

CITY OF FAIRVIEW, TENNESSEE

JUNE 30, 2009

Report

of

Examination

CITY OF FAIRVIEW, TENNESSEE  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

C O N T E N T S

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## INDEPENDENT AUDITOR'S REPORT

November 23, 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, and budgetary information of City of Fairview, Tennessee, as of and for the year ended June 30, 2009, 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, and budgetary information of the City of Fairview, Tennessee, as of June 30, 2009, 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 November 30, 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 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, 2009**

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, 2009. 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 \$22,269,028. Of this amount, \$2,416,457 (unrestricted net assets) may be used to meet the government's ongoing obligation to citizens and creditors.
- At June 30, 2009 the City's government funds reported combined ending fund balances of \$3,683,136 or, an increase of \$239,905 in comparison with the prior year.
- At June 30, 2009 unreserved fund balance for the General Fund was \$2,416,457 or 73% of total general fund expenditures.
- The City's total bonded debt decreased by \$104,437 during the year ended June 30, 2009.
- 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, 2009). This is the sixth 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, 2009

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, 2009**

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 \$22,269,028, at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (83%) 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 2009	Governmental Activities FY 2008
Current and other assets	\$ 4,793,448	\$ 4,547,743
Capital assets	20,354,384	20,153,520
Total Assets	<u>\$ 25,147,832</u>	<u>\$ 24,701,263</u>
Long-term liabilities	\$ 1,658,865	\$ 1,768,492
Other liabilities	1,219,939	1,208,949
Total Liabilities	<u>2,878,804</u>	<u>2,977,441</u>
Net Assets		
Invested in capital assets, net of related debt	18,585,892	18,280,591
Restricted assets	1,266,679	1,121,004
Unrestricted	2,416,457	2,322,227
Net Assets	<u>22,269,028</u>	<u>21,723,822</u>
Total Liabilities and Net Assets	<u>\$ 25,147,832</u>	<u>\$ 24,701,263</u>

At year end, 5.69% 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 (\$2,416,457) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2009, 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, 2009**

City of Fairview, Tennessee's Changes in Fund Balances

	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>		
General Revenues		
Taxes	\$ 1,976,579	\$ 1,974,120
Licenses and permits	80,505	67,964
Fines and fees	192,050	115,651
Intergovernmental	1,168,664	1,218,188
Uses of money and property	50,178	83,085
Other	<u>77,128</u>	<u>437,285</u>
Total General Revenues	<u>3,545,104</u>	<u>3,896,293</u>
Capital Project	74,009	64,909
Drug Fund	<u>141,269</u>	<u>322,388</u>
Total Revenue	<u>3,760,382</u>	<u>4,283,590</u>
<b>EXPENDITURES;</b>		
Drug Fund	199,565	323,698
General Government	1,311,191	1,428,452
City Court	46,698	45,079
Codes	146,356	133,201
Historic Preservation	0	43,916
Public Safety	1,365,496	1,358,473
State Street Aid	128,153	149,274
Roads and Streets	160,982	172,487
Parks and Recreation	<u>162,036</u>	<u>170,538</u>
Total Expenditures	<u>3,520,477</u>	<u>3,825,118</u>
Increase in fund balance	239,905	458,472
Fund balances - July 1	3,443,231	2,984,759
Fund balances - June 30	\$ <u>3,683,136</u>	\$ <u>3,443,231</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 \$3,683,136, an increase of \$239,905 over the previous year. Of the total \$3,683,136 balance, \$403,469 is restricted for use in the State Street Aid Fund, which provides for paving and maintenance of streets. Another \$450,087 is restricted to use within the Drug Enforcement Fund. Another \$270,925 is restricted for capital projects. Finally, \$102,700 is restricted for schools and \$39,498 is restricted for parks.



**CITY OF FAIRVIEW, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

The balance of \$2,416,457 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 \$2,416,457 represents 73% of the general fund's expenditures.

**General Fund Budgetary Highlights**

Budgeted projections exceed actual revenue by \$4,310 in the general fund and \$80,631 in the drug fund. Capital projects actual revenue was less than budgeted revenues by \$20,991.

**Capital Asset and Debt Administration**

At the end of fiscal year 2009, the City had \$20,354,384 (net of accumulated depreciation) invested in a broad range of capital assets, vs. \$20,153,520 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 \$863,814 for the general fund, which includes \$684,613 of donated infrastructure.

**Long-term debt.** At the end of the fiscal year, the City had total debt outstanding of \$1,768,492 vs. a beginning balance of \$1,872,929. Of this amount, \$1,768,492 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, 2009.

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

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
General Obligations Bonds	\$ 1,872,929	\$ 1,972,279
Less payments	( 104,437)	( 99,350)
Total	\$ <u>1,768,492</u>	\$ <u>1,872,929</u>

**Economic Factors and New Year's Budget and Rates**

Factors considered in preparation of the City's budget for the 2009/2010 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, 2009

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, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,809,321
Property tax receivable	1,014,304
Intergovernmental revenue receivable	126,971
Restricted assets:	
Cash and cash equivalents	842,852
Capital assets:	
Assets not being depreciated:	
Land and construction in progress	2,562,238
Capital assets, being depreciated, net of depreciation	17,792,146
<u>Total</u>	<u>\$ 25,147,832</u>
 <u>LIABILITIES</u>  	
Accounts payable	\$ 82,953
Deposit on land	30,000
Other payables	4,884
Deferred revenue	949,805
Long-term liabilities:	
Compensated absences	42,670
Due within one year	109,627
Due beyond one year	1,658,865
<u>Total Liabilities</u>	<u>2,878,804</u>
 <u>NET ASSETS</u>  	
Invested in capital assets, net of related debt	18,585,892
Restricted for:	
Roads and streets	403,469
Capital projects	270,925
Drug enforcement	450,087
Schools	102,700
Parks	39,498
Unrestricted	<u>2,416,457</u>
<u>Total Net Assets</u>	<u>22,269,028</u>
<u>Total</u>	<u>\$ 25,147,832</u>

See notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>and Changes</u> <u>in Net Assets</u>
<u>Primary Government</u>	<u>Charges</u> <u>For</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<u>Governmental Activities</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>		
General Government	\$ 1,189,010	\$	\$ ( 1,033,052)
City court	46,698		145,352
Codes	146,356		( 80,205)
Public safety	1,635,552	56,765	( 1,447,783)
State Street Aid	61,554	184,917	123,363
Streets and roads	577,569		107,044
Parks	203,166	684,613	( 201,491)
Interest on long-term debt	39,884		( 39,884)
Total Governmental Activities	<u>3,899,789</u>	<u>241,682</u>	<u>( 2,426,656)</u>
Total Primary Government	<u>\$ 3,899,789</u>	<u>\$ 241,682</u>	<u>( 2,426,656)</u>
			948,218
			568,282
			69,187
			393,928
			63,365
			926,982
			<u>1,900</u>
			<u>2,971,862</u>
			545,206
Net assets - July 1, 2008			21,723,822
Net assets - June 30, 2009			<u>\$ 22,269,028</u>

**General revenues:**

- Taxes:
  - Property taxes
  - Sales taxes
  - Facility tax
  - Other taxes
- Investment income
- Intergovernmental revenue not restricted to specific programs
- Gain on sale of assets
- Total general revenues and transfers

Change in net assets

Net assets - July 1, 2008

Net assets - June 30, 2009

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
BALANCE SHEET  
GOVERNMENT FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,809,321	\$	\$	\$ 2,809,321
Receivables:				
Property taxes	1,014,304			1,014,304
Intergovernmental	126,971			126,971
Restricted assets:				
Cash and cash equivalents	137,701	250,925	454,226	842,852
<u>Total</u>	<u>\$ 4,088,297</u>	<u>\$ 250,925</u>	<u>\$ 454,226</u>	<u>\$ 4,793,448</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 82,953	\$	\$	\$ 82,953
Other payables	4,884			4,884
Deposit on land	30,000			30,000
Compensated absences	38,531		4,139	42,670
Deferred revenue	949,805			949,805
<u>Total Liabilities</u>	<u>1,106,173</u>		<u>4,139</u>	<u>1,110,312</u>
<u>FUND BALANCES</u>				
Fund balance:				
Reserved for capital projects	20,000	250,925		270,925
Reserved for roads and streets	403,469			403,469
Reserved for drug enforcement			450,087	450,087
Reserved for school	102,700			102,700
Reserved for park	39,498			39,498
Unreserved	<u>2,416,457</u>			<u>2,416,457</u>
<u>Total Fund Balances</u>	<u>2,982,124</u>	<u>250,925</u>	<u>450,087</u>	<u>3,683,136</u>
<u>Total</u>	<u>\$ 4,088,297</u>	<u>\$ 250,925</u>	<u>\$ 454,226</u>	<u>\$ 4,793,448</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, 2009

<u>Total Governmental Funds Balances</u>	\$ 3,683,136
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 \$12,262,242	20,354,384
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	( 1,768,492)
<u>Net Assets of Government Activities</u>	<u>\$ 22,269,028</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, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,976,579	\$ 69,187	\$	\$ 2,045,766
Licenses and permits	80,505			80,505
Fines and fees	192,050		131,004	323,054
Intergovernmental	1,168,664			1,168,664
Uses of money and property	50,178	4,822	8,365	63,365
Other	<u>77,128</u>		<u>1,900</u>	<u>79,028</u>
<u>Total Revenues</u>	<u>3,545,104</u>	<u>74,009</u>	<u>141,269</u>	<u>3,760,382</u>
EXPENDITURES				
Current:				
General government	1,311,191			1,311,191
City court	46,698			46,698
Codes	146,356			146,356
Public safety	1,365,496		199,565	1,565,061
State Street Aid	128,153			128,153
Roads and streets	160,982			160,982
Parks and recreation	<u>162,036</u>			<u>162,036</u>
<u>Total Expenditures</u>	<u>3,320,912</u>		<u>199,565</u>	<u>3,520,477</u>
Excess (deficiency) of revenues over expenditures	224,192	74,009	( 58,296)	239,905
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	69,000	( 69,000)	0	0
Net change in fund balances	<u>293,192</u>	<u>5,009</u>	<u>( 58,296)</u>	<u>239,905</u>
Fund Balance - July 1, 2008	2,688,932	245,916	508,383	3,443,231
Fund Balance - June 30, 2009	<u>\$ 2,982,124</u>	<u>\$ 250,925</u>	<u>\$ 450,087</u>	<u>\$ 3,683,136</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, 2009

Net Change in Fund Balance - Governmental Funds \$ 239,905

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	863,814
Depreciation expense	( 662,950)

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	104,437
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Change in Net Assets of Governmental Activities \$ 545,206

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, 2009

	Budget		Actual
	Original	Final	
Budgetary Fund Balance - July 1, 2008	\$ 2,688,932	\$ 2,688,932	\$ 2,688,932
RESOURCES (Inflows)			
<u>Taxes</u>			
Real estate taxes	918,295	933,295	948,218
Wholesale beer tax	165,000	165,000	158,688
Wholesale liquor tax	47,000	47,000	49,993
Local sales tax - Trustee	556,000	556,000	568,282
Cable TV franchise tax	59,000	59,000	72,334
Natural gas franchise tax	66,000	66,000	59,967
Minimum business tax	65,000	65,000	70,004
Occupancy tax	5,750	5,750	3,918
School facilities	0	0	40,603
Interest, penalty and court costs	6,390	6,390	4,572
<u>Total Taxes</u>	<u>1,888,435</u>	<u>1,903,435</u>	<u>1,976,579</u>
<u>Licenses and Permits</u>			
Building, electrical and plumbing permits	67,500	67,500	66,151
Fees - appeals	2,800	2,800	200
Other permits	5,200	5,200	3,290
Sign permits	1,500	1,500	4,388
Contractor license	1,700	1,700	1,350
Beer and liquor licenses	3,750	3,750	5,126
<u>Total Licenses and Permits</u>	<u>82,450</u>	<u>82,450</u>	<u>80,505</u>
<u>Intergovernmental Revenue</u>			
State sales tax	512,000	512,000	459,298
Local sales tax	254,000	254,000	255,121
State income tax	20,500	20,500	10,210
State beer tax	3,750	3,750	3,659
State gasoline and motor fuel tax	199,500	199,500	184,917
State gasoline inspection fee	14,675	14,675	15,069
Corporate excise tax	17,500	17,500	15,543
Telecommunications tax	1,000	1,000	818
Highway Safety Grant	0	4,548	4,217
Local grants and contributions	80,000	80,000	79,500
TEMA grant	0	5,665	5,665
Payment in lieu of taxes	49,000	49,000	67,262
Mixed drink tax	5,200	5,200	6,703
Educational Incentive pay	4,200	4,200	3,600
GHSO Grant	0	0	13,160
Recruitment/Retention Grant	0	40,691	33,723
Special Law Enforcement	9,000	9,000	10,200
<u>Total Intergovernmental Revenue</u>	<u>1,170,325</u>	<u>1,221,229</u>	<u>1,168,664</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, 2009

	Budget		Actual
	Original	Final	
<u>Other Income</u>			
Process fee for business tax	\$ 1,800	\$ 1,800	\$ 1,607
Subdividing and other fees	6,000	6,000	26,711
Privilege tax fee	1,000	1,000	110
Engineer charges and fees	12,500	12,500	11,442
Miscellaneous fees/charges	9,600	9,600	3,717
Special program fees	5,000	5,000	4,855
Fees driving school	11,000	11,000	18,700
Accident report charges	2,000	2,000	1,757
TML safety grant	1,500	1,500	1,487
Sale of City property	35,000	35,000	0
Park revenues	2,600	2,600	3,025
Insurance refunds	7,500	7,500	3,554
Donations	2,200	2,200	163
<u>Total Other Income</u>	<u>97,700</u>	<u>97,700</u>	<u>77,128</u>
 <u>Police Fines and Other Revenue</u>			
City Court fines and costs	<u>110,600</u>	<u>135,600</u>	<u>192,050</u>
 <u>Investment Income</u>			
Interest	<u>88,000</u>	<u>88,000</u>	<u>50,178</u>
 <u>Transfers In</u>			
Transfer from Capital Projects Funds	<u>90,000</u>	<u>90,000</u>	<u>69,000</u>
 Total Revenue and Transfers	<u>3,527,510</u>	<u>3,618,414</u>	<u>3,614,104</u>
  <u>AMOUNTS AVAILABLE FOR APPROPRIATION</u>	  <u>\$ 6,216,442</u>	  <u>\$ 6,307,346</u>	  <u>\$ 6,303,036</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, 2009

CHARGES TO APPROPRIATIONS (Outflows)	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>
<u>General Government</u>			
Salaries and wages	\$ 282,943	\$ 282,943	\$ 288,917
Payroll taxes	156,200	156,200	143,516
Retirement contributions	202,650	202,650	186,583
Bond and insurance	387,500	387,500	345,874
Telephone	37,000	37,000	37,447
Office supplies and postage	5,000	7,500	8,042
Legal and professional	25,000	27,000	10,924
Utility service	55,000	75,000	52,568
Repairs and maintenance	9,000	39,750	44,689
Other services and charges	89,790	96,290	48,196
Equipment purchases	2,000	2,000	114
Debt service	<u>182,300</u>	<u>182,300</u>	<u>144,321</u>
<u>Total General Government</u>	<u>1,434,383</u>	<u>1,496,133</u>	<u>1,311,191</u>
<u>City Court</u>			
Salaries and wages	40,800	40,800	39,712
Other services and charges	<u>4,500</u>	<u>4,500</u>	<u>6,986</u>
<u>Total City Court</u>	<u>45,300</u>	<u>45,300</u>	<u>46,698</u>
<u>Codes Administration</u>			
Salaries and wages	115,931	115,931	115,856
Tennessee State Planning Office	9,500	9,500	9,250
Equipment	10,200	10,200	7,814
Other	<u>8,700</u>	<u>8,700</u>	<u>13,436</u>
<u>Total Codes Administration</u>	<u>144,331</u>	<u>144,331</u>	<u>146,356</u>
<u>PUBLIC SAFETY</u>			
<u>Police Department</u>			
Salaries - police	739,500	739,500	734,156
Contractual services	20,000	20,000	3,000
Repairs and maintenance	18,500	18,500	17,309
Gas and oil	80,000	80,000	52,698
Uniforms and supplies	18,750	18,750	15,843
Equipment purchases	5,000	5,000	2,925
Other services and charges	<u>13,500</u>	<u>13,500</u>	<u>9,149</u>
<u>Total Police Department</u>	<u>895,250</u>	<u>895,250</u>	<u>835,080</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, 2009

	Budget		Actual
	Original	Final	
<u>Fire Department</u>			
Salaries and wages	\$ 378,525	\$ 390,225	\$ 347,780
Repairs and maintenance	20,000	30,000	33,310
Supplies	15,000	20,500	15,748
Uniforms	3,000	3,000	3,257
Gas and oil	15,000	15,000	13,241
Equipment purchases	31,000	34,000	76,159
Other services and charges	5,000	28,255	24,399
<u>Total Fire Department</u>	<u>467,525</u>	<u>520,980</u>	<u>513,894</u>
<u>Public Health</u>			
Repairs and maintenance	6,500	6,500	2,924
Utilities and telephone	5,700	12,700	12,452
Other services and charges	1,000	1,000	1,146
<u>Total Public Health</u>	<u>13,200</u>	<u>20,200</u>	<u>16,522</u>
<u>Total Public Safety</u>	<u>1,375,975</u>	<u>1,436,430</u>	<u>1,365,496</u>
<u>State Street Aid</u>			
Salaries and wages	65,175	65,175	56,840
Repairs	139,000	139,000	4,714
Equipment	0	27,199	66,599
<u>Total State Street Aid</u>	<u>204,175</u>	<u>231,374</u>	<u>128,153</u>
<u>Streets and Roads</u>			
Salaries and wages	114,632	114,632	117,404
Repairs and maintenance	6,000	6,000	5,392
Street lighting	10,000	16,000	16,650
Gas and oil	10,000	11,500	10,962
Equipment	5,000	5,000	3,670
Other services and charges	13,500	13,500	6,904
<u>Total Streets and Roads</u>	<u>159,132</u>	<u>166,632</u>	<u>160,982</u>
<u>Parks</u>			
Salaries and wages	125,220	127,720	131,802
Repairs and maintenance	14,000	14,000	12,107
Gas and oil	4,500	4,500	3,278
Building, improvements and equipment	5,500	5,500	1,478
Educational supplies	3,000	3,000	4,349
Other services and charges	11,400	11,400	9,022
<u>Total Parks</u>	<u>163,620</u>	<u>166,120</u>	<u>162,036</u>
<u>TOTAL CHARGES TO APPROPRIATIONS</u>	<u>3,526,916</u>	<u>3,686,320</u>	<u>3,320,912</u>
Budgetary Fund Balance - June 30, 2009	\$ <u>2,689,526</u>	\$ <u>2,621,026</u>	\$ <u>2,982,124</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, 2009

	Budget Original/ <u>Final</u>	<u>Actual</u>
<u>Budgetary Fund Balance - July 1, 2008</u>	\$ <u>245,916</u>	\$ <u>245,916</u>
<u>RESOURCES (Inflows)</u>		
Taxes	90,000	69,187
Interest	<u>5,000</u>	<u>4,822</u>
<u>Total Revenues and Transfers</u>	<u>95,000</u>	<u>74,009</u>
 <u>Amount Available for Appropriations</u>	 340,916	 319,925
 <u>Charges to Appropriations (Outflows)</u>	 0	 0
 <u>Other Financing Sources (Uses)</u>	 ( 90,000)	 ( 69,000)
Transfers (out) to General Fund		
 Budgetary Fund balance - June 30, 2009	 \$ <u>250,916</u>	 \$ <u>250,925</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, 2009

	Budget		Actual
	Original	Final	
<u>Budgetary Fund Balance - July 1, 2008</u>	\$ <u>508,383</u>	\$ <u>508,383</u>	\$ <u>508,383</u>
<u>RESOURCES (Inflows)</u>			
Fines and court costs	200,000	200,000	131,004
Interest	20,000	20,000	8,365
Sale of confiscated vehicle	0	1,900	1,900
<u>Total Revenue</u>	<u>220,000</u>	<u>221,900</u>	<u>141,269</u>
<u>Amount Available for Appropriations</u>	<u>728,383</u>	<u>730,283</u>	<u>649,652</u>
<u>Charges to Appropriations (Outflows)</u>			
Salary	139,000	139,000	111,062
Payroll taxes	11,500	11,500	7,820
Retirement contributions	15,000	15,000	12,219
Other	17,100	17,100	6,345
Insurance	26,250	26,250	8,227
Donation	0	10,000	10,000
Repairs and maintenance	0	4,500	3,446
Machinery and equipment	2,500	44,900	40,446
<u>Total Charges to Appropriations</u>	<u>211,350</u>	<u>268,250</u>	<u>199,565</u>
Budgetary fund balances - June 30, 2009	\$ <u>517,033</u>	\$ <u>462,033</u>	\$ <u>450,087</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
STATEMENT OF BUDGETARY COMPARISON

NOTE A  
JUNE 30, 2009

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

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Drug <u>Fund</u>
Sources/Inflows of Resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,303,036	\$ 319,925	\$ 649,652
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	(2,688,932)	( 245,916)	( 508,383)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	( 69,000)		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ <u>3,545,104</u>	\$ <u>74,009</u>	\$ <u>141,269</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,320,912	\$ 69,000	\$ 199,565
Differences - budget to GAAP			
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		( 69,000)	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ <u>3,320,912</u>	\$ <u>0</u>	\$ <u>199,565</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009**

**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, 2009.

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, 2009

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, 2009**

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, 2009**

	Tax			Balance			Balance
	Rate	Assessment	Levy	June	Taxes		June
				30, 2008	Levied	Collections	30, 2009
1998	.91	45,113,036	410,535	\$ 315	\$	\$	\$ 315
1999	.91	52,546,824	478,189	662			662
2000	.91	60,658,109	553,776	732		1	731
2001	.72	81,533,611	585,113	174		6	168
2002	.72	81,490,278	611,608	192			192
2003	.72	85,129,469	650,603	296		161	135
2004	.72	89,685,506	667,711	787		284	503
2005	.84	97,928,095	822,596	1,098		742	356
2006	.84	104,579,762	878,470	9,783		6,460	3,323
2007	.70	130,386,140	912,721	38,344		25,899	12,445
2008	.70	132,940,637	930,618	930,618	17,980	901,451	47,147
2009	.70	135,678,924	949,805		<u>949,805</u>		<u>949,805</u>
				983,001	967,785	935,004	1,015,782
Less estimated uncollectible							
Taxes				1,478			1,478
				<u>\$ 981,523</u>	<u>\$ 967,785</u>	<u>\$ 935,004</u>	<u>\$ 1,014,304</u>

Delinquent taxes of 2007 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, 2009, 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, 2009

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, 2009, 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:

	<u>Governmental Activities</u>
Checking and savings accounts	\$ 633,559
Deposits in State of Tennessee Local Government Investment Pool	3,015,918
Cash on hand	<u>2,696</u>
Total	\$ <u>3,652,173</u>
Cash and cash equivalents	\$ 2,809,321
Cash and cash equivalents - restricted	<u>842,852</u>
Total	\$ <u>3,652,173</u>

CITY OF FAIRVIEW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<u>Capital assets not being depreciated</u>				
Land	\$ 2,562,238	\$	\$	\$ 2,562,238
<u>Capital assets being depreciated</u>				
Machinery and equipment	2,067,293	179,201		2,246,494
Buildings and improvements	3,055,310			3,055,310
Infrastructure	24,067,971	684,613		24,752,584
Total assets being depreciated	<u>29,190,574</u>	<u>863,814</u>		<u>30,054,388</u>
Total assets	<u>31,752,812</u>	<u>863,814</u>		<u>32,616,626</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment	1,338,701	174,975		1,513,676
Buildings and improvements	241,442	76,383		317,825
Infrastructure	10,019,149	411,592		10,430,741
Total accumulated depreciation	<u>11,599,292</u>	<u>662,950</u>		<u>12,262,242</u>
Governmental Activities capital assets, net	\$ <u>20,153,520</u>	\$ <u>200,864</u>	\$	\$ <u>20,354,384</u>

Depreciation expense was charged to function/programs as of June 30, 2009 as follows:

Governmental activities	
General government	\$ 22,140
Public safety	183,093
Roads and streets	416,587
Parks and recreation	41,130
Total depreciation expense- governmental activities	\$ <u>662,950</u>

**CITY OF FAIRVIEW, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 5 - LONG-TERM LIABILITIES**

Changes in Long-Term Liabilities

The changes in long-term liabilities, during the year ended June 30, 2009, were as follows:

	Balance July 1, 2008	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2009	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$	\$	\$	\$	\$
Tennessee Municipal Bond Pooled Fund	1,694,000		60,000	1,634,000	63,000
Ferrara Custom Pump	178,929		44,437	134,492	46,627
Total Government Activities					
Long-Term Liabilities	\$ <u>1,872,929</u>	\$	\$ <u>104,437</u>	\$ <u>1,768,492</u>	\$ <u>109,627</u>

**Description of long-term liabilities:**

Long-term debt payable at June 30, 2009 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	\$ 1,634,000
\$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	134,492
Total General Obligation Bonds	\$ <u>1,768,492</u>

**Debt Service Requirements**

The annual debt service requirements to maturity for long-term debt obligations, as of June 30, 2009 were as follows:

<u>Year</u>	<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>
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	77,000	52,700			77,000	52,700
2015-2019	447,000	215,800			447,000	215,800
2020-2024	569,000	120,250			569,000	120,250
2025-2026	<u>269,000</u>	<u>15,750</u>			<u>269,000</u>	<u>15,750</u>
<u>Total</u>	\$ <u>1,634,000</u>	\$ <u>642,350</u>	\$ <u>134,492</u>	\$ <u>9,910</u>	\$ <u>1,768,492</u>	\$ <u>652,260</u>

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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.tn.gov/treasury/tcrs/PS/>.



**CITY OF FAIRVIEW, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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, 2009 was 11.46% 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, 2009 City of Fairview's annual pension cost of \$198,802 to TCRS was equal to City of Fairview's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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, 2007 was 7 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, 2009	\$198,802	100.00%	\$ 0.00
June 30, 2008	\$185,486	100.00%	\$ 0.00
June 30, 2007	\$177,095	100.00%	\$ 0.00

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 96.66% 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 million, and the ratio of the UAAL to the covered payroll was 5.73% percent.

CITY OF FAIRVIEW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to service as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) (c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	(b-a) (c)
July 01, 2007	\$2,371	\$2,453	\$82	96.66%	\$1,432	5.73%

**Required Supplementary Information**

Schedule of Funding Progress for City of Fairview, 88880

(Dollars amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) (c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	(b-a) (c)
July 01, 2007	\$2,371	\$2,453	\$82	96.66%	\$1,432	5.73%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change was made during the year of the most recent actuarial valuation date, therefore, only the most current year is presented.

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 8 - INTERFUND TRANSFERS**

Capital Projects Funds transferred \$69,000 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, 2009

<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
Eddie Arney	Commissioner	5,400	100,000
Allen Bissell	Commissioner	5,400	100,000
Toney Sutton	Commission	5,400	100,000
Shirley Forehand	City Manager/Treasurer	74,863	100,000
Kathleen Daugherty	City Recorder/Finance	72,088	100,000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

<u>Program Title</u>	<u>Department of Transportation Highway Safety - High Visibility</u>	<u>Department of Military TEMA Grant</u>	<u>Department of Transportation Highway Safety - Safer Roads</u>
CFDA	20.607		20.600
Contract No.		Z-08-212822	
Balance - July 1, 2008	0	0	0
Receipts	4,217	5,665	13,160
Expenditures	4,217	5,665	13,160
Balance - June 30, 2009	0	0	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, 2009

November 30, 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, 2009, and have issued our report thereon dated November 30, 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, 2009

1. FINDING 2007-1 Finding for the year ended June 30, 2008, relating to cash receipts not deposited in a timely manner, has been corrected.

2. FINDING 2008-1 During our tests of disbursements we noted some checks were posted to wrong expenditure accounts. Expenditures posted to accounts other than the correct account will create an erroneous expenditure amount for the year. It will lead to developing excess expenditures over the budget. Also, it will make creating future budgets more difficult.

**RECOMMENDATION:** We recommend careful attention be given to coding and posting of all entries. If there is any confusion about the posting of an entry, consult with someone before posting.

**MANAGEMENT'S RESPONSE:** We concur and more attention will be paid to the posting in the future.