

2014
Financial Statements
With
Auditor's Letter

CITY OF FAIRVIEW, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2014

(With Independent Auditor's Report Thereon)

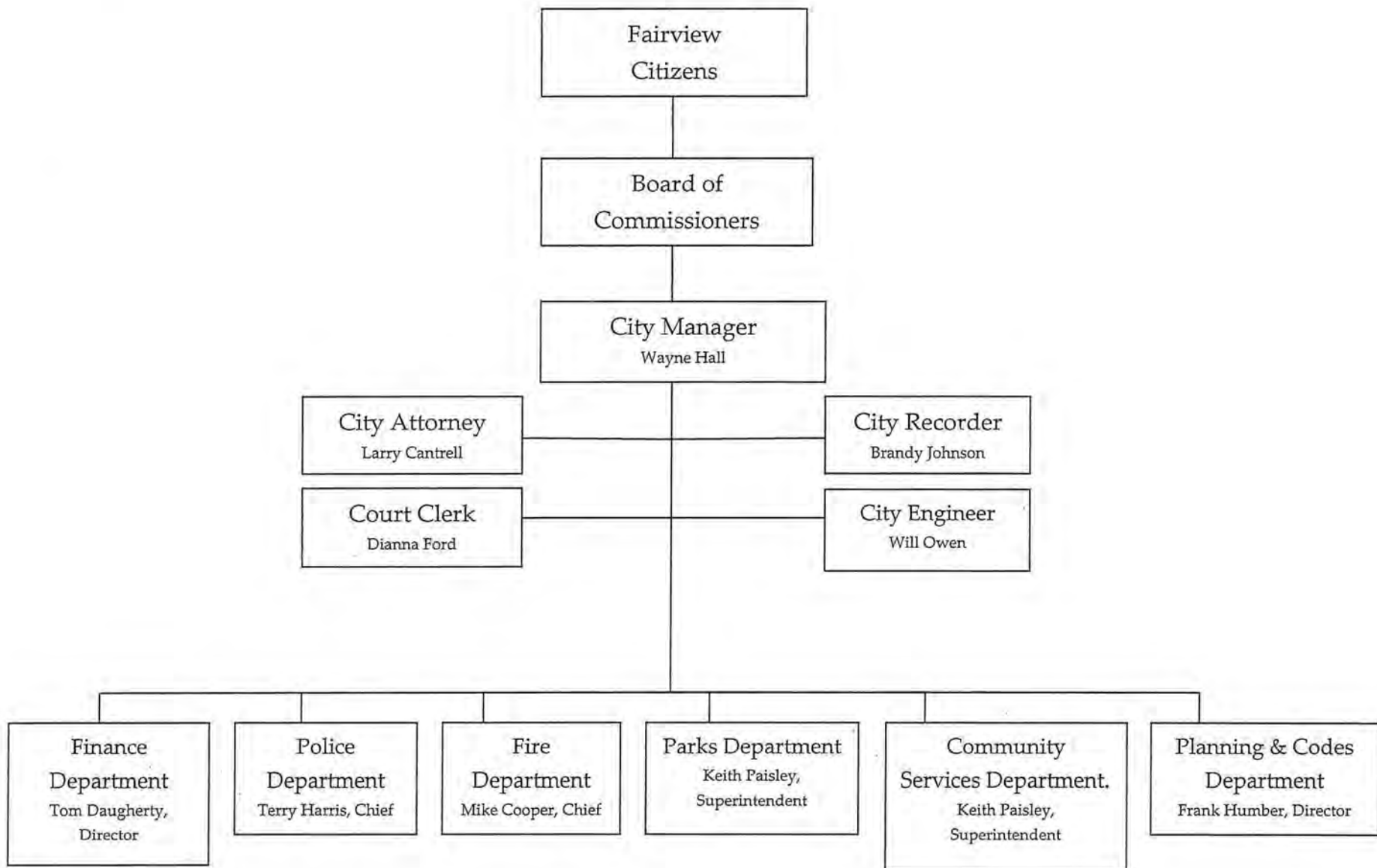
CITY OF FAIRVIEW, TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2014

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Introductory Section

CITY OF FAIRVIEW, TENNESSEE
ORGANIZATIONAL CHART
JUNE 30, 2014



CITY OF FAIRVIEW, TENNESSEE
DIRECTORY OF OFFICIALS
JUNE 30, 2014

Mayor	Beverly Totty
Vice-Mayor	Stuart Johnson
Commissioner	Allen Bissell
Commissioner	Patti Carroll
Commissioner	Toney Sutton
City Manager	Wayne Hall
City Recorder	Brandy Johnson
Finance Director	Tom Daugherty

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, 2014, and the related notes to the financial statements, 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, 2014, 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 12 to the financial statements, in 2014 the City discovered a prior period adjustment relating to deferred inflows of resources. Our opinion is not modified with respect to that 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 were derived from and relate 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 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 City's internal control over financial reporting and compliance.



October 2, 2014

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014.

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 (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 and deferred inflows of resources at the close of the most recent fiscal year by \$20,426,323. Of this amount, \$606,461 (unrestricted) may be used to meet the City's ongoing obligation to citizens and creditors.
- **Fund Balances.** At June 30, 2014, the City's government funds reported combined ending fund balances of \$940,181 or a decrease of \$750,435.
- **General Fund - Fund Balance.** At June 30, 2014, the fund balance for the General Fund was \$711,191, or 13% of total general fund expenditures.
- **Debt.** The City's total bonded debt increased by a net of \$897,851 during the year ended June 30, 2014.

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, 2014

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, 2014

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 and deferred inflows of resources by \$20,426,323 as of June 30, 2014.

City of Fairview, Tennessee
Government-wide Financial Statement
Net Position - Governmental Activities
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 2,258,177	\$ 2,901,667
Capital assets, net of depreciation	<u>22,728,508</u>	<u>22,376,408</u>
Total Assets	\$ <u>24,986,685</u>	\$ <u>25,278,075</u>
Long-term liabilities	\$ 3,361,075	\$ 2,514,553
Other liabilities	<u>112,287</u>	<u>50,808</u>
Total Liabilities	<u>3,473,362</u>	<u>2,565,361</u>
Deferred inflows of resources	<u>1,087,000</u>	<u>1,019,161</u>
Net Position:		
Net investment in capital assets	19,457,186	20,002,937
Restricted assets	362,676	439,411
Unrestricted	<u>606,461</u>	<u>1,251,205</u>
Total Net Position	<u>20,426,323</u>	<u>21,693,553</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ <u>24,986,685</u>	\$ <u>25,278,075</u>

By far the largest portion of the City's net position (95%) 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, 97% 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 \$606,461 may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2014, 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, 2014

City of Fairview, Tennessee
Government-wide Financial Statements
Changes in Net Position
For the Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>REVENUES:</u>		
Program revenues:		
Charges for services	\$ 444,839	\$ 375,322
Operating grants and contributions	415,948	223,476
General revenues:		
Property taxes	1,037,993	1,019,357
Sales taxes	1,365,200	1,160,018
Beer / liquor taxes	263,119	248,753
Business taxes	82,123	83,738
Franchise taxes	132,675	125,209
Occupancy taxes	6,307	5,837
Intergovernmental revenues	830,591	1,082,935
Building permit fees	41,850	132,691
Interest	9,702	11,547
Gain on sale of assets	11,691	2,000
Other revenues	28,827	32,510
Total revenues	<u>4,670,865</u>	<u>4,503,393</u>
<u>EXPENSES:</u>		
General government:		
General government	2,470,961	1,431,095
Finance administration	153,396	167,024
City court	109,381	103,555
Codes	184,732	190,287
Public safety	2,408,933	2,419,925
State street aid	238,315	408,969
Streets and roads	50,828	526,492
Parks	265,819	247,061
Interest on long-term debt	55,730	60,374
Total expenses	<u>5,938,095</u>	<u>5,554,782</u>
Change in net position	(1,267,230)	(1,051,389)
Net position, beginning of year, before restatement	<u>21,693,553</u>	<u>22,620,720</u>
Prior period adjustment	<u>-</u>	<u>124,222</u>
Net position, beginning of the year, restated	<u>21,693,553</u>	<u>22,744,942</u>
Net position, end of year	<u>\$ 20,426,323</u>	<u>\$ 21,693,553</u>

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

City of Fairview, Tennessee
Fund Financial Statements
Changes in Fund Balances of Governmental Funds
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>REVENUES:</u>		
General revenues:		
Taxes	\$ 2,915,198	\$ 2,654,193
Licenses and permits	52,789	66,922
Fines and fees	369,272	288,917
Intergovernmental revenues	1,221,633	1,222,453
Other	33,407	32,510
Total general revenues	<u>4,592,299</u>	<u>4,264,995</u>
Facilities tax	41,934	132,957
Drug fund	<u>56,043</u>	<u>32,191</u>
Total revenue	<u>4,690,276</u>	<u>4,430,143</u>
<u>EXPENDITURES:</u>		
General government	1,539,617	1,195,662
Finance administration	153,396	167,024
City court	109,381	103,555
Codes administration	184,732	190,287
Public safety	2,393,137	2,363,100
Drug fund	17,044	119,824
State street aid	306,328	420,269
Highways and streets	50,828	69,143
Parks and recreation	357,271	247,061
Debt service	<u>281,858</u>	<u>256,690</u>
Total expenditures	<u>5,393,592</u>	<u>5,132,615</u>
Decrease in fund balance	<u>(703,316)</u>	<u>(702,472)</u>
Fund balances - July 1, 2013, before restatement	1,690,616	2,393,088
Prior period adjustment	<u>(47,119)</u>	<u>-</u>
Fund balances - July 1, 2013, restated	<u>1,643,497</u>	<u>-</u>
Fund balances - June 30, 2014	<u>\$ 940,181</u>	<u>\$ 1,690,616</u>

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 \$940,181, a decrease of \$703,316 over the previous year. Of the total \$940,181 balance, \$133,686 is restricted for use in the State Street Aid Fund, which provides for paving and maintenance of streets. Another \$123,732 is restricted to use within the Drug Fund and \$105,258 is restricted for the Facilities Fund. Also, \$7,119 is committed for capital projects, \$412,065 is committed for schools, \$229,501 is committed for parks, and \$97,255 is committed for the tree bank fund. The City restricted and committed more governmental funds than it had at June 30, 2014, resulting in a negative unassigned balance of \$168,435. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the fund's expenditures. However, the negative unassigned fund balance (\$168,435) represents none of the general fund's expenditures.

Fund Budgetary Highlights

Budget projections exceed actual revenue by \$342,877 in the General Fund and \$9,066 in the Facilities Fund. The Drug Fund's budgeted projections of revenues were less than actual revenue by \$43,543.

Actual expenditures exceed budget projections by \$34,528 in the general fund and budget projections exceed actual expenditures by \$28,456 in the drug fund.

Capital Asset and Debt Administration

Capital Asset. At the end of fiscal year 2014, the City had \$22,728,508 (net of accumulated depreciation) invested in a broad range of capital assets, compared to \$22,376,408 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 \$352,100 (net).

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

- We entered into a capital lease to purchase a fire truck.
- We entered into a capital lease to purchase 12 police SUV's.

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, 2014 and 2013, the City had total long-term liabilities outstanding of \$3,361,075 and \$2,514,553, respectively. Of this amount, \$3,271,322 is comprised of debt and capital leases in the general fund and backed by the full faith and credit of the City.

City of Fairview – Long-term Liabilities
Government-wide Financial Statements
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
General Obligations Debt and Capital Lease Obligations	\$ 2,373,471	\$ 2,391,061
Less: payments	(226,128)	(196,316)
Add: additions	1,123,979	178,726
Subtotal	<u>3,271,322</u>	<u>2,373,471</u>
Compensated absences	89,753	141,082
	<u>\$ 3,361,075</u>	<u>\$ 2,514,553</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, 2014

Economic Factors and New Year's Budget and Rates

Factors considered in preparation of the City's budget for the 2014/2015 fiscal year include the following:

- Due to previous year's budget versus actual and review of historical data, the City has been very conservative with the 2014/2015 budget.

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

Basic Financial Statements

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 857,828
Property tax receivable	1,124,075
Intergovernmental revenue receivable	256,060
Grant receivable	20,214
Capital assets:	
Land	2,492,600
Capital assets, net of depreciation	<u>20,235,908</u>
Total assets	<u><u>\$ 24,986,685</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 89,662
Other payables	22,625
Long-term liabilities:	
Compensated absences	89,753
Due within one year	445,117
Due beyond one year	<u>2,826,205</u>
Total liabilities	<u>3,473,362</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred current property taxes	<u>1,087,000</u>
<u>NET POSITION</u>	
Net investment in capital assets	19,457,186
Restricted for:	
State street aid	133,686
Drug enforcement	123,732
Facilities	105,258
Unrestricted	<u>606,461</u>
Total net position	<u>20,426,323</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 24,986,685</u></u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,470,961	\$ -	\$ 130,979	\$ -	\$ (2,339,982)
Finance administration	153,396	52,789	-	-	(100,607)
City court	109,381	205,781	-	-	96,400
Codes	184,732	-	-	-	(184,732)
Police department	1,249,554	186,269	52,159	-	(1,011,126)
Fire department	813,738	-	14,400	-	(799,338)
Public health	15,000	-	-	-	(15,000)
Traffic	91,016	-	-	-	(91,016)
Fleet maintenance	239,625	-	-	-	(239,625)
State street aid	238,315	-	218,410	-	(19,905)
Streets and roads	50,828	-	-	-	(50,828)
Parks	265,819	-	-	-	(265,819)
Interest on long-term debt	55,730	-	-	-	(55,730)
Total Governmental Activities	5,938,095	444,839	415,948	-	(5,077,308)
General revenues:					
Taxes:					
Property taxes					1,037,993
Sales taxes					1,365,200
Beer / liquor taxes					263,119
Business taxes					82,123
Franchise taxes					132,675
Occupancy taxes					6,307
Intergovernmental revenues					830,591
Building permit fees					41,850
Interest					9,702
Gain on sale of assets					11,691
Other					28,827
Total general revenue					3,810,078
Change in net position					(1,267,230)
Net position - July 1, 2013					21,693,553
Net position - June 30, 2014					\$ 20,426,323

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Facilities Fund	Drug Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 628,753	\$ 105,258	\$ 123,817	\$ 857,828
Receivables:				
Property taxes	1,124,075	-	-	1,124,075
Intergovernmental	256,060	-	-	256,060
Grants	20,214	-	-	20,214
Total assets	\$ 2,029,102	\$ 105,258	\$ 123,817	\$ 2,258,177
<u>LIABILITIES</u>				
Accounts payable	\$ 89,577	\$ -	\$ 85	\$ 89,662
Other payables	22,625	-	-	22,625
Compensated absences	89,753	-	-	89,753
Total liabilities	201,955	-	85	202,040
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred delinquent property taxes	28,956	-	-	28,956
Deferred current property taxes	1,087,000	-	-	1,087,000
Total deferred inflows of resources	1,115,956	-	-	1,115,956
<u>FUND BALANCES</u>				
Fund balances:				
Restricted for:				
State street aid	133,686	-	-	133,686
Drug enforcement	-	-	123,732	123,732
Facilities	-	105,258	-	105,258
Committed for:				
Capital projects	7,119	-	-	7,119
Schools	412,065	-	-	412,065
Parks	229,501	-	-	229,501
Tree bank fund	97,255	-	-	97,255
Unassigned	(168,435)	-	-	(168,435)
Total fund balances	711,191	105,258	123,732	940,181
Total liabilities, deferred inflows of resources and fund balances	\$ 2,029,102	\$ 105,258	\$ 123,817	\$ 2,258,177

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, 2014

Total governmental funds balances	\$ 940,181
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 \$15,205,250	22,728,508
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	(3,271,322)
Other long-term assets are not available to pay for current-period expenditures and current-period expenditures and, therefore, are deferred in the governmental funds.	
	<u>28,956</u>
Net position of governmental activities	<u><u>\$ 20,426,323</u></u>

See accompanying notes to the financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Revenues</u>	General	Facilities Fund	Drug Fund	Total Governmental Funds
Taxes	\$ 2,915,198	\$ -	\$ -	\$ 2,915,198
Licenses and permits	52,789	-	-	52,789
Fines and fees	369,272	-	18,138	387,410
Intergovernmental	1,221,633	-	-	1,221,633
Uses of money and property	-	41,934	-	41,934
Other	33,407	-	37,905	71,312
Total revenues	<u>4,592,299</u>	<u>41,934</u>	<u>56,043</u>	<u>4,690,276</u>
 <u>Expenditures</u>				
Current:				
General government	1,539,617	-	-	1,539,617
Finance administration	153,396	-	-	153,396
City court	109,381	-	-	109,381
Codes administration	184,732	-	-	184,732
Police department	1,233,758	-	17,044	1,250,802
Fire department	813,738	-	-	813,738
Public health	15,000	-	-	15,000
State street aid	306,328	-	-	306,328
Highways and streets	50,828	-	-	50,828
Parks and recreation	357,271	-	-	357,271
Traffic	91,016	-	-	91,016
Fleet maintenance	239,625	-	-	239,625
Debt service	281,858	-	-	281,858
Total expenditures	<u>5,376,548</u>	<u>-</u>	<u>17,044</u>	<u>5,393,592</u>
Excess (deficiency) of revenues over expenditures	(784,249)	41,934	38,999	(703,316)
 Other Financing Sources (Uses):				
Transfer in (out)	<u>51,000</u>	<u>(51,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(733,249)</u>	<u>(9,066)</u>	<u>38,999</u>	<u>(703,316)</u>
Fund balance - July 1, 2013, before restatement	1,491,559	114,324	84,733	1,690,616
Prior period adjustment	<u>(47,119)</u>	<u>-</u>	<u>-</u>	<u>(47,119)</u>
Fund balance - July 1, 2013, restated	<u>1,444,440</u>	<u>114,324</u>	<u>84,733</u>	<u>1,643,497</u>
Fund balance - June 30, 2014	<u>\$ 711,191</u>	<u>\$ 105,258</u>	<u>\$ 123,732</u>	<u>\$ 940,181</u>

See the accompanying notes to the 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
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balance - governmental funds \$ (703,316)

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	159,465
Depreciation expense	(931,344)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Change in deferred delinquent property taxes	(18,163)
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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 term liabilities in the Statement of Net Position:

General obligation loan payments	182,681
Capital lease payments	<u>43,447</u>

Change in net position - governmental activities	<u><u>\$ (1,267,230)</u></u>
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CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

<u>Revenues:</u>	Budget		Actual
	Original	Final	
Taxes:			
Real estate taxes	\$ 1,137,877	\$ 1,137,877	\$ 1,056,156
Wholesale beer tax	199,920	199,920	205,524
Wholesale liquor tax	55,167	55,167	57,595
Local sales tax - trustee	1,664,324	1,664,324	1,365,200
Cable TN franchise tax	100,000	100,000	90,437
Natural gas franchise tax	60,000	60,000	42,238
Business tax - trustee	71,500	71,500	82,123
Occupancy tax	6,500	6,500	6,307
Interest and penalty	9,180	9,180	9,618
Total taxes	3,304,468	3,304,468	2,915,198
Licenses and Permits:			
Building, electrical and plumbing permits	49,000	49,000	42,296
Fees - appeals	500	500	200
Other permits	2,600	2,600	2,095
Sign permits	2,000	2,000	2,915
Contractor license	1,000	1,000	1,100
Beer and liquor licenses	7,000	7,000	4,183
Total licenses and permits	62,100	62,100	52,789
Intergovernmental Revenue:			
State sales tax	583,000	583,000	551,563
State income tax	18,000	18,000	27,057
State beer tax	4,016	4,016	3,653
State gasoline and motor fuel tax	210,000	210,000	136,959
Gas 3 cent	-	-	40,794
Gas 1989	-	-	21,979
Petroleum special	18,000	18,000	15,798
Excise tax	15,000	15,000	4,716
Telecommunications sales tax	750	750	790
School facilities tax	-	-	126,873
GHSO Grant	-	-	27,253
Local grants and contributions	261,750	261,750	148,259
TVA in-lieu of tax	90,160	90,160	85,411
Mixed drink tax	10,300	10,300	8,998
Educational incentive pay	8,400	8,400	7,800
State law enforcement ed	13,800	13,800	11,400
Special law enforcement	200	200	2,330
Total intergovernmental revenue	1,233,376	1,233,376	1,221,633

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
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual
	Original	Final	
Fines and fees:			
Process fees for business tax	1,100	1,100	1,220
Subdividing and other fees	6,000	6,000	11,470
Engineer charges and fees	8,000	8,000	2,473
Miscellaneous fees/charges	6,600	6,600	13,206
Special program fees	3,500	3,500	10,075
Fees driving school	22,000	22,000	10,100
City court fines and costs	246,000	246,000	205,781
Event fees	6,350	6,350	13,395
Trail fees	3,800	3,800	2,852
Tree planting fees	-	-	98,700
Total fines and fees:	303,350	303,350	369,272
Other revenue:			
Mowing revenue	31,882	31,882	28,827
City auction	-	-	4,580
Total other revenue:	31,882	31,882	33,407
 Total revenues	4,935,176	4,935,176	4,592,299

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
FOR THE YEAR ENDED JUNE 30, 2014

<u>Expenditures:</u>	Budget		Actual
	Original	Final	
General government:			
Salaries and wages	\$ 160,554	\$ 160,554	\$ 162,662
Payroll taxes	11,493	11,493	14,008
Retirement contributions	271,433	271,433	253,198
Insurance	560,182	649,572	608,638
Telephone	70,000	70,000	94,096
Office supplies and postage	9,000	9,000	8,996
Legal and professional	45,020	45,020	84,613
Utility service	58,000	58,000	61,641
Repairs and maintenance	9,100	26,600	21,127
Other services and charges	14,300	15,300	15,249
Equipment purchases	10,000	10,000	8,093
Data processing	13,500	13,500	28,175
Engineering and architect	44,000	44,000	78,024
Contributions and grants	-	96,380	97,825
Events	-	-	166
Travel	2,500	2,500	3,106
Total general government	<u>1,279,082</u>	<u>1,483,352</u>	<u>1,539,617</u>
Finance administration:			
Salaries	103,300	128,300	119,403
Payroll taxes	7,903	10,203	9,221
Insurance	300	500	474
Printing, postage, etc.	18,100	18,100	17,410
Dues and memberships	1,000	6,000	3,738
Computer and software	4,200	4,200	3,150
Total finance administration	<u>134,803</u>	<u>167,303</u>	<u>153,396</u>
City court:			
Salaries and wages	96,822	96,822	94,783
Payroll taxes	7,407	7,407	7,050
Insurance	300	300	348
Office supplies and postage	2,400	1,000	969
Travel	150	150	88
Data processing	2,898	2,898	6,048
Other services and charges	250	250	95
Total city court	<u>110,727</u>	<u>108,827</u>	<u>109,381</u>

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
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual
	Original	Final	
Codes administration:			
Salaries and wages	173,060	158,560	152,868
Payroll taxes	13,239	11,714	11,641
Insurance	400	400	444
Office supplies	2,400	2,100	2,749
Equipment	22,000	22,000	15,507
Other	3,500	2,050	1,523
Total codes administration	<u>214,899</u>	<u>196,824</u>	<u>184,732</u>
Police department:			
Salaries - police	1,093,435	1,093,435	1,070,551
Payroll taxes	78,516	78,516	81,031
Retirement contributions	10,096	96	33
Insurance	5,500	5,500	5,817
Travel	-	-	19,192
GHSO grant	2,000	1,500	1,390
Contractual services	18,000	18,000	18,000
Repairs and maintenance	6,000	2,500	2,004
Uniforms and supplies	34,000	28,500	26,314
Equipment purchases	11,000	2,500	4,390
Other services and charges	10,000	5,350	5,036
Total police department	<u>1,268,547</u>	<u>1,235,897</u>	<u>1,233,758</u>
Fire department:			
Salaries and wages	643,421	643,421	662,402
Payroll taxes	49,221	49,221	49,283
Retirement contributions	16,015	-	-
Insurance	1,400	1,400	2,133
Repairs and maintenance	25,000	25,000	22,244
Supplies	42,000	30,200	25,681
Uniforms	7,500	7,500	8,150
Building/equipment purchases	33,000	28,100	25,837
Other services and charges	18,000	18,000	18,008
Total fire department	<u>835,557</u>	<u>802,842</u>	<u>813,738</u>
Public health:			
Utility services	15,000	15,000	15,000
Total public health	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

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
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual
	Original	Final	
State street aid:			
Salaries and wages	122,517	142,717	118,373
Payroll taxes	9,372	9,372	8,801
Insurance	600	600	522
Street improvement	66,832	168,825	160,914
Equipment	24,000	24,000	17,718
Total state street aid	<u>223,321</u>	<u>345,514</u>	<u>306,328</u>
Highways and streets:			
Salaries and wages	57,682	27,682	28,308
Payroll taxes	4,412	2,112	2,022
Repairs and maintenance	12,500	12,500	12,120
Insurance	-	-	65
Supplies	9,500	9,500	7,416
Equipment	-	-	848
Other services and charges	-	-	49
Total highways and streets	<u>84,094</u>	<u>51,794</u>	<u>50,828</u>
Parks:			
Salaries and wages	184,863	184,863	180,448
Payroll taxes	14,143	14,143	13,799
Insurance	600	600	674
Repairs and maintenance	16,000	15,550	10,858
Building, improvements and equipment	12,500	90,808	126,328
Office supplies	9,500	8,500	4,979
Events expenses	16,000	16,000	18,529
Other services and charges	4,200	2,500	1,656
Total parks	<u>257,806</u>	<u>332,964</u>	<u>357,271</u>
Traffic:			
Salaries and wages	72,831	72,831	78,015
Payroll taxes	5,572	5,572	5,794
Insurance	300	300	215
Building, improvements and equipment	10,000	10,000	6,992
Total traffic	<u>88,703</u>	<u>88,703</u>	<u>91,016</u>

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
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual
	Original	Final	
Fleet maintenance:			
Salaries and wages	45,447	45,447	45,686
Payroll taxes	3,477	3,477	3,368
Insurance	100	100	108
Repairs and maintenance	30,000	30,000	34,920
Gas & Oil	140,000	140,000	144,619
Office supplies	7,500	7,500	10,924
Total fleet maintenance	<u>226,524</u>	<u>226,524</u>	<u>239,625</u>
Debt service	<u>286,476</u>	<u>286,476</u>	<u>281,858</u>
Total expenditures	<u>5,025,539</u>	<u>5,342,020</u>	<u>5,376,548</u>
Excess of revenues under expenditures	<u>(90,363)</u>	<u>(406,844)</u>	<u>(784,249)</u>
Other financial sources (uses):			
Transfer in	<u>51,000</u>	<u>51,000</u>	<u>51,000</u>
Net change in fund balances	<u>(39,363)</u>	<u>(355,844)</u>	<u>(733,249)</u>
Budgetary fund balance - July 1, 2013, before restatement	1,491,559	1,491,559	1,491,559
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(47,119)</u>
Budgetary fund balance - July 1, 2013, restated	<u>1,491,559</u>	<u>1,491,559</u>	<u>1,444,440</u>
Budgetary fund balance - June 30, 2014	<u>\$ 1,452,196</u>	<u>\$ 1,135,715</u>	<u>\$ 711,191</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
FACILITIES FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual
	Original	Final	
<u>Revenues:</u>			
Building permit fees	\$ 50,000	\$ 50,000	\$ 41,850
Interest	1,000	1,000	84
Total revenues	<u>51,000</u>	<u>51,000</u>	<u>41,934</u>
<u>Expenditures:</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	51,000	51,000	41,934
Other finance sources (uses):			
Transfer (out)	<u>(51,000)</u>	<u>(51,000)</u>	<u>(51,000)</u>
Net change in fund balances	-	-	(9,066)
Budgetary fund balance - July 1, 2013	<u>114,324</u>	<u>114,324</u>	<u>114,324</u>
Budgetary fund balance - June 30, 2014	<u><u>\$ 114,324</u></u>	<u><u>\$ 114,324</u></u>	<u><u>\$ 105,258</u></u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
DRUG FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual
	Original	Final	
<u>Revenues:</u>			
Drug related fines	\$ 10,000	\$ 10,000	\$ 18,138
Interest	500	500	60
Sale of confiscated property	2,000	2,000	11,691
Local grants and contributions	-	-	26,154
	<hr/>	<hr/>	<hr/>
Total revenues	12,500	12,500	56,043
<u>Expenditures:</u>			
Repairs and maintenance	2,000	2,000	85
Building, improvements and equipment	25,000	25,000	9,052
Other services and charges	18,500	18,500	7,907
	<hr/>	<hr/>	<hr/>
Total expenditures	45,500	45,500	17,044
Excess of revenues over (under) expenditures	<hr/> (33,000)	<hr/> (33,000)	<hr/> 38,999
Net change in fund balances	(33,000)	(33,000)	38,999
Budgetary fund balance - July 1, 2013	<hr/> 84,733	<hr/> 84,733	<hr/> 84,733
Budgetary fund balance - June 30, 2014	<hr/> <u>\$ 51,733</u>	<hr/> <u>\$ 51,733</u>	<hr/> <u>\$ 123,732</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, 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.

The City adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* during 2014. See Note 7. The adoption of GASB Statement No. 65 reclassified certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources and current period outflows and inflows.

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, 2014.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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. Revenues such as taxes and other revenue that may not be included in program revenues are reported as general revenues.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation

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.

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, 2014.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014.

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 Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no deferred outflows of resources to report at June 30, 2014.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. Accordingly, the items that qualify for reported in the government-wide Statement of Net Position and/or the governmental funds balance sheet. These revenues are from deferred current property taxes and delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 (lien date) 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 2014, 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 inflows of resources.

Payments may be made during the period from October 1 through February 28 and are delinquent on March 1. Current tax collections of \$1,021,271 were reported as revenue for the year ended June 30, 2014, and were approximately 97.6% 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, 2014, delinquent taxes for 2013 and older have been filed with the Williamson County Clerk and Master.

Of the \$1,124,075 property taxes receivable, \$1,087,000 represents the estimated 2014 property taxes to be billed October 2014. This receivable is reported in the Balance Sheet – Governmental Funds with offsetting deferred inflow of resources for the amounts not available at June 30, 2014. Amounts available at June 30, 2014, have been recorded as revenue in the governmental fund statements.

Compensated Absences

City policy provides for employees to accumulate earned but unused vacation time, or compensated absences, by a 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balances. The Board of Commissioners has authorized the City Manager to assign fund balances 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.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 30th, 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.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents at June 30, 2014, 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, 2014, 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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

	Governmental Activities
Checking Account	\$ 389,158
Deposits in State of Tennessee Local Government Investment Pool	468,100
Cash on hand	570
Total	\$ 857,828

NOTE 4 - CAPITAL ASSETS

Capital assets activity for governmental activities for the year ended June 30, 2014, was as follows:

	Beginning Balance	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	2,807,708	1,140,928	(74,831)	3,873,805
Buildings and improvement	4,236,375	-	-	4,236,375
Infrastructure	27,188,462	142,516	-	27,330,978
Total assets being depreciated	34,232,545	1,283,444	(74,831)	35,441,158
Less accumulated depreciation for:				
Machinery and equipment	(1,404,005)	(366,784)	74,831	(1,695,958)
Buildings and improvement	(716,300)	(109,835)	-	(826,135)
Infrastructure	(12,228,432)	(454,725)	-	(12,683,157)
Total accumulated depreciation	(14,348,737)	(931,344)	74,831	(15,205,250)
Capital assets being depreciated, net	19,883,808	352,100	-	20,235,908
Total Governmental Activities				
Capital assets, net	\$ 22,376,408	\$ 352,100	\$ -	\$ 22,728,508

Depreciation expense for governmental activities as of June 30, 2014, divided by function/program:

General government	\$ 437,571
Public safety	34,840
Roads and streets	454,725
Parks and recreation	4,208
Total depreciation expense - governmental activities	\$ 931,344

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities, consisting of compensated absences, general obligation debt agreements and capital lease agreements, at June 30, 2014, are comprised of the following:

	<u>Governmental Activities</u>
Compensated Absences	\$ 89,753
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, 2014.	1,285,000
\$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	497,000
\$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	134,045
Total general obligation debt	1,916,045
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	231,298
\$618,959: Lease/purchase agreement for Fire Truck, payable in 5 annual payments of \$132,472 through 2019, including interest at 2.3% per annum	618,959
\$505,020: Lease/90% test for Police SUVs, payable in 5 annual payments of \$108,485 through 2019, including interest at 2.43% per annum	505,020
Total capital lease obligations	1,355,277
Total long-term liabilities	\$ 3,361,075

Long-term liabilities activity for the year ended 2014, is as follows:

	Governmental Activities				
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2014	Due Within One year
Compensated Absences	\$ 141,082	\$ 136,119	\$ (187,448)	\$ 89,753	\$ -
General Obligation Debt:					
TN Pooled Loan: City Hall	1,362,000	-	(77,000)	1,285,000	81,000
General Obligation: Highway and Streets	558,000	-	(61,000)	497,000	64,499
Fire Tanker Loan	178,726	-	(44,681)	134,045	42,539
Total General Obligation Debt	2,098,726	-	(182,681)	1,916,045	188,038
Capital Lease Obligations:					
Spartan Fire Rescue Truck Lease/Purchase	274,745	-	(43,447)	231,298	42,645
Fire Truck Lease/Purchase	-	618,959	-	618,959	118,221
Police SUV Lease	-	505,020	-	505,020	96,213
Total Capital Lease Obligations:	274,745	1,123,979	(43,447)	1,355,277	257,079
Total Long-Term Liabilities	\$ 2,514,553	\$ 1,260,098	\$ (413,576)	\$ 3,361,075	\$ 445,117

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The following are the annual debt service requirements to maturity for long-term debt obligations, as of June 30, 2014:

Year	TN Pooled Loan Program		Spartan Rescue Truck		Highway & Streets	
	Principal Payments	Interest Payments	Principal Payments	Interest Payments	Principal Payments	Interest Payments
2015	\$ 81,000	\$ 3,756	\$ 42,645	\$ 7,812	\$ 64,499	\$ 19,467
2016	85,000	3,491	45,214	6,351	65,320	16,997
2017	89,000	3,214	46,725	4,839	67,887	14,430
2018	94,000	2,920	48,285	3,280	70,551	11,762
2019	98,000	2,615	48,429	3,135	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>\$ 1,285,000</u>	<u>\$ 24,735</u>	<u>\$ 231,298</u>	<u>\$ 25,417</u>	<u>\$ 497,000</u>	<u>\$ 80,867</u>

Year	Fire Tanker		Fire Trucks		Police SUVs	
	Principal Payments	Interest Payments	Principal Payments	Interest Payments	Principal Payments	Interest Payments
2015	\$ 42,539	\$ 2,240	\$ 118,221	\$ 14,251	\$ 96,213	\$ 12,272
2016	45,204	1,156	120,943	11,529	98,551	9,934
2017	46,302	163	123,728	8,745	100,946	7,539
2018	-	-	126,576	5,896	103,399	5,086
2019	-	-	129,491	2,981	105,911	2,574
	<u>\$ 134,045</u>	<u>\$ 3,559</u>	<u>\$ 618,959</u>	<u>\$ 43,402</u>	<u>\$ 505,020</u>	<u>\$ 37,405</u>

Year	Total Principal Payments	Total Interest Payments
2015	\$ 445,117	\$ 59,798
2016	460,232	49,458
2017	474,588	38,930
2018	442,811	28,944
2019	455,159	20,295
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>\$ 3,271,322</u>	<u>\$ 215,385</u>

Interest expense for governmental activities for the year ended June 30, 2014, was \$107,333.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. The minimum monthly payments are \$1,530. We also have three lease arrangements classified as capitalized lease obligations. See NOTE 5 of inclusion in long-term debt. The agreement for the Spartan Rescue vehicle has yearly lease payments of \$51,565 and a maturity date in December 2018. The agreement for the fire truck has yearly lease payments of \$132,472 and a maturity date in January 2019. The agreement for twelve police SUV's has yearly lease payments of \$108,485 and a maturity date in December 2018.

The following is a schedule of minimum lease payments under the noncancellable operating and capitalized leases as of June 30, 2014:

<u>Year Ending</u> <u>December 31,</u>	<u>Capital</u> <u>Leases</u>	<u>Operating</u> <u>Leases</u>
2015	\$ 292,522	\$ 16,322
2016	292,522	12,446
2017	292,522	4,332
2018	292,522	-
Thereafter	292,522	-
	<u>1,462,610</u>	<u>\$ 33,100</u>
Less amount representing interest	<u>(107,333)</u>	
Present value of net minimum lease payments	1,355,277	
Less: current installments	<u>(257,079)</u>	
	<u>\$ 1,098,198</u>	

A summary of the net book value of assets utilized under the capitalized leases is as follows:

Cost	\$ 1,480,414
Accumulated depreciation	<u>(181,786)</u>
Net book value	<u>\$ 1,296,628</u>

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of the following at June 30, 2014:

<u>Deferred inflows of resources:</u>	<u>Governmental</u> <u>Activities</u>
Property Taxes:	
Delinquent property taxes	\$ 28,956
2014 estimated property tax levy	<u>1,087,000</u>
	<u>\$ 1,115,956</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8 - 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 become 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 the 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, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The 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.

The City of Fairview is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, 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 ended June 30, 2014, the City of Fairview's annual pension cost of \$250,211 to TCRS was equal to the City of Fairview's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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 on 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, 2011, was 2 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8 - PENSION PLAN (Continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 250,211	100.00%	\$ 0.00
June 30, 2013	\$ 266,503	100.00%	\$ 0.00
June 30, 2012	\$ 233,433	100.00%	\$ 0.00

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 100.00 percent funded. The actuarial accrued liability for benefits was \$4.20 million, and the actuarial value of assets was \$4.20 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) \$2.05 million, and the ratio of the UAAL to the covered payroll was 0.00 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 for benefits.

(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 1, 2013	\$4,202	\$4,202	\$0	100.00%	\$2,047	0.00%

NOTE 9 - INTERFUND TRANSFERS

The following is a summary of the transfer during the year ended June 30, 2014:

Transfer from	Transfer to	Purpose	Amount
Facilities Fund	General Fund	Purchases of capital assets and debt payments	\$ 51,000

NOTE 10 - 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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - 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.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The property taxes receivable are presented on the balance sheet as deferred inflows of resources to reflect the amount not available as of June 30. Delinquent property taxes not collected within 60 days of year-end are not considered available. Prior to July 2013, delinquent property taxes that were not available as of June 30 were not presented as deferred inflows of resources on the Balance Sheet – Government funds.

An adjustment to the beginning governmental funds balance totaling (\$47,119) has been recognized for the deferred revenue - delinquent property taxes balance at June 30, 2013, on the governmental funds financial statements.

NOTE 13 - SUBSEQUENT EVENTS

We have evaluated events subsequent to the year ending June 30, 2014. As of October 2, 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, 2014.

Required Supplemental Information

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF RETIREMENT PLAN FUNDING PROGRESS
JUNE 30, 2014

(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 1, 2013	\$4,202	\$4,202	\$0	100.00%	\$2,047	0.00%
July 1, 2011	\$3,556	\$3,666	\$110	97.01%	\$1,612	6.80%
July 1, 2009	\$2,770	\$2,940	\$171	94.20%	\$1,720	9.91%

Supplemental Information

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2014

<u>Tax Year</u>	<u>Property Tax Levied</u>	<u>Property Tax Receivable Balance June 30, 2013</u>	<u>Anticipated/ Current Year Levy</u>	<u>Adjustments and Collections</u>	<u>Allowance for Uncollectibles</u>	<u>Net Property Tax Receivable Balance June 30, 2014</u>
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	-	-	(134)	101
2006	878,470	1,272	-	(658)	(100)	514
2007	912,721	800	-	(658)	-	142
2008	930,618	1,290	-	(950)	-	340
2009	968,177	1,431	-	(805)	-	626
2010	970,088	1,311	-	(1,088)	-	223
2011	978,138	9,632	-	(7,474)	-	2,158
2012	1,003,876	36,176	-	(28,325)	-	7,851
2013	1,019,161	1,019,161	27,230	(1,021,271)	-	25,120
2014	N/A	-	1,087,000	-	-	1,087,000
		<u>\$ 1,073,226</u>	<u>\$ 1,114,230</u>	<u>\$ (1,061,229)</u>	<u>\$ (2,152)</u>	<u>\$ 1,124,075</u>

NOTE: All uncollected taxes for years prior to 2014 have been turned over to the Williamson County's Clerk and Master.

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>Direct Federal Financial Assistance</u>						
U.S. Department of Homeland Security (SAFER) Staffing For Adequate Fire and Emergency Response	97.083	EMW-2012-FH-00146	\$ (7,312)	\$ 127,615	\$ (130,979)	\$ (10,676)
<u>Indirect Federal Financial Assistance</u>						
U.S. Dept. of Transportation/ TN Dept. of Transportation Alcohol Open Container Requirements	20.607	14-37410	(1,719)	19,434	(27,253)	(9,538)
TOTAL FEDERAL AWARDS			\$ (9,031)	\$ 147,049	\$ (158,232)	\$ (20,214)

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 the City of Fairview, Tennessee, as of and for the year ended June 30, 2014, 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 October 2, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Fairview, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 two deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (2013-002 and 2014-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001.

City of Fairview, Tennessee's Response to Findings

The City of Fairview, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Fairview, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Patterson Handley & Bellentine". The signature is written in a cursive style.

October 2, 2014

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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 2013-002 and 2014-001.
3. One instance of noncompliance was disclosed during the audit. See 2014-001.

FINDINGS—FINANCIAL STATEMENTS AUDIT

2013-002:

- Criteria: The City must maintain effective internal controls over financial reporting that would identify, during the regular course of operations, financial reporting errors.
- Condition: Financial reporting errors occurred during the year ending June 30, 2014, including but not limited to improper amounts reported for cash, grants receivable, deferred inflows, accounts payable, accrued expenses, and fund balances.
- Cause: Conditions occurred due to turn over in key areas of management, and lack of effective controls over financial reporting.
- Effect: Bank reconciliations did not agree to the general ledger and several general ledger amounts for balance sheet accounts were not reported at correct amounts.
- Questioned Costs: No questioned costs are associated with this finding as the financial statements have been adjusted.
- Recommendations: The City should implement stronger internal controls over financial reporting, emphasizing the use of checks and balances and the City Manager's oversight. Further the City should increase staff training on financial reporting.
- Response: We have increased the City Manager's and City Recorder's oversight roles and increased staff training.

2014-001:

- 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's actual expenditures exceed the amount appropriated in the budget for the General Fund.
- Cause: The City incurred more accounts payable in the current year than in the prior year.
- Effect: The expenditures related to the increases in accounts payables allowed for expenditures to exceed the amount appropriated in the budget.
- Questioned Costs: No questioned costs are associated with this finding.
- Recommendations: The City should monitor accounts payable closely and amend the budgeted appropriations before over spending the current budget.
- Response: We concur with the recommendation.

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Financial Statement Findings:

Finding Number	Finding Title	Status
2013-001	Budgeting – Debt redemption and interest	Corrected
2013-002	Internal Controls	Repeated