

CITY OF FAIRVIEW, TENNESSEE

JUNE 30, 2011

Report
of
Examination

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

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CITY OF FAIRVIEW, TENNESSEE
DIRECTORY OF OFFICIALS
(unaudited)

<u>Title</u>	<u>Name</u>
Mayor	Beverly D. Totty
Vice Mayor	Allen Bissell
Commissioner	Patti L. Carroll
Commissioner	Stuart L. Johnson
Commissioner	Toney R. Sutton
City Manager	Andrew Hyatt
City Attorney	Larry Cantrell
Recorder	David Mayberry

PARSONS AND ASSOCIATES

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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

February 22, 2012

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, 2011, 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, and each major fund of the City of Fairview, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, if applicable, and the respective budgetary comparisons for the General, Facilities Tax and Drug Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2012, 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 4 through 9 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, 2011**

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, 2011. 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 \$24,263,689. Of this amount, \$1,812,463 (unrestricted net assets) may be used to meet the government's ongoing obligation to citizens and creditors.
- At June 30, 2011 the City's government funds reported combined ending fund balances of \$3,752,063 or, an increase of \$641,289 in comparison with the prior year.
- At June 30, 2011 unassigned fund balance for the General Fund was \$1,812,463 or 46% of total general fund expenditures.
- The City's total bonded debt increased by \$599,583 during the year ended June 30, 2011.
- 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, 2011). This is the fifth year the city has reported capital assets under GASB 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, 2011**

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 22-34 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 \$24,263,689, 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 FY 2011	Governmental Activities FY 2010
Current and other assets	\$ 4,840,871	\$ 4,234,883
Capital assets	<u>22,770,074</u>	<u>23,113,478</u>
Total Assets	\$ <u>27,610,945</u>	\$ <u>27,348,361</u>
Long-term liabilities	\$ 2,258,448	\$ 1,658,865
Other liabilities	<u>1,088,808</u>	<u>1,124,109</u>
Total Liabilities	<u>3,347,256</u>	<u>2,782,974</u>
Net Assets		
Invested in capital assets, net of related debt	20,511,626	21,454,613
Restricted assets	1,939,600	1,724,789
Unrestricted	<u>1,812,463</u>	<u>1,385,985</u>
Net Assets	<u>24,263,689</u>	<u>24,565,387</u>
Total Liabilities and Net Assets	\$ <u>27,610,945</u>	\$ <u>27,348,361</u>

At year end, 7% of the City's governmental net assets represented resources that are subject to restriction on how they may be used. The remaining balance of unrestricted net assets (\$1,812,463) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2011, 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, 2011**

City of Fairview, Tennessee's Changes in Fund Balances

	<u>2011</u>	<u>2010</u>
REVENUES:		
General Revenues		
Taxes	\$ 2,014,918	\$ 1,954,495
Licenses and permits	31,757	39,796
Fines and fees	252,915	205,896
Intergovernmental revenues	1,343,586	1,313,697
Uses of money and property	5,402	15,613
Other	191,350	753,715
Total General Revenues	<u>3,839,928</u>	<u>4,283,212</u>
Facilities Tax	75,782	96,950
Drug Fund	185,852	256,720
Total Revenue	<u>4,101,562</u>	<u>4,636,882</u>
EXPENDITURES;		
Drug Fund	194,025	231,464
General Government	1,260,585	1,224,693
City Court	57,326	46,637
Codes	151,931	121,005
Public Safety	1,674,913	2,450,685
State Street Aid	116,425	186,721
Roads and Streets	342,965	645,784
Parks and Recreation	242,182	170,389
Debt service	134,429	131,866
Total Expenditures	<u>4,174,781</u>	<u>5,209,244</u>
Increase (decrease) in fund balance	(73,219)	(572,362)
Proceeds from bank loan	670,000	0
Capital leases	44,508	0
Fund balances - July 1	3,110,774	3,683,136
Fund balances - June 30	\$ <u>3,752,063</u>	\$ <u>3,110,774</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, unassigned 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, 2011**

As of the end of the current fiscal year, all the City's governmental funds reported a combined ending fund balance of \$3,752,063, an increase of \$641,289 over the previous year. Of the total \$3,752,063 balance, \$478,705 is restricted for use in the State Street Aid Fund, which provides for paving and maintenance of streets. Another \$467,170 is restricted to use within the Drug Enforcement Fund. Another \$20,000 is restricted for capital projects. Finally, \$275,835 is committed for schools, \$443,614 is committed for parks, and \$96,809 for traffic.

The balance of \$1,812,463 is unassigned 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 unassigned fund balance to the fund's expenditures. The unassigned fund balance \$1,812,463 represents 48% of the general fund's expenditures.

General Fund Budgetary Highlights

Actual revenue exceed budget projections by \$118,609 in the general fund and \$56,148 in the drug fund. Facilities tax actual revenue was over budgeted revenues by \$23,782.

Capital Asset and Debt Administration

At the end of fiscal year 2011, the City had \$22,770,074 (net of accumulated depreciation) invested in a broad range of capital assets, vs. \$23,113,478 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 \$346,827 for the general fund.

Long-term debt. At the end of the fiscal year, the City had total debt outstanding of \$2,258,448 vs. a beginning balance of \$1,685,865. Of this amount, \$2,258,448 comprises debt in the general fund and backed by the full faith and credit of the government. Debt incurred for the year ended June 30, 2011 was a bank loan of \$670,000 to be used for street purposes and lease purchase of vehicles in the amount of \$44,508.

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

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General Obligations Debt	\$ 1,658,865	\$ 1,768,492
Less payments	(114,925)	(109,627)
Add general obligation debt	<u>714,508</u>	<u>0</u>
Total	\$ <u>2,258,448</u>	\$ <u>1,658,865</u>

**CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Economic Factors and New Year's Budget and Rates

Factors considered in preparation of the City's budget for the 2011/2012 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.

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, 2011

Governmental
Activities

ASSETS

Cash and cash equivalents	\$ 2,409,689
Property tax receivable	1,023,577
Intergovernmental revenue receivable	300,916
Restricted assets:	
Cash and cash equivalents	1,106,689
Capital assets:	
Assets not being depreciated:	
Land	2,492,600
Capital assets, being depreciated, net of depreciation	20,277,474
<u>Total</u>	<u>\$ 27,610,945</u>

LIABILITIES

Accounts payable	\$ 19,177
Other payables	25,147
Deferred revenue	978,138
Long-term liabilities:	
Compensated absences	66,346
Due within one year	184,572
Due beyond one year	<u>2,073,876</u>
<u>Total Liabilities</u>	<u>3,347,256</u>

NET ASSETS

Invested in capital assets, net of related debt	20,511,626
Restricted for:	
State street aid	478,705
Drug enforcement	467,170
Facility taxes	157,467
Capital projects	20,000
Schools	275,835
Parks	443,614
Traffic	96,809
Unrestricted	<u>1,812,463</u>
<u>Total Net Assets</u>	<u>24,263,689</u>
<u>Total</u>	<u>\$ 27,610,945</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs Primary Government	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and and Changes in Net Assets
Governmental Activities					
General government					
City court	\$ 1,296,429	\$ 77,088	\$		\$(1,219,341)
Codes	57,326	252,915			195,589
Public safety	151,931				(151,931)
State Street Aid	1,825,711	134,682	23,714	128,176	(1,539,139)
Streets and roads	116,425		224,208		107,783
Parks	690,856				(690,856)
Interest on long-term debt	245,078	4,403			(240,675)
Total Governmental Activities	<u>\$ 4,403,260</u>	<u>\$ 469,088</u>	<u>\$ 247,922</u>	<u>\$ 128,176</u>	<u>(3,558,074)</u>

General revenues:

Taxes:	
Property taxes	1,061,905
Sales taxes	539,269
Beer/liquor taxes	208,492
Business taxes	72,705
Franchise taxes	118,480
Occupancy taxes	81,085
Intergovernmental revenues	962,688
Interest	14,561
Gain on sale of assets	120,917
Other	76,274
Total General Revenue	<u>3,256,376</u>
Change in net assets	(301,698)
Net assets - July 1, 2010	24,565,387
Net assets - June 30, 2011	<u>\$ 24,263,689</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Facilities Tax Fund</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,781,171	\$ 157,467	\$ 471,051	\$ 2,409,689
Receivables:				
Property taxes	1,023,577			1,023,577
Intergovernmental	300,916			300,916
Restricted assets:				
Cash and cash equivalents	1,106,689			1,106,689
 <u>Total</u>	 <u>\$ 4,212,353</u>	 <u>\$ 157,467</u>	 <u>\$ 471,051</u>	 <u>\$ 4,840,871</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 18,789	\$	\$ 388	\$ 19,177
Other payables	24,778		369	25,147
Compensated absences	63,222		3,124	66,346
Deferred revenue	978,138			978,138
<u>Total Liabilities</u>	<u>1,084,927</u>		<u>3,881</u>	<u>1,088,808</u>
 <u>FUND BALANCES</u>				
Fund balance:				
Restricted for:				
State street aid	478,705			478,705
Drug enforcement			467,170	467,170
Facility taxes		157,467		157,467
Capital projects	20,000			20,000
Committed for:				
Schools	275,835			275,835
Parks	443,614			443,614
Traffic	96,809			96,809
Unassigned	1,812,463			1,812,463
<u>Total Fund Balances</u>	<u>3,127,426</u>	<u>157,467</u>	<u>467,170</u>	<u>3,752,063</u>
 <u>Total</u>	 <u>\$ 4,212,353</u>	 <u>\$ 157,467</u>	 <u>\$ 471,051</u>	 <u>\$ 4,840,871</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, 2011

<u>Total Governmental Funds Balances</u>	\$ 3,752,063
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 \$13,427,045	22,770,074
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	(2,258,448)
<u>Net Assets of Government Activities</u>	\$ <u>24,263,689</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, 2011

	<u>General</u>	<u>Facilities Tax Fund</u>	<u>Drug Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,014,918	\$ 75,456	\$	\$ 2,090,374
Licenses and permits	31,757			31,757
Fines and fees	252,915		134,682	387,597
Intergovernmental	1,343,586			1,343,586
Uses of money and property	5,402	326	395	6,123
Other	<u>191,350</u>		<u>50,775</u>	<u>242,125</u>
<u>Total Revenues</u>	<u>3,839,928</u>	<u>75,782</u>	<u>185,852</u>	<u>4,101,562</u>
EXPENDITURES				
Current:				
General government	1,260,585			1,260,585
City court	57,326			57,326
Codes	151,931			151,931
Public safety	1,674,913		194,025	1,868,938
State Street Aid	116,425			116,425
Roads and streets	342,965			342,965
Parks and recreation	242,182			242,182
Debt service	<u>134,429</u>			<u>134,429</u>
<u>Total Expenditures</u>	<u>3,980,756</u>		<u>194,025</u>	<u>4,174,781</u>
Excess (deficiency) of revenues over expenditures	(140,828)	75,782	(8,173)	(73,219)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	145,775	(145,775)	0	0
Capital leases	44,508			44,508
Proceeds from loan	670,000			670,000
Net change in fund balances	<u>719,455</u>	<u>(69,993)</u>	<u>(8,173)</u>	<u>641,289</u>
Fund Balance - July 1, 2010	2,407,971	227,460	475,343	3,110,774
Fund Balance - June 30, 2011	\$ <u>3,127,426</u>	\$ <u>157,467</u>	\$ <u>467,170</u>	\$ <u>3,752,063</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, 2011

Net Change in Fund Balance - Governmental Funds \$ 641,289

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	391,335
Depreciation expense	(734,739)

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	114,925
Proceeds of general obligation debt	(670,000)
Capital leases	(44,508)

Change in Net Assets of Governmental Activities \$ (301,698)

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, 2011

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
RESOURCES (Inflows)			
<u>Taxes</u>			
Real estate taxes	\$ 961,000	\$ 981,000	\$ 1,061,905
Wholesale beer tax	163,000	152,000	160,114
Wholesale liquor tax	60,000	50,000	48,378
Local sales tax - Trustee	575,000	630,000	539,269
Cable TV franchise tax	75,000	75,000	75,321
Natural gas franchise tax	60,000	55,000	43,159
Minimum business tax	48,000	38,000	72,705
Occupancy tax	7,000	5,800	5,629
Interest and penalty	8,290	8,063	8,438
<u>Total Taxes</u>	<u>1,957,290</u>	<u>1,994,863</u>	<u>2,014,918</u>
<u>Licenses and Permits</u>			
Building, electrical and plumbing permits	44,500	20,896	20,888
Fees - appeals	0	200	473
Other permits	2,500	2,500	2,674
Sign permits	2,500	2,500	2,548
Contractor license	1,000	1,000	1,000
Beer and liquor licenses	5,000	4,200	4,174
<u>Total Licenses and Permits</u>	<u>55,500</u>	<u>31,296</u>	<u>31,757</u>
<u>Intergovernmental Revenue</u>			
State sales tax	475,000	472,155	548,505
Local sales tax	275,000	310,000	299,143
State income tax	20,000	12,818	11,516
State beer tax	3,000	2,752	3,659
State gasoline and motor fuel tax	200,000	196,829	212,951
State gasoline inspection fee	17,000	15,055	11,257
Corporate excise tax	15,000	7,500	439
Telecommunications tax	1,000	548	456
Highway Safety Grant	28,000	28,000	13,763
Local grants and contributions	71,550	71,550	71,550
TEMA grant	0	56,626	56,626
Payment in lieu of taxes	80,000	79,500	78,934
Mixed drink tax	7,500	6,447	6,273
Educational Incentive pay	4,800	4,800	4,800
Recruitment/Retention Grant	25,000	25,000	0
Special Law Enforcement	10,600	10,600	23,714
<u>Total Intergovernmental Revenue</u>	<u>1,233,450</u>	<u>1,300,180</u>	<u>1,343,586</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, 2011

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
<u>Other Income</u>			
Process fees for business tax	\$ 3,000	\$ 1,502	\$ 1,481
Subdividing and other fees	9,000	1,200	1,343
Privilege tax fees	100	0	20
Engineer charges and fees	8,000	8,500	7,555
Miscellaneous fees/charges	2,850	3,269	3,012
Special program fees	2,000	3,000	4,545
Fees driving school	15,000	21,000	22,140
Accident report charges	1,200	1,793	2,045
TML safety grant	1,500	3,000	3,190
Sale of City property	50,000	70,000	70,142
Park revenues	2,350	3,280	4,403
Street repair reimbursement	80,000	80,000	67,440
Donations	200	1,594	4,034
<u>Total Other Income</u>	<u>175,200</u>	<u>198,138</u>	<u>191,350</u>
 <u>Police Fines and Other Revenue</u>			
City Court fines and costs	<u>220,000</u>	<u>190,542</u>	<u>252,915</u>
 <u>Investment Income</u>			
Interest	<u>13,400</u>	<u>6,300</u>	<u>5,402</u>
 <u>Total Revenue</u>	 <u>\$ 3,654,840</u>	 <u>\$ 3,721,319</u>	 <u>\$ 3,839,928</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, 2011

CHARGES TO APPROPRIATIONS (Outflows)	Budget		Actual
	Original	Final	
<u>General Government</u>			
Salaries and wages	\$ 264,908	\$ 225,034	\$ 213,026
Payroll taxes	153,567	159,445	157,406
Retirement contributions	200,000	200,000	209,540
Bond and insurance	420,500	411,948	399,242
Telephone	35,000	40,000	46,299
Office supplies and postage	4,000	12,000	10,806
Legal and professional	25,000	25,000	36,902
Utility service	54,000	60,000	58,766
Repairs and maintenance	13,000	30,500	32,057
Other services and charges	41,840	50,238	53,897
Equipment purchases	8,000	19,225	20,631
Data processing	16,000	16,000	193
Engineering and architect	21,000	31,000	21,820
<u>Total General Government</u>	<u>1,256,815</u>	<u>1,280,390</u>	<u>1,260,585</u>
<u>City Court</u>			
Salaries and wages	49,825	57,312	55,233
Other services and charges	5,200	6,150	2,093
<u>Total City Court</u>	<u>55,025</u>	<u>63,462</u>	<u>57,326</u>
<u>Codes Administration</u>			
Salaries and wages	107,738	128,075	126,003
Office supplies	2,800	2,500	2,137
Equipment	22,100	20,552	19,953
Other	5,100	5,430	3,838
<u>Total Codes Administration</u>	<u>137,738</u>	<u>156,557</u>	<u>151,931</u>
<u>PUBLIC SAFETY</u>			
<u>Police Department</u>			
Salaries - police	770,122	762,500	766,128
Contractual services	23,000	23,000	21,000
Repairs and maintenance	21,500	29,000	37,042
Gas and oil	75,000	67,000	68,485
Uniforms and supplies	8,000	8,000	8,340
Equipment purchases	1,000	2,715	6,153
Other services and charges	28,000	23,537	18,670
<u>Total Police Department</u>	<u>926,622</u>	<u>915,752</u>	<u>925,818</u>
<u>Fire Department</u>			
Salaries and wages	\$ 384,121	\$ 408,600	\$ 435,534
Repairs and maintenance	25,000	37,700	38,232
Supplies	5,000	5,000	5,248
Uniforms	3,000	2,000	2,101
Gas and oil	20,000	14,000	17,304
Building/equipment purchases	36,800	206,361	199,001
Other services and charges	14,500	10,745	14,738
<u>Total Fire Department</u>	<u>488,421</u>	<u>684,406</u>	<u>712,158</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, 2011

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
<u>Public Health</u>			
Repairs and maintenance	6,000	15,200	21,434
Utilities and telephone	11,000	13,000	13,919
Supplies	0	0	1,584
<u>Total Public Health</u>	<u>17,000</u>	<u>28,200</u>	<u>36,937</u>
<u>Total Public Safety</u>	<u>1,432,043</u>	<u>1,628,358</u>	<u>1,674,913</u>
<u>State Street Aid</u>			
Salaries and wages	59,361	60,861	17,781
Repairs	98,000	98,000	32,538
Equipment	33,000	66,105	66,106
<u>Total State Street Aid</u>	<u>190,361</u>	<u>224,966</u>	<u>116,425</u>
<u>Streets and Roads</u>			
Salaries and wages	94,339	122,602	186,941
Repairs and maintenance	6,500	20,000	22,647
Street lighting	16,000	13,000	14,002
Gas and oil	18,000	14,000	12,853
Equipment	19,000	103,028	90,051
Other services and charges	11,100	15,200	16,471
<u>Total Streets and Roads</u>	<u>164,939</u>	<u>287,830</u>	<u>342,965</u>
<u>Parks</u>			
Salaries and wages	223,292	197,442	168,272
Repairs and maintenance	11,000	13,200	13,429
Gas and oil	4,000	2,500	2,461
Building, improvements and equipment	35,500	43,952	38,524
Events expenses	1,000	1,000	8,296
Other services and charges	15,900	13,150	11,200
<u>Total Parks</u>	<u>290,692</u>	<u>271,244</u>	<u>242,182</u>
<u>Debt Service</u>	<u>237,300</u>	<u>167,300</u>	<u>134,429</u>
<u>TOTAL CHARGES TO APPROPRIATIONS</u>	<u>3,764,913</u>	<u>4,080,107</u>	<u>3,980,756</u>
Excess of Revenue Over (Under) Expenditures	(110,073)	(358,788)	(140,828)
Other Financial Sources (Uses)			
Transfers in (out)	112,000	112,000	145,775
Proceeds from loan	670,000	670,000	670,000
Capital leases	0	0	44,508
Budgetary Fund Balance - July 1, 2010	2,407,971	2,407,971	2,407,971
Budgetary Fund Balance - June 30, 2011	\$ <u>3,079,898</u>	\$ <u>2,831,183</u>	\$ <u>3,127,426</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL TO BUDGET
FACILITIES TAX
YEAR ENDED JUNE 30, 2011

	Budget Original/ <u>Final</u>	<u>Actual</u>
<u>RESOURCES (Inflows)</u>		
Taxes	\$ 50,000	\$ 75,456
Interest	<u>2,000</u>	<u>326</u>
<u>Total Revenues and Transfers</u>	<u>52,000</u>	<u>75,782</u>
 <u>Charges to Appropriations (Outflows)</u>	 0	 0
 <u>Excess of Revenue Over (Under) Expenditures</u>	 <u>52,000</u>	 <u>75,782</u>
 <u>Other Financing Sources (Uses)</u>		
Transfers (out) to General Fund	(112,000)	(145,775)
Budgetary Fund balance - July 1, 2010	227,460	227,460
Budgetary Fund balance - June 30, 2011	\$ <u>167,460</u>	\$ <u>157,467</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, 2011

	<u>Budget</u> Original <u>Final</u>	<u>Actual</u>
<u>RESOURCES (Inflows)</u>		
Fines and court costs	\$ 235,000	\$ 134,682
Interest	5,000	395
Sale of vehicle	<u>2,000</u>	<u>50,775</u>
<u>Total Revenue</u>	<u>242,000</u>	<u>185,852</u>
<u>Charges to Appropriations (Outflows)</u>		
Salary	112,951	84,468
Payroll taxes	9,141	6,034
Retirement contributions	12,763	9,618
Other	0	10,973
Insurance	13,000	8,078
Tuition and travel	4,000	3,587
Memberships and dues	5,300	5,110
Repairs and maintenance	8,000	661
Machinery and equipment	<u>62,000</u>	<u>65,496</u>
<u>Total Charges to Appropriations</u>	<u>227,155</u>	<u>194,025</u>
Excess of Revenue Over (Under) Expenditures	14,845	(8,173)
Budgetary fund balances - July 1, 2010	475,343	475,343
Budgetary fund balances - June 30, 2011	\$ <u>490,188</u>	\$ <u>467,170</u>

See notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 and public health), 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, 2011

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 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 "Facilities Tax Fund" accounts for the receipt of occupancy taxes and payments for asset purchases and other purposes on an annual basis.

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, 2011.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Budget and Budgetary Control

The City operates under a budget, which it adopts prior to the beginning of each fiscal year. The budget is usually amended during the year to adjust for expenditures that were not anticipated during the budget process.

Budgets have been adopted on a basis consistent with generally accepted accounting principles for the general fund and other governmental funds.

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 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, 2011

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, 2011

	Tax			Balance			Balance
	Rate	Assessment	Levy	June	Taxes	Collections	June
				30, 2010	Levied		30, 2011
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		410	321
2001	.72	81,533,611	585,113	154			154
2002	.72	81,490,278	611,608	165		26	139
2003	.72	85,129,469	650,603	135			135
2004	.72	89,685,506	667,711	413		221	192
2005	.84	97,928,095	822,596	266		31	235
2006	.84	104,579,762	878,470	1,649		319	1,330
2007	.70	130,386,140	912,721	2,047		385	1,662
2008	.70	132,940,637	930,618	12,243		10,167	2,076
2009	.70	135,678,924	968,177	48,903		42,097	6,806
2010	.70	138,578,644	970,088	970,088		937,198	32,890
2011	.635	155,896,616	978,138		978,138		978,138
				<u>1,037,771</u>	<u>978,138</u>	<u>990,854</u>	<u>1,025,055</u>
				1,478			1,478
				<u>\$ 1,036,293</u>	<u>\$ 978,138</u>	<u>\$ 990,854</u>	<u>\$ 1,023,577</u>

Less estimated uncollectible taxes

Delinquent taxes of 2009 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, 2011, 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, 2011

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, 2011, the City's cash and cash equivalents were classified as Category 1 deposits because the financial institutions used by the City participate in the Tennessee bank collateral pool.

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

	Governmental Activities
Checking accounts	\$ 792,439
Deposits in State of Tennessee Local Government Investment Pool	2,721,077
Cash on hand	<u>2,862</u>
Total	\$ <u>3,516,378</u>
Cash and cash equivalents	\$ 2,409,689
Cash and cash equivalents - restricted	<u>1,106,689</u>
Total	\$ <u>3,516,378</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
<u>Capital assets not being depreciated</u>				
Land	\$ 2,492,600	\$	\$	\$ 2,492,600
Construction in progress	<u>1,020,054</u>	<u>127,953</u>	<u>1,148,007</u>	<u>0</u>
	<u>3,512,654</u>	<u>127,953</u>	<u>1,148,007</u>	<u>2,492,600</u>
<u>Capital assets being depreciated</u>				
Machinery and equipment	2,322,137	181,240	203,684	2,299,693
Buildings and improvements	3,083,368	1,153,007		4,236,375
Infrastructure	<u>27,091,309</u>	<u>77,142</u>		<u>27,168,451</u>
Total assets being depreciated	<u>32,496,814</u>	<u>1,411,389</u>	<u>203,684</u>	<u>33,704,519</u>
Total assets	<u>36,009,468</u>	<u>1,539,342</u>	<u>1,351,691</u>	<u>36,197,119</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment	(1,631,052)	(181,559)	203,684	(1,608,927)
Buildings and improvements	(394,576)	(101,336)		(495,912)
Infrastructure	<u>(10,870,362)</u>	<u>(451,844)</u>		<u>(11,322,206)</u>
Total accumulated depreciation	<u>(12,895,990)</u>	<u>(734,739)</u>	<u>203,684</u>	<u>(13,427,045)</u>
Governmental Activities capital assets, net	\$ <u>23,113,478</u>	\$ <u>804,603</u>	\$ <u>(1,148,007)</u>	\$ <u>22,770,074</u>
Depreciation expense was charged to function/programs as of June 30, 2011 as follows:				
Governmental activities				
General government	\$ 34,107			
Public safety	221,270			
Roads and streets	437,942			
Parks and recreation	41,420			
Total depreciation expense-governmental activities	\$ <u>734,739</u>			

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term liabilities, during the year ended June 30, 2011, were as follows:

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2011</u>	Due Within <u>One Year</u>
Governmental Activities					
General obligation bonds	\$	\$	\$	\$	\$
Tennessee Municipal Bond					
Pooled Fund	1,571,000		66,000	1,505,000	70,000
Ferrara Custom Pump	87,865		48,925	38,940	38,940
General Obligation Capital					
Outlay Note		670,000		670,000	54,000
Lease Purchase (3) Vehicles		44,508		44,508	21,632
Total Government Activities					
Long-Term Liabilities	\$ <u>1,658,865</u>	\$ <u>714,508</u>	\$ <u>114,925</u>	\$ <u>2,258,448</u>	\$ <u>184,572</u>

Description of long-term liabilities:

Long-term debt payable at June 30, 2011 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	\$ 1,505,000
\$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	38,940
\$670,000 General Obligation Capital Outlay Note, Series 2011, issued for highway and street purposes, due in equal annual installments through 2021; with interest at 3.93% per annum	670,000
\$72,573.54 lease/purchase agreement for 3 vehicles; payable in 3 annual payments of \$24,191 each including interest at 5.75% per annum	44,508
Total General Obligation Debt	\$ <u>2,258,448</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Debt Service Requirements

The annual debt service requirements to maturity for long-term debt obligations, as of June 30, 2011 were as follows:

Year	TN Pooled Loan Program		Ferrara Pumper		Street Loan	
	Principal Payments	Interest Payments	Principal Payments	Interest Payments	Principal Payments	Interest Payments
2012	\$ 70,000	15,275	\$ 38,940	\$ 930	\$ 54,000	\$ 26,331
2013	73,000	14,565			58,000	24,209
2014	77,000	13,824			61,000	21,929
2015	81,000	13,043			63,000	19,532
2016	85,000	12,221			66,000	17,056
2017	89,000	11,358			68,000	14,462
2018	94,000	10,455			71,000	11,790
2019	98,000	9,500			74,000	9,000
2020	103,000	8,506			76,000	6,092
2021	108,000	7,460			79,000	3,105
2022	114,000	6,364				
2023	119,000	5,207				
2024	125,000	3,999				
2025	131,000	2,730				
2026	138,000	1,400				
Total	\$ 1,505,000	\$ 135,907	\$ 38,940	\$ 930	\$ 670,000	\$ 153,506

Vehicles Lease/Purchase

Year	Principal Payments		Interest Payments	
	Principal Payments	Interest Payments	Total Principal Payments	Total Interest Payments
2012	\$ 21,632	\$ 2,559	\$ 184,572	\$ 45,095
2013	22,876	1,315	153,876	40,089
2014			138,000	35,753
2015			144,000	32,575
2016			151,000	29,277
2017			157,000	25,820
2018			165,000	22,245
2019			172,000	18,500
2020			179,000	14,598
2021			187,000	10,565
2022			114,000	6,364
2023			119,000	5,207
2024			125,000	3,999
2025			131,000	2,730
2026			138,000	1,400
Total	\$ 44,508	\$ 3,874	\$ 2,258,448	\$ 294,217

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 - INTERFUND TRANSFERS

Capital Projects Funds transferred \$145,775 to the General Funds for debt service.

NOTE 8 - 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
TENNESSEE POLITICAL SUBDIVISION PENSION PLAN
YEAR ENDED JUNE 30, 2011

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/>.

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, 2011 was 11.30% 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, 2011 City of Fairview's annual pension cost of \$204,208 to TCRS was equal to City of Fairview's required and actual contributions. The required contribution was determined as part of the July 1, 2009 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

**CITY OF FAIRVIEW, TENNESSEE
 TENNESSEE POLITICAL SUBDIVISION PENSION PLAN
 YEAR ENDED JUNE 30, 2011**

7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-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, 2009 was 5 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, 2011	\$204,208	100.00%	\$ 0.00
June 30, 2010	\$205,039	100.00%	\$ 0.00
June 30, 2009	\$198,849	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 \$3.1 million, and the actuarial value of assets was \$2.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.7 million, and the ratio of the UAAL to the covered payroll was 16.55% percent.

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.

**CITY OF FAIRVIEW, TENNESSEE
 TENNESSEE POLITICAL SUBDIVISION PENSION PLAN
 YEAR ENDED JUNE 30, 2011**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(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 Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(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 two most current valuations are presented.

CITY OF FAIRVIEW, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

<u>Program Title</u>	Department of Transportation Highway Safety - <u>Safer Roads</u>
CFDA	20.600
Balance - July 1, 2010	0
Receipts	\$ 13,763
Expenditures	13,763
Balance - June 30, 2011	\$ <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, 2011

February 22, 2012

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, 2011, and have issued our report thereon dated February 22, 2012. 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

Management of City of Fairview is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (Finding 2011-1).

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (Finding 2010-1).

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 are 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 Mayor and 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, 2011**

1. 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.

2. FINDING 2011-1

Internal controls relating to the government's bank accounts were not consistently followed during the year ended June 30, 2011. In particular, reconciliations were not prepared for several months prior to and after the end of the fiscal year.

Checks were written to pay vendors and were not mailed because wire transfers were used. However, the checks were not voided nor removed from the outstanding check list when the bank account was reconciled. The wire-transfer was not posted on the records and prevented a reconciliation of the books to the bank account. In March 2011, attempts at reconciling the bank accounts ceased but the duplication of writing checks and using wire transfers continued through June and into the current year until the individual resigned.

RECOMMENDATION:

We recommend that a review of all internal controls be made and evaluated to determine what changes in internal controls need to be made and in what areas internal controls are lacking.

MANAGEMENT'S RESPONSE:

We concur and have made some changes in internal control and are reviewing all other areas.