

CITY OF FAIRVIEW, TENNESSEE

JUNE 30, 2002

Report  
of  
Examination

CITY OF FAIRVIEW, TENNESSEE  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

C O N T E N T S

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**INDEPENDENT AUDITOR'S REPORT**

November 18, 2002

Board of Mayor and Commissioners  
City of Fairview, Tennessee  
Fairview, Tennessee

We have audited the accompanying general purpose financial statements and the individual fund and account group financial statements of City of Fairview, Tennessee, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the City of Fairview, Tennessee, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 over-all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Fairview, Tennessee, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the individual fund and account group financial statements referred to above present fairly in all material respects, the financial position of each of the individual funds and account groups of City of Fairview, Tennessee, as of June 30, 2002, and the results of operations of such funds and cash flows of individual proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2002, on our consideration of City of Fairview, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund and account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of City of Fairview, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, individual fund and account group financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

*Parsons and Associates*

Parsons and Associates

CITY OF FAIRVIEW, TENNESSEE  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2002

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash	\$ 1,589,277	\$ 115,848	\$ 281,216
Restricted cash/investments			
Notes and accounts receivable			
Unbilled revenue receivable			
Taxes receivable - property	660,004		
Taxes receivable -other	219,224		
Deferred interest charges			
Bond issue expense - unamortized			
Land			
Buildings			
Furniture and equipment			
Systems in operation			
Amount to be provided for retirement of long-term debt			
 <u>TOTAL</u>	 <u>\$ 2,468,505</u>	 <u>\$ 115,848</u>	 <u>\$ 281,216</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 2,767	\$	\$
Due to other governments	1,289		
Notes payable			
Deposits	27,000	77,760	
Accrued interest payable			
Revenue bonds payable			
Deferred tax revenue	586,730		
<u>TOTAL LIABILITIES</u>	<u>617,786</u>	<u>77,760</u>	
 <u>FUND EQUITY</u>			
Contributed capital			
Grants			
Investments in general fixed assets			
Retained earnings			
Reserved for repairs and extensions			
Unreserved			
Fund balance			
Designated	50,000		281,216
State Street Aid	106,208		
Unreserved	1,694,511	38,088	
<u>TOTAL FUND EQUITY</u>	<u>1,850,719</u>	<u>38,088</u>	
 <u>TOTAL</u>	 <u>\$ 2,468,505</u>	 <u>\$ 115,848</u>	 <u>\$ 281,216</u>

See notes to financial statements.

Proprietary Fund	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	June 30, 2002	June 30, 2001
<u>Enterprises</u>				
\$ 2,534,226	\$	\$	\$ 4,520,567	\$ 4,118,980
11,824			11,824	11,824
203,999			203,999	210,095
67,034			67,034	74,483
			660,004	625,480
192,255			219,224	176,353
66,223			192,255	220,511
101,323	2,789,435		66,223	75,882
13,631	772,875		2,890,758	2,913,779
303,835	870,932		786,506	462,019
10,016,211			1,174,767	1,008,845
		653,405	10,016,211	10,172,418
			653,405	629,288
<u>\$ 13,510,561</u>	<u>\$ 4,433,242</u>	<u>\$ 653,405</u>	<u>\$ 21,462,777</u>	<u>\$ 20,699,957</u>
\$ 59,586	\$	\$	\$ 62,353	\$ 47,254
5,266			6,555	9,188
1,010,197			1,010,197	1,135,298
283			105,043	283
23,782			23,782	27,649
2,395,000		653,405	3,048,405	3,236,600
			586,730	585,113
<u>3,494,114</u>		<u>653,405</u>	<u>4,843,065</u>	<u>5,041,385</u>
1,667,849			1,667,849	1,667,849
4,094,277			4,094,277	4,187,047
	4,433,242		4,433,242	3,986,773
261,756			261,756	261,756
3,992,565			3,992,565	3,269,038
			331,216	50,000
			106,208	23,635
			1,732,599	2,212,474
<u>10,016,447</u>	<u>4,433,242</u>		<u>16,619,712</u>	<u>15,658,572</u>
<u>\$ 13,510,561</u>	<u>\$ 4,433,242</u>	<u>\$ 653,405</u>	<u>\$ 21,462,777</u>	<u>\$ 20,699,957</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2002

	<u>Governmental Funds</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Revenue</u>				
Taxes	\$ 1,221,429	\$	\$ 85,743	\$ 1,307,172
Licenses and permits	68,027			68,027
Intergovernmental revenue	658,734			658,734
Other income	194,023	2,069	8,847	204,939
Fines and court costs	87,900	10,741		98,641
<u>Total</u>	<u>2,230,113</u>	<u>12,810</u>	<u>94,590</u>	<u>2,337,513</u>
<u>Expenditures</u>				
General government	681,430		132,268	813,698
Codes administration	63,988			63,988
City Hall expenses	384,228			384,228
Public safety	768,556	12,571	191,008	972,135
State Street Aid	79,506			79,506
Parks	121,515		58,303	179,818
<u>Total</u>	<u>2,099,223</u>	<u>12,571</u>	<u>381,579</u>	<u>2,493,373</u>
Excess of Revenue over (under) Expenditures	130,890	239	(286,989)	( 155,860)
<u>Other Sources (Uses) of Funds</u>				
Proceeds from loans			198,570	198,570
Transfers in (out)	( 198,000)		39,204	( 158,796)
Increase (decrease) in Fund Equity	( 67,110)	239	( 49,215)	( 116,086)
Fund Equity - July 1, 2001	1,917,829	37,849	330,431	2,286,109
Fund Equity - June 30, 2002	\$ <u>1,850,719</u>	\$ <u>38,088</u>	\$ <u>281,216</u>	\$ <u>2,170,023</u>

See notes to financial statements.



CITY OF FAIRVIEW, TENNESSEE  
 COMBINED STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES  
 AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL  
 GENERAL AND SPECIAL FUNDS  
 YEAR ENDED JUNE 30, 2002

	General Fund			Special Revenue	
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget
<u>Revenue</u>					
Taxes	\$ 1,221,429	\$ 1,198,500	\$ 22,929	\$	\$
Licenses and permits	68,027	55,650	12,377		
Intergovernmental revenue	658,734	588,750	69,984		
Other income	194,023	348,800	(154,777)	2,069	650
Fines and court costs	87,900	97,275	(9,375)	10,741	15,700
<u>Total</u>	<u>2,230,113</u>	<u>2,288,975</u>	<u>(58,862)</u>	<u>12,810</u>	<u>16,350</u>
<u>Expenditures</u>					
General government	681,430	703,807	22,377		
Codes Administration	63,988	74,650	10,662		
City Hall expenses	384,228	425,500	41,272		
Public safety	768,556	829,100	60,544	12,571	16,350
State Street Aid	79,506	102,290	22,784		
Parks	121,515	140,950	19,435		
<u>Total</u>	<u>2,099,223</u>	<u>2,276,297</u>	<u>177,074</u>	<u>12,571</u>	<u>16,350</u>
Excess of Revenue over (under) Expenditures	130,890	12,678	118,212	239	
<u>Other Sources (Uses) of Funds</u>					
Proceeds from loans					
Transfers in (out)	( 198,000)	( 198,000)			
<u>Increase (decrease) in Fund Equity</u>	<u>( 67,110)</u>	<u>( 185,322)</u>	<u>118,212</u>	<u>239</u>	<u>0</u>
Fund Equity - July 1, 2001	1,917,829	1,917,829	0	37,849	37,849
Fund Equity - June 30, 2002	\$ <u>1,850,719</u>	\$ <u>1,732,507</u>	\$ <u>118,212</u>	\$ <u>38,088</u>	\$ <u>37,849</u>

See notes to financial statements.

Funds	Capital Projects			Totals (Memorandum Only)			
	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
\$		\$ 85,743	\$ 111,000	\$ ( 25,257)	\$ 1,307,172	\$ 1,309,500	\$ ( 2,328)
					68,027	55,650	12,377
	1,419	8,847	7,500	1,347	658,734	588,750	69,984
	( 4,959)				204,939	356,950	(152,011)
	( 3,540)	<u>94,590</u>	<u>118,500</u>	( 23,910)	<u>98,641</u>	<u>112,975</u>	( 14,334)
					<u>2,337,513</u>	<u>2,423,825</u>	( 86,312)
		132,268	132,268		813,698	836,075	22,377
					63,988	74,650	10,662
	3,779	191,008	191,008		384,228	425,500	41,272
					972,135	1,036,458	64,323
		<u>58,303</u>	<u>58,303</u>		79,506	102,290	22,784
	<u>3,779</u>	<u>381,579</u>	<u>381,579</u>		<u>179,818</u>	<u>199,253</u>	<u>19,435</u>
					<u>2,493,373</u>	<u>2,674,226</u>	<u>180,853</u>
	239	(286,989)	(263,079)	( 23,910)	( 155,860)	( 250,401)	94,541
		198,570	198,570		198,570	198,570	
		39,204	39,204		( 158,796)	( 158,796)	
	<u>239</u>	( 49,215)	( 25,305)	( 23,910)	( 116,086)	( 210,627)	94,541
	0	330,431	330,431	0	2,286,109	2,286,109	0
\$	<u>239</u>	\$ <u>281,216</u>	\$ <u>305,126</u>	\$ ( 23,910)	\$ <u>2,170,023</u>	\$ <u>2,075,482</u>	\$ <u>94,541</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN  
 RETAINED EARNINGS - PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2002

	<u>Water and Sewer</u>
<u>OPERATING REVENUE</u>	
Charges to customers - water	\$ 760,433
- sewer	1,092,412
Connection fees	123,075
Servicing customer's installation	4,463
Other fees	141,449
Penalties	48,401
<u>TOTAL OPERATING REVENUE</u>	<u>2,170,233</u>
<u>OPERATING EXPENSE</u>	
<u>Supply and Operation</u>	
Water purchases	448,541
Contractual services	49,695
Labor	253,194
Retirement contributions	18,702
Memberships and subscriptions	1,092
Materials and supplies	21,532
Repairs and maintenance	64,296
Gas and oil	4,588
Utilities	91,850
Telephone	5,108
Payroll taxes	18,273
Travel	540
Uniforms	3,900
Janitorial expense	644
Depreciation	337,846
<u>Total</u>	<u>1,319,801</u>
<u>Administrative and General</u>	
Salaries	164,357
Payroll taxes	12,182
Retirement plan	12,468
Telephone	4,239
Data processing	10,733
Professional services	14,360
Repairs and maintenance	439
Bad debts	18,469
Rent	45,000
Travel	556
Dues and subscriptions	1,482
Insurance and bonds	129,717
Postage	7,368
Office expense	7,178
Bank charges	786
<u>Total</u>	<u>429,334</u>
<u>Operating Income</u>	<u>421,098</u>

See notes to financial statements.

	<u>Water and Sewer</u>
<u>Operating Income</u> (continued)	\$ 421,098
<u>Nonoperating Revenue (Expenses)</u>	
Interest income	74,137
Interest expenses and fiscal agent charges	( 206,424)
<u>Total</u>	<u>( 132,287)</u>
<u>Income Before Transfers</u>	288,811
<u>Transfers In (Out)</u>	158,796
<u>Net Income Before Capital Contributions</u>	<u>447,607</u>
Capital Contributions	183,150
Change in Retained Earnings	<u>630,757</u>
Retained Earnings - July 1, 2001	3,269,038
Depreciation on fixed assets acquired by grants	92,770
Retained Earnings - June 30, 2002	\$ <u><u>3,992,565</u></u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2002

Increase (Decrease) in Cash and Cash Equivalents

	<u>Water and Sewer</u>
Cash flows from operating activities	
Operating income	\$ 421,098
Adjustments to reconcile operating income to net cash provided by operating activities:	
depreciation and amortization	347,505
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	6,096
(Increase) decrease in unbilled revenue receivable	7,449
Increase (decrease) in accounts payable	16,534
Increase (decrease) in due to other governments	( 556)
Increase (decrease) in accrued interest payable	( 3,867)
Net cash provided by operating activities	<u>( 794,259)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	( 202,558)
Principal paid on revenue bond maturities and State of Tennessee loans	( 337,413)
Interest and fiscal agent charges paid on Revenue Bonds and State of Tennessee loans	( 206,424)
Amortization of deferred interest on 1993 Revenue Bonds	28,256
Capital Contributions	183,150
Transfers in (out)	158,796
Net cash provided (used) for capital and related financing activities	<u>( 376,193)</u>
Cash flows from investing activities	
Interest on investments	<u>74,137</u>
Net cash provided by investing activities	<u>74,137</u>
Increase (decrease) in cash and cash equivalents	492,203
Cash and cash equivalents - July 1, 2001	2,053,847
Cash and cash equivalents - June 30, 2002	\$ <u>2,546,050</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 STATEMENT OF CHANGES IN FUND EQUITY  
 ALL FUND TYPES  
 YEAR ENDED JUNE 30, 2002

	Governmental Funds				Proprietary Fund		Totals (Memoran- dum Only)
	General	Special Revenue	Un- reserved	Un- reserved Capital Projects	Grants	Un- Reserved for repairs and exten- sions	
Fund Equity - July 1, 2001	\$ 1,917,829	\$ 37,849	\$ 330,431	\$ 1,667,849	\$ 4,187,047	\$ 261,756	\$ 11,671,799
Excess of Revenue over (under) Expenditures	130,890	239	(286,989)				( 155,860)
Income before Transfers and Capital Contributions							288,811
Other Sources (Uses) of Funds							
Proceeds of loans			198,570				198,570
Transfers in (out)	( 198,000)		39,204				0
Capital contributions							183,150
	<u>1,850,719</u>	<u>38,088</u>	<u>281,216</u>	<u>1,667,849</u>	<u>4,187,047</u>	<u>261,756</u>	<u>12,186,470</u>
Depreciation on fixed assets acquired by grants - current year					( 92,770)		92,770
Fund Equity - June 30, 2002	\$ <u>1,850,719</u>	\$ <u>38,088</u>	\$ <u>281,216</u>	\$ <u>1,667,849</u>	\$ <u>4,094,277</u>	\$ <u>261,756</u>	\$ <u>12,186,470</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

**SUMMARY OF ACCOUNTING POLICIES**

The City of Fairview, Tennessee (the "City") was incorporated on July 1, 1959, under the provisions of the State of Tennessee. The City operates under a Commissioner-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire services), streets, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include water and sewer systems.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**1. THE REPORTING ENTITY**

The City, for financial purposes, includes all of the accounts relevant to the operations of the City of Fairview. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Fairview.

The Special Revenue Fund consists of Drug Enforcement Funds, Capital Projects Fund consists of facilities taxes, and the Proprietary Enterprise Fund consists of the City of Fairview Water and Sewer Department.

Based upon the criteria set forth in GASB pronouncements, there are no component units to be included in the accompanying financial statements.

**2. FUND ACCOUNTING**

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each funds' assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into five generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds: Capital Projects Revenue Funds are used to account for the proceeds of specific revenue funds that are designated for expenditures for specified purposes.

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

Debt Service Fund: Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt, principal, interest, and related costs.

PROPRIETARY FUND TYPE

Enterprises Fund: The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

3. **PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM LIABILITIES**

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decrease (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property, plant and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property, plant and equipment.

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated.

The City has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (roads, bridges, curbs and gutters, streets, and similar assets that are immovable and of value only to the City).

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.



CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund types expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets. Their report fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Depreciation is provided in the enterprise funds in amounts sufficient to relate the cost of the depreciable assets, to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings	7 - 30 years
Furniture and equipment	3 - 10 years
Utility systems	10 - 50 years

**4. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales, gasoline and fuel, and state income taxes are recognized as revenue when in the hands of the intermediary collecting agencies. All other intergovernmental revenues are recorded when received. Expenditures are recognized when the liability is incurred. Exceptions to this general rule includes principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

5. CAPITALIZED INTEREST

The City capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material. During the year ended June 30, 2002, the City had no material projects requiring capitalization of interest.

6. TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS - OVERVIEW

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position or results of operations and cash flows in conformity with GAAP. Neither is such data comparable to a consolidation.

7. CASH EQUIVALENTS

For purposes of the statements of cash flows, the enterprise funds consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

8. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service and Special Revenue and Capital Projects, as well as all enterprises funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Unused appropriations for all of the above annually budget funds lapse at the end of the year.
- c. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

9. REVENUE RECOGNITION - PROPERTY TAXES

The Town's charter requires that property taxes to be levied on October 1 and become due and payable on October 1. Taxes not paid by March 1 of the following year become delinquent and penalty and interest begins to accumulated on that date. Property taxes are recognized as revenue when they become measurable and available. Property taxes collected within sixty days after year end are considered to be measurable and available and are recognized as revenue at year end; taxes not collected within sixty days after year end are reported as deferred revenue.

Delinquent taxes of 2000 and older have been filed with the Williamson County Clerk and Master.

	Tax	Assessment	Levy	Balance June 30, 2001	Taxes Levied	Collections	Balance June 30, 2002
1990	1.00	\$ 25,213,949	\$ 252,140	\$ 0	\$	\$	\$
1991	1.00	25,849,850	158,501	35			35
1992	1.00	26,344,131	263,454	173			173
1993	1.00	27,587,311	275,874	44			44
1994	1.10	38,380,844	313,810	211			211
1995	1.10	32,977,622	329,791	155			155
1996	.91	37,491,439	341,199	354			354
1997	.91	40,084,835	364,772	537		137	400
1998	.91	45,113,036	410,535	1,381		613	768
1999	.91	52,546,824	478,189	4,787		3,109	1,678
2000	.91	60,658,109	553,776	34,168		23,370	10,798
2001	.72	81,533,611	585,113	587,042		526,906	60,136
2002	.72	81,490,278	586,730		586,730		586,730
				628,887			661,482
	Less estimated uncollectible taxes			1,478			1,478
				\$ 627,409	\$ 586,730	\$ 554,135	\$ 660,004

10. DEPOSITS

At year end, the carrying amount of the City's deposits was \$4,532,391, and the bank balance was \$4,583,927. The deposits of the City of Fairview, Tennessee, are categorized to give an indication of the level of risk assumed by the City at year end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized.

CITY OF FAIRVIEW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2002

	Bank Balance	<u>1</u>	Category <u>2</u>	<u>3</u>
Bank of America	\$ 1,711,591	\$ 1,711,591		
Franklin National Bank	390,056	390,056		
Tennessee Local Government Pool	<u>2,482,280</u>	<u>2,482,280</u>		
	\$ <u>4,583,927</u>	\$ <u>4,583,927</u>		

All the financial institutions are members of the Tennessee Bank Collateral Pool; therefore, deposits in those financial institutions are collateralized by the Collateral Pool.

11. CHANGES IN FIXED ASSETS

The following is a summary of changes in the general fixed assets account group for the year ended June 30, 2002:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Land	\$ 2,812,456	\$	\$ 23,021	\$ 2,789,435
Buildings and improvements	447,866			447,866
Construction in progress		325,009		325,009
Machinery and equipment	<u>726,451</u>	<u>144,481</u>		<u>870,932</u>
Total	\$ <u>3,986,773</u>	\$ <u>469,490</u>	\$ <u>23,021</u>	\$ <u>4,433,242</u>
Investment in General Fixed Assets:				
From operating revenue	\$ 1,197,377	\$ 469,490	\$	\$ 1,666,867
From contributions	2,570,108		23,021	2,547,087
From special revenue funds	<u>219,288</u>			<u>219,288</u>
Total	\$ <u>3,986,773</u>	\$ <u>469,490</u>	\$ <u>23,021</u>	\$ <u>4,433,242</u>

12. CHANGES IN LONG-TERM DEBT

For the year ended June 30, 2002, long-term debt changes were:

	General Obligation Bonds	Revenue Bonds	Notes Payable	Total
Bonds/notes payable - July 1, 2001	\$ 561,600	\$ 2,675,000	\$ 1,135,298	\$ 4,371,898
Add: debt incurred	142,000		100,361	242,361
Less: principal payments	99,600	280,000	176,057	555,657
Bonds/notes payable June 30, 2002	\$ <u>604,000</u>	\$ <u>2,395,000</u>	\$ <u>1,059,602</u>	\$ <u>4,058,602</u>

CITY OF FAIRVIEW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2002

The following are schedules of debt service requirements to maturity.

Tennessee Municipal Bond Fund Pooled Loan Program - Series 1994 \$1,100,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 105,600	\$ 24,788	\$ 130,388
2004	112,000	19,123	131,123
2005	118,700	13,113	131,813
2006	<u>125,700</u>	<u>6,744</u>	<u>132,444</u>
	\$ <u>462,000</u>	\$ <u>63,768</u>	\$ <u>525,768</u>

Capital Outlay Notes No. 1 - Series 1997 - \$287,500 - 4.93% interest rate

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>4,983</u>	\$ <u>17</u>	\$ <u>5,000</u>

Capital Outlay Note - Equipment - \$56,570 4% Interest Rate

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>44,422</u>	\$ <u>1,258</u>	\$ <u>45,680</u>

Tennessee Pooled Loan Program (Clarksville) - Revenue Bonds Series 2001 - \$2,000,000

The City of Fairview approved a resolution authorizing the incurrence of indebtedness in an amount not to exceed \$2,000,000 to provide funding for the acquisition and construction of a new City Hall and other buildings for use by various departments of the City. Interest only is payable on construction draws until the whole loan amount is withdrawn.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>142,000</u>	\$ <u>2,482</u>	\$ <u>144,482</u>

Waterworks Revenue and Tax Refund Bonds - Series 1993 - \$675,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 50,000	\$ 14,189	\$ 64,189
2004	50,000	11,876	61,876
2005	55,000	9,476	64,476
2006	55,000	6,809	61,809
2007	55,000	4,059	59,059
2008	<u>25,000</u>	<u>1,281</u>	<u>26,281</u>
	\$ <u>290,000</u>	\$ <u>47,690</u>	\$ <u>337,690</u>

CITY OF FAIRVIEW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2002

Sewer Revenue and Tax Refund Bonds - Series 1993 - \$4,005,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 260,000	\$ 104,395	\$ 364,395
2004	270,000	92,370	362,370
2005	285,000	79,410	364,410
2006	300,000	65,588	365,588
2007	315,000	50,588	365,588
2008	330,000	34,680	364,680
2009	345,000	17,768	362,768
	\$ <u>2,105,000</u>	\$ <u>444,799</u>	\$ <u>2,549,799</u>

Tennessee Department of Health and Environment - \$1,717,136

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 89,571	\$ 31,173	\$ 120,744
2004	92,891	27,853	120,744
2005	96,333	24,411	120,744
2006	99,905	20,839	120,744
2007	103,607	17,137	120,744
2008	107,448	13,296	120,744
2009	111,430	9,314	120,744
2010	115,560	5,184	120,744
2011	79,410	1,632	81,042
	\$ <u>896,155</u>	\$ <u>150,839</u>	\$ <u>1,046,994</u>

Tennessee Department of Health and Environment - \$131,119

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 5,968	\$ 8,217	\$ 14,185
2004	6,566	7,619	14,185
2005	7,222	6,963	14,185
2006	7,952	6,233	14,185
2007	8,756	5,429	14,185
2008	9,644	4,541	14,185
2009	10,622	3,563	14,185
2010	11,694	2,491	14,185
2011	11,236	1,306	12,542
	\$ <u>79,660</u>	\$ <u>46,362</u>	\$ <u>126,022</u>

Capital Outlay Note (Water-Sewer) - Equipment - \$43,791 4.0% Interest Rate

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 34,382	\$ 974	\$ 35,356

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

12. UTILITY RATES AND METERED CUSTOMERS

Utility rates and metered customers at June 30, 2002 were:

Current Water Rates -

Inside City

First 2,000 gallons	\$11.25 Minimum bill
All over 2,000 gallons	3.19 per 1,000 gallons

Outside City

First 2,000 gallons	\$20.25 Minimum bill
All over 2,000 gallons	5.74 per 1,000 gallons

Current Sewer Rates

Residential

First 2,000 gallons	\$23.50 Minimum bill
Next 2,000 gallons	6.30 per 1,000 gallons
All over 4,000 gallons	4.15 per 1,000 gallons with \$50 cap

Commercial and Other

First 2,000 gallons	\$40.00 Minimum
Next 2,000 gallons	8.92 per 1,000 gallons
Next 2,000 gallons	6.82 per 1,000 gallons
Next 4,000 gallons	5.78 per 1,000 gallons
Next 40,000 gallons	5.25 per 1,000 gallons
All over 50,000 gallons	4.72 per 1,000 gallons

Number of Metered Customers

Residential and commercial at June 30, 2002	4,749
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13. RETIREMENT PLAN

PLAN DESCRIPTION

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

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

FUNDING POLICY

City of Fairview requires employees to contribute 5.0 percent of earnable compensation.

City of Fairview is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2002 was 7.06% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for City of Fairview is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2002, City of Fairview's annual pension cost of \$88,416 to TCRS was equal to City of Fairview's required and actual contributions. The required contribution was determined as part of the June 30, 1999 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5.5 percent annual rate



CITY OF FAIRVIEW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2002

(no explicit assumption is made regarding the portion attributable to the effects of inflation of salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. City of Fairview's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 1999 was 15 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$88,416	100.00%	\$ 0.00
June 30, 2001	\$84,313	100.00%	\$ 0.00
June 30, 2000	\$68,077	100.00%	\$ 0.00

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Fund Progress for City of Fairview 88880

(Dollars amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) (c)
July 01, 2001	\$1,021	\$1,359	\$338	75.13%	\$1,125	30.04%
July 01, 1999	\$ 701	\$ 891	\$190	78.68%	\$1,032	18.40%
June 30, 1997	\$ 386	\$ 451	\$ 65	85.59%	\$ 911	7.13%

CHANGES IN ACTUARIAL ASSUMPTIONS

An actuarial valuation will be performed as of July 1, 2002 which established contribution rates effective July 1, 2002. As a result of the June 30, 2000 experience study, changes were made to two of the significant actuarial assumptions as follows: (1) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries, and (2) projected 3.5 percent annual increase in the Social Security wage base.

CITY OF FAIRVIEW, TENNESSEE  
 STATEMENT OF REVENUE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Taxes</u>			
Real estate taxes	\$ 549,087	\$ 495,000	\$ 54,087
Property taxes- delinquent	41,168	65,000	( 23,832)
Wholesale beer tax	119,783	126,000	( 6,217)
Wholesale liquor tax	18,210	20,000	( 1,790)
Local sales tax - trustee	379,297	400,000	( 20,703)
Cable TV franchise tax	38,792	29,000	9,792
Natural gas franchise tax	37,699	24,500	13,199
Minimum business tax	33,090	35,000	( 1,910)
Interest, penalties and court costs	4,304	4,000	304
<u>Total Taxes</u>	<u>1,221,429</u>	<u>1,198,500</u>	<u>22,929</u>
<u>Licenses and Permits</u>			
Building permits	47,914	40,000	7,914
Electric permits	2,490	3,300	( 810)
Plumbing and mechanical permits	8,066	5,200	2,866
Rezoning and variance permits	1,600	1,550	50
Other permits	2,410	1,950	460
Sign permits	1,030	725	305
Alarm permit fees	180	125	55
Contractor licenses	1,400	1,200	200
Beer licenses	2,938	1,600	1,338
<u>Total Licenses and Permits</u>	<u>68,027</u>	<u>55,650</u>	<u>12,377</u>
<u>Intergovernmental Revenue</u>			
TVA payments in lieu of taxes	38,879	32,750	6,129
State law enforcement education	6,720	7,200	( 480)
State grant No. 9	2,450	14,750	( 12,300)
State sales tax	348,464	306,000	42,464
State income tax	19,220	18,000	1,220
State beer tax	2,834	2,300	534
State gasoline and motor fuel tax	162,079	139,000	23,079
State gasoline inspection fee	15,468	11,750	3,718
Corporate excise tax	886	3,000	( 2,114)
Corporate excise tax	7,278	0	7,278
Local grant No. 1	54,456	54,000	456
<u>Total Intergovernmental Revenue</u>	<u>658,734</u>	<u>588,750</u>	<u>69,984</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
STATEMENT OF REVENUE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Other Income</u>			
Process fee for business tax	1,255	1,500	( 245)
Subdividing and other fees	3,353	1,100	2,253
Privilege tax fee	900	550	350
Engineer charges and fees	( 308)	1,700	( 2,008)
Miscellaneous	322	650	( 328)
Miscellaneous fees/charges	2,863	1,500	1,363
Sale of Chamber of Commerce maps	28	0	28
Special police service	225	0	225
Fees driving school	17,850	21,500	( 3,650)
Accident report charges	2,265	1,500	765
Picnic shelter fees	422	250	172
Summer arts play	115	250	( 135)
Park and Recreation concessions	0	1,400	( 1,400)
Bike race fees	\$ 2,667	\$ 2,400	\$ 267
Interest earnings	21,745	30,000	( 8,255)
Interest - Park CD	30,034	37,500	( 7,466)
Rent Bowie property	14,000	16,000	( 2,000)
Rent - water department	45,000	45,000	0
Rent - communications antenna	12,000	12,000	0
Sale of lots Industrial Park	12,410	150,000	( 137,590)
City auction sales	0	2,000	( 2,000)
Contributions and donations	19,712	20,000	( 288)
Insurance refunds	7,166	2,000	5,166
<u>Total Other Income</u>	<u>194,023</u>	<u>348,800</u>	<u>( 154,777)</u>
<u>Fines and Other Revenue</u>			
City Court fines and costs	87,383	97,000	( 9,617)
Court fines and costs from county	518	275	243
<u>Total Police Fines and Other Revenue</u>	<u>87,900</u>	<u>97,275</u>	<u>( 9,375)</u>
<u>TOTAL REVENUE</u>	<u>\$ 2,230,113</u>	<u>\$ 2,288,975</u>	<u>\$ ( 58,862)</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 STATEMENT OF EXPENDITURES  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>General Government</u>			
Salaries and wages - Commissioners	\$ 24,909	\$ 27,000	\$ 2,091
Salaries and wages - other	118,569	123,325	4,756
Payroll taxes	76,250	73,000	( 3,250)
Retirement contributions	61,864	56,000	( 5,864)
Dues and subscriptions	8,555	11,200	2,645
Public relations	6,328	10,000	3,672
Court costs	2,300	3,000	700
Bonds and insurance	198,388	172,000	( 26,388)
Telephone	26,242	29,000	2,758
Animal control	4,182	4,200	18
Data processing/consulting	10,391	6,978	( 3,413)
Postage	3,860	6,250	2,390
Office supplies	23,877	37,700	13,823
Legal and professional	41,321	58,000	16,679
Utility service	18,430	25,000	6,570
Grants and donations	40,844	44,854	4,010
Repairs and maintenance	4,020	5,100	1,080
Travel	766	3,500	2,734
Equipment	10,334	7,700	( 2,634)
<u>Total General Government</u>	<u>681,430</u>	<u>703,807</u>	<u>22,377</u>
<u>Codes Administration</u>			
Salaries	53,454	59,550	6,096
Dues and subscriptions	523	1,500	977
Tennessee State Planning Office	7,500	8,000	500
Repairs and maintenance	1,058	1,000	( 58)
Travel	70	1,600	1,530
Gas, oil and fuel	474	1,500	1,026
Equipment purchases	229	700	471
Other professional services	100	0	( 100)
Uniforms	296	300	4
Other	284	500	216
<u>Total Codes Administration</u>	<u>63,988</u>	<u>74,650</u>	<u>10,662</u>
<u>City Hall Expenses</u>			
Salaries	40,724	59,000	18,276
Debt service	221,219	239,000	17,781
Travel	0	500	500
Roads/streets maintenance & improvements	109,715	110,000	285
Office machinery and equipment	0	500	500
Lease vehicles and equipment	12,570	16,500	3,930
<u>Total City Hall Expenses</u>	<u>384,228</u>	<u>425,500</u>	<u>41,272</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 STATEMENT OF EXPENDITURES  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>PUBLIC SAFETY</u>			
<u>Police Department</u>			
Salaries - police	\$ 523,292	\$ 531,900	\$ 8,608
Repairs and maintenance	26,986	39,500	12,514
Membership fees	6,765	7,000	235
Public relations	4,382	5,000	618
Gas and oil	15,794	30,000	14,206
Uniforms and supplies	9,116	10,000	884
Travel	1,877	3,000	1,123
Insurance	1,700	1,700	0
Other personal services	12,380	12,500	120
Firearm supplies	1,646	2,000	354
Office supplies	255	1,000	745
Janitorial	733	1,000	267
Equipment purchases	5,525	8,000	2,475
Other	1,527	2,000	473
<u>Total Police Department</u>	<u>611,978</u>	<u>654,600</u>	<u>42,622</u>
<u>Fire Department</u>			
Salaries	90,696	93,000	2,304
Memberships and subscriptions	5,434	7,800	2,366
Utilities	5,714	8,500	2,786
Telephone	1,255	2,000	745
Repairs and maintenance	13,925	25,800	11,875
Travel	1,247	4,500	3,253
Supplies	13,301	0	( 13,301)
Janitorial	336	0	( 336)
Uniforms	4,287	3,700	( 587)
Educational supplies	1,237	0	( 1,237)
Vehicle expense	4,779	7,500	2,721
Insurance	1,698	5,000	3,302
Other grants, contributions	5,011	5,500	489
Equipment purchases	7,658	11,200	3,542
<u>Total Fire Department</u>	<u>156,578</u>	<u>174,500</u>	<u>17,922</u>
<u>TOTAL PUBLIC SAFETY</u>	<u>768,556</u>	<u>829,100</u>	<u>60,544</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 STATEMENT OF EXPENDITURES  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>State Street Aid</u>			
Salaries	\$ 53,877 <sup>Y</sup>	\$ 53,950	\$ 73
Repairs and maintenance	3,603 <sup>Y</sup>	8,000	4,397
Gas and oil	3,285 <sup>Y</sup>	4,800	1,515
Equipment	748 <sup>Y</sup>	1,500	752
Supplies	2,687 <sup>Y</sup>	5,000	2,313
Uniforms	1,645 <sup>Y</sup>	1,800	155
Telephone and telegraph	0	240	240
Street lighting	12,033 <sup>Y</sup>	13,000	967
Travel	103	500	397
Tools	99	1,000	901
Roads, streets and parking lots	1,426	12,500	11,074
<u>Total State Street Aid</u>	<u>79,506</u>	<u>102,290</u>	<u>22,784</u>
<u>Parks</u>			
Salaries	99,656	103,600	3,944
Memberships and subscriptions	347	1,600	1,253
Repairs	7,791	10,500	2,709
Public relations	80	1,000	920
Travel	0	500	500
Buildings, improvements and equipment	5,126	10,750	5,624
Supplies	1,525	2,500	975
Uniforms	1,411	1,500	89
Vehicles expense	2,195	3,000	805
Professional fees	600	2,000	1,400
Educational supplies	792	2,000	1,208
Event expenses	1,992	2,000	8
<u>Total Parks</u>	<u>121,515</u>	<u>140,950</u>	<u>19,435</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 2,099,223</u>	<u>\$ 2,276,297</u>	<u>\$ 177,074</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
SPECIAL REVENUE FUND - DRUG FUND  
BALANCE SHEET  
JUNE 30, 2002

<u>ASSETS</u>		
Cash		\$ 115,848
<u>LIABILITIES</u>		
Deposits		\$ 77,760
<u>FUND EQUITY</u>		
Unreserved		38,088
<u>Total</u>		\$ <u>115,848</u>

STATEMENT OF REVENUE AND EXPENDITURES  
YEAR ENDED JUNE 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Revenue</u>			
Fines and court costs	\$ 10,741	\$ 15,700	\$ ( 4,959)
Interest	<u>2,069</u>	<u>650</u>	<u>1,419</u>
<u>Total</u>	<u>12,810</u>	<u>16,350</u>	<u>( 3,540)</u>
<u>Expenditures</u>			
Supplies	4,245	1,350	( 2,895)
Machinery and equipment	<u>8,326</u>	<u>15,000</u>	<u>6,674</u>
<u>Total</u>	<u>12,571</u>	<u>16,350</u>	<u>3,779</u>
Excess of Revenue over (under) <u>Expenditures</u>	239	0	239
Fund Equity - July 1, 2001	37,849	37,849	0
Fund Equity - June 30, 2002	\$ <u>38,088</u>	\$ <u>37,849</u>	\$ <u>239</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 CAPITAL PROJECTS FUND  
 BALANCE SHEET  
 JUNE 30, 2002

ASSETS

Cash

\$ 281,216

FUND EQUITY

Fund balance

\$ 281,216

STATEMENT OF REVENUE AND EXPENDITURES  
 YEAR ENDED JUNE 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Revenue</u>			
Facilities tax	\$ 85,743	\$ 111,000	\$( 25,257)
Interest	<u>8,847</u>	<u>7,500</u>	<u>1,347</u>
<u>Total</u>	<u>94,590</u>	<u>118,500</u>	<u>( 23,910)</u>
<u>Expenditures</u>			
Machinery and equipment	56,570	56,570	0
Buildings and improvements			
City Hall	132,268	132,268	0
Nature Center	58,303	58,303	0
Public Works	<u>134,438</u>	<u>134,438</u>	<u>0</u>
<u>Total Expenditures</u>	<u>381,579</u>	<u>381,579</u>	<u>0</u>
Excess of Revenue over (under) <u>Expenditures</u>	(286,989)	(263,079)	( 23,910)
<u>Other Sources (Uses) of Funds</u>			
Proceeds from loans	198,570	198,570	0
Transfers in (out) - net	39,204	39,204	0
Increase (decrease) in Fund Equity	<u>( 49,215)</u>	<u>( 25,305)</u>	<u>( 23,910)</u>
Fund Equity - July 1, 2001	330,431	330,431	0
Fund Equity - June 30, 2002	\$ <u>281,216</u>	\$ <u>305,126</u>	\$ ( <u>23,910</u> )

See notes to financial statements.



CITY OF FAIRVIEW, TENNESSEE  
 SCHEDULE OF INVESTMENTS  
 JUNE 30, 2002

	<u>Interest Bearing Accounts</u>	<u>Demand Accounts</u>	<u>Total</u>
<u>General Fund</u>			
Operating Fund	\$ 1,587,587	\$ 1,690	\$ 1,589,277
<u>Special Revenue Funds</u>			
Drug Enforcement	115,848		115,848
<u>Capital Projects Fund</u>			
Capital Projects	91,170	190,046	281,216
<u>Enterprises Funds</u>			
<u>Water and Sewer System</u>			
Operating Funds	2,152,675	381,551	2,534,226
Tennessee Public Health Program	11,824		11,824
	<u>\$ 3,959,104</u>	<u>\$ 573,287</u>	<u>\$ 4,532,391</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 SCHEDULE OF UTILITY PLANT IN SERVICE AND  
 ACCUMULATED DEPRECIATION - WATER AND  
 SEWER DEPARTMENT  
 YEAR ENDED JUNE 30, 2002

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2002</u>
Land	\$ 101,323	\$	\$	\$ 101,323
Buildings	15,663			15,663
Equipment	562,677	78,777		641,454
Plant in operation	<u>13,816,735</u>	<u>123,781</u>		<u>13,940,516</u>
	<u>\$ 14,496,398</u>	<u>\$ 202,558</u>	<u>\$ 0</u>	<u>\$ 14,698,956</u>

	Accumulated Depreciation <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	Accumulated Depreciation <u>June 30, 2002</u>	Net Plant in Service
Land	\$ 0	\$	\$	\$	\$ 101,323
Buildings	1,510	522		2,032	13,631
Equipment	280,283	57,336		337,619	303,835
Plant in operations	<u>3,644,317</u>	<u>279,988</u>		<u>3,924,305</u>	<u>10,016,211</u>
	<u>\$ 3,926,110</u>	<u>\$ 337,846</u>	<u>\$ 0</u>	<u>\$ 4,263,956</u>	<u>\$ 10,435,000</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATION DEBT  
 YEAR ENDED JUNE 30, 2002

	Balance July 1, <u>2001</u>	General Obligation Debt <u>Issued</u>	General Obligation Debt <u>Retired</u>	Balance June 30, <u>2002</u>
Amount to be provided for retirement of long-term obligations:				
General purpose	\$ <u>629,288</u>	\$ <u>198,570</u>	\$ <u>174,453</u>	\$ <u>653,405</u>
General obligation debt payable:				
General purpose	\$ <u>629,288</u>	\$ <u>198,570</u>	\$ <u>174,453</u>	\$ <u>653,405</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 SCHEDULE OF INSURANCE  
 JUNE 30, 2002

<u>Name of Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Coverage</u>	<u>Liability Limits</u>
TML Insurance Pool	TWC 0134	7-01-01	6-30-02	Workmen's Compensation	130/350/130,000
TML Insurance Pool	TML 338	7-01-01	6-30-02	Auto Liability General Liability and Personal Injury Errors and Omissions	50/130/350,1,000,000 130/350/50,000 1,000,000
TML Insurance Pool	TMP 4357	7-01-01	6-30-02	Buildings Mobile equipment Electronic equipment Employee Dishonesty Equipment breakdown	5,378,030 313,490 68,837 100/150,000 5,691,520
Aetna Life and Casualty	64S 100028931BCA	5-24-02	5-24-03	Bond-Tennessee Department of Transportation	30,000

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 SALARIES AND SECURITY BONDS OF PRINCIPAL OFFICERS  
 JUNE 30, 2002

<u>Name and Title of Official</u>		<u>Annual Salary</u>	<u>Amount of Security Bond</u>
Darrell Mangrum	Mayor	\$ 5,400	\$ 100,000
Stuart Johnson	Vice Mayor	5,400	100,000
Eddie Arney	Commissioner	5,400	100,000
Kenneth Brison	Commissioner	5,400	100,000
Karin Waterman	Commissioner	5,400	100,000
Kathleen Daugherty	City Recorder/Finance	47,394	100,000
Shirley Forehand	Ass't City Manager/Treasurer	43,597	100,000
Alan Deck	City Manager	54,080	100,000

See notes to financial statements.

**PARSONS AND ASSOCIATES**

CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

November 18, 2002

Board of Mayor and Commissioners  
City of Fairview, Tennessee  
Fairview, Tennessee

We have audited the financial statements of City of Fairview, Tennessee, Tennessee, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether City of Fairview, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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, according, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying schedule of findings and questioned costs on page 37.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Fairview, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the

design or operation or the internal control over financial reporting that, in our judgment, could adversely affect City of Fairview, Tennessee's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs on page 37.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, others within the organization, and the Comptroller of the Treasury of the State of Tennessee 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.

*Parsons and Associates*

Parsons and Associates

CITY OF FAIRVIEW, TENNESSEE  
FINDINGS AND DISPOSITION  
YEAR ENDED JUNE 30, 2002

Item 2000-1 FINDING: Prior year finding, related to posting errors, has been corrected.

Item 2001-1 FINDING: Prior year finding, related to inconsistent purchase orders use, has been corrected.



CITY OF FAIRVIEW, TENNESSEE  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
JUNE 30, 2002

Program Title	Tennessee Department of Agriculture Division of Forestry
Pass-through Number	Z-01-05759-00
Grant Award	\$ 2,450
Balance - June 30, 2001	\$ -0-
Receipts	2,450
Expenditures	2,450
Balance - June 30, 2002	\$ <u>-0-</u>

See accompanying notes to financial statements.