

CITY OF FAIRVIEW, TENNESSEE

JUNE 30, 2010

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

March 14, 2011

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

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Fairview, Tennessee, as of and for the year ended June 30, 2010, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011, 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 an opinion 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, 2010**

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, 2010. 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 \$24,565,687. Of this amount, \$1,385,985 (unrestricted net assets) may be used to meet the government's ongoing obligation to citizens and creditors.
- At June 30, 2010 the City's government funds reported combined ending fund balances of \$3,110,774 or, a decrease of \$572,362 in comparison with the prior year.
- At June 30, 2010 unreserved fund balance for the General Fund was \$1,385,985 or 28% of total general fund expenditures.
- The City's total bonded debt decreased by \$109,267 during the year ended June 30, 2010.
- 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, 2010). This is the seventh 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, 2010

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, 2010**

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 20-31 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 \$24,565,387, at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (87%) 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 <u>FY 2010</u>	Governmental Activities <u>FY 2009</u>
Current and other assets	\$ 4,234,883	\$ 4,793,448
Capital assets	<u>23,113,478</u>	<u>20,354,384</u>
<b>Total Assets</b>	<b>\$ <u>27,348,361</u></b>	<b>\$ <u>25,147,832</u></b>
Long-term liabilities	\$ 1,543,940	\$ 1,658,865
Other liabilities	<u>1,239,034</u>	<u>1,219,939</u>
<b>Total Liabilities</b>	<b><u>2,782,974</u></b>	<b><u>2,878,804</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	21,454,613	18,585,892
Restricted assets	1,724,789	1,266,679
Unrestricted	<u>1,385,985</u>	<u>2,416,457</u>
<b>Net Assets</b>	<b><u>24,565,387</u></b>	<b><u>22,269,028</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>27,348,361</u></b>	<b>\$ <u>25,147,832</u></b>

At year end, 7.02% 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 (\$1,385,985) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2010, 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, 2010**

City of Fairview, Tennessee's Changes in Fund Balances

	<u>2010</u>	<u>2009</u>
<b>REVENUES:</b>		
General Revenues		
Taxes	\$ 1,954,495	\$ 1,976,579
Licenses and permits	39,796	80,505
Fines and fees	205,896	192,050
Intergovernmental	1,313,697	1,168,664
Uses of money and property	15,613	50,178
Other	753,715	77,128
Total General Revenues	<u>4,283,212</u>	<u>3,545,104</u>
Capital Project	96,950	74,009
Drug Fund	256,720	141,269
Total Revenue	<u>4,636,882</u>	<u>3,760,382</u>
<b>EXPENDITURES;</b>		
Drug Fund	231,464	199,565
General Government	1,224,693	1,166,870
City Court	46,637	46,698
Codes	121,005	146,356
Public Safety	2,450,685	1,365,496
State Street Aid	186,721	128,153
Roads and Streets	645,784	160,982
Parks and Recreation	170,389	162,036
Debt service	131,866	144,321
Total Expenditures	<u>5,209,244</u>	<u>3,520,477</u>
Increase (decrease) in fund balance	( 572,362)	239,905
Fund balances - July 1	3,683,136	3,443,231
Fund balances - June 30	\$ <u>3,110,774</u>	\$ <u>3,683,136</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.



**CITY OF FAIRVIEW, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

As of the end of the current fiscal year, all the City's governmental funds reported a combined ending fund balance of \$3,110,774, a decrease of \$572,362 over the previous year. Of the total \$3,110,774 balance, \$382,179 is restricted for use in the State Street Aid Fund, which provides for paving and maintenance of streets. Another \$475,343 is restricted to use within the Drug Enforcement Fund and \$32,678 is reserved for court purposes. Another \$247,460 is restricted for capital projects. Finally, \$143,515 is restricted for schools and \$443,614 is restricted for parks.

The balance of \$1,385,985 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 \$1,385,985 represents 28% of the general fund's expenditures.

**General Fund Budgetary Highlights**

Actual revenue exceed budget projections by \$757,402 in the general fund and \$23,456 in the drug fund. Capital projects actual revenue was less than budgeted revenues by \$18,050.

**Capital Asset and Debt Administration**

At the end of fiscal year 2010, the City had \$23,113,478 (net of accumulated depreciation) invested in a broad range of capital assets, vs. \$20,354,384 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 \$3,511,900 for the general fund, which includes \$2,338,725 of donated infrastructure.

**Long-term debt.** At the end of the fiscal year, the City had total debt outstanding of \$1,685,865 vs. a beginning balance of \$1,768,492. Of this amount, \$1,658,865 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, 2010.

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

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
General Obligations Bonds	\$ 1,768,492	\$ 1,872,929
Less payments	( 109,627)	( 104,437)
<b>Total</b>	<b>\$ <u>1,658,865</u></b>	<b>\$ <u>1,768,492</u></b>

**CITY OF FAIRVIEW, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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

Factors considered in preparation of the City's budget for the 2010/2011 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 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 David Mayberry or the City Manager Andrew Hyatt. City of Fairview, P. O. Box 69, Fairview, TN 37062.

CITY OF FAIRVIEW, TENNESSEE  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,538,071
Property tax receivable	1,036,293
Intergovernmental revenue receivable	216,332
Restricted assets:	
Cash and cash equivalents	444,187
Capital assets:	
Assets not being depreciated:	
Land and construction in progress	3,512,654
Capital assets, being depreciated, net of depreciation	19,600,824
<u>Total</u>	<u>\$ 27,348,361</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 81,490
Other payables	16,116
Deferred revenue	970,088
Long-term liabilities:	
Compensated absences	56,415
Due within one year	114,925
Due beyond one year	<u>1,543,940</u>
<u>Total Liabilities</u>	<u>2,782,974</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	21,454,613
Restricted for:	
Roads and streets	382,179
Capital projects	247,460
Drug enforcement	475,343
Reserved for court	32,678
Schools	143,515
Parks	443,614
Unrestricted	<u>1,385,985</u>
<u>Total Net Assets</u>	<u>24,565,387</u>
<u>Total</u>	<u>\$ 27,348,361</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

<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>Operating</u> <u>Grants and</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<u>Governmental Activities</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
General government	\$ 70,923	\$	\$	\$( 1,170,602)
City court	205,896			159,259
Codes	121,005			( 121,005)
Public safety	1,501,245	26,802	232,828	( 1,231,738)
State Street Aid	150,571	201,355		50,784
Streets and roads	1,083,405		2,338,725	1,255,320
Parks	211,519	2,661		( 208,858)
Interest on long-term debt	22,239			( 22,239)
Total Governmental Activities	<u>\$ 4,609,610</u>	<u>\$ 520,821</u>	<u>\$ 228,157</u>	<u>( 1,289,079)</u>
General revenues:				
Taxes:				
Property taxes				900,491
Sales taxes				662,196
Beer/liquor taxes				207,972
Business taxes				53,390
Franchise taxes				115,408
Occupancy taxes				101,190
Intergovernmental taxes				852,712
Interest				32,790
Gain on sale of assets				651,165
Other				<u>8,124</u>
Total General Revenue				<u>3,585,438</u>
Change in net assets				2,296,359
Net assets - July 1, 2009				22,269,028
Net assets - June 30, 2010				<u>\$ 24,565,387</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
BALANCE SHEET  
GOVERNMENT FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,835,160	\$ 227,460	\$ 475,451	\$ 2,538,071
Receivables:				
Property taxes	1,036,293			1,036,293
Intergovernmental	216,332			216,332
Restricted assets:				
Cash and cash equivalents	444,187			444,187
 <u>Total</u>	 <u>\$ 3,531,972</u>	 <u>\$ 227,460</u>	 <u>\$ 475,451</u>	 <u>\$ 4,234,883</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 81,382	\$	\$ 108	\$ 81,490
Other payables	7,616			7,616
Deposits for bonds	8,500			8,500
Compensated absences	56,415			56,415
Deferred revenue	970,088			970,088
<u>Total Liabilities</u>	<u>1,124,001</u>		<u>108</u>	<u>1,124,109</u>
 <u>FUND BALANCES</u>				
Fund balance:				
Reserved for capital projects	20,000	227,460		247,460
Reserved for roads and streets	382,179			382,179
Reserved for drug enforcement	0		475,343	475,343
Reserved for court	32,678			32,678
Reserved for school	143,515			143,515
Reserved for park	443,614			443,614
Unreserved	1,385,985			1,385,985
<u>Total Fund Balances</u>	<u>2,407,971</u>	<u>227,460</u>	<u>475,343</u>	<u>3,110,774</u>
 <u>Total</u>	 <u>\$ 3,531,972</u>	 <u>\$ 227,460</u>	 <u>\$ 475,451</u>	 <u>\$ 4,234,883</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, 2010

<u>Total Governmental Funds Balances</u>	\$ 3,110,774
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 \$12,895,990	23,113,478
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	( 1,658,865)
<u>Net Assets of Government Activities</u>	\$ <u>24,565,387</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, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,954,495	\$ 94,901	\$	\$ 2,049,396
Licenses and permits	39,796			39,796
Fines and fees	205,896		241,341	447,237
Intergovernmental	1,313,697			1,313,697
Uses of money and property	15,613	2,049	6,379	24,041
Other	<u>753,715</u>		<u>9,000</u>	<u>762,715</u>
<b>Total Revenues</b>	<u>4,283,212</u>	<u>96,950</u>	<u>256,720</u>	<u>4,636,882</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,224,693			1,224,693
City court	46,637			46,637
Codes	121,005			121,005
Public safety	2,450,685		231,464	2,682,149
State Street Aid	186,721			186,721
Roads and streets	645,784			645,784
Parks and recreation	170,389			170,389
Debt service	<u>131,866</u>			<u>131,866</u>
<b>Total Expenditures</b>	<u>4,977,780</u>		<u>231,464</u>	<u>5,209,244</u>
Excess (deficiency) of revenues over expenditures	( 694,568)	96,950	25,256	( 572,362)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	120,415	(120,415)	0	0
Net change in fund balances	( 574,153)	( 23,465)	25,256	( 572,362)
Fund Balance - July 1, 2009	2,982,124	250,925	450,087	3,683,136
Fund Balance - June 30, 2010	<u>\$ 2,407,971</u>	<u>\$ 227,460</u>	<u>\$ 475,343</u>	<u>\$ 3,110,774</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, 2010

Net Change in Fund Balance - Governmental Funds \$( 572,362)

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	3,511,900
Depreciation expense	( 683,168)
Cost of land sold	( 69,639)

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	109,628
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Change in Net Assets of Governmental Activities \$ 2,296,359

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, 2010**

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
<b>RESOURCES (Inflows)</b>			
<u>Taxes</u>			
Real estate taxes	\$ 943,500	\$ 943,500	\$ 900,491
Wholesale beer tax	165,000	165,000	153,946
Wholesale liquor tax	51,000	51,000	54,026
Local sales tax - Trustee	532,000	532,000	662,196
Cable TV franchise tax	72,000	72,000	71,445
Natural gas franchise tax	62,000	62,000	43,963
Minimum business tax	65,000	65,000	53,390
Occupancy tax	4,500	4,500	6,289
Interest and penalty	4,250	4,250	8,749
<u>Total Taxes</u>	<u>1,899,250</u>	<u>1,899,250</u>	<u>1,954,495</u>
<u>Licenses and Permits</u>			
Building, electrical and plumbing permits	71,500	71,500	28,721
Fees - appeals	0	0	900
Other permits	4,500	4,500	2,225
Sign permits	1,500	1,500	2,750
Contractor license	1,500	1,500	1,000
Beer and liquor licenses	5,500	5,500	4,200
<u>Total Licenses and Permits</u>	<u>84,500</u>	<u>84,500</u>	<u>39,796</u>
<u>Intergovernmental Revenue</u>			
State sales tax	456,000	456,000	369,148
Local sales tax	262,000	262,000	297,282
State income tax	25,600	25,600	87,218
State beer tax	2,600	2,600	3,476
State gasoline and motor fuel tax	187,000	187,000	165,431
State gasoline inspection fee	14,250	14,250	35,924
Corporate excise tax	15,500	15,500	4,736
Telecommunications tax	1,000	1,000	609
Highway Safety Grant	31,000	31,000	41,278
Local grants and contributions	71,550	191,550	191,550
TEMA grant	0	0	3,973
Payment in lieu of taxes	51,000	51,000	77,158
Mixed drink tax	5,400	5,400	6,112
Educational Incentive pay	4,200	4,200	3,000
Recruitment/Retention Grant	27,500	27,500	16,002
Special Law Enforcement	10,200	10,200	10,800
<u>Total Intergovernmental Revenue</u>	<u>1,164,800</u>	<u>1,284,800</u>	<u>1,313,697</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, 2010

	Budget		Actual
	Original	Final	
<u>Other Income</u>			
Process fees for business tax	\$ 1,800	\$ 1,800	\$ 2,255
Subdividing and other fees	11,500	11,500	4,185
Privilege tax fees	500	500	50
Engineer charges and fees	12,500	12,500	5,810
Miscellaneous fees/charges	5,600	5,600	2,584
Special program fees	4,000	4,000	1,625
Fees driving school	17,300	17,300	12,900
Accident report charges	2,000	2,000	1,718
TML safety grant	1,500	1,500	0
Sale of City property	0	0	711,804
Park revenues	2,700	2,700	2,661
Insurance refunds	4,500	4,500	7,895
Donations	1,200	1,200	228
<u>Total Other Income</u>	<u>65,100</u>	<u>65,100</u>	<u>753,715</u>
 <u>Police Fines and Other Revenue</u>			
City Court fines and costs	<u>140,660</u>	<u>140,660</u>	<u>205,896</u>
 <u>Investment Income</u>			
Interest	<u>51,500</u>	<u>51,500</u>	<u>15,613</u>
 <u>Total Revenue</u>	 <u>\$ 3,405,810</u>	 <u>\$ 3,525,810</u>	 <u>\$ 4,283,212</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, 2010

CHARGES TO APPROPRIATIONS (Outflows)	Budget		Actual
	Original	Final	
<u>General Government</u>			
Salaries and wages	\$ 267,094	\$ 267,094	\$ 279,710
Payroll taxes	147,969	147,969	145,171
Retirement contributions	202,165	202,165	193,643
Bond and insurance	375,700	375,700	399,190
Telephone	37,000	37,000	45,510
Office supplies and postage	12,000	12,000	11,375
Legal and professional	25,000	25,000	20,349
Utility service	60,000	60,000	42,937
Repairs and maintenance	9,500	9,500	17,833
Other services and charges	29,340	29,340	33,585
Equipment purchases	1,250	1,250	19,997
Data processing	16,000	16,000	137
Engineering and landscaping	21,000	21,000	15,256
<u>Total General Government</u>	<u>1,204,018</u>	<u>1,204,018</u>	<u>1,224,693</u>
<u>City Court</u>			
Salaries and wages	48,144	48,144	45,660
Other services and charges	4,550	4,550	977
<u>Total City Court</u>	<u>52,694</u>	<u>52,694</u>	<u>46,637</u>
<u>Codes Administration</u>			
Salaries and wages	119,750	119,750	105,623
Office supplies	2,400	2,400	1,537
Equipment	12,200	12,200	9,400
Other	5,580	5,580	4,445
<u>Total Codes Administration</u>	<u>139,930</u>	<u>139,930</u>	<u>121,005</u>
<u>PUBLIC SAFETY</u>			
<u>Police Department</u>			
Salaries - police	741,500	741,500	755,725
Contractual services	20,000	20,000	21,000
Repairs and maintenance	20,500	20,500	23,106
Gas and oil	80,000	80,000	62,974
Uniforms and supplies	11,000	11,000	6,210
Equipment purchases	6,000	6,000	3,897
Other services and charges	19,500	19,500	17,610
<u>Total Police Department</u>	<u>898,500</u>	<u>898,500</u>	<u>890,522</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, 2010**

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
<u>Fire Department</u>			
Salaries and wages	\$ 379,128	\$ 379,128	\$ 386,823
Repairs and maintenance	25,000	25,000	28,616
Supplies	15,000	15,000	14,932
Uniforms	3,000	3,000	2,787
Gas and oil	25,000	25,000	13,789
Building/equipment purchases	27,800	1,347,800	1,085,793
Other services and charges	4,500	4,500	7,302
<u>Total Fire Department</u>	<u>479,428</u>	<u>1,799,428</u>	<u>1,540,042</u>
<u>Public Health</u>			
Repairs and maintenance	3,000	3,000	9,238
Utilities and telephone	12,500	12,500	9,746
Other services and charges	1,000	1,000	1,137
<u>Total Public Health</u>	<u>16,500</u>	<u>16,500</u>	<u>20,121</u>
<u>Total Public Safety</u>	<u>1,394,428</u>	<u>2,714,428</u>	<u>2,450,685</u>
<u>State Street Aid</u>			
Salaries and wages	37,428	37,428	34,949
Repairs	149,500	149,500	110,110
Equipment	0	0	41,662
<u>Total State Street Aid</u>	<u>186,928</u>	<u>186,928</u>	<u>186,721</u>
<u>Streets and Roads</u>			
Salaries and wages	155,501	155,501	156,756
Repairs and maintenance	8,000	8,000	446,777
Street lighting	23,000	23,000	12,965
Gas and oil	20,000	20,000	11,127
Equipment	2,000	2,000	5,888
Other services and charges	8,000	8,000	12,276
<u>Total Streets and Roads</u>	<u>216,501</u>	<u>216,501</u>	<u>645,784</u>
<u>Parks</u>			
Salaries and wages	120,608	120,608	130,793
Repairs and maintenance	15,000	15,000	17,485
Gas and oil	4,500	4,500	2,261
Building, improvements and equipment	4,500	4,500	11,883
Educational supplies	3,000	3,000	820
Other services and charges	8,650	8,650	7,147
<u>Total Parks</u>	<u>156,258</u>	<u>156,258</u>	<u>170,389</u>
<u>Debt Service</u>	<u>162,300</u>	<u>162,300</u>	<u>131,866</u>
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<u><b>3,513,057</b></u>	<u><b>4,833,057</b></u>	<u><b>4,977,780</b></u>
Excess of Revenue Over (Under) Expenditures	( 107,247)	(1,307,247)	( 694,568)
Transfers In (Out)	110,000	110,000	120,415
Budgetary Fund Balance - July 1, 2009	2,982,124	2,982,124	2,982,124
Budgetary Fund Balance - June 30, 2010	<u>\$ 2,984,877</u>	<u>\$ 1,784,877</u>	<u>\$ 2,407,971</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, 2010

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
<b><u>RESOURCES (Inflows)</u></b>			
Fines and court costs	\$ 235,000	\$ 235,000	\$ 241,341
Interest	1,500	1,500	6,379
Sale of vehicle	<u>2,000</u>	<u>2,000</u>	<u>9,000</u>
<u>Total Revenue</u>	<u>238,500</u>	<u>238,500</u>	<u>256,720</u>
<b><u>Charges to Appropriations (Outflows)</u></b>			
Salary	107,200	107,200	102,013
Payroll taxes	10,000	10,000	8,245
Retirement contributions	12,000	12,000	12,023
Other	7,000	7,000	8,525
Insurance	12,000	12,000	9,055
Tuition and travel	4,000	4,000	4,492
Repairs and maintenance	2,500	2,500	2,800
Machinery and equipment	<u>82,000</u>	<u>82,000</u>	<u>84,311</u>
<u>Total Charges to Appropriations</u>	<u>236,700</u>	<u>236,700</u>	<u>231,464</u>
Excess of Revenue Over (Under) Expenditures	1,800	1,800	25,256
Budgetary fund balances - July 1, 2009	450,087	450,087	450,087
Budgetary fund balances - June 30, 2010	<u>\$ 451,887</u>	<u>\$ 451,887</u>	<u>\$ 475,343</u>

See notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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.

Major individual governmental funds are reported in separate columns in the fund financial statements.

**CITY OF FAIRVIEW, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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. 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.

All governmental and business type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins unless those pronouncements conflict with GASB pronouncements. The City also applies the FASB Statements and Interpretations issued after November 30, 1989, that are developed for business enterprises.

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, 2010.

**CITY OF FAIRVIEW, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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.

**Inventories**

Inventories of materials and supplies of all funds of the City were deemed to be immaterial and were not inventoried or reflected in the records. Inventory items are recorded as expenditures when purchased.

**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.



CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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.

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 taxes to be levied on October 1 and become due and payable on October 1. Taxes not paid by March 1 of the following year become delinquent and penalty and interest begins to accumulate 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, 2010**

	Tax			Balance			Balance
	Rate	Assessment	Levy	June	Taxes		June
				30, 2009	Levied	Collections	30, 2010
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	731			731
2001	.72	81,533,611	585,113	168		14	154
2002	.72	81,490,278	611,608	192		27	165
2003	.72	85,129,469	650,603	135			135
2004	.72	89,685,506	667,711	503		90	413
2005	.84	97,928,095	822,596	356		90	266
2006	.84	104,579,762	878,470	3,323		1,674	1,649
2007	.70	130,386,140	912,721	12,445		10,398	2,047
2008	.70	132,940,637	930,618	47,147		34,904	12,243
2009	.70	135,678,924	968,177	968,177		919,274	48,903
2010	.70	138,578,644	970,088		<u>970,088</u>		<u>970,088</u>
				<u>1,034,154</u>	<u>970,088</u>	<u>966,471</u>	<u>1,037,771</u>
		Less estimated uncollectible taxes		1,478			1,478
				<u>\$ 1,032,676</u>	<u>\$ 970,088</u>	<u>\$ 966,471</u>	<u>\$ 1,036,293</u>

Delinquent taxes of 2008 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, 2010, 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, 2010

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, 2010, 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 accounts	\$ 575,677
Deposits in State of Tennessee Local Government Investment Pool	2,403,624
Cash on hand	<u>2,957</u>
Total	\$ <u>2,982,258</u>
Cash and cash equivalents	\$ 2,538,071
Cash and cash equivalents - restricted	<u>444,187</u>
Total	\$ <u>2,982,258</u>

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, 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	\$	\$ 69,638	\$ 2,492,600
Construction in progress	<u>0</u>	<u>1,020,054</u>		<u>1,020,054</u>
	<u>2,562,238</u>	<u>1,020,054</u>	<u>69,638</u>	<u>3,512,654</u>
 <u>Capital assets being depreciated</u>				
Machinery and equipment	2,246,494	125,063	49,420	2,322,137
Buildings and improvements	3,055,310	28,058		3,088,368
Infrastructure	<u>24,752,584</u>	<u>2,338,725</u>		<u>27,091,309</u>
Total assets being depreciated	<u>30,054,388</u>	<u>2,491,846</u>	<u>49,420</u>	<u>32,496,814</u>
Total assets	<u>32,616,626</u>	<u>3,511,900</u>	<u>119,058</u>	<u>36,009,468</u>
 <u>Less accumulated depreciation for:</u>				
Machinery and equipment	( 1,513,676)	( 166,796)	49,420	( 1,631,052)
Buildings and improvements	( 317,825)	( 76,751)		( 394,576)
Infrastructure	<u>(10,430,741)</u>	<u>( 439,621)</u>		<u>(10,870,362)</u>
Total accumulated depreciation	<u>(12,262,242)</u>	<u>( 683,168)</u>	<u>49,420</u>	<u>(12,895,990)</u>
Governmental Activities capital assets, net	\$ <u>20,354,384</u>	\$ <u>2,828,732</u>	\$ <u>69,638</u>	\$ <u>23,113,478</u>

Depreciation expense was charged to function/programs as of June 30, 2010 as follows:

Governmental activities	
General government	\$ 22,323
Public safety	182,094
Roads and streets	437,621
Parks and recreation	41,130
Total depreciation expense- governmental activities	<u>\$ 683,168</u>

**CITY OF FAIRVIEW, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 - LONG-TERM LIABILITIES**

Changes in Long-Term Liabilities

The changes in long-term liabilities, during the year ended June 30, 2010, were as follows:

	Balance July 1, 2009	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2010	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$	\$	\$	\$	\$
Tennessee Municipal Bond Pooled Fund	1,634,000		63,000	1,571,000	66,000
Ferrara Custom Pump	134,492		46,627	87,865	48,925
Total Government Activities					
Long-Term Liabilities	\$ <u>1,768,492</u>	\$	\$ <u>109,627</u>	\$ <u>1,658,865</u>	\$ <u>114,925</u>

**Description of long-term liabilities:**

Long-term debt payable at June 30, 2010 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 \$ 1,571,000

\$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 87,865

Total General Obligation Bonds \$ 1,658,865

**Debt Service Requirements**

The annual debt service requirements to maturity for long-term debt obligations, as of June 30, 2010 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>
2011	\$ 66,000	\$ 15,945	\$ 48,925	\$ 3,341	\$ 114,925	\$ 19,286
2012	70,000	15,275	38,940	930	108,940	16,205
2013	73,000	14,565			73,000	14,565
2014	77,000	13,824			77,000	13,824
2015	81,000	13,043			81,000	13,043
2016-2020	469,000	52,038			469,000	52,038
2021-2025	597,000	25,761			597,000	25,761
2026	138,000	1,400			138,000	1,400
<b>Total</b>	\$ <u>1,571,000</u>	\$ <u>151,851</u>	\$ <u>87,865</u>	\$ <u>4,271</u>	\$ <u>1,658,865</u>	\$ <u>156,122</u>

CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**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, 2010**

**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, 2010 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, 2010 City of Fairview's annual pension cost of \$205,039 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, 2009, which established contribution rates effective July 1, 2010.

**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, 2010	\$205,039	100.00%	\$ 0.00
June 30, 2009	\$198,849	100.00%	\$ 0.00
June 30, 2008	\$185,486	100.00%	\$ 0.00

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 90.68% percent funded. The actuarial accrued liability for benefits was \$3.05 million, and the actuarial value of assets was \$2.77 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.28 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.72 million, and the ratio of the UAAL to the covered payroll was 16.55% percent.

**CITY OF FAIRVIEW, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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, 2009	\$2,770	\$3,055	\$285	90.68%	\$1,720	16.55%
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, 2009	\$2,770	\$3,055	\$285	90.68%	\$1,720	16.55%
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 went into effect during the year of 2007 actuarial valuation date, therefore, only the most current year is presented.



CITY OF FAIRVIEW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 8 - INTERFUND TRANSFERS**

Capital Projects Funds transferred \$120,415 to the 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  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL TO BUDGET  
CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2010

	Budget Original/ <u>Final</u>	<u>Actual</u>
<u>RESOURCES (Inflows)</u>		
Taxes	\$ 110,000	\$ 94,901
Interest	<u>5,000</u>	<u>2,049</u>
<u>Total Revenues and Transfers</u>	<u>115,000</u>	<u>96,950</u>
 <u>Charges to Appropriations (Outflows)</u>	 0	 0
 <u>Excess of Revenue Over (Under) Expenditures</u>	 115,000	 96,950
 <u>Other Financing Sources (Uses)</u>		
Transfers (out) to General Fund	0	(120,415)
Budgetary Fund balance - July 1, 2009	250,925	250,925
Budgetary Fund balance - June 30, 2010	\$ <u>365,925</u>	\$ <u>227,460</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE  
 SCHEDULE OF OFFICIALS AND TITLE  
 YEAR ENDED JUNE 30, 2010

<u>Name</u>	<u>Title</u>
Kenneth Brison	Mayor
Stuart Johnson	Vice-Mayor
Eddie Arney	Commissioner
Allen Bissell	Commissioner
Toney Sutton	Commission
Andrew Hyatt	City Manager
David Mayberry	City Recorder

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

<u>Program Title</u>	<u>Department of Transportation Highway Safety - Safer Roads</u>	<u>Staffing for Adequate Fire and Emergency Response (Safer)</u>
CFDA	20.600	97.083
Balance - July 1, 2009	0	0
Receipts	\$ 41,278	\$ 3,973
Expenditures	41,278	3,973
Balance - June 30, 2010	\$ <u>0</u>	\$ <u>0</u>

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, 2010

March 14, 2011

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, 2010, and have issued our report thereon dated March 14, 2011. 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 2010.1).

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.

CITY OF FAIRVIEW, TENNESSEE  
FINDINGS AND DISPOSITION  
YEAR ENDED JUNE 30, 2010

1. FINDING 2008-1

Finding re erroneous coding of expenditures has been corrected.

2. FINDING 2010-1

During the audit, because of changes in personnel and reassignment of duties, we noted some lapses in internal control in the review of procedures performed by other personnel. The failure of review could permit errors not to be detected in a timely manner.

**RECOMMENDATION:**

We recommend the continued changes in the review of creating better internal controls to prevent possible errors to remain undetected for a lengthy period of time.

**MANAGEMENT'S RESPONSE:**

We concur and are still making changes to improve internal controls.