

CITY OF FAIRVIEW, TENNESSEE

JUNE 30, 2008

Report
of
Examination

CITY OF FAIRVIEW, TENNESSEE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Budgetary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	
General Fund	15 - 18
Capital Projects	19
Drug Fund	20
Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	21
Notes to Financial Statements	22 - 33
Supplementary Information	
Schedule of Officials and Titles	34
Schedule of Expenditures of Federal Awards	34
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	35 - 36
Findings	37

PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

234 4th Avenue North

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE # 615-794-4313

FAX # 615-595-2297

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

January 22, 2009

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activities, and budgetary information of City of Fairview, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fairview, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the business-type activities, and budgetary information of the City of Fairview, Tennessee, as of June 30, 2008, and the respective changes in financial position and cash flows, if applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America, and the respective budgetary comparisons for the General Fund and the Major Revenue Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2009, on our consideration of the City of Fairview, Tennessee's internal control over financial reporting and on our tests of its compliance with

certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairview, Tennessee basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Parsons and Associates

Parsons and Associates

**CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

As management of the City of Fairview, Tennessee we offer the readers of the City of Fairview, Tennessee's financial statements this narrative overview and analysis of the financial activities of the City of Fairview, Tennessee for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

Management believes the City of Fairview's financial condition is strong. The City is within its budget and the more stringent financial policies and guidelines set by the Board of Commissioners and management. The following are key financial highlights.

- Government-Wide Net Assets of the City of Fairview exceeded liabilities at the close of the most recent fiscal year by \$21,723,822. Of this amount, \$2,322,227 (unrestricted net assets) may be used to meet the government's ongoing obligation to citizens and creditors.
- At June 30, 2008 the City's government funds reported combined ending fund balances of \$3,443,231 or, an increase of \$458,472 in comparison with the prior year.
- At June 30, 2008 unreserved fund balance for the General Fund was \$2,322,227 or 66% of total general fund expenditures.
- The City's total bonded debt decreased by \$99,350 during the year ended June 30, 2008.
- The City's capital assets were adjusted due to the City's decision to change from the modified approach of accounting to straight depreciation of its street systems infrastructure during the year ended June 30, 2007 (see Note 4-Capital assets activity for the year ended June 30, 2008). This is the fifth year the city has reported capital assets under GASB 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to and should be read in conjunction with the financial statements and supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and activities. Summary financial statement data key financial and operational indicators, budget and other management tools were used for this analysis. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to the basic financial statements themselves.

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

The *Statement of Net Assets* presents the financial position of the City on a full accrual, historical cost basis. The statement of net assets provides information on the entire City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, drug enforcement, and parks and recreation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be classified as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balances and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund, capital projects, and drug fund, all of which are considered to be major funds.

The City adopts an annual appropriations budget for its governmental fund. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the City's accounting policies,

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 22-33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fairview, assets exceeded liabilities by \$21,723,822, at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (84%) reflects its investment in capital assets (e.g., land and buildings) less any outstanding, related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

	Governmental Activities FY 2008	Governmental Activities FY 2007
Current and other assets	\$ 4,547,743	\$ 3,985,170
Capital assets	20,153,520	20,814,938
Total Assets	<u>\$ 24,701,263</u>	<u>\$ 24,800,108</u>
Long-term liabilities	\$ 1,768,492	\$ 1,863,013
Other liabilities	1,208,949	1,110,352
Total Liabilities	<u>2,977,441</u>	<u>2,973,365</u>
Net Assets		
Invested in capital assets, net of related debt	18,280,591	18,842,659
Restricted assets	1,121,004	1,024,364
Unrestricted	2,322,227	1,959,720
Net Assets	<u>21,723,822</u>	<u>21,826,743</u>
Total Liabilities and Net Assets	<u>\$ 24,701,263</u>	<u>\$ 24,800,108</u>

At year end, 5.16% of the City's governmental net assets represented resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$2,322,227) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2008, the City is able to report positive balances in all categories of fund balances.

**CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

City of Fairview, Tennessee's Changes in Fund Balances

	<u>2008</u>	<u>2007</u>
REVENUES:		
General Revenues		
Taxes	\$ 1,974,120	\$ 1,695,859
Licenses and permits	67,964	86,707
Fines and fees	115,651	81,826
Intergovernmental	1,218,188	1,135,577
Uses of money and property	83,085	67,958
Other	<u>437,285</u>	<u>248,193</u>
Total General Revenues	<u>3,896,293</u>	<u>3,316,120</u>
Capital Project	64,909	110,386
Drug Fund	<u>322,388</u>	<u>330,627</u>
Total Revenue	<u>4,283,590</u>	<u>3,757,133</u>
EXPENDITURES;		
Drug Fund	323,698	246,721
General Government	1,428,452	1,227,374
City Court	45,079	49,834
Codes	133,201	108,844
Historic Preservation	43,916	20,000
Public Safety	1,358,473	1,113,267
State Street Aid	149,274	163,424
Roads and Streets	172,487	138,966
Parks and Recreation	<u>170,538</u>	<u>128,291</u>
Total Expenditures	<u>3,825,118</u>	<u>3,196,721</u>
Increase in fund balance	458,472	560,412
Fund balances - July 1	2,984,759	2,424,347
Fund balances - June 30	<u>\$ 3,443,231</u>	<u>\$ 2,984,759</u>

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's near resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, all the City's governmental funds reported a combined ending fund balance of \$3,443,231, an increase of \$458,472 over the previous year. Of the total \$3,443,231 balance, \$346,705 is restricted for use in the State Street Aid Fund, which provides for paving and maintenance of streets. Another \$508,383 is restricted to use within the Drug Enforcement Fund. Finally, \$265,916 is restricted for capital projects.

**CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

The balance of \$2,322,227 is unrestricted in the operation of the general fund of the City. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to the fund's expenditures. The unreserved fund balance \$2,322,227 represents 66% of the general fund's expenditures.

General Fund Budgetary Highlights

Actual revenue exceeded budgeted projections by \$236,488 in the general fund and \$37,388 in the drug fund. Capital projects actual revenue was less than budgeted revenues by \$30,091. In the general fund, excess of revenue over expenditures was, in part, due to the sale of the old city hall property.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the City had \$20,153,520 (net of accumulated depreciation) invested in a broad range of capital assets, vs. \$20,814,938 at the beginning of the year. This total includes land, land improvements, buildings, equipment and street system infrastructure. The total increase in the City's investment in capital assets for the current period amounted to \$214,542 for the general fund.

Long-term debt. At the end of the fiscal year, the City had total debt outstanding of \$1,872,929 vs. a beginning balance of \$1,972,279. Of this amount, \$1,872,929 comprises debt in the general fund and backed by the full faith and credit of the government. No new debt was incurred for the year ended June 30, 2008.

**City of Fairview, Tennessee's Net Assets
General Obligation and Revenue Bonds**

	Governmental Activities 2008	Governmental Activities 2007
General Obligations Bonds	\$ 1,972,279	\$ 1,806,000
Addition	0	277,253
Less payments	(99,350)	(110,974)
Total	\$ 1,872,929	\$ 1,972,279

Economic Factors and New Year's Budget and Rates

Factors considered in preparation of the City's budget for the 2008/2009 fiscal year include the following:

- No property tax increase is expected in the upcoming fiscal year budget. The health of the real estate market will have an impact on property tax revenues, combined with increased requests for property tax relief from our citizens. The downturn in the housing market will affect our city's tax revenue collections in the next few years as assessments catch up with market changes. Bankruptcy claims will also impact the tax collections.
- With the economic slowdown, expectations are that shoppers will spend less and primarily on necessities. This will play out in less sales tax and business

**CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

tax revenues for the city thereby impacting the general fund. The downturn in the housing market will affect our city's revenue collections in the next few years as assessments catch up with market changes.

- In December, 2004, the Tennessee Department of Environmental and Conservation (TDEC) placed the Fairview Sewer Treatment Plant under a sewer moratorium. On October 1, 2006, the City transferred its water and sewer utility system to the Water Authority of Dickson County. The Authority allocated 80,000 gallons of flow per day to the city. In June, 2008, the allocation was increased to 90,000 gallons of flow per day. However, until the sewer issue is totally resolved, there will continue to be a decline in the number of building permits (commercial and residential) issued by the city which will continue to affect the general fund.

This overview is designed to provide general information about the City of Fairview's finances. Questions should be directed to the Financial Director Kathleen Daugherty or the City Manager Shirley Forehand. City of Fairview, P. O. Box 69, Fairview, TN 37062.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,649,744
Property tax receivable	981,523
Intergovernmental revenue receivable	143,800
Restricted assets:	
Cash and cash equivalents	772,676
Capital assets:	
Assets not being depreciated:	
Land and construction in progress	2,562,238
Capital assets, being depreciated, net of depreciation	17,591,282
<u>Total</u>	<u>\$ 24,701,263</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 69,595
Deposit on land	45,000
Other payables	10,039
Deferred revenue	930,618
Long-term liabilities:	
Compensated absences	49,260
Due within one year	104,437
Due beyond one year	1,768,492
<u>Total Liabilities</u>	<u>2,977,441</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	18,280,591
Restricted for:	
Roads and streets	346,705
Capital projects	265,916
Drug enforcement	508,383
Unrestricted	2,322,227
<u>Total Net Assets</u>	<u>21,723,822</u>
<u>Total</u>	<u>\$ 24,701,263</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges For Services	Operating Grants and Contributions	
Governmental Activities				
General government	\$ 1,141,224	\$ 204,013	\$	\$ (937,211)
City court	45,079	300,342		255,263
Codes	133,201			(133,201)
Historic preservation	43,916		43,916	(1,667,775)
Public safety	1,783,426	115,651		47,406
State Street Aid	149,274		196,680	(576,895)
Streets and roads	576,895			(209,318)
Parks	211,668	2,350		(69,828)
Interest on long-term debt	69,828			(3,291,559)
Total Governmental Activities	<u>4,154,511</u>	<u>622,356</u>	<u>240,596</u>	<u>(3,291,559)</u>
Total Primary Government	\$ <u>4,154,511</u>	\$ <u>622,356</u>	\$ <u>240,596</u>	<u>(3,291,559)</u>

General revenues:	
Taxes:	
Property taxes	949,048
Sales taxes	558,590
Facility tax	54,979
Other taxes	466,482
Investment income	115,061
Intergovernmental revenue not restricted to specific programs	977,592
Gain on sale of assets	66,886
Total general revenues and transfers	<u>3,188,638</u>
Change in net assets	(102,921)
Net assets - July 1, 2007	21,826,743
Net assets - June 30, 2008	<u>\$ 21,723,822</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,649,744	\$	\$	\$ 2,649,744
Receivables:				
Property taxes	981,523			981,523
Intergovernmental	143,800			143,800
Restricted assets:				
Cash and cash equivalents	18,323	245,916	508,437	772,676
<u>Total</u>	<u>\$ 3,793,390</u>	<u>\$ 245,916</u>	<u>\$ 508,437</u>	<u>\$ 4,547,743</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 69,541	\$	\$ 54	\$ 69,595
Other payables	10,039			10,039
Deposit on land	45,000			45,000
Compensated absences	49,260			49,260
Deferred revenue	930,618			930,618
<u>Total Liabilities</u>	<u>1,104,458</u>		<u>54</u>	<u>1,104,512</u>
<u>FUND BALANCES</u>				
Fund balance:				
Reserved for capital projects	20,000	245,916		265,916
Reserved for roads and streets	346,705			346,705
Reserved for drug enforcement			508,383	508,383
Unreserved	<u>2,322,227</u>			<u>2,322,227</u>
<u>Total Fund Balances</u>	<u>2,688,932</u>	<u>245,916</u>	<u>508,383</u>	<u>3,443,231</u>
<u>Total</u>	<u>\$ 3,793,390</u>	<u>\$ 245,916</u>	<u>\$ 508,383</u>	<u>\$ 4,547,743</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

<u>Total Governmental Funds Balances</u>	\$ 3,443,231
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation of \$11,599,292	20,153,520
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the government funds:	
General long-term debt payable	(1,872,929)
<u>Net Assets of Government Activities</u>	<u>\$ 21,723,822</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,974,120	\$ 54,979	\$	\$ 2,029,099
Licenses and permits	67,964			67,964
Fines and fees	115,651		300,342	415,993
Intergovernmental	1,218,188			1,218,188
Uses of money and property	83,085	9,930	22,046	115,061
Other	437,285			437,285
<u>Total Revenues</u>	<u>3,896,293</u>	<u>64,909</u>	<u>322,388</u>	<u>4,283,590</u>
EXPENDITURES				
Current:				
General government	1,428,452			1,428,452
City court	45,079			45,079
Codes	133,201			133,201
Historic Preservation	43,916			43,916
Public safety	1,358,473		323,698	1,682,171
State Street Aid	149,274			149,274
Roads and streets	172,487			172,487
Parks and recreation	170,538			170,538
<u>Total Expenditures</u>	<u>3,501,420</u>		<u>323,698</u>	<u>3,825,118</u>
Excess (deficiency) of revenues over expenditures	394,873	64,909	(1,310)	458,472
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	50,000	(50,000)		0
 Net change in fund balances	 <u>444,873</u>	 <u>14,909</u>	 <u>(1,310)</u>	 <u>458,472</u>
Fund Balance - July 1, 2007	2,244,059	231,007	509,693	2,984,759
Fund Balance - June 30, 2008	\$ <u>2,688,932</u>	\$ <u>245,916</u>	\$ <u>508,383</u>	\$ <u>3,443,231</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net Change in Fund Balance - Governmental Funds \$ 458,472

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:

Acquisition of capital assets	214,542
Depreciation expense	(643,960)

Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(232,000)
--	------------

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

General obligation loan payments	99,350
----------------------------------	--------

Interest is accrued on outstanding debt payable in the Statement of Activities, whereas, in the governmental funds, interest expenditures are reported when due:

Accrued interest payable	675
--------------------------	-----

Change in Net Assets of Governmental Activities \$ (102,921)

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance - July 1, 2007	\$ 2,244,059	\$ 2,244,059	\$ 2,244,059	\$ _____
RESOURCES (Inflows)				
<u>Taxes</u>				
Real estate taxes	898,000	902,000	949,048	47,048
Wholesale beer tax	153,000	153,000	159,932	6,932
Wholesale liquor tax	37,500	37,500	46,063	8,563
Local sales tax - Trustee	525,000	525,000	558,590	33,590
Cable TV franchise tax	59,000	59,000	66,490	7,490
Natural gas franchise tax	52,000	52,000	49,498	(2,502)
Minimum business tax	60,000	60,000	70,006	10,006
Occupancy tax	5,500	5,500	5,552	52
School facilities	0	0	62,097	62,097
Interest, penalty and court costs	8,200	8,200	6,844	(1,356)
<u>Total Taxes</u>	<u>1,798,200</u>	<u>1,802,200</u>	<u>1,974,120</u>	<u>171,920</u>
<u>Licenses and Permits</u>				
Building, electrical and plumbing permits	71,000	71,000	51,294	(19,706)
Rezoning and variance permits	1,500	1,500	2,300	800
Other permits	2,000	2,000	8,123	6,123
Sign permits	300	300	1,647	1,347
Contractor license	1,700	1,700	1,600	(100)
Beer and liquor licenses	3,750	3,750	3,000	(750)
<u>Total Licenses and Permits</u>	<u>80,250</u>	<u>80,250</u>	<u>67,964</u>	<u>(12,286)</u>
<u>Intergovernmental Revenue</u>				
State sales tax	495,000	495,000	417,540	(77,460)
Local sales tax	232,000	232,000	250,770	18,770
State income tax	15,000	15,000	17,508	2,508
State beer tax	3,500	3,500	3,837	337
State gasoline and motor fuel tax	195,000	195,000	196,680	1,680
State gasoline inspection fee	15,600	15,600	15,284	(316)
Corporate excise tax	15,000	15,000	13,063	(1,937)
Telecommunications tax	1,000	1,000	916	(84)
Highway Safety Grant	0	1,624	2,406	782
Local grants and contributions	75,000	75,000	75,000	0
TEMA grant	0	2,046	2,046	0
Payment in lieu of taxes	38,000	38,000	65,114	27,114
Mixed drink tax	5,000	5,000	89,008	84,008
Educational Incentive pay	3,000	3,000	3,600	600
Community Enhancement grant	0	12,500	12,500	0
State Housing grant	0	43,916	43,916	0
Special Law Enforcement	6,743	6,743	9,000	2,257
<u>Total Intergovernmental Revenue</u>	<u>1,099,843</u>	<u>1,159,929</u>	<u>1,218,188</u>	<u>58,259</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>Other Income</u>				
Process fee for business tax	\$ 1,500	\$ 1,500	\$ 1,665	\$ 165
Subdividing and other fees	6,000	6,000	5,859	(141)
Privilege tax fee	1,000	1,000	300	(700)
Engineer charges and fees	10,000	10,000	15,565	5,565
Miscellaneous fees/charges	8,000	8,000	12,421	4,421
Special program fees	5,000	5,000	3,510	(1,490)
Fees driving school	9,500	9,500	10,850	1,350
Accident report charges	2,000	2,000	1,853	(147)
TML safety grant	1,500	1,500	1,455	(45)
Sale of City property	50,000	298,886	298,886	0
Park revenues	2,700	2,700	2,350	(350)
Insurance refunds	7,500	37,500	47,469	9,969
Fireman Fund grant	0	34,390	34,390	0
Donations	2,000	2,000	712	(1,288)
<u>Total Other Income</u>	<u>106,700</u>	<u>419,976</u>	<u>437,285</u>	<u>17,309</u>
<u>Police Fines and Other Revenue</u>				
City Court fines and costs	<u>70,450</u>	<u>90,450</u>	<u>115,651</u>	<u>25,201</u>
<u>Investment Income</u>				
Interest	<u>67,000</u>	<u>67,000</u>	<u>83,085</u>	<u>16,085</u>
<u>Transfers In</u>				
Transfer from Capital Projects Funds	<u>90,000</u>	<u>90,000</u>	<u>50,000</u>	<u>(40,000)</u>
<u>Total Revenue and Transfers</u>	<u>3,312,443</u>	<u>3,709,805</u>	<u>3,946,293</u>	<u>236,488</u>
 <u>AMOUNTS AVAILABLE FOR APPROPRIATION</u>	 <u>\$ 5,556,502</u>	 <u>\$ 5,953,864</u>	 <u>\$ 6,190,352</u>	 <u>\$ 236,488</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance
	Original	Final		With Final Budget Positive (Negative)
CHARGES TO APPROPRIATIONS (Outflows)				
<u>General Government</u>				
Salaries and wages	\$ 261,800	\$ 266,800	\$ 239,211	\$ 27,589
Payroll taxes	136,500	136,500	129,807	6,693
Retirement contributions	185,000	185,000	172,611	12,389
Bond and insurance	395,500	395,500	320,030	75,470
Telephone	30,000	37,000	38,215	(1,215)
Office supplies and postage	5,000	5,000	4,085	915
Legal and professional	25,000	20,000	24,320	(4,320)
Utility service	45,000	50,000	70,365	(20,365)
Repairs and maintenance	9,000	13,200	13,042	158
Other services and charges	263,405	102,525	90,657	11,868
Equipment purchases	154,265	308,730	156,256	152,474
Debt service	162,300	162,300	169,853	(7,553)
<u>Total General Government</u>	<u>1,672,770</u>	<u>1,682,555</u>	<u>1,428,452</u>	<u>254,103</u>
<u>City Court</u>				
Salaries and wages	40,700	40,700	39,395	1,305
Other services and charges	2,500	2,500	5,684	(3,184)
<u>Total City Court</u>	<u>43,200</u>	<u>43,200</u>	<u>45,079</u>	<u>(1,879)</u>
<u>Codes Administration</u>				
Salaries and wages	106,646	108,646	113,067	(4,421)
Tennessee State Planning Office	9,250	9,250	9,250	0
Equipment	3,750	3,750	4,041	(291)
Other	7,500	7,770	6,843	927
<u>Total Codes Administration</u>	<u>127,146</u>	<u>129,416</u>	<u>133,201</u>	<u>(3,785)</u>
<u>Special Projects</u>				
Historic Preservations	44,416	88,832	43,916	44,916
<u>PUBLIC SAFETY</u>				
<u>Police Department</u>				
Salaries - police	616,900	636,900	645,624	(8,724)
Contractual services	31,000	31,000	21,075	9,925
Repairs and maintenance	15,000	51,500	52,097	(597)
Gas and oil	60,000	60,000	65,197	(5,197)
Uniforms and supplies	12,000	12,000	9,738	2,262
Equipment purchases	5,000	5,000	1,344	3,656
Other services and charges	15,300	19,200	19,576	(376)
<u>Total Police Department</u>	<u>755,200</u>	<u>815,600</u>	<u>814,651</u>	<u>949</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Fire Department</u>				
Salaries and wages	\$ 360,000	\$ 362,900	\$ 347,780	\$ 15,120
Repairs and maintenance	20,250	32,250	32,281	(31)
Supplies	13,000	18,000	15,181	2,819
Uniforms	5,000	5,000	3,049	1,951
Gas and oil	15,000	15,000	17,422	(2,422)
Equipment purchases	133,250	185,750	114,273	71,477
Other services and charges	4,000	4,700	3,285	1,415
<u>Total Fire Department</u>	<u>550,500</u>	<u>623,600</u>	<u>533,271</u>	<u>90,329</u>
<u>Public Health</u>				
Repairs and maintenance	3,500	3,500	4,592	(1,092)
Utilities and telephone	8,750	8,750	4,879	3,871
Other services and charges	1,250	1,250	1,080	170
<u>Total Public Health</u>	<u>13,500</u>	<u>13,500</u>	<u>10,551</u>	<u>2,949</u>
<u>Total Public Safety</u>	<u>1,319,200</u>	<u>1,452,700</u>	<u>1,358,473</u>	<u>94,227</u>
<u>State Street Aid</u>				
Salaries and wages	45,600	45,600	35,930	9,670
Repairs	149,400	149,400	113,344	36,056
<u>Total State Street Aid</u>	<u>195,000</u>	<u>195,000</u>	<u>149,274</u>	<u>45,726</u>
<u>Streets and Roads</u>				
Salaries and wages	126,600	126,600	130,166	(3,566)
Repairs and maintenance	4,500	7,500	8,554	(1,054)
Street lighting	11,000	11,000	7,453	3,547
Gas and oil	8,000	8,000	11,601	(3,601)
Equipment	13,581	16,162	6,649	9,513
Other services and charges	8,750	8,750	8,064	686
<u>Total Streets and Roads</u>	<u>172,431</u>	<u>178,012</u>	<u>172,487</u>	<u>5,525</u>
<u>Parks</u>				
Salaries and wages	104,200	120,700	121,407	(707)
Repairs and maintenance	17,000	21,700	20,986	714
Gas and oil	3,500	3,500	5,623	(2,123)
Building, improvements and equipment	14,000	14,000	10,833	3,167
Educational supplies	3,000	3,000	3,355	(355)
Other services and charges	13,200	13,200	8,334	4,866
<u>Total Parks</u>	<u>154,900</u>	<u>176,100</u>	<u>170,538</u>	<u>5,562</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>3,729,063</u>	<u>3,945,815</u>	<u>3,501,420</u>	<u>444,395</u>
Budgetary Fund Balance - June 30, 2008	\$ <u>1,827,439</u>	\$ <u>2,008,049</u>	\$ <u>2,688,932</u>	\$ <u>680,883</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ACTUAL TO BUDGET
 CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2008

	Budget Original/ Final	Actual	Variance Positive (Negative)
<u>Budgetary Fund Balance - July 1, 2007</u>	\$ 231,007	\$ 231,007	\$ 0
<u>RESOURCES (Inflows)</u>			
Taxes	90,000	54,979	(35,021)
Interest	<u>5,000</u>	<u>9,930</u>	<u>4,930</u>
<u>Amounts Available for Appropriations</u>	<u>95,000</u>	<u>64,909</u>	<u>(30,091)</u>
<u>Charges to Appropriations (Outflows)</u>		0	0
<u>Other Financing Sources (Uses)</u>			
Transfers (out) to General Fund		(50,000)	(50,000)
Budgetary Fund balance - June 30, 2008	\$ <u>326,007</u>	\$ <u>245,916</u>	\$ <u>(80,091)</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
DRUG FUND
YEAR ENDED JUNE 30, 2008

	Budget Original/ Final	Actual	Variance With Final Budget Positive (Negative)
<u>Budgetary Fund Balance - July 1, 2007</u>	\$ 509,693	\$ 509,693	\$ 0
<u>RESOURCES (Inflows)</u>			
Fines and court costs	265,000	300,342	35,342
Interest	<u>20,000</u>	<u>22,046</u>	<u>2,046</u>
<u>Amounts Available for Appropriations</u>	<u>285,000</u>	<u>322,388</u>	<u>37,388</u>
<u>Charges to Appropriations (Outflows)</u>			
Salary	101,800	102,151	(351)
Payroll taxes	9,500	7,788	1,712
Retirement contributions	12,000	11,415	585
Other	30,000	30,921	(921)
Insurance	20,894	22,749	(1,855)
Machinery and equipment	<u>223,000</u>	<u>148,674</u>	<u>74,326</u>
<u>Total Charges to Appropriations</u>	<u>397,194</u>	<u>323,698</u>	<u>73,496</u>
 Budgetary fund balances - June 30, 2008	 \$ <u>397,499</u>	 \$ <u>508,383</u>	 \$ <u>110,884</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF BUDGETARY COMPARISON

NOTE A
JUNE 30, 2008

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Drug Fund</u>
Sources/Inflows of Resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,190,352	\$ 295,916	\$ 832,081
Differences - budget to GAAP			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,244,059)	(231,007)	(509,693)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(50,000)		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ <u>3,896,293</u>	\$ <u>64,909</u>	\$ <u>322,388</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,501,420	\$ 50,000	\$ 322,698
Differences - budget to GAAP			
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(50,000)	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ <u>3,501,420</u>	\$ <u>0</u>	\$ <u>322,698</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - 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.

The accounting policies of the City conform to accounting principles generally accepted in the United States applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

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 financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria in GASB pronouncements, there are no component units to be included in the accompanying financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets and statement of changes in net assets, report information on all nonfiduciary activities of the City of Fairview. Governmental activities, which are usually supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on charges for services and fees.

The statement of activities indicates the degree to which direct expenses of each function or segment are offset by program revenues. Direct expenses are expenses that are identifiable with a specific function. Program revenues are: (a) charges to customers and/or applicants who purchase, use or benefit directly from services, goods, or privileges provided by a given function and (b) grants and contributions that are restricted to the operational or capital requirements of a specific function. Such revenues are taxes and other revenue that may not be included in program revenues are reported as general revenues.

Separate financial statements are presented for governmental funds and proprietary funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Basis of Accounting and Basis of Presentation and Measurement Focus

Government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, including the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue when all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures are recorded when a liability is incurred, as in accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded when payment is due.

Property taxes, franchise taxes, and interest associated with the current fiscal year are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Other revenue items are considered to be measurable and available only when cash is received and is recognized as revenue at that time.

The City also reports the following major funds:

The "General Fund" is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The "Capital Projects Fund" accounts for the acquisition, design and construction of major capital improvements projects of the City.

The "Drug Fund" is a special revenue fund used to account for the proceeds of drug related fines and forfeitures and related expenditures.

The City has no internal service or fiduciary funds as of and for the year ended June 30, 2008.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board (GASB).

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist principally of demand deposits, short-term certificates of deposits (original maturities of three months or less) and investments in the Local Government Investment Pool of the State of Tennessee.

Statutes authorize the City to invest in (a) U S Government securities and obligations guaranteed by the U S Government, (b) deposit accounts at state and federal chartered banks and savings and loan associations, (c) the Local Government Investment Pool of the State of Tennessee. During the year, the City invested funds that were not needed immediately in savings accounts and short-term certificates of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the financial institutions. The collateral must meet certain requirements and must have a minimum market value of 105% of the value of the deposits balance less the amount insured by federal depository insurance. Collateral requirements are not applicable for financial institutions who participate in the State of Tennessee's collateral pool.

The State of Tennessee Local Government Investment Pool operates in accordance with appropriate state laws. The reported value of the Pool is the same as the fair value of the Pool shares.

Receivables

Taxes are shown net of an allowance for uncollectible accounts.

Restricted Assets

Certain assets, such as the drug special revenue fund, the capital projects fund and state street funds are classified as restricted assets because their use is limited by applicable regulations.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (roads, bridges, sidewalks and similar assets) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial and individual cost of \$5,000 or more and an estimated useful life of two years or more. Assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

The cost of normal repairs and maintenance that do not add to the value of the asset or substantially extend the life of the asset are not capitalized, but are charged to expense.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Property, plant and equipment is depreciated using the straight-line method over the estimated useful lives, as follows:

Buildings	40-50 years
Machine and equipment and vehicles	5-10 years

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable government activities.

Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

The face amount of debt issued is reported as other financial sources. Debt issuance costs, whether withheld from the actual debt proceeds received or not withheld, are reported as debt service expenditures.

Compensated Absences

Employees accrue vacation time, or compensated absence, by prescribed formula based on length of service. The value of the accumulated vacation, which may be used in future years, is recorded in the government-wide statements as long-term debt.

Fund Balances

Governmental funds, in the fund financial statements, report reservations of fund balances for amounts that are not available for appropriation and/or legally restricted by outside third-parties for specific purposes.

Estimates

Estimates and assumptions are used in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and reported revenue and expenses. Actual results could differ from these reported amounts.

NOTE 2 - REVENUE RECOGNITION - PROPERTY TAXES

The City's charter requires property 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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

	Tax Rate	Assessment	Levy	Balance June 30, 2007	Taxes Levied	Collections	Balance June 30, 2008
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	147	*	147	
1996	.91	37,491,439	341,199	325	*	325	
1997	.91	40,084,835	364,772	327	*	327	
1998	.91	45,113,036	410,535	329		14	315
1999	.91	52,546,824	478,189	879		217	662
2000	.91	60,658,109	553,776	732		0	732
2001	.72	81,533,611	585,113	549		375	174
2002	.72	81,490,278	611,608	366		174	192
2003	.72	85,129,469	650,603	353		57	296
2004	.72	89,685,506	667,711	1,237		450	787
2005	.84	97,928,095	822,596	7,168		6,070	1,098
2006	.84	104,579,762	878,470	33,383		23,600	9,783
2007	.70	130,386,140	912,721	912,721	42,452	916,829	38,344
2008	.70	132,940,637	930,618		<u>930,618</u>		<u>930,618</u>
				<u>958,979</u>	<u>973,070</u>	<u>949,048</u>	<u>983,001</u>
Less estimated uncollectible taxes				1,478			1,478
				\$ <u>957,501</u>	\$ <u>973,070</u>	\$ <u>949,048</u>	\$ <u>981,523</u>

*Amounts written off

Delinquent taxes of 2006 and older have been filed with the Williamson County Clerk and Master.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents at June 30, 2008, were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public fund accounts for the City. The amount of collateral required to secure these public deposits must be equal to at least 105% of the average daily balance of public funds held. Collateral securities required to be pledged by the participating bank to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment, public fund accounts covered by the pool are considered to be collateralized and insured for purpose of credit risk disclosure.

CITY OF FAIRVIEW, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year end. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

At June 30, 2008, the City's cash and cash equivalents were classified as Category 1 deposits because the financial institutions used by the City participate in the Tennessee bank collateral pool.

A reconciliation of cash and cash equivalents as shown on the combined balance sheet is as follows:

	Governmental Activities
Checking and savings accounts	\$ 387,345
Deposits in State of Tennessee Local Government Investment Pool	3,032,391
Cash on hand	<u>2,684</u>
Total	\$ <u>3,422,420</u>
Cash and cash equivalents	\$ 2,649,744
Cash and cash equivalents - restricted	<u>772,676</u>
Total	\$ <u>3,422,420</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
<u>Capital assets not being depreciated</u>				
Land	\$ <u>2,658,371</u>	\$ <u>135,867</u>	\$ <u>232,000</u>	\$ <u>2,562,238</u>
<u>Capital assets being depreciated</u>				
Machinery and equipment	1,988,618	78,675		2,067,293
Buildings and improvements	3,055,310			3,055,310
Infrastructure	<u>24,067,971</u>			<u>24,067,971</u>
Total assets being depreciated	<u>29,111,899</u>	<u>78,675</u>		<u>29,190,574</u>
Total assets	<u><u>31,770,270</u></u>	<u><u>214,542</u></u>	<u><u>232,000</u></u>	<u><u>31,752,812</u></u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment	1,172,257	166,444		1,338,701
Buildings and improvements	165,059	76,383		241,442
Infrastructure	<u>9,618,016</u>	<u>401,133</u>		<u>10,019,149</u>
Total accumulated depreciation	<u>10,955,332</u>	<u>643,960</u>		<u>11,599,292</u>
Governmental Activities capital assets, net	<u><u>\$ 20,814,938</u></u>	<u><u>\$ (429,418)</u></u>	<u><u>\$ 232,000</u></u>	<u><u>\$ 20,153,520</u></u>

Depreciation expense was charged to function/programs as of June 30, 2008 as follows:

Governmental activities	
General government	\$ 18,492
Public safety	179,930
Roads and streets	404,408
Parks and recreation	41,130
Total depreciation expense- governmental activities	<u><u>\$ 643,960</u></u>

CITY OF FAIRVIEW, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 5 - LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term liabilities, during the year ended June 30, 2008, were as follows:

	Balance July 1, 2007	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2008	Due Within One Year
Governmental Activities					
General obligation bonds	\$	\$	\$	\$	\$
Tennessee Municipal Bond Pooled Fund	1,751,000		57,000	1,694,000	60,000
Ferrara Custom Pump	221,279		42,350	178,929	44,437
Total Government Activities Long-Term Liabilities	\$ <u>1,972,279</u>	\$	\$ <u>99,350</u>	\$ <u>1,872,929</u>	\$ <u>104,437</u>

Description of long-term liabilities:

Long-term debt payable at June 30, 2008 was as follows:

\$2,000,000 Series 2001, Tennessee Pooled Loan Program due in increasing annual installments through May 25, 2026, at a variable interest rate (2.83% at June 30, 2008). \$ 1,694,000

\$227,253 contract for purchase of Ferrara Custom Pumper; payable in quarterly payments of \$13,066.51 principal including interest at 4.84% per annum 178,929

Total General Obligation Bonds \$ 1,872,929

Debt Service Requirements

The annual debt service requirements to maturity for long-term debt obligations, as of June 30, 2008 were as follows:

Year	<u>Governmental Activities</u>				<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 60,000	\$ 65,550	\$ 44,437	\$ 7,829	\$ 104,437	\$ 73,379
2010	63,000	63,250	46,627	5,639	109,627	68,889
2011	66,000	60,800	48,925	3,341	114,925	64,141
2012	70,000	58,250	38,940	930	108,940	59,180
2013	73,000	55,550			73,000	55,550
2014-2018	426,000	232,250			426,000	232,250
2019-2023	542,000	141,250			542,000	141,250
2024-2026	394,000	31,000			394,000	31,000
<u>Total</u>	\$ <u>1,694,000</u>	\$ <u>707,900</u>	\$ <u>178,929</u>	\$ <u>17,739</u>	\$ <u>1,872,929</u>	\$ <u>725,639</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of those risks of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The City pays a premium, receives coverage, and can make claims against the coverage. The City meets the TML's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 7 - 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 <http://www.treasury.state.tn.us/ters/PS/>.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008 was 11.75% 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, 2008 City of Fairview's annual pension cost of \$185,486 to TCRS was equal to City of Fairview's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen 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) 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, 2005 was 9 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

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, 2008	\$185,486	100.00%	\$ 0.00
June 30, 2007	\$177,095	100.00%	\$ 0.00
June 30, 2006	\$165,475	100.00%	\$ 0.00

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 96.63% percent funded. The actuarial accrued liability for benefits was \$2.45 million, and the actuarial value of assets was \$2.37 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.08 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.43 million, and the ratio of the UAAL to the covered payroll was 5.78% percent.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 - INTERFUND TRANSFERS

Capital Projects Funds transferred \$50,000 to General Funds for debt service.

NOTE 9 - CHANGE IN INFRASTRUCTURE REPORTING

The City for the year ended June 30, 2007, chose to switch from the modified approach of accounting for its network of infrastructure assets to straight depreciation. These assets include the City's streets and sidewalks system. This change added \$24,067,971 to fixed assets in fiscal year 2007-2008, with prior accumulated depreciation of \$9,260,276. For more detail on capital asset activity, see Note 4 in the notes to the financial statements.

CITY OF FAIRVIEW, TENNESSEE
 SCHEDULE OF OFFICIALS AND TITLE
 YEAR ENDED JUNE 30, 2008

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Kenneth Brison	Mayor	\$ 5,400	\$ 100,000
Stuart Johnson	Vice-Mayor	5,400	100,000
Wayne Hall	Commissioner	5,400	100,000
Eddie Arney	Commissioner	5,400	100,000
Darrell Mangrum	Commission	5,400	100,000
Shirley Forehand	City Manager/Treasurer	69,887	100,000
Kathleen Daugherty	City Recorder/Finance	67,296	100,000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

Program Title: Department of Housing and Urban Development
 HOME Investment Partnership Program
 Tennessee Housing Development Agency

CFDA Number: 14.239

Contract Number: HM-04-15

Time Period: 07/01/04/06/30/07

Award Amount: \$500,000

Balance July 1, 2007: \$ 0

Receipts: 43,916

Expenditures: 43,916

Balance June 30, 2008: 0

Note - Basis of Presentation:

The accompanying schedule of federal awards includes the federal grant activity of the City of Fairview, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, the amount in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See notes to financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
YEAR ENDED JUNE 30, 2008**

January 22, 2009

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

We have audited the financial statements of the governmental activities, and each major fund, and budgetary information of City of Fairview, Tennessee as of and for the year ended June 30, 2008, and have issued our report thereon dated January 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting (Finding 2008.1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Fairview, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Fairview, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Commissioners, others within the City, and Tennessee Comptroller of the Treasury, 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, 2008

1. **FINDING:** Finding for the year ended June 30, 2007, relating to invoices being approved has been corrected.
2. **FINDING 2007-1** During our tests of cash, we noted some departments are not depositing cash receipts intact in a timely manner. Such practices make it difficult to reconcile differences.
- RECOMMENDATION:** We recommend cash receipts be deposited intact on a daily basis according to receipt date. All receipts should be deposited as of the last day of each month.
- MANAGEMENT'S RESPONSE:** We concur and all departments will be informed to deposit receipts intact on a daily basis.