

2013

Financial Statements

CITY OF FAIRVIEW, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2013

(With Independent Auditor's Report Thereon)

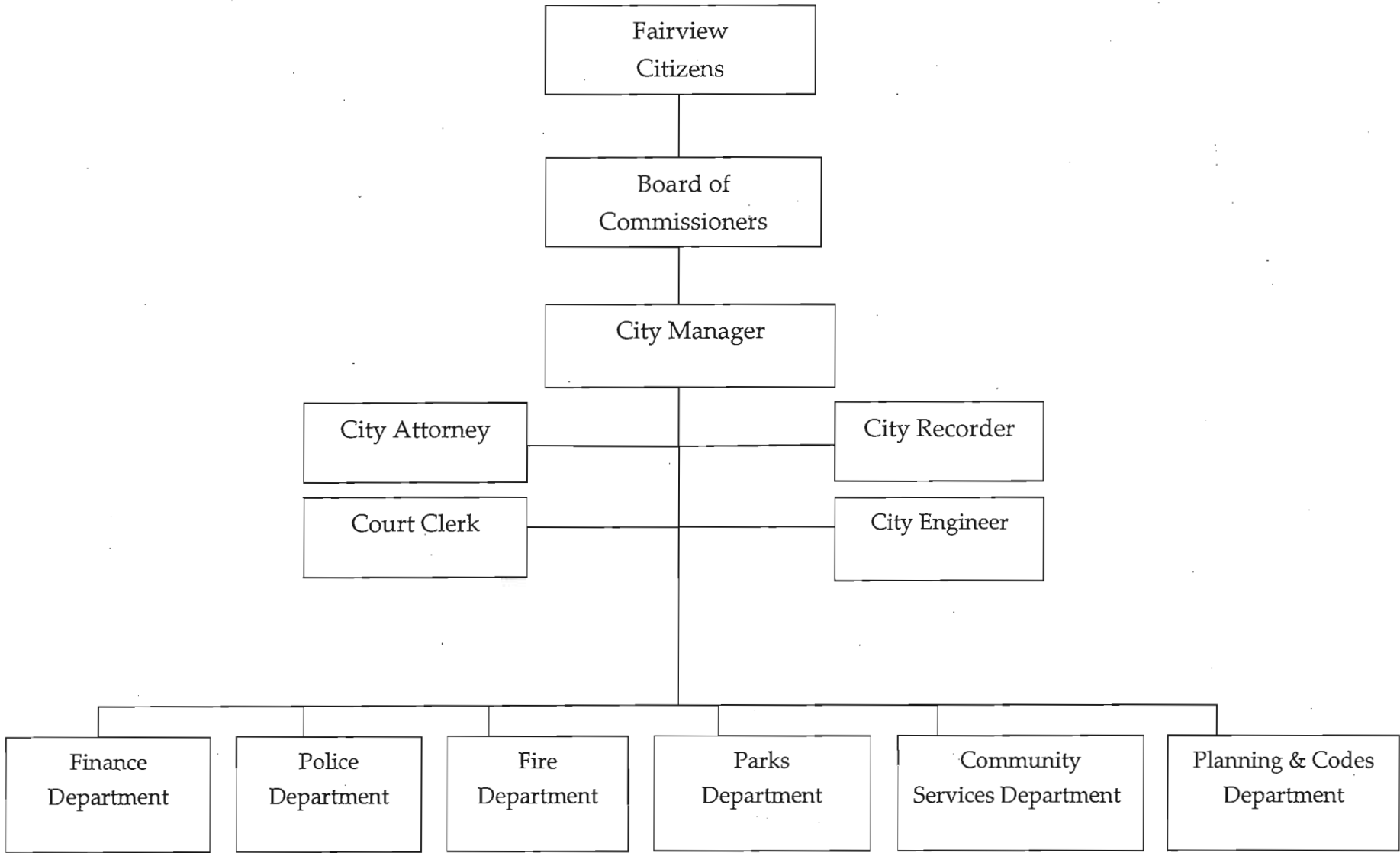
CITY OF FAIRVIEW, TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2013

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Introductory Section

CITY OF FAIRVIEW, TENNESSEE
ORGANIZATIONAL CHART
JUNE 30, 2013



CITY OF FAIRVIEW, TENNESSEE
DIRECTORY OF OFFICIALS
JUNE 30, 2013

Mayor	Beverly Totty
Vice-Mayor	Stuart Johnson
Commissioner	Allen Bissell
Commissioner	Patti Carroll
Commissioner	Toney Sutton
City Manager	Andrew Hyatt
City Recorder	Theresa Porter
Finance Director	Crystal Pewitt

Financial Section



PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Mayor and Commissioners
City of Fairview, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Fairview, Tennessee ("City") as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the Facilities Fund, and the Drug Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, in 2013, the City discovered a prior period adjustment relating to capital assets and accumulated depreciation. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and Schedule of Retirement Plan Funding Progress on page 37 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairview, Tennessee's basic financial statements. The introductory section, the schedule of changes in property tax receivable and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of changes in property tax receivable and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in property tax receivable and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014, 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.



January 28, 2014

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

As management of the City of Fairview, Tennessee ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please consider the information presented in conjunction with the City's financial statements (beginning on page 10).

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.

- **Net Position.** Government-wide assets of the City of Fairview exceeded liabilities at the close of the most recent fiscal year by \$21,693,553. Of this amount, \$1,251,205 (unrestricted) may be used to meet the City's ongoing obligation to citizens and creditors.
- **Fund Balances.** At June 30, 2013, the City's government funds reported combined ending fund balances of \$1,690,616 or a decrease of \$702,472.
- **General Fund - Fund Balance.** At June 30, 2013 the fund balance for the General Fund was \$1,491,559, or 30% of total general fund expenditures.
- **Debt.** The City's total bonded debt decreased by a net of \$17,590 during the year ended June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 and earned but unused vacation leave).

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. The City does not have any distinguished business-type activities.

The government-wide financial statements can be found on pages 10 - 11 of this report.

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund, the facilities fund, and the drug fund, all of which are considered to be major funds.

The governmental fund financial statements can be found on pages 12 - 15 of this report.

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

The budget to actual comparison for the three major governmental funds can be found on pages 16 - 23 of this report.

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, significant account balances and activities, material commitments, contingencies and subsequent events, if any.

The notes to financial statements can be found on pages 24 - 36 of this report.

Other Information. Included in Required Supplementary Information is the City's progress in funding its obligation to provide pension benefits to its employees. The Schedule of Retirement Plan Funding Progress for the Tennessee Political Subdivision Pension Plan can be found on page 37 of this report.

A supplementary schedule showing the changes in property tax receivable is presented immediately following the required supplementary information on pension benefits. The schedule of changes in property tax receivable can be found on page 38 of this report.

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fairview, assets exceeded liabilities by \$21,693,553 as of June 30, 2013.

City of Fairview, Tennessee
Government-wide Financial Statement
Net Position - Governmental Activities
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 2,901,667	\$ 3,556,063
Capital assets	22,376,408	22,618,693
Total Assets	<u>\$ 25,278,075</u>	<u>\$ 26,174,756</u>
Long-term liabilities	\$ 2,514,553	\$ 2,391,061
Other liabilities	1,069,969	1,162,975
Total Liabilities	<u>3,584,522</u>	<u>3,554,036</u>
Net Position:		
Net investment in capital assets	20,002,937	20,227,632
Restricted assets	439,411	1,540,334
Unrestricted	1,251,205	852,754
Total Net Position	<u>21,693,553</u>	<u>22,620,720</u>
Total Liabilities and Net Position	<u>\$ 25,278,075</u>	<u>\$ 26,174,756</u>

By far the largest portion of the City's net position (92%) reflects its investment in capital assets (e.g., land, buildings and equipment) 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.

At year end, 94% of the City's government-wide net position represented resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,251,205 may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2013, the City is able to report positive balances in all categories of fund balances.

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

City of Fairview, Tennessee
Government-wide Financial Statement
Changes in Net Position
For the Year Ended June 30, 2013

	<u>Governmental Activities</u>
	<u>2013</u>
REVENUES:	
Program revenues:	
Charges for services	\$ 375,322
Operating grants & contributions	8,958
General revenues:	
Property taxes	1,019,357
Sales taxes	1,160,018
Beer / liquor taxes	248,753
Business taxes	83,738
Franchise taxes	125,209
Occupancy taxes	5,837
Intergovernmental revenues	1,297,453
Building permit fees	132,691
Interest	11,547
Gain on sale of assets	2,000
Other	32,510
Total Revenues	<u>4,503,393</u>
EXPENSES:	
General government:	
General government	1,431,095
Finance administration	167,024
City court	103,555
Codes	190,287
Public safety	2,419,925
State street aid	408,969
Streets and roads	526,492
Parks	247,061
Interest on long-term debt	60,374
Total Expenses	<u>5,554,782</u>
Change in net position	<u>(1,051,389)</u>
Net position, beginning of year, before restatement	22,620,720
Prior period adjustment	<u>124,222</u>
Net position, beginning of year, after restatement	<u>22,744,942</u>
Net position, end of year	<u>\$ 21,693,553</u>

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

City Fairview, Tennessee
Fund Financial Statement
Changes in Fund Balances of Governmental Funds
For the year ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES:		
General Revenues		
Taxes	\$ 2,654,193	\$ 2,198,789
Licenses and permits	66,922	44,696
Fines and fees	288,917	159,482
Intergovernmental revenues	1,222,453	1,424,503
Uses of money and property	-	5,585
Other	<u>32,510</u>	<u>136,892</u>
Total General Revenues	4,264,995	3,969,947
Facilities Fund	132,957	33,900
Drug Fund	<u>32,191</u>	<u>24,448</u>
Total Revenue	<u>4,430,143</u>	<u>4,028,295</u>
EXPENDITURES:		
General government	1,195,662	1,441,516
Finance administration	167,024	118,062
City court	103,555	80,796
Codes administration	190,287	162,762
Public Safety	2,363,100	1,961,172
Drug fund	119,824	319,252
State street aid	420,269	251,584
Highways and streets	69,143	861,856
Parks and recreation	247,061	269,160
Debt service	<u>256,690</u>	<u>277,545</u>
Total Expenditures	<u>5,132,615</u>	<u>5,743,705</u>
Increase (decrease) in fund balance	(702,472)	(1,715,410)
Capital leases	-	356,435
Fund balances - July 1	<u>2,393,088</u>	<u>3,752,063</u>
Fund balances - June 30	<u>\$ 1,690,616</u>	<u>\$ 2,393,088</u>

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, an 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.

As of the end of the current fiscal year, all the City's governmental funds reported a combined ending fund balance of \$1,690,616, a decrease of \$702,472 over the previous year. Of the total \$1,690,616 balance, \$240,354 is restricted for use in the State Street Aid Fund, which provides for paving and maintenance of streets. Another \$84,733 is restricted to use within the Drug Fund and \$114,324 is restricted for Facilities Fund. Also, \$37,209 is committed for capital projects. Finally, \$381,572 is committed for schools, \$318,908 is committed for parks, and \$49,662 for traffic. The remaining balance of \$463,854 is unassigned and used for 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 \$463,854 represents 9% of the general fund's expenditures.

Fund Budgetary Highlights

Budget projections exceed actual revenue by \$137,531 in the General Fund and \$75,809 in the Drug Fund. Facilities Fund budget projections of revenues were less than actual revenue by \$27,957.

Actual expenditures exceed budget projections by \$90,569 in the general fund and budget projections exceed actual expenditures by \$49,134 in the drug fund.

Capital Asset and Debt Administration

Capital Asset. At the end of fiscal year 2013, the City had \$22,376,408 (net of accumulated depreciation) invested in a broad range of capital assets, compared to \$22,618,693 at the beginning of the year. This total includes land, land improvements, buildings, equipment and street system infrastructure. The total decrease in the City's investment in capital assets for the current period amounted to \$242,285 (net).

Major capital asset events during the current fiscal year include the following:

- Donated capital assets received included one fire vehicle valued at \$75,000.
- Entered into a capital lease to purchase of a rescue vehicle.
- Various equipment, vehicles and software additions were purchased.
- A prior period adjustment was identified within capital assets.

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-term Liabilities. At the fiscal years ending June 30, 2013 and 2012, the City had total long-term liabilities outstanding of \$2,373,471 and \$2,391,061, respectively. Of this amount, \$2,373,471 is comprised of debt in the general fund and backed by the full faith and credit of the City and capital leases.

City of Fairview - Long-term Liabilities
Government-wide Financial Statements
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
General Obligations Debt and Capital Lease Obligations	\$ 2,391,061	\$ 2,258,448
Less: payments	(196,316)	(223,822)
Add: additions	<u>178,726</u>	<u>356,435</u>
Total	<u>\$ 2,373,471</u>	<u>\$ 2,391,061</u>

Additional information on the City's long-term liabilities can be found in Note 5 of this report.

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Economic Factors and New Year's Budget and Rates

Factors considered in preparation of the City's budget for the 2013/2014 fiscal year include the following:

- With the economic increases, expectations are that shoppers will start to spend more. This expectation resulted in slightly higher budgeted sales tax and business tax revenues for the City. The City has also added a 12% increase in budgeted sales tax revenue for increase in businesses that should be realized by first quarter of 2014.

Requests for Information

This financial report is designed to provide a general overview of the City of Fairview's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either of the following:

City of Fairview
Attn: Financial Director
P. O. Box 69
Fairview, Tennessee 37062

City of Fairview
Attn: City Manager
P. O. Box 69
Fairview, Tennessee 37062

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 1,598,806
Property tax receivable	1,071,074
Intergovernmental revenue receivable	222,756
Grant receivable	9,031
Capital assets:	
Land	2,492,600
Capital assets, net of depreciation	<u>19,883,808</u>
Total Assets	<u><u>\$ 25,278,075</u></u>

LIABILITIES

Accounts payable	\$ 31,382
Other payables	19,426
Deferred revenue	1,019,161
Long-term liabilities:	
Compensated absences	141,082
Due within one year	225,076
Due beyond one year	<u>2,148,395</u>
Total Liabilities	<u>3,584,522</u>

NET POSITION

Net investment in capital assets	20,002,937
Restricted for:	
State street aid	240,354
Drug enforcement	84,733
Facilities	114,324
Unrestricted	<u>1,251,205</u>
Total Net Position	<u>21,693,553</u>
Total Liabilities and Net Position	<u><u>\$ 25,278,075</u></u>

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary Government:					
Governmental Activities:					
General government	\$ 1,431,095	\$ -	\$ -	\$ -	\$ (1,431,095)
Finance administration	167,024	66,922	-	-	(100,102)
City court	103,555	216,976	-	-	113,421
Codes	190,287	-	-	-	(190,287)
Police department	1,324,406	91,424	8,958	-	(1,224,024)
Fire department	741,402	-	-	-	(741,402)
Public health	15,000	-	-	-	(15,000)
Traffic	92,314	-	-	-	(92,314)
Fleet maintenance	246,803	-	-	-	(246,803)
State street aid	408,969	-	214,518	-	(194,451)
Streets and roads	526,492	-	-	-	(526,492)
Parks	247,061	-	-	-	(247,061)
Interest on long-term debt	60,374	-	-	-	(60,374)
Total Governmental Activities	<u>5,554,782</u>	<u>375,322</u>	<u>223,476</u>	<u>-</u>	<u>(4,955,984)</u>
General revenues:					
Taxes:					
Property taxes					1,019,357
Sales taxes					1,160,018
Beer / liquor taxes					248,753
Business taxes					83,738
Franchise taxes					125,209
Occupancy taxes					5,837
Intergovernmental revenues					1,082,935
Building Permit Fees					132,691
Interest					11,547
Gain on sale of assets					2,000
Other					32,510
Total General Revenue					<u>3,904,595</u>
Change in net position					<u>(1,051,389)</u>
Net position - July 1, 2012, before restatement					22,620,720
Prior Period Adjustment					<u>124,222</u>
Net position - July 1, 2012, restated					<u>22,744,942</u>
Net position - June 30, 2013					<u>\$ 21,693,553</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>General</u>	<u>Facilities Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,398,415	\$ 114,324	\$ 86,067	\$ 1,598,806
Receivables:				
Property taxes	1,071,074	-	-	1,071,074
Intergovernmental	222,756	-	-	222,756
Grants	9,031	-	-	9,031
 Total Assets	 <u>\$ 2,701,276</u>	 <u>\$ 114,324</u>	 <u>\$ 86,067</u>	 <u>\$ 2,901,667</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 30,048	\$ -	\$ 1,334	\$ 31,382
Other payables	19,426	-	-	19,426
Compensated absences	141,082	-	-	141,082
Deferred revenue	1,019,161	-	-	1,019,161
 Total Liabilities	 <u>1,209,717</u>	 <u>-</u>	 <u>1,334</u>	 <u>1,211,051</u>
 <u>FUND BALANCES</u>				
Fund balances:				
Restricted for:				
State Street Aid	240,354	-	-	240,354
Drug enforcement	-	-	84,733	84,733
Facilities	-	114,324	-	114,324
Committed for:				
Capital projects	37,209	-	-	37,209
Schools	381,572	-	-	381,572
Parks	318,908	-	-	318,908
Traffic	49,662	-	-	49,662
Unassigned	463,854	-	-	463,854
 Total Fund Balances	 <u>1,491,559</u>	 <u>114,324</u>	 <u>84,733</u>	 <u>1,690,616</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,701,276</u>	 <u>\$ 114,324</u>	 <u>\$ 86,067</u>	 <u>\$ 2,901,667</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Governmental Funds Balances	\$ 1,690,616
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	
Capital assets, net of accumulated depreciation of \$14,348,737	22,376,408
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
General long-term debt payable	<u>(2,373,471)</u>
Net Position of Governmental Activities	<u>\$ 21,693,553</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

<u>Revenues</u>	<u>General</u>	<u>Facilities Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Taxes	\$ 2,654,193	\$ -	\$ -	\$ 2,654,193
Licenses and permits	66,922	-	-	66,922
Fines and fees	288,917	-	21,066	309,983
Intergovernmental	1,222,453	-	-	1,222,453
Uses of money and property	-	132,957	-	132,957
Other	32,510	-	11,125	43,635
Total Revenues	4,264,995	132,957	32,191	4,430,143
 <u>Expenditures</u>				
Current:				
General government	1,195,662	-	-	1,195,662
Finance administration	167,024	-	-	167,024
City Court	103,555	-	-	103,555
Codes Administration	190,287	-	-	190,287
Police Department	1,264,027	-	119,824	1,383,851
Fire Department	722,088	-	-	722,088
Public Health	15,000	-	-	15,000
State Street Aid	420,269	-	-	420,269
Highways and streets	69,143	-	-	69,143
Parks and recreation	247,061	-	-	247,061
Traffic	115,182	-	-	115,182
Fleet maintenance	246,803	-	-	246,803
Debt service	256,690	-	-	256,690
Total Expenditures	5,012,791	-	119,824	5,132,615
Excess (deficiency) of revenue over (under) expenditures	(747,796)	132,957	(87,633)	(702,472)
Transfer in (out)	105,000	(105,000)	-	-
Net change in fund balances	(642,796)	27,957	(87,633)	(702,472)
Fund Balance - July 1, 2012	2,134,355	86,367	172,366	2,393,088
Fund Balance - June 30, 2013	<u>\$ 1,491,559</u>	<u>\$ 114,324</u>	<u>\$ 84,733</u>	<u>\$ 1,690,616</u>

See accompanying 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
JUNE 30, 2013

Net Change in Fund Balance - Governmental Funds \$ (702,472)

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

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

Acquisition of capital assets	280,467
Depreciation expense	(823,949)
Cost of assets disposed, net of depreciation expense of \$460,685	(1,750)

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

General obligation loan payments	153,875
Capital lease payments	<u>42,440</u>

Change in Net Position - Governmental Activities	<u>\$ (1,051,389)</u>
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CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

Revenues:	Budget		Actual
	Original	Final	
Taxes:			
Real estate taxes	\$ 1,038,070	\$ 1,038,070	\$ 1,019,357
Wholesale beer tax	190,400	190,400	196,698
Wholesale liquor tax	53,560	53,560	52,055
Local sales tax - Trustee	1,356,170	1,356,170	1,160,018
Cable TN franchise tax	87,076	87,076	88,096
Natural gas franchise tax	58,300	58,300	37,113
Minimum business tax	71,500	71,500	83,738
Occupancy tax	6,500	6,500	5,837
Interest and penalty	11,980	11,980	11,281
Total Taxes	2,873,556	2,873,556	2,654,193
Licenses and Permits:			
Building, electrical and plumbing permits	50,060	50,060	56,838
Fees - appeals	-	-	500
Other permits	3,100	3,100	1,858
Sign permits	2,500	2,500	1,776
Contractor license	1,000	1,000	1,250
Beer and liquor licenses	5,750	5,750	4,700
Total Licenses and Permits	62,410	62,410	66,922
Intergovernmental Revenue:			
State sales tax	583,000	583,000	533,621
State income tax	20,600	20,600	20,507
State beer tax	4,016	4,016	3,817
Gas 1989 tax	20,000	20,000	21,980
Gas 3 cent tax	40,000	40,000	40,795
Gasoline and motor fuel tax	150,000	150,000	135,924
Petroleum special	23,739	23,739	15,819
Corporate excise tax	15,000	15,000	2,494
Telecommunications tax	750	750	690
School facilities tax	-	-	103,597
GHSO Grant	-	20,247	21,967
Local grants and contributions	100,700	137,866	204,761
Payment in lieu of taxes	90,160	90,160	88,037
Mixed drink tax	10,300	10,300	10,866
Educational Incentive pay	6,600	6,600	5,400
State Law Enforcement Ed	13,800	13,800	12,000
Special Law Enforcement	600	600	178
Total Intergovernmental Revenue	1,079,265	1,136,678	1,222,453

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budget		Actual
	Original	Final	
Fines and Fees:			
Process fees for business tax	1,700	1,700	3,885
Subdividing and other fees	6,000	6,000	16,221
Accident report fees	3,000	3,000	-
Engineer charges and fees	8,000	8,000	8,535
Miscellaneous fees/charges	7,600	7,600	6,946
Special program fees	12,000	12,000	5,550
Fees driving school	22,000	22,000	17,600
City Court fines and costs	226,000	226,000	216,976
Event fees	7,900	7,900	7,997
Trail fees	3,800	3,800	5,207
	<u>298,000</u>	<u>298,000</u>	<u>288,917</u>
Total Other Income			
Other Revenue:			
Mowing revenue	31,882	31,882	32,510
	<u>4,345,113</u>	<u>4,402,526</u>	<u>4,264,995</u>
Total Revenue			

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

<u>Expenditures:</u>	Budget		Actual
	Original	Final	
General Government:			
Salaries and wages	\$ 128,722	\$ 128,722	\$ 125,676
Payroll taxes	6,028	6,028	10,935
Retirement contributions	9,235	9,235	9,235
Insurance	551,979	555,522	615,096
Telephone	55,000	55,000	75,862
Office supplies and postage	7,000	103,327	107,012
Legal and professional	42,500	42,500	53,393
Utility service	58,000	58,000	65,578
Repairs and maintenance	9,100	20,564	24,357
Other services and charges	15,900	15,900	21,388
Equipment purchases	11,500	11,500	11,577
Data processing	13,500	13,500	13,400
Engineering and architect	44,000	44,000	58,239
Events	-	-	26
Travel	2,500	2,500	3,888
Total General Government	954,964	1,066,298	1,195,662
Finance Administration:			
Salaries	114,690	114,690	118,614
Payroll taxes	8,774	8,774	8,496
Retirement contributions	13,442	13,442	13,442
Insurance	-	-	338
Printing, postage, etc.	14,850	14,850	19,602
Dues and memberships	2,000	2,000	2,277
Computer and software	4,200	4,200	4,255
Total Finance Administration	157,956	157,956	167,024
City Court:			
Salaries and wages	81,004	81,004	83,119
Payroll taxes	6,197	6,197	5,987
Retirement contributions	7,243	7,243	7,243
Insurance	-	-	381
Office supplies and postage	400	400	-
Travel	150	150	286
Equipment purchases	3,500	3,500	4,154
Data processing	2,650	2,650	2,120
Other services and charges	350	350	265
Total City Court	101,494	101,494	103,555

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budget		Actual
	Original	Final	
Codes Administration:			
Salaries and wages	137,282	137,282	143,100
Payroll taxes	10,502	10,502	10,172
Retirement contributions	16,089	16,089	16,072
Insurance	-	-	412
Repairs and maintenance	300	300	320
Office supplies	1,550	1,550	964
Equipment	22,000	22,000	17,768
Other	3,900	3,900	1,479
Total Codes Administration	191,623	191,623	190,287
Police Department:			
Salaries - police	940,478	942,601	967,348
Payroll taxes	68,392	68,392	68,951
Retirement contributions	101,427	101,427	95,609
Insurance	2,500	2,500	6,051
Travel	-	18,124	18,124
GHSO grant	2,000	2,000	2,733
Contractual services	9,000	9,000	9,000
Repairs and maintenance	6,000	6,000	3,876
Gas and oil	-	-	-
Uniforms and supplies	32,900	32,900	30,896
Equipment purchases	67,000	67,000	55,228
Other services and charges	7,000	7,000	6,211
Total Police Department	1,236,697	1,256,944	1,264,027
Fire Department:			
Salaries and wages	502,700	533,022	530,460
Payroll taxes	38,456	38,456	38,482
Retirement contributions	55,213	58,514	57,264
Insurance	-	-	2,265
Repairs and maintenance	5,000	5,000	5,589
Supplies	29,000	29,000	29,653
Uniforms	5,000	5,000	12,830
Building/equipment purchases	34,000	34,000	36,545
Other services and charges	9,000	9,000	9,000
Total Fire Department	678,369	711,992	722,088
Public Health:			
Utility services	15,000	15,000	15,000
Total Public Health	15,000	15,000	15,000

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budget		Actual
	Original	Final	
State Street Aid:			
Salaries and wages	242,141	242,141	290,585
Payroll taxes	18,524	18,524	20,663
Retirement contributions	27,441	27,441	33,357
Insurance	-	-	1,367
Street improvement	155,332	164,537	55,864
Equipment	20,000	20,000	18,433
Total State Street Aid	463,438	472,643	420,269
Highways and Streets:			
Salaries and wages	58,738	58,738	25,744
Payroll taxes	4,494	4,494	2,150
Retirement contributions	6,884	6,884	3,294
Repairs and maintenance	12,000	12,000	16,557
Gas and oil	-	-	67
Supplies	14,500	14,500	13,345
Equipment	6,000	6,000	5,558
Other services and charges	3,000	3,000	2,428
Total Highways and Streets	105,616	105,616	69,143
Parks:			
Salaries and wages	117,717	117,717	120,624
Payroll taxes	9,005	9,005	9,389
Retirement contributions	7,304	7,304	8,781
Insurance	-	-	751
Repairs and maintenance	18,000	26,235	23,689
Building, improvements and equipment	18,000	66,565	60,844
Office supplies	8,000	8,000	4,511
Events expenses	28,000	28,000	16,584
Other services and charges	4,200	4,200	1,888
Total Parks	210,226	267,026	247,061
Traffic:			
Salaries and wages	71,477	71,477	72,849
Payroll taxes	5,468	5,468	5,233
Retirement contributions	8,377	8,377	8,377
Insurance	-	-	419
Building, improvements and equipment	38,000	38,000	28,304
Total Traffic	123,322	123,322	115,182

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budget		Actual
	Original	Final	
Fleet Maintenance:			
Salaries and wages	30,519	30,519	28,655
Payroll taxes	2,335	2,335	1,809
Retirement contributions	3,577	3,577	3,577
Insurance	-	-	133
Repairs and maintenance	50,000	50,000	62,309
Gas & Oil	110,000	110,000	135,699
Office supplies	10,000	10,000	14,621
Total Fleet Maintenance	<u>206,431</u>	<u>206,431</u>	<u>246,803</u>
Debt Service	<u>245,877</u>	<u>245,877</u>	<u>256,690</u>
Total Expenditures	<u>4,691,013</u>	<u>4,922,222</u>	<u>5,012,791</u>
Excess of Revenue Over (Under) Expenditures	<u>(345,900)</u>	<u>(519,696)</u>	<u>(747,796)</u>
Other Financial Sources (Uses):			
Transfer in	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
Net Change in Fund Balances	(240,900)	(414,696)	(642,796)
Budgetary Fund Balance - July 1, 2012	<u>2,883,501</u>	<u>2,528,733</u>	<u>2,134,355</u>
Budgetary Fund Balance - June 30, 2013	<u>\$ 2,642,601</u>	<u>\$ 2,114,037</u>	<u>\$ 1,491,559</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FACILITIES FUND
YEAR ENDED JUNE 30, 2013

	Budget		Actual
	Original	Final	
<u>Revenues:</u>			
Building Permit Fees	\$ 104,000	\$ 104,000	\$ 132,691
Interest	1,000	1,000	266
Total Revenue	<u>105,000</u>	<u>105,000</u>	<u>132,957</u>
<u>Expenditures:</u>	-	-	-
Excess of Revenue Over (Under) Expenditures	105,000	105,000	132,957
Other Finance Sources (Uses)			
Transfer (Out)	<u>(105,000)</u>	<u>(105,000)</u>	<u>(105,000)</u>
Net Change in Fund Balances	-	-	27,957
Budgetary Fund Balance - July 1, 2012	<u>103,467</u>	<u>103,467</u>	<u>86,367</u>
Budgetary Fund Balance - June 30, 2013	<u>\$ 103,467</u>	<u>\$ 103,467</u>	<u>\$ 114,324</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DRUG FUND
YEAR ENDED JUNE 30, 2013

	Budget		Actual
	Original	Final	
<u>Revenues:</u>			
Drug related fines	\$ 100,000	\$ 100,000	\$ 21,066
Interest	1,000	1,000	167
Sale of confiscated property	5,000	5,000	2,000
Federal grants	-	-	4,902
Local grants and contributions	2,000	2,000	4,056
Total Revenue	<u>108,000</u>	<u>108,000</u>	<u>32,191</u>
<u>Expenditures:</u>			
Salaries and wages	89,184	89,184	61,181
Payroll taxes	6,822	6,822	4,782
Retirement contributions	10,452	10,452	10,452
Insurance	11,000	11,000	10,607
Repairs and maintenance	8,000	8,000	484
Building, improvements and equipment	20,000	20,000	14,226
Other services and charges	23,500	23,500	18,092
Total Expenditures	<u>168,958</u>	<u>168,958</u>	<u>119,824</u>
Excess of Revenue Over (Under) Expenditures	<u>(60,958)</u>	<u>(60,958)</u>	<u>(87,633)</u>
Net Change in Fund Balances	(60,958)	(60,958)	(87,633)
Budgetary Fund Balance - July 1, 2012	<u>397,293</u>	<u>175,991</u>	<u>172,366</u>
Budgetary Fund Balance - June 30, 2013	<u>\$ 336,335</u>	<u>\$ 115,033</u>	<u>\$ 84,733</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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 (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies of the City.

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. As of June 30, 2013, the City had no component units which were required to be included in these financial statements.

The City, for financial purposes, includes all of the accounts relevant to the operations of the government of the City of Fairview, Tennessee.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements, the Statement of Net Position and Statement of Activities, 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 City has no business-type activities as of and for the year ended June 30, 2013.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those capital assets. Debt that was issued for capital purposes is not part of the calculation of net investment in capital assets, until the proceeds have been used to acquire capital assets.

Restricted net position results from restrictions placed on net position by external sources such as creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position which do not meet the definition of the two preceding categories.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

Fund Financial Statements

The government uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City has its funds classified into one category, governmental and this category, in turn, is divided into separate "fund types." Major individual governmental funds are reported in separate columns in the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities including the collection and disbursement of earmarked monies (special revenue funds). The general fund is used to account for all activities of the general government not accounted for in some other fund. The following is a list of the City's funds:

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

A Special Revenue Fund accounts for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue funds are the Drug Fund and the Facilities Fund.

Measurement Focus, Basis of Accounting and Basis of Presentation

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. The effect of interfund activity has been eliminated for the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 (60) of the end of the current fiscal year. Property taxes, sales taxes, franchise taxes, licenses 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 by the City.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation

Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

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 Fund accounts for the receipt of building permit fees that are restricted for capital assets purchases and for the payments of debt used to finance capital asset purchases by the governmental funds.

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

The City has no internal service, proprietary or fiduciary funds as of and for the year ended June 30, 2013.

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. 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 and Payables

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections and management's estimate of what portion of the outstanding receivable will be collected in the future. The allowance for uncollectible property tax is \$2,152 at June 30, 2013.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g., 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, individual cost of \$5,000 or more and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

The cost of normal repairs and maintenance that do not add to the value of the asset or substantially extend the life of the asset are not capitalized, but are charged to expense. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Infrastructure	60 years
Buildings and improvements	40-50 years
Machine and equipment	5-15 years
Vehicles and heavy equipment	5-20 years

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized using the straight line method over the shorter of the economic useful life of the asset or the remaining lease term.

Deferred Revenue

The City recognizes deferred revenue for the estimated 2013 property tax revenue that will be levied October 1, 2013. In accordance with local statutes, the City has an enforceable legal claim to these taxes as of the assessment date, January 1, 2013, however none of the taxes will be collected until October 2013 or later.

Compensated Absences

City policy provides for employees to accumulate earned but unused vacation time, or compensated absence, by prescribed formula based on length of service. The maximum vacation accrual an employee can carryover to the next year is 80 hours. The value of the accumulated vacation, which may be used in future years, is recorded in the government-wide statements as a long-term liability.

City policy also provides for employees to earn sick days; however, no amount of sick leave is vested in the event of employee termination. Upon retirement, the employee can receive credit for the accumulated sick leave towards retirement with the City. Employees are entitled to payment for unused sick leave upon retirement up to a maximum of 120 days. The maximum accumulated sick leave is 1,152 hours per employee.

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable government activities. In the fund financial statements, governmental fund types recognize debt costs during the current period.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

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.

In accordance with GASB 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, either ordinance or resolution, of the Board of Commissioners level of decision-making authority, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purposes unless the Board of Commissioners removes or changes the commitment by taking the same action it employed to impose the commitment.

Assigned - Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The Board of Commissioners has authorized the City Manager to assign fund balance up to certain amounts.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, if expenditures incurred for specific purposes have exceeded the amounts restricted, committed, or assigned to those purposes, those amounts are reported as a negative unassigned fund balance.

The City's practice is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

The City does not report or anticipate reporting an assigned fund balance.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The City's charter requires property taxes to be levied on October 1 on the assessed valued listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. Property taxes become due and payable on October 1.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public utility property	55%
Industrial and commercial property	
Real	40%
Personal	30%
Residential and farm property	25%

For fiscal year 2013, taxes were levied at a rate of \$.0635 per \$100 of assessed valuation.

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.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$968,219 for the fiscal year ended June 30, 2013, were approximately 96% of the tax levy. Taxes become delinquent in March of the year subsequent to the levy date; at that time delinquent taxes are turned over to the Williamson County Clerk and Master for collection proceedings. As of June 30, 2013, delinquent taxes of 2012 and older have been filed with the Williamson County Clerk and Master.

Contributions of Capital

Contributions of capital, in the government-wide financial statements, arise from outside contributions of capital assets. Contributions of capital assets are recorded as revenue in the proper governmental activity on the Statement of Activities. During the year ending June 30, 2013, one contributed asset was received; see NOTE 5.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City operates under an annual budget which is approved by the Board of Commissioners prior to the beginning of each fiscal year. Public hearings are conducted by the Board of Commissioners to obtain citizen comments on the budget. Prior to June 30, the budget is enacted legally by passage of an ordinance.

The budget is usually amended during the year to adjust for expenditures that were not anticipated during the budget process. All budget amendments are approved by the Board of Commissioners. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board.

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the General Fund and the other governmental funds. All annual appropriations lapse at fiscal year-end.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents at June 30, 2013, 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.

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, 2013, 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 Statement of Net Position is as follows:

	<u>Governmental Activities</u>
Checking Account	\$ 637,127
Deposits in State of Tennessee Local Government Investment Pool	957,724
Cash on hand	3,955
Total	\$ <u>1,598,806</u>

NOTE 4 - CAPITAL ASSETS

During the year ended June 30, 2013, the City received a donated fire vehicle valued at \$75,000 and the purchase of a fire tanker was financed by the issuance of long-term debt, see NOTE 5. Also, during the year ended June 30, 2013, the City discovered a prior period adjustment related to capital assets, see NOTE 10.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS (Continued)

Capital assets activity for governmental activities for the year ended June 30, 2013, was as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated</u>					
Land	\$ 2,492,600	\$ -	\$ -	\$ -	\$ 2,492,600
<u>Capital assets being depreciated</u>					
Machinery and equipment	2,572,003	238,948	459,192	(462,435)	2,807,708
Buildings and improvement	4,236,375	-	-	-	4,236,375
Infrastructure	27,188,462	-	-	-	27,188,462
Total assets being depreciated	<u>33,996,840</u>	<u>238,948</u>	<u>459,192</u>	<u>(462,435)</u>	<u>34,232,545</u>
Less accumulated depreciation for:					
Machinery and equipment	(1,488,991)	(114,726)	(260,973)	460,685	(1,404,005)
Buildings and improvement	(606,465)	-	(109,835)	-	(716,300)
Infrastructure	(11,775,291)	-	(453,141)	-	(12,228,432)
Total accumulated depreciation	<u>(13,870,747)</u>	<u>(114,726)</u>	<u>(823,949)</u>	<u>460,685</u>	<u>(14,348,737)</u>
Capital assets being depreciated, net	<u>20,126,093</u>	<u>124,222</u>	<u>(364,757)</u>	<u>(1,750)</u>	<u>19,883,808</u>
Total Governmental Activities Capital assets, net	<u>\$ 22,618,693</u>	<u>\$ 124,222</u>	<u>\$ (364,757)</u>	<u>\$ (1,750)</u>	<u>\$ 22,376,408</u>

Depreciation expense for governmental activities as of June 30, 2013, divided by function/program:

General government	\$ 331,760
Public safety	34,840
Roads and streets	453,141
Parks and recreation	<u>4,208</u>
Total depreciation expense - governmental activities	<u>\$ 823,949</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5 - LONG-TERM LIABILITIES

Long-Term liabilities, consisting of compensated absences, general obligation debt agreements and capital lease agreements, at June 30, 2013, are comprised of the following:

	<u>Governmental Activities</u>
Compensated Absences	\$ 141,082
General Obligation Debt:	
\$2,000,000: Tennessee Pooled Loan Program Series 2001, issued for <i>City Hall</i> , due in increasing annual installments through May 2026, at a variable interest rate of approximately .0312% in the year ending June 30, 2013.	1,362,000
\$670,000: General Obligation Capital Outlay Note, Series 2011, issued for <i>highway and street purposes</i> , due in equal annual installments through 2021; with interest at 3.93% per annum	558,000
\$178,726: General obligation loan agreement for <i>fire tanker</i> , due in equal annual payments of \$44,682 through 2016; with interest at 2.4% per annum	<u>178,726</u>
Total General Obligation Debt	<u>2,098,726</u>
Capital Lease Obligation:	
\$365,645: Lease/purchase agreement for <i>Spartan Rescue Truck</i> , payable in 8 annual payments of 51,565 through 2018, including interest at 3.34% per annum	<u>274,745</u>
Total Long-term Liabilities	<u>\$ 2,514,553</u>

Long-term liabilities activity for the year ended 2013, is as follows:

	Governmental Activities				
	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One year
Compensated Absences	\$ 73,148	\$ 169,328	\$ (101,394)	\$ 141,082	\$ -
General Obligation Debt:					
Tennessee Pooled Loan: City Hall	1,435,000	-	(73,000)	1,362,000	77,000
General Obligation: Highway and Streets	616,000	-	(58,000)	558,000	62,649
Fire Tanker Loan	-	178,726	-	178,726	43,088
Total General Obligation Debt	<u>2,051,000</u>	<u>178,726</u>	<u>(131,000)</u>	<u>2,098,726</u>	<u>182,737</u>
Capital Lease Obligations:					
Vehicles (3) Lease/Purchase Spartan Fire Rescue Truck Lease/Purchase	22,876	-	(22,876)	-	-
Truck Lease/Purchase	317,185	-	(42,440)	274,745	42,339
Total Capital Lease Obligations:	<u>340,061</u>	<u>-</u>	<u>(65,316)</u>	<u>274,745</u>	<u>42,339</u>
Total Long-Term Liabilities	<u>\$ 2,464,209</u>	<u>\$ 348,054</u>	<u>\$ (297,710)</u>	<u>\$ 2,514,553</u>	<u>\$ 225,076</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for long-term debt obligations, as of June 30, 2013, were as follows:

Year	TN Pooled Loan Program		Spartan Rescue Truck		Highway & Streets	
	Principal Payments	Interest Payments	Principal Payments	Interest Payments	Principal Payments	Interest Payments
2014	\$ 77,000	\$ 4,009	\$ 42,339	\$ 9,226	\$ 62,649	\$ 21,844
2015	81,000	3,756	43,753	7,812	62,850	19,467
2016	85,000	3,491	45,214	6,351	65,320	16,997
2017	89,000	3,214	46,725	4,840	67,887	14,430
2018	94,000	2,920	48,285	3,280	70,551	11,762
2019	98,000	2,615	48,429	3,136	73,328	8,990
2020	103,000	2,293	-	-	76,210	6,108
2021	108,000	1,956	-	-	79,205	3,113
2022	114,000	1,601	-	-	-	-
2023	119,000	1,229	-	-	-	-
2024	125,000	839	-	-	-	-
2025	131,000	821	-	-	-	-
2026	138,000	-	-	-	-	-
	<u>\$ 1,362,000</u>	<u>\$ 28,744</u>	<u>\$ 274,745</u>	<u>\$ 34,645</u>	<u>\$ 558,000</u>	<u>\$ 102,711</u>

Year	Fire Tanker		Total Principal Payments	Total Interest Payments
	Principal Payments	Interest Payments		
2014	\$ 43,088	\$ 3,298	\$ 225,076	\$ 38,377
2015	44,133	2,240	231,736	33,275
2016	45,204	1,156	240,738	27,995
2017	46,301	163	249,913	22,647
2018	-	-	212,836	17,962
2019	-	-	219,757	14,741
2020	-	-	179,210	8,401
2021	-	-	187,205	5,069
2022	-	-	114,000	1,601
2023	-	-	119,000	1,229
2024	-	-	125,000	839
2025	-	-	131,000	821
2026	-	-	138,000	-
	<u>\$ 178,726</u>	<u>\$ 6,857</u>	<u>\$ 2,373,471</u>	<u>\$ 172,957</u>

Interest expense for governmental activities for the year ended June 30, 2013, was \$172,957.

NOTE 6 - LEASES

We lease certain office equipment under noncancellable operating leases. Rent expense under these leases was \$17,768 for the year ended June 30, 2013. The minimum monthly payments are \$1,530. We also lease a vehicle, the Spartan Rescue Vehicle, under a leasing arrangement classified as a capitalized lease obligation. See NOTE 5 of inclusion in long-term debt. The lease is for a period of 8 years with yearly lease payments of \$51,565 and a maturity date in December 2018.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 - LEASES (Continued)

The following is a schedule of minimum lease payments under the noncancellable operating and capitalized leases as of June 30, 2013:

<u>Year Ending</u> <u>December 31,</u>	<u>Capital</u> <u>Leases</u>	<u>Operating</u> <u>Leases</u>
2014	\$ 51,565	\$ 18,188
2015	51,565	16,322
2016	51,565	12,445
2017	51,565	4,332
2018	51,564	-
Thereafter	51,564	-
	309,388	\$ 51,287
Less amount representing interest	(34,643)	
Present value of net minimum lease payments	274,745	
Less: current installments	(42,339)	
	\$ 232,406	

A summary of the net book value of the asset utilized under the capitalized lease is as follows:

Cost	\$ 356,435
Accumulated depreciation	(35,644)
Net book value	\$ 320,791

NOTE 7 - 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 (TML), 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 regulation, 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 8 - LITIGATION

The City, from time to time, is involved in various lawsuits arising in the ordinary course of its business. The City maintains insurance coverage to minimize the risk of loss from threatened or pending litigation. It is the management's opinion that any pending or threatened litigation will have no significant effect on the City's results of operations.

The City's management and their attorneys are not aware of any pending or threatened actions that would have a material adverse effect on the City's accompanying financial statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9 - PENSION PLAN

Plan Description

Employees of The City of Fairview are members of the Political subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34 - 37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as City of Fairview participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew, Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/TCRS-AnnualReport-2012.pdf>.

Funding Policy

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

The City of Fairview is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013, was 11.72% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City of Fairview is established and may be amended by the TCRS Board of Trustees.

Annual Pension cost

For the year ending June 30, 2013, the City of Fairview's annual pension cost of \$266,703 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 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. The 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, 2011, which established contribution rates effective July 1, 2012 through June 30, 2013.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 10 - PRIOR PERIOD ADJUSTMENT

In prior years, the City reported vehicles in capital assets that had already been disposed of and did not include all purchased vehicles in capital assets and accumulated depreciated. A prior period adjustment was made to correct capital assets in the current year. The following table shows how the prior period adjustment effected net position and the general fund's fund balance:

	<u>Government-Wide</u> <u>Statement of</u> <u>Activities</u>	<u>Governmental</u> <u>Funds</u> <u>Changes in</u> <u>Fund Balance</u>
Net position/fund balance, beginning of the year - as previously presented	\$ 22,620,720	\$ 2,134,355
Correction to capitalize vehicles, net of cumulative depreciation expense	<u>124,222</u>	<u>-</u>
Net position/fund balance, beginning of the year - as restated	<u>\$ 22,744,942</u>	<u>\$ 2,134,355</u>

NOTE 11 - INTERFUND TRANSFERS

The following is a summary of the transfer during the year ended June 30, 2013:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Purpose</u>	<u>Amount</u>
Facilities Fund	General Fund	Purchases of capital assets and debt payments	\$ 105,000

NOTE 12 - SUBSEQUENT EVENTS

We have evaluated events subsequent to the year ending June 30, 2013. As of January 28, 2014, the date the financial statements were available to be issued, no events subsequent to the Statement of Net Position date are considered necessary to be included in the financial statements for the year ended June 30, 2013.

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF RETIREMENT PLAN FUNDING PROGRESS
JUNE 30, 2013

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial date, the plan was 97.45 percent funded. The actuarial accrued liability for benefits was \$3.65 million, and the actuarial value of assets was \$3.56 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$93 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.61 million, and the ratio of the UAAL to the covered payroll was 6.00 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 benefits.

Required Supplementary Information
Schedule of Retirement Plan Funding Progress
Tennessee Political Subdivision Pension Plan
(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, 2011	\$3,556	\$3,649	\$93	97.45%	\$1,612	5.77%
July 01, 2009	\$2,770	\$2,940	\$170	94.22%	\$1,720	9.88%
July 01, 2007	\$2,371	\$2,594	\$233	91.40%	\$1,432	16.27%

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2013

Fiscal Year	Levy	Balance June 30, 2012	Taxes Levied	Adjustments and Collections	Balance June 30, 2013
1998	\$ 10,535	\$ 315	\$ -	\$ -	\$ 315
1999	478,189	662	-	-	662
2000	553,776	321	-	-	321
2001	585,113	154	-	-	154
2002	611,608	139	-	-	139
2003	650,603	135	-	-	135
2004	667,711	192	-	-	192
2005	822,596	235	-	-	235
2006	878,470	1,330	-	(58)	1,272
2007	912,721	1,642	-	(842)	800
2008	930,618	1,449	-	(159)	1,290
2009	968,177	1,860	-	(429)	1,431
2010	970,088	9,841	-	(8,530)	1,311
2011	978,138	46,623	-	(36,991)	9,632
2012	1,003,876	1,003,876	519	(968,219)	36,176
2013	1,019,161	-	1,019,161	-	1,019,161
		<u>1,068,774</u>	<u>1,019,680</u>	<u>(1,015,228)</u>	<u>1,073,226</u>
Less: estimated uncollectible taxes		(1,478)	-	(674)	(2,152)
		<u>\$ 1,067,296</u>	<u>\$ 1,019,680</u>	<u>\$ (1,015,902)</u>	<u>\$ 1,071,074</u>

All uncollected delinquent taxes have been filed, as required, with Williamson County's Clerk and Master.

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>Federal Financial Assistance</u>						
U.S. Department of Homeland Security (FEMA)	97.083	EMW-2012-FH-00146	\$ -	\$ 46,483	\$ (53,795)	\$ (7,312)
U.S. Dept. of Transportation/ TN Dept. of Transportation	20.607	154AL-13-77	-	20,248	(21,967)	(1,719)
TOTAL FEDERAL AWARDS			\$ -	\$ 66,731	\$ (75,762)	\$ (9,031)

NOTE: This schedule was prepared on an accrual basis.

Internal Control and Compliance Section



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S 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**

To the Mayor and Commissioners
City of Fairview, Tennessee

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of City of Fairview, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Fairview, Tennessee's basic financial statements and have issued our report thereon dated January 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fairview, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fairview, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fairview, Tennessee's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (2013-1 and 2013-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fairview, Tennessee's financial statements are free from 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 an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item (2013-1).

City of Fairview, Tennessee's Response to Findings

City of Fairview, Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Fairview, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Patterson Handley & Bellentine

January 28, 2014

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Fairview, Tennessee.
2. Two significant deficiencies were disclosed during the audit of the financial statements as reported in the 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*. See 2013-1 and 2013-2.
3. One instance of noncompliance by the City of Fairview was disclosed during the audit. See 2013-1.

FINDINGS—FINANCIAL STATEMENTS AUDIT

2013-1

Criteria: The City is required to prepare a budget in accordance with all requirements in *Tennessee Code Annotated Section 6-56-203*.

Condition: The City did not include a statement of debt redemption and interest requirements with their statements of bonded and other indebtedness of the municipality.

Cause: The City has not received negative feedback from the State of Tennessee requesting this information after sending the budget into the Office of State and Local Finance.

Effect: The City could underestimate the amount of outstanding debt at year end and underestimate the amount of interest expenditures.

Questioned Costs: No questioned costs are associated with this finding.

Recommendations: The City should prepare and include a schedule detailing the amounts associated with debt redemption and interest requirements in their annual budget.

Response: We have implemented a policy to include the above schedule in all future budgets.

2013-2

Criteria: The City should maintain effective internal controls over financial reporting that would identify, during the regular course of operations, financial reporting errors.

Condition: The City did not have sound internal controls over financial reporting or proper segregation of duties in place during the year ended June 30, 2013.

Cause: The City did not maintain effective internal controls over financial reporting during the year end June 30, 2013.

Effect: The City is not likely to identify financial reporting errors during the regular course of operations.

Questioned Costs: No questioned costs are associated with this finding.

Recommendations: The City should implement functioning internal controls over financial reporting, emphasizing the use of checks and balances and the City Manager's oversight.

Response: We plan to increase the City Manager's and City Recorder's oversight roles.

CITY OF FAIRVIEW, TENNESSEE
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

2012-1

Condition: The City bought and stored fuel for a certain group of vehicles, but various personnel had uncontrolled access to the stored fuel, and no records were being kept to track the use of the fuel.

Effect: The City was allowing the fuel to be consumed while not fully tracking the usage of it.

Status: Significant controls have been put into place to control access to the fuel in the current year. Also, the budgeted amounts of fuel expenditures are being tracked by several department heads to monitor the usage.

