

CITY OF FAIRVIEW, TENNESSEE

JUNE 30, 2003

Report
of
Examination

CITY OF FAIRVIEW, TENNESSEE
 FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2003

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Combined Balance Sheet - All Fund Types and Account Groups	3 - 4
Combined Statement of Revenues, Expenditures and Changes in Fund Equity - All Governmental Fund Types	5
Combined Statement of Revenue, Expenditures, Encumbrances and Changes in Fund Equity - Budget and Actual - All Government Fund Types	6 - 7
Statement of Revenue, Expenses and Changes in Retained Earnings - Proprietary Fund	8 - 9
Statement of Cash Flows - Proprietary Fund	10
Statement of Changes in Fund Equity - All Fund Types	11
Notes to Financial Statements	12 - 22
Supplemental Supporting Schedules	
Individual Funds	
General Fund	
Statement of Revenue, Expenditures and Changes in Fund Equity - Actual to Budget	23 - 27
Special Revenue Fund - Drug Fund	
Balance Sheet	28
Statement of Revenue, Expenditures and Changes in Fund Equity - Actual to Budget	28
Capital Projects Fund	
Balance Sheet	29
Statement of Revenue, Expenditures and Changes in Fund Equity - Actual to Budget	29
Schedule of Investments	30
Schedule of Utility Plant in Service and Accumulated Depreciation - Water and Sewer	31
Schedule of Changes in General Long-Term Obligation Debt	32
Schedule of Insurance	33
Schedule of Salaries and Security Bonds of Principal Officers	34

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

35 - 36

Findings and Disposition

37

Schedule of Federal Financial Assistance

38

PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

400 MAIN STREET

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE # 615-794-4313

FAX # 615-595-2297

DAN H. PARSONS, CPA
PATRICIA L. PARSONS, CPA

ROBIN FRICKE JACKSON, CPA

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

INDEPENDENT AUDITOR'S REPORT

December 16, 2003

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, 2003, 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, 2003, 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, 2003, and the results of operations of such funds and cash flows of individual proprietary fund 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 December 16, 2003, 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, 2003

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash	\$ 686,282	\$ 355,535	\$ 484,800
Restricted cash/investments			
Notes and accounts receivable			
Unbilled revenue receivable			
Taxes receivable - property	693,591		
Taxes receivable -other	169,955		
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>\$ 1,549,828</u>	<u>\$ 355,535</u>	<u>\$ 484,800</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 78	\$	\$
Due to other governments	1,299		
Due to others	2,500		
Deposits		280,944	
Notes payable			
Customers' deposits			
Accrued interest payable			
Notes/Revenue bonds payable			
Deferred tax revenue	612,994		
<u>TOTAL LIABILITIES</u>	<u>616,871</u>	<u>280,944</u>	
<u>FUND EQUITY</u>			
Contributed capital			
Grants			
Investments in general fixed assets			
Retained earnings			
Reserved for repairs and extensions			
Unreserved			
Fund balance			
Designated			484,800
State Street Aid	193,319		
Unreserved	739,638	74,591	
<u>TOTAL FUND EQUITY</u>	<u>932,957</u>	<u>74,591</u>	
<u>TOTAL</u>	<u>\$ 1,549,828</u>	<u>\$ 355,535</u>	<u>\$ 484,800</u>

See notes to financial statements.

Proprietary Fund	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	June 30, 2003	June 30, 2002
<u>Enterprise</u>				
\$ 2,746,113	\$	\$	\$ 4,272,730	\$ 4,520,567
11,824			11,824	11,824
175,203			175,203	203,999
69,070			69,070	67,034
			693,591	660,004
			169,955	219,224
163,999			163,999	192,255
56,564			56,564	66,223
101,323	2,751,922		2,853,245	2,890,758
13,109	2,762,143		2,775,252	786,506
277,253	1,276,768		1,554,021	1,174,767
9,905,605			9,905,605	10,016,211
		1,958,694	1,958,694	653,405
<u>\$ 13,520,063</u>	<u>\$ 6,790,833</u>	<u>\$ 1,958,694</u>	<u>\$ 24,659,753</u>	<u>\$ 21,462,777</u>
\$ 49,995	\$	\$	\$ 50,073	\$ 62,353
12,280			13,579	6,555
			2,500	
			280,944	105,043
832,567			832,567	1,010,197
283			283	
18,020			18,020	23,782
2,085,000		1,958,694	4,043,694	3,048,405
			612,994	586,730
<u>2,998,145</u>		<u>1,958,694</u>	<u>5,854,654</u>	<u>4,843,065</u>
1,667,849			1,667,849	1,667,849
4,001,507			4,001,507	4,094,277
	6,790,833		6,790,833	4,433,242
			261,756	261,756
261,756			4,590,806	3,992,565
4,590,806				
			484,800	331,216
			193,319	106,208
			814,229	1,732,599
<u>10,521,918</u>	<u>6,790,833</u>		<u>18,805,099</u>	<u>16,619,712</u>
<u>\$ 13,520,063</u>	<u>\$ 6,790,833</u>	<u>\$ 1,958,694</u>	<u>\$ 24,659,753</u>	<u>\$ 21,462,777</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, 2003

	<u>Governmental Funds</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Revenue</u>				
Taxes	\$ 1,261,832	\$	\$ 82,829	\$ 1,344,661
Licenses and permits	71,525			71,525
Intergovernmental revenue	661,408			661,408
Other income	346,159	7,476	7,919	361,554
Fines and court costs	88,817	112,591		201,408
<u>Total</u>	<u>2,429,741</u>	<u>120,067</u>	<u>90,748</u>	<u>2,640,556</u>
<u>Expenditures</u>				
General government	804,451		1,989,268	2,793,719
Codes administration	71,648			71,648
City Hall expenses	442,230			442,230
Public safety	648,104	83,564		731,668
Fire Department	397,198			397,198
State Street Aid	75,090			75,090
Parks	133,863			133,863
<u>Total</u>	<u>2,572,584</u>	<u>83,564</u>	<u>1,989,268</u>	<u>4,645,416</u>
Excess of Revenue over (under) Expenditures	(142,843)	36,503	(1,898,520)	(2,004,860)
<u>Capital Outlay Note Proceeds</u>	9,493		1,317,692	1,327,185
<u>Transfers in (out)</u>	(784,412)		784,412	
Increase (decrease) in Fund Equity	(917,762)	36,503	203,584	(677,675)
Fund Equity - July 1, 2002	1,850,719	38,088	281,216	2,170,023
Fund Equity - June 30, 2003	\$ <u>932,957</u>	\$ <u>74,591</u>	\$ <u>484,800</u>	\$ <u>1,492,348</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, 2003

	General Fund			Special Revenue	
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget
<u>Revenue</u>					
Taxes	\$ 1,261,832	\$ 1,192,500	\$ 69,332	\$	\$
Licenses and permits	71,525	61,525	10,000		
Intergovernmental revenue	661,408	653,364	8,044		
Other income	346,159	505,938	(159,779)	7,476	530
Fines and court costs	88,817	97,500	(8,683)	112,591	60,170
<u>Total</u>	<u>2,429,741</u>	<u>2,510,827</u>	<u>(81,086)</u>	<u>120,067</u>	<u>60,700</u>
<u>Expenditures</u>					
General government	804,451	863,900	59,449		
Codes Administration	71,648	76,795	5,147		
City Hall expenses	442,230	530,275	88,045		
Public safety	648,104	664,170	16,066	83,564	83,866
Fire Department	397,198	428,215	31,017		
State Street Aid	75,090	70,690	(4,400)		
Parks	133,863	142,130	8,267		
<u>Total</u>	<u>2,572,584</u>	<u>2,776,175</u>	<u>203,591</u>	<u>83,564</u>	<u>83,866</u>
Excess of Revenue over (under) Expenditures	(142,843)	(265,348)	122,505	36,503	(23,166)
<u>Other Sources (Uses) of Funds</u>					
Proceeds from loans	9,493	171,500	(162,007)		
Transfers in (out)	(784,412)	(784,412)			
<u>Increase (decrease) in Fund Equity</u>	<u>(917,762)</u>	<u>(878,260)</u>	<u>(39,502)</u>	<u>36,503</u>	<u>(23,166)</u>
Fund Equity - July 1, 2002	1,850,719	1,850,719	0	38,088	38,088
Fund Equity - June 30, 2003	\$ <u>932,957</u>	\$ <u>972,459</u>	\$ (<u>39,502</u>)	\$ <u>74,591</u>	\$ <u>14,922</u>

See notes to financial statements.

Funds	Capital Projects			Totals (Memorandum Only)		
	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget
\$	\$ 82,829	\$ 79,500	\$ 3,329	\$ 1,344,661	\$ 1,272,000	\$ 72,661
				71,525	61,525	10,000
6,946	7,919	1,600	6,319	661,408	653,364	8,044
<u>52,421</u>				361,554	508,068	(146,514)
<u>59,367</u>	<u>90,748</u>	<u>81,100</u>	<u>9,648</u>	<u>201,408</u>	<u>157,670</u>	<u>43,738</u>
				<u>2,640,556</u>	<u>2,652,627</u>	<u>(12,071)</u>
	1,989,268	2,721,900	732,632	2,793,719	3,585,800	792,081
				71,648	76,795	5,147
				442,230	530,275	88,045
302				731,668	748,036	16,368
				397,198	428,215	31,017
				75,090	70,690	(4,400)
				<u>133,863</u>	<u>142,130</u>	<u>8,267</u>
<u>302</u>	<u>1,989,268</u>	<u>2,721,900</u>	<u>732,632</u>	<u>4,645,416</u>	<u>5,581,941</u>	<u>936,525</u>
59,669	(1,898,520)	(2,640,800)	742,280	(2,004,860)	(2,929,314)	924,454
	1,317,692	2,100,000	(782,308)	1,327,185	2,271,500	(944,315)
	784,412	784,412				
<u>59,669</u>	<u>203,584</u>	<u>243,612</u>	<u>(40,028)</u>	<u>(677,675)</u>	<u>(657,814)</u>	<u>(19,861)</u>
0	281,216	281,216	0	2,170,023	2,170,023	0
<u>\$ 59,669</u>	<u>\$ 484,800</u>	<u>\$ 524,828</u>	<u>\$ (40,028)</u>	<u>\$ 1,492,348</u>	<u>\$ 1,512,209</u>	<u>\$ (19,861)</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, 2003

Water and
Sewer

OPERATING REVENUE

Charges to customers - water	\$ 766,935
- sewer	1,114,299
Connection fees	107,725
Servicing customer's installation	33,079
Other fees	138,477
Penalties	45,016
<u>TOTAL OPERATING REVENUE</u>	<u>2,205,531</u>

OPERATING EXPENSE

Supply and Operation

Water purchases	403,825
Contractual services	64,039
Labor	243,962
Retirement contributions	30,252
Memberships and subscriptions	2,483
Materials and supplies	42,205
Repairs and maintenance	76,595
Gas and oil	5,479
Utilities	67,932
Telephone	7,398
Payroll taxes	18,350
Travel	679
Uniforms	4,487
Janitorial expense	523
Depreciation	348,155
<u>Total</u>	<u>1,316,364</u>

Administrative and General

Salaries	153,912
Payroll taxes	12,233
Retirement plan	20,168
Telephone	1,454
Data processing	11,005
Professional services	6,405
Repairs and maintenance	229
Bad debts	15,233
Rent	45,000
Travel	390
Dues and subscriptions	753
Insurance and bonds	133,151
Postage	6,260
Office expense	5,635
Bank charges	774
<u>Total</u>	<u>412,602</u>

Operating Income

476,565

See notes to financial statements.

	Water and <u>Sewer</u>
<u>Operating Income</u> (continued)	\$ 476,565
<u>Nonoperating Revenue (Expenses)</u>	
Interest income	40,457
Interest expenses and fiscal agent charges	(174,021)
<u>Total</u>	(133,564)
<u>Income Before Capital Contributions</u>	343,001
Capital Contributions	162,470
Change in Retained Earnings	<u>505,471</u>
Retained Earnings - July 1, 2002	3,992,565
Depreciation on fixed assets acquired by grants	92,770
Retained Earnings - June 30, 2003	\$ <u>4,590,806</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2003

Increase (Decrease) in Cash and Cash Equivalents

	<u>Water and Sewer</u>
Cash flows from operating activities	
Operating income	\$ 476,565
Adjustments to reconcile operating income to net cash provided by operating activities:	
depreciation and amortization	357,813
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	28,799
(Increase) decrease in unbilled revenue receivable	(2,036)
Increase (decrease) in accounts payable	(9,593)
Increase (decrease) in due to other governments	7,013
Increase (decrease) in accrued interest payable	(5,762)
Net cash provided by operating activities	<u>852,799</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(210,445)
Principal paid on revenue bond maturities and State of Tennessee loans	(487,630)
Interest and fiscal agent charges paid on Revenue Bonds and State of Tennessee loans	(174,021)
Amortization of deferred interest on 1993 Revenue Bonds	28,257
Capital Contributions	162,470
Net cash provided (used) for capital and related financing activities	<u>(681,369)</u>
Cash flows from investing activities	
Interest on investments	40,457
Net cash provided by investing activities	<u>40,457</u>
Increase (decrease) in cash and cash equivalents	211,887
Cash and cash equivalents - July 1, 2002	2,546,050
Cash and cash equivalents - June 30, 2003	\$ <u>2,757,937</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 STATEMENT OF CHANGES IN FUND EQUITY
 ALL FUND TYPES
 YEAR ENDED JUNE 30, 2003

	Governmental Funds				Proprietary Fund		Totals (Memoran- dum Only)	
	General	Special Revenue	Un- reserved	Un- reserved Capital Projects	Grants	Reserved for repairs and exten- sions		Un- Reserved
Fund Equity - July 1, 2002	\$ 1,850,719	\$ 38,088	\$ 281,216	\$ 1,667,849	\$ 4,094,277	\$ 261,756	\$ 3,992,565	\$ 12,186,470
Excess of Revenue and Other Sources over (under)	(917,762)	36,503	203,584					(677,675)
Expenditures and Other Uses								
Change in Retained Earnings	932,957	74,591	484,800	1,667,849	4,094,277	261,756	4,498,036	12,014,266
Depreciation on Fixed Assets Acquired by Grants - Current Year								
Fund Equity - June 30, 2003	\$ 932,957	\$ 74,591	\$ 484,800	\$ 1,667,849	\$ 4,001,507	\$ 261,756	\$ 4,590,806	\$ 12,014,266

See notes to financial statements.

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.

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, 2003

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. The City applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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, 2003, 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.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, destruction and theft of assets, errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in coverage from prior years and no settlements which would have exceeded the coverage in the past three years.

10. DESIGNATED FUND BALANCES - CAPITAL PROJECTS

The Board of Mayor and Commissioners have designated the funds in Capital Projects to be used for municipal and park buildings.

CITY OF FAIRVIEW, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

11. 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 2001 and older have been filed with the Williamson County Clerk and Master.

	Tax Rate	Assessment	Levy	Balance June 30, 2002	Taxes Levied	Collections	Balance June 30, 2003
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		29	325
1997	.91	40,084,835	364,772	400		32	368
1998	.91	45,113,036	410,535	768		113	655
1999	.91	52,546,824	478,189	1,678		430	1,248
2000	.91	60,658,109	553,776	10,798		4,835	5,963
2001	.72	81,533,611	585,113	60,136		31,147	28,989
2002	.72	81,490,278	611,608	611,608		567,699	43,909
2003	.72	85,129,469					
				<u>686,360</u>	<u>612,994</u>	<u>604,285</u>	<u>695,069</u>
Less estimated uncollectible taxes				<u>1,478</u>	<u>0</u>	<u>0</u>	<u>1,478</u>
				\$ <u>684,882</u>	\$ <u>612,994</u>	\$ <u>604,285</u>	\$ <u>693,591</u>

12. DEPOSITS

At year end, the carrying amount of the City's deposits was \$4,284,554, and the bank balance was \$4,341,018. 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, 2003

All the financial institutions are members of the Tennessee Bank Collateral Pool; therefore, deposits in those financial institutions are collateralized by the Collateral Pool and are classified in Category 1.

13. CHANGES IN FIXED ASSETS

The following is a summary of changes in the general fixed assets account group for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
Land	\$ 2,789,435	\$	\$ 37,513	\$ 2,751,922
Buildings and improvements	447,866			447,866
Construction in progress	325,009	1,989,268		2,314,277
Machinery and equipment	870,932	405,836		1,276,768
Total	<u>\$ 4,433,242</u>	<u>\$ 2,395,104</u>	<u>\$ 37,513</u>	<u>\$ 6,790,833</u>
Investment in General Fixed Assets:				
From operating revenue	\$ 1,666,867	\$ 2,395,104	\$	\$ 4,061,971
From contributions	2,547,087		37,513	2,509,574
From special revenue funds	219,288			219,288
Total	<u>\$ 4,433,242</u>	<u>\$ 2,395,104</u>	<u>\$ 37,513</u>	<u>\$ 6,790,833</u>

14. CHANGES IN LONG-TERM DEBT

For the year ended June 30, 2003, long-term debt changes were:

	General Obligation Bonds	Revenue Bonds	Notes Payable	Total
Bonds/notes payable - July 1, 2002	\$ 604,000	\$ 2,395,000	\$ 1,059,602	\$ 4,058,602
Add: debt incurred	1,317,692		171,500	1,489,192
Less: principal payments	150,600	310,000	210,933	671,533
Bonds/notes payable June 30, 2003	<u>\$ 1,771,092</u>	<u>\$ 2,085,000</u>	<u>\$ 1,020,169</u>	<u>\$ 4,876,261</u>

CITY OF FAIRVIEW, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

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>
2004	\$ 112,000	\$ 19,123	\$ 131,123
2005	118,700	13,113	131,813
2006	125,700	6,744	132,444
	<u>\$ 356,400</u>	<u>\$ 38,980</u>	<u>\$ 395,380</u>

Capital Outlay Note - Police - \$171,500 - 2.95% interest rate

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 56,039	\$ 3,776	\$ 59,815
2005	57,723	2,092	59,815
2006	39,437	439	39,876
	<u>\$ 153,199</u>	<u>\$ 6,307</u>	<u>\$ 159,506</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 10,018	\$ 1,376	\$ 11,394
2005	10,018	975	10,993
2006	10,018	575	10,593
2007	4,349	87	4,436
	<u>\$ 34,403</u>	<u>\$ 3,013</u>	<u>\$ 37,416</u>

Tennessee Pooled Loan Program (Clarksville) - Revenue Bonds Series 2001 - \$2,000,000 1.4% Interest Rate

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. Payment may vary until full loan is withdrawn.

<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
\$ 142,000	\$ 1,317,692	\$ 45,000	\$ 1,414,692

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	25,000	1,281	26,281
	<u>\$ 240,000</u>	<u>\$ 33,501</u>	<u>\$ 273,501</u>

CITY OF FAIRVIEW, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>345,000</u>	<u>17,768</u>	<u>362,768</u>
	\$ <u>1,845,000</u>	\$ <u>340,404</u>	\$ <u>2,185,404</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>79,413</u>	<u>1,632</u>	<u>81,045</u>
	\$ <u>806,587</u>	\$ <u>119,666</u>	\$ <u>926,253</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>
2004	\$ 8,403	\$ 1,039	\$ 9,442
2005	8,403	703	9,106
2006	8,403	367	8,770
2007	<u>771</u>	<u>15</u>	<u>786</u>
	\$ <u>25,980</u>	\$ <u>2,124</u>	\$ <u>28,104</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

15. UTILITY RATES AND METERED CUSTOMERS

Utility rates and metered customers at June 30, 2003 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, 2003	4,607
---	-------

16. 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.

FUNDING POLICY

City of Fairview has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

City of Fairview is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2003 was 13.15% 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, 2003, City of Fairview's annual pension cost of \$170,354 to TCRS was equal to City of Fairview's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the frozen initial entry age 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 4.75 percent (graded)

CITY OF FAIRVIEW, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation of salaries), (c) projected 3.5 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, 2001 was 13 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2003	\$170,354	100.00%	\$ 0.00
June 30, 2002	\$ 88,416	100.00%	\$ 0.00
June 30, 2001	\$ 84,313	100.00%	\$ 0.00

REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Fund Progress for City of Fairview

(Dollars amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b) - (a)	(a/b)	(c)	(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%

CITY OF FAIRVIEW, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - ACTUAL TO BUDGET
YEAR ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Taxes</u>			
Real estate taxes	\$ 551,299	\$ 540,000	\$ 11,299
Property taxes- delinquent	59,887	30,000	29,887
Wholesale beer tax	123,688	130,000	(6,312)
Wholesale liquor tax	26,594	20,000	6,594
Local sales tax - trustee	377,238	385,000	(7,762)
Cable TV franchise tax	41,522	28,000	13,522
Natural gas franchise tax	30,278	24,000	6,278
Minimum business tax	45,221	32,000	13,221
Interest, penalties and court costs	6,104	3,500	2,604
<u>Total Taxes</u>	<u>1,261,832</u>	<u>1,192,500</u>	<u>69,332</u>
<u>Licenses and Permits</u>			
Building permits	51,197	45,000	6,197
Electric permits	2,715	3,000	(285)
Plumbing and mechanical permits	8,500	7,000	1,500
Rezoning and variance permits	2,000	500	1,500
Other permits	2,688	1,950	738
Sign permits	186	725	(539)
Alarm permit fees	165	150	15
Contractor licenses	2,100	1,200	900
Beer licenses	1,975	2,000	(25)
<u>Total Licenses and Permits</u>	<u>71,525</u>	<u>61,525</u>	<u>10,000</u>
<u>Intergovernmental Revenue</u>			
TVA payments in lieu of taxes	37,773	32,000	5,773
State law enforcement education	7,200	0	7,200
State sales tax	349,333	340,000	9,333
State income tax	478	25,000	(24,522)
State beer tax	3,014	2,300	714
State gasoline and motor fuel tax	162,201	160,000	2,201
State gasoline inspection fee	13,227	13,000	227
Telecommunications tax	1,228	1,000	228
Corporate excise tax	6,889	0	6,889
State grant - Fire Department	2,494	2,494	0
State grant - Police Department vest	1,895	1,895	0
State grant - computers	20,175	20,175	0
TML Safety grant	1,500	1,500	0
Local grant No. 1	54,000	54,000	0
<u>Total Intergovernmental Revenue</u>	<u>661,408</u>	<u>653,364</u>	<u>8,044</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - ACTUAL TO BUDGET
YEAR ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Other Income</u>			
Process fee for business tax	\$ 1,535	\$ 1,500	\$ 35
Subdividing and other fees	1,778	3,000	(1,222)
Privilege tax fee	860	600	260
Engineer charges and fees	13,725	8,000	5,725
Miscellaneous	265	350	(85)
Miscellaneous fees/charges	766	0	766
Miscellaneous revenue	0	1,000	(1,000)
Commissions - drink machines	547	0	547
Sale of Chamber of Commerce maps	44	0	44
Other charges - street lights	1,825	3,600	(1,775)
Special police service	200	0	200
Fees driving school	15,620	20,000	(4,380)
Accident report charges	3,081	1,500	1,581
Picnic shelter fees	570	200	370
Summer arts play	120	200	(80)
Bike race fees	1,307	2,500	(1,193)
Interest earnings	12,119	20,000	(7,881)
Interest - Park CD	42	10,000	(9,958)
Rent - water department	45,000	45,000	0
Rent - communications antenna	12,000	12,000	0
Sale of lots Industrial Park	169,402	305,000	(135,598)
City auction sales	0	2,000	(2,000)
Contributions and donations	19,700	19,700	0
Donation to Parks	1,250	0	1,250
Employee insurance contribution	28,875	46,788	(17,913)
Insurance refunds	15,528	3,000	12,528
<u>Total Other Income</u>	<u>346,159</u>	<u>505,938</u>	<u>(159,779)</u>
<u>Fines and Other Revenue</u>			
City Court fines and costs	88,148	97,000	(8,852)
Court fines and costs from county	668	500	168
<u>Total Police Fines and Other Revenue</u>	<u>88,817</u>	<u>97,500</u>	<u>(8,683)</u>
<u>TOTAL REVENUE</u>	<u>2,429,741</u>	<u>2,510,827</u>	<u>(81,086)</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - ACTUAL TO BUDGET
YEAR ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>General Government</u>			
Salaries and wages - Commissioners	\$ 27,000	\$ 27,000	\$ 0
Salaries and wages - other	93,684	97,300	3,616
Payroll taxes	77,881	80,000	2,119
Retirement contributions	113,886	137,000	23,114
Dues and subscriptions	8,386	17,000	8,614
Public relations	8,649	11,000	2,351
Court costs	2,650	3,000	350
Bonds and insurance	254,253	299,500	45,247
Telephone	33,267	29,000	(4,267)
Animal control	4,308	4,300	(8)
Data processing/consulting	10,235	7,450	(2,785)
Postage	3,232	7,000	3,768
Office supplies	28,951	32,500	3,549
Legal and professional	81,858	56,000	(25,858)
Utility service	34,193	25,000	(9,193)
Grants and donations	7,030	15,000	7,970
Repairs and maintenance	6,100	5,100	(1,000)
Travel	1,169	3,750	2,581
Equipment	6,949	7,000	51
Other	770	0	(770)
<u>Total General Government</u>	<u>804,451</u>	<u>863,900</u>	<u>59,449</u>
<u>Codes Administration</u>			
Salaries	59,840	61,395	1,555
Dues and subscriptions	534	1,500	966
Tennessee State Planning Office	8,000	8,000	0
Repairs and maintenance	1,122	1,000	(122)
Travel	0	1,600	1,600
Gas, oil and fuel	477	1,500	1,023
Equipment purchases	1,000	1,000	0
Other professional services	230	0	(230)
Uniforms	207	300	93
Other	238	500	262
<u>Total Codes Administration</u>	<u>71,648</u>	<u>76,795</u>	<u>5,147</u>
<u>City Hall Expenses</u>			
Salaries	31,047	62,400	31,353
Utilities	850	0	(850)
Repairs	463	0	(463)
Street maintenance	129,807	120,000	(9,807)
Medical services	556	0	(556)
Debt service	266,870	336,000	69,130
Other	763	0	(763)
Leased equipment	11,874	11,875	1
<u>Total City Hall Expenses</u>	<u>442,230</u>	<u>530,275</u>	<u>88,045</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 GENERAL FUND
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND EQUITY - ACTUAL TO BUDGET
 YEAR ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>PUBLIC SAFETY</u>			
<u>Police Department</u>			
Salaries - police	\$ 511,870	\$ 528,700	\$ 16,830
Repairs and maintenance	22,090	12,000	(10,090)
Membership fees	1,227	7,000	5,774
Gas and oil	21,167	30,000	8,833
Uniforms and supplies	14,045	16,895	2,850
Travel	798	3,000	2,202
Insurance	1,700	1,700	0
Other personal services	18,902	16,200	(2,702)
Firearm supplies	2,138	2,000	(138)
Office supplies	2,052	1,000	(1,052)
Janitorial	0	1,000	1,000
Equipment purchases	50,414	42,675	(7,739)
Other	1,701	2,000	299
<u>Total Police Department</u>	<u>648,104</u>	<u>664,170</u>	<u>16,066</u>
<u>Fire Department</u>			
Salaries	141,236	147,000	5,764
Memberships and subscriptions	6,457	10,250	3,793
Utilities	0	8,500	8,500
Telephone	0	2,500	2,500
Repairs and maintenance	16,763	24,000	7,237
Travel	1,428	5,000	3,572
Supplies	33,113	38,195	5,082
Uniforms	5,574	6,000	426
Educational supplies	1,727	1,500	(227)
Vehicle expense	4,513	8,900	4,387
Other grants, contributions	4,979	6,000	1,021
Equipment purchases	181,409	170,370	(11,039)
<u>Total Fire Department</u>	<u>397,198</u>	<u>428,215</u>	<u>31,017</u>
<u>TOTAL PUBLIC SAFETY</u>	<u>1,045,302</u>	<u>1,092,385</u>	<u>47,083</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY - ACTUAL TO BUDGET
YEAR ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>State Street Aid</u>			
Salaries	\$ 33,904	\$ 23,100	\$(10,804)
Repairs and maintenance	4,257	8,000	3,743
Gas and oil	4,125	4,800	675
Equipment	4,057	750	(3,307)
Supplies	4,376	5,000	624
Memberships, fees, tuition	45	240	195
Uniforms	1,888	1,800	(88)
Other	22,437	27,000	4,563
<u>Total State Street Aid</u>	<u>75,090</u>	<u>70,690</u>	<u>(4,400)</u>
<u>Parks</u>			
Salaries	93,166	89,380	(3,786)
Memberships and subscriptions	470	1,600	1,130
Repairs	9,527	11,000	1,473
Public relations	49	1,000	951
Travel	0	500	500
Buildings, improvements and equipment	21,053	24,250	3,197
Supplies	2,815	2,000	(815)
Uniforms	1,412	1,500	88
Vehicles expense	2,425	3,000	575
Professional fees	0	1,000	1,000
Educational supplies	245	2,000	1,755
Event expenses	1,039	2,500	1,461
Other	1,662	2,400	738
<u>Total Parks</u>	<u>133,863</u>	<u>142,130</u>	<u>8,267</u>
<u>TOTAL EXPENDITURES</u>	<u>2,572,584</u>	<u>2,776,175</u>	<u>203,591</u>
Excess of Revenue over (under) Expenditures	(142,843)	(265,348)	122,505
Capital Outlay Notes Proceeds	9,493	171,500	(162,007)
Transfers in (out)	(784,412)	(784,412)	0
Increase (decrease) in Fund Equity	(917,762)	(878,260)	(39,502)
Fund Equity - July 1, 2002	1,850,719	1,850,719	0
Fund Equity - June 30, 2003	\$ <u>932,957</u>	\$ <u>972,459</u>	\$ (<u>39,502</u>)

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
SPECIAL REVENUE FUND - DRUG FUND
BALANCE SHEET
JUNE 30, 2003

<u>ASSETS</u>		
Cash		\$ <u>355,535</u>
<u>LIABILITIES</u>		
Deposits		\$ 280,944
<u>FUND EQUITY</u>		
Unreserved		74,591
<u>Total</u>		\$ <u>355,535</u>

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - ACTUAL TO BUDGET
YEAR ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Revenue</u>			
Fines and court costs	\$ 112,591	\$ 60,170	\$ 52,421
City auction sales and confiscated articles	6,222		6,222
Interest	1,254	530	724
<u>Total</u>	<u>120,067</u>	<u>60,700</u>	<u>59,367</u>
<u>Expenditures</u>			
Salary	30,510	32,666	2,156
Supplies	1,737	0	(1,737)
Contractual services	10,000	10,000	0
Repairs and maintenance	195	0	(195)
Machinery and equipment	41,122	41,200	78
<u>Total</u>	<u>83,564</u>	<u>83,866</u>	<u>302</u>
Excess of Revenue over (under) <u>Expenditures</u>	36,503	(23,166)	59,669
Fund Equity - July 1, 2002	38,088	38,088	0
Fund Equity - June 30, 2003	\$ <u>74,591</u>	\$ <u>14,922</u>	\$ <u>59,669</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 CAPITAL PROJECTS FUND
 BALANCE SHEET
 JUNE 30, 2003

ASSETS

Cash

\$ 484,800

FUND EQUITY

Fund balance

\$ 484,800

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 FUND EQUITY - ACTUAL TO BUDGET
 YEAR ENDED JUNE 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Revenue</u>			
Facilities tax	\$ 82,829	\$ 79,500	\$ 3,329
Interest	7,919	1,600	6,319
<u>Total</u>	<u>90,748</u>	<u>81,100</u>	<u>9,648</u>
<u>Expenditures</u>			
Buildings	1,989,268	2,721,900	732,632
<u>Total Expenditures</u>	<u>1,989,268</u>	<u>2,721,900</u>	<u>732,632</u>
Excess of Revenue over (under) <u>Expenditures</u>	(1,898,520)	(2,640,800)	742,280
<u>Other Sources (Uses) of Funds</u>			
Loan proceeds	1,317,692	2,100,000	(782,308)
Transfers in (out) - net	784,412	784,412	0
Increase (decrease) in Fund Equity	<u>203,584</u>	<u>243,612</u>	<u>(40,028)</u>
Fund Equity - July 1, 2002	281,216	281,216	0
Fund Equity - June 30, 2003	\$ <u>484,800</u>	\$ <u>524,828</u>	\$ (<u>40,028</u>)

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 SCHEDULE OF INVESTMENTS
 JUNE 30, 2003

	<u>Interest Bearing Accounts</u>	<u>Demand Accounts</u>	<u>Total</u>
<u>General Fund</u>			
Operating Fund	\$ 680,948	\$ 5,334	\$ 686,282
<u>Special Revenue Funds</u>			
Drug Enforcement	355,535		355,535
<u>Capital Projects Fund</u>			
Capital Projects	445,157	39,643	484,800
<u>Enterprises Funds</u>			
<u>Water and Sewer System</u>			
Operating Funds	2,506,212	239,901	2,746,113
Tennessee Public Health Program	11,824		11,824
	<u>\$ 3,999,676</u>	<u>\$ 284,878</u>	<u>\$ 4,284,554</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, 2003

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2003</u>
Land	\$ 101,323	\$	\$	\$ 101,323
Buildings	15,663			15,663
Equipment	641,454	36,813		678,267
Plant in operation	<u>13,940,516</u>	<u>173,632</u>		<u>14,114,148</u>
	<u>\$ 14,698,956</u>	<u>\$ 210,445</u>	<u>\$ 0</u>	<u>\$ 14,909,401</u>

	Accumulated Depreciation <u>July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	Accumulated Depreciation <u>June 30, 2003</u>	Net Plant in Service
Land	\$ 0	\$	\$	\$	\$ 101,323
Buildings	2,032	522		2,554	13,109
Equipment	337,619	63,395		401,014	277,253
Plant in operation	<u>3,924,305</u>	<u>284,238</u>		<u>4,208,544</u>	<u>9,905,604</u>
	<u>\$ 4,263,956</u>	<u>\$ 348,155</u>	<u>\$ 0</u>	<u>\$ 4,612,112</u>	<u>\$ 10,297,289</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATION DEBT
 YEAR ENDED JUNE 30, 2003

	Balance July 1, <u>2002</u>	General Obligation Debt <u>Issued</u>	General Obligation Debt <u>Retired</u>	Balance June 30, <u>2003</u>
Amount to be provided for retirement of long-term obligations:				
General purpose	\$ <u>653,405</u>	\$ <u>1,489,192</u>	\$ <u>183,903</u>	\$ <u>1,958,694</u>
General obligation debt payable:				
General purpose	\$ <u>653,405</u>	\$ <u>1,489,192</u>	\$ <u>183,903</u>	\$ <u>1,958,694</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 SCHEDULE OF INSURANCE
 JUNE 30, 2003

<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	7-01-02	6-30-03	Workmen's Compensation	250/600/250,000
TML Insurance Pool	TML 338	7-01-02	6-30-03	Auto Liability General Liability and Personal Injury Errors and Omissions	1,000,000 250/600/85,000 1,000,000
TML Insurance Pool	TMP 4357	7-01-02	6-30-03	Buildings Mobile equipment Electronic equipment Employee Dishonesty Equipment breakdown	6,370,517 349,707 117,055 100/150,000 6,720,224

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 SALARIES AND SECURITY BONDS OF PRINCIPAL OFFICERS
 JUNE 30, 2003

<u>Name and Title of Official</u>		<u>Annual Salary</u>	<u>Amount of Security Bond</u>
Stuart L. Johnson	Mayor	\$ 5,400	\$ 100,000
Darrell Mangrum	Vice Mayor	5,400	100,000
Eddie Arney	Commissioner	5,400	100,000
Kenneth Brison	Commissioner	5,400	100,000
Wayne Hall	Commissioner	5,400	100,000
Kathleen Daugherty	City Recorder/Finance	46,415	100,000
Shirley Forehand	Ass't City Manager/Treasurer	43,680	100,000
Alan Deck	City Manager	54,080	100,000

See notes to financial statements.

PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

400 MAIN STREET

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE # 615-794-4313

FAX # 615-595-2297

DAN H. PARSONS, CPA
PATRICIA L. PARSONS, CPA
ROBIN FRICKE JACKSON, CPA

MEMBERS
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**

December 16, 2003

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, 2003, and have issued our report thereon dated December 16, 2003. 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, 2003

1. FINDING: During the year ended June 30, 2003, amendments were made to the original budget. These changes were not recorded in the accounting records to assist in monitoring the budgeted amounts. The omission of these changes could permit some confusion as to the allowable budget amounts.

RECOMMENDATION: We recommend that the budget be recorded on a current basis to ensure responsible personnel have an updated budget.

RESPONSE: We concur and will post any budget amendments.

CITY OF FAIRVIEW, TENNESSEE
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 JUNE 30, 2003

Program Title	Tennessee Department of Agriculture Division of Forestry	Tennessee Office of Criminal Justice Program	TML Bulletproof Vest Program
Pass-through Number	Z-03-013707100	Z-99088334-00	
Grant Award	\$ 2,494	\$ 20,175	\$ 1,895
Balance - June 30, 2002	\$ 0	0	0
Receipts	2,494	20,175	1,895
Expenditures	2,494	20,175	1,895
Balance - June 30, 2003	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying notes to financial statements.