092,072	96.72%	172,134	8,264,206	98.78%	215,785	2.58%
2005	2004	7,999,287	7,759,253	97.00%	147,912	7,907,165	98.85%	261,127	3.26%
2004	2003	6,668,968	6,486,327	97.26%	167,536	6,653,863	99.77%	297,242	4.46%
2003	2002	6,554,170	6,362,309	97.07%	201,251	6,563,560	100.14%	282,412	4.31%
2002	2001	5,823,383	5,638,014	96.82%	126,144	5,764,158	98.98%	291,168	5.00%

Source: City of Tullahoma Finance Department.

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

	Governmental Activities			Business-type Activities				
Fiscal Year	General Obligation Bonds	Capital Outlay Notes	Capital Leases	Revenue Bonds	Notes	Total Primary Government	Percentage of Personal Income	Per Capita
2002	33,180,000	619,000	38,536	5,432,307	10,952,842	50,222,685	3.99%	2,791
2003	30,910,000	410,000	659,407	5,170,000	12,151,155	49,300,562	3.67%	2,740
2004	29,295,220	70,000	784,940	4,460,000	13,542,677	48,152,837	3.33%	2,676
2005	27,700,220	50,000	560,320	3,720,000	11,660,404	43,690,944	N/A	2,428
2006	31,827,794	30,000	336,551	2,960,000	10,760,592	45,914,937	N/A	2,552
2007	31,349,165	855,000	208,241	2,165,000	9,867,293	44,444,699	N/A	2,470
2008	30,080,000	775,000	121,393	18,310,000	9,028,508	58,314,901	N/A	3,241
2009	31,692,463	703,000	10,368	17,390,000	7,840,819	57,636,650	N/A	3,110
2010	39,166,588	627,000	-	16,975,000	6,977,586	63,746,174	N/A	3,440
2011	43,498,000	548,000	-	17,315,000	6,020,276	67,381,276	N/A	3,627

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
2002	33,180,000	0.04	1,843.95
2003	30,910,000	0.03	1,717.79
2004	29,295,220	0.03	1,628.05
2005	27,700,220	0.03	1,539.41
2006	31,827,794	0.03	1,768.80
2007	31,349,165	0.03	1,742.20
2008	30,080,000	0.03	1,671.67
2009	31,692,463	0.03	1,710.06
2010	39,166,588	0.44	2,113.34
2011	43,498,000	0.04	2,341.25

CITY OF TULLAHOMA, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Coffee County Bonds (exclude school debt)	$ 6,815,000	38.09%	$ 2,595,834
Franklin County Bonds (exclude school debt)	10,631,030	2.88%	306,174
Subtotal, overlapping debt			$ 2,902,007
City of Tullahoma direct debt			21,977,000
Total direct and overlapping debt			$ 24,879,007

[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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Tullahoma Utilities Board Revenue Bonds						
	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2011	$ 40,982,582	$ 36,141,123	$ 4,841,459	$ 740,000	$ 723,557	$ 1,463,557	3.31
2010	36,043,815	33,982,877	2,060,938	40,000	739,677	779,677	2.64
2009	35,925,238	32,764,516	3,160,722	35,000	741,635	776,635	4.07
2008	31,554,533	27,973,540	3,580,993	830,000	101,249	931,249	3.85
2007	30,263,169	26,305,850	3,957,319	795,000	132,590	927,590	4.27
2006	29,135,117	25,556,218	3,578,899	760,000	161,408	921,408	3.88
2005	26,350,363	23,013,236	3,337,127	740,000	189,316	929,316	3.59
2004	26,233,252	22,941,866	3,291,386	710,000	214,718	924,718	3.56
2003	25,236,051	22,186,602	3,049,449	685,000	200,983	885,983	3.44
2002	24,319,113	21,036,752	3,282,361	710,000	331,138	1,041,138	3.15

* 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
2002	17,994	1,257,744	N/A	37.5	3,359	4.3%
2003	17,994	1,343,451	N/A	38.3	3,631	4.3%
2004	17,994	1,447,873	N/A	38.0	3,650	4.0%
2005	17,994	N/A	N/A	38.1	3,646	5.0%
2006	17,994	N/A	N/A	38.2	3,597	4.2%
2007	17,994	N/A	28,716	38.2	3,631	5.7%
2008	17,994	N/A	28,716	38.2	3,636	5.5%
2009	18,533	N/A	24,718	38.1	3,712	6.9%
2010	18,533	N/A	24,718	38.1	3,802	6.9%
2011	18,579	N/A	23,557	38.1	3,542	9.8%

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

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

Sources: Population estimates provided by Middle Tennessee Industrial 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 TEN YEARS AGO

Employer	2011 Number of Employees	2011 Rank	2011 Percentage of Total City Employment	2001 Number of Employees	2001 Rank	2001 Percentage of Total City Employment
Harton Regional Medical Center	550	1	2.15%	220	6	0.91%
Ascend Federal Credit Union	295	2	1.15%	-		-
Goodrich Landing Gear Corporation	263	3	1.03%	185	7	0.77%
Tennessee Apparel Corporation	200	4	0.78%	374	1	1.55%
Cubic Transportation System	188	5	0.74%	226	5	0.94%
Wisco Envelope Co., Inc.	187	6	0.73%	264	3	1.09%
Jacobs Engineering	154	7	0.60%	229	4	0.95%
Schmiede Corporation	140	8	0.55%	150	9	0.62%
JSP International	104	9	0.41%	-		-
Createc Corporation	91	10	0.36%	-		-
MicroCraft	-		-	158	8	0.65%
Fujicolor Processing, Inc.	-		-	282	2	1.17%
Daun Ray Casuals	-		-	120	10	0.50%
Total	2,172		8.50%	2,208		9.15%

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

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

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

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

Source: Various city departments.

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

	Fiscal Year									
Function/Program	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Police										
Physical arrests	1,048	919	1,174	1,180	1,203	866	2,294	1,534	1,765	1,699
Traffic violations	3,768	2,278	N/A	N/A	N/A	4,513	6,414	2,757	2,626	2,992
Fire										
Emergency response	571	467	457	422	449	457	564	487	495	600
Inspections	902	1,072	995	1,116	1,127	1,389	652	463	599	750
Business-type activities										
Average number of customers										
Power System	9,876	9,938	9,938	10,180	10,284	10,393	11,004	10,287	10,359	10,359
Water System	8,974	9,167	9,167	9,365	9,364	9,439	9,463	9,500	9,504	9,540
Wastewater System	6,871	6,979	6,979	7,136	7,212	7,320	7,321	7,321	7,310	7,335
Fiber Optics System	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,393	1,756	2,565

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

Source: Various city departments.

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

	Fiscal Year									
Function	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	187	187	187	187	187	187	330	330	330	330
Parks and recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Acreage	161	161	161	161	161	200	200	200	590	590
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer fields	7	7	7	7	7	7	11	11	11	11
Baseball fields	6	6	6	6	6	6	6	6	6	6
Softball fields	-	-	-	-	-	-	-	4	4	4
Business-type activities										
Tullahoma Utilities Board										
Electric										
Streetlights	2,951	2,951	2,951	2,951	2,951	2,829	2,829	2,854	2,854	2,854
Water										
Water mains (miles)	240	240	240	240	240	265	265	270	260	260
Fire hydrants	1,100	1,100	1,100	1,100	1,100	1,009	1,009	1,032	1,024	1,024
Storage capacity (thousand gallons)	N/A	N/A	N/A	N/A	4,000	4,000	4,000	4,000	4,000	4,000
Wastewater										
Sanitary sewers (miles)	160	160	160	160	160	155	160	160	160	160
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	7
Daily treatment capacity (thousand gallons)	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600	12,600

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

Source: Various city departments.

REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

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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*

February 28, 2012

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee as of and for the year ended June 30, 2011, which collectively comprise the City of Tullahoma, Tennessee's basic financial statements and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2011-1 to 2011-7 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Tullahoma, Tennessee, in a separate letter dated February 28, 2012.

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

This report is intended solely for the information of the State Comptroller's Office, Board of Mayor and Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Horne Holden Artman PLLC

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

February 28, 2012

Honorable Mayor and Board of Aldermen
City of Tullahoma, Tennessee

Compliance

We have audited the City of Tullahoma, Tennessee's compliance, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Tullahoma, Tennessee's major federal programs for the year ended June 30, 2011. The City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Tullahoma, Tennessee's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Tullahoma complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information of the State Comptroller's Office, Board of Mayor and Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hornsholder Artman PLLC

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

I. Summary of Auditors' Results

1. The June 30, 2011 Auditors' Report on the Financial Statements is an unqualified opinion.

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

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

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

5. The June 30, 2011 report on compliance for major programs is an unqualified opinion.

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

7. Major Programs include:

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

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

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

CITY OF TULLAHOMA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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

TULLAHOMA UTILITIES BOARD

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

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

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

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

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

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

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

Managements' Response:
The business plan showed that we would operate at a loss for the first three years and we have been in operation only thirty (30) months as of June 30, 2011.

Finding 2011-3: OPEB study

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

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

Finding 2011-3: OPEB study (continued)

Managements' response:
TUB had one employee receiving post-retirement benefits in FY2011 totaling $2,146. Employee information was submitted to the State of Tennessee to perform an actuarial study for the fiscal year. TUB was told the information sent to the state would be used to provide an actuarial that all participants in the state insurance plan could use to meet the requirements for GASB 45. It was later determined that this study would not be sufficient to meet the requirements related to post-retirement benefits. TUB will take measures to be in compliance for FY2012.

TULLAHOMA BOARD OF EDUCATION

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

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

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

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

Finding 2011-5: Audit Adjustments

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

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

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

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

Finding 2011-6: Excess Expenditures

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

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

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

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

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

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

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

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

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

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

CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2011

GENERAL GOVERNMENT

Finding 2010-1: Preparation of Financial Statements and Related Disclosures

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

We recommend management either acknowledge and accept this deficiency or develop compensating controls.

Current Status:
Implemented.

Finding 2010-2: Audit Adjustments

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

- Fund balance was incorrectly stated in the General Fund, the 2009 School Projects Fund, the Industrial Projects Fund, and the Medical Trust Fund due to prior year entries not made.
- Grant receivables were overstated by $4,335 in the General Fund.

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

Current Status:
Implemented. Differences in fund balance were investigated and adjustments made to record the correct amounts.

TULLAHOMA UTILITIES BOARD

Finding 2010-3: 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.

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

Current Status:
See Finding 2011-1.

CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2011

Finding 2010-4: Deficit fund balance for Fiber Optics Fund

As of June 30, 2010 the Fiber Optics Fund has a deficit fund balance of $556,827.

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 2011-2.

TULLAHOMA BOARD OF EDUCATION

Finding 2010-5: 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.

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 2011-4.

Finding 2010-6: Audit Adjustments

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

- Fund balance was incorrectly stated in the General Fund, the Federal Projects Fund, and the Capital Projects Fund due to an end of year adjustment to clean up old balances.
- Grant revenue of $6,741 should have been recorded in the prior year as a receivable.
- Grants receivables were understated by $9,408 in the General Fund and overstated by $71,245 in the Federal Projects Fund.
- Revenue for sales tax from the City of Tullahoma was erroneously posted to the wrong due from account in the General Fund.
- Revenue for sanitation charges from the City of Tullahoma were overstated by $5,662 in the General Fund.
- Accrued interest on the CDs in the Sales Tax Fund was overstated by $3,457.
- Prior year accrued payroll was not cleared out between the General Fund and the Federal Projects Fund.
- Accounts payable balances in the General Fund and the Federal Projects Fund were incorrect.
- A check was erroneously posted to accounts payable in the General Fund instead of the Federal Projects Fund when it was paid.
- Interest income of $73 was not recorded on the CD in the Extended School Program.
- The allowance for doubtful accounts was understated by $487 in the Extended School Program.
- The refund payable and accounts payable balances were incorrect in the Extended School Program.

Finding 2010-6: Audit Adjustments (continued)

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

Current Status:
See Finding 2011-5.

Finding 2010-7: OPEB Liability

The OPEB liability should be reported on the Statement of Net Assets even though it is not required to be reported on the Governmental Balance Sheet. It should be reported as a reconciling item between the two statements. Therefore, an actuarial study to determine the OPEB liability should be performed by the Board. This became a requirement under GASB 45.

Current Status:
Implemented.

Finding 2010-8: Excess Expenditures

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

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

Current Status:
See Finding 2011-6.

TULLAHOMA MUNICIPAL AIRPORT AUTHORITY

Finding 2010-9: Preparation of Financial Statements and Related Disclosures

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

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

Current Status:
See Finding 2011-7.

CITY OF TULLAHOMA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2011

Finding 2010-10: Incorrect Deposit Dates

Deposits were recorded in the general ledger as of the last day of the month instead of the day money was actually collected. We were unable to determine if money collected were being deposited within 3 business days of collection. This is a repeat finding.

Deposits should be recorded in the general ledger on the date actually deposited to the bank.

Current Status:
Implemented.

Finding 2010-11: Basis of Accounting

While it appears the accounts payable are now being recorded on an accrual basis, receivables are currently being recorded on the cash basis of accounting. This would include not only the grant receivables but also the hangar lease income.

Entries to record amounts owed at month end should be recorded to reflect receivables on the Airport's monthly financial statements.

Current Status:
Implemented.

Finding 2010-12: Audit Adjustments

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

- Adjust deferred revenue
- Adjust accounts payable
- Adjust depreciation expense
- Record grants receivable
- Reclass loan principal and interest payments to correct accounts
- Capitalize expenses

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

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, 2010.