

2015
Financial Statements
With
Auditor's Letters

CITY OF FAIRVIEW, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2015

(With Independent Auditor's Report Thereon)

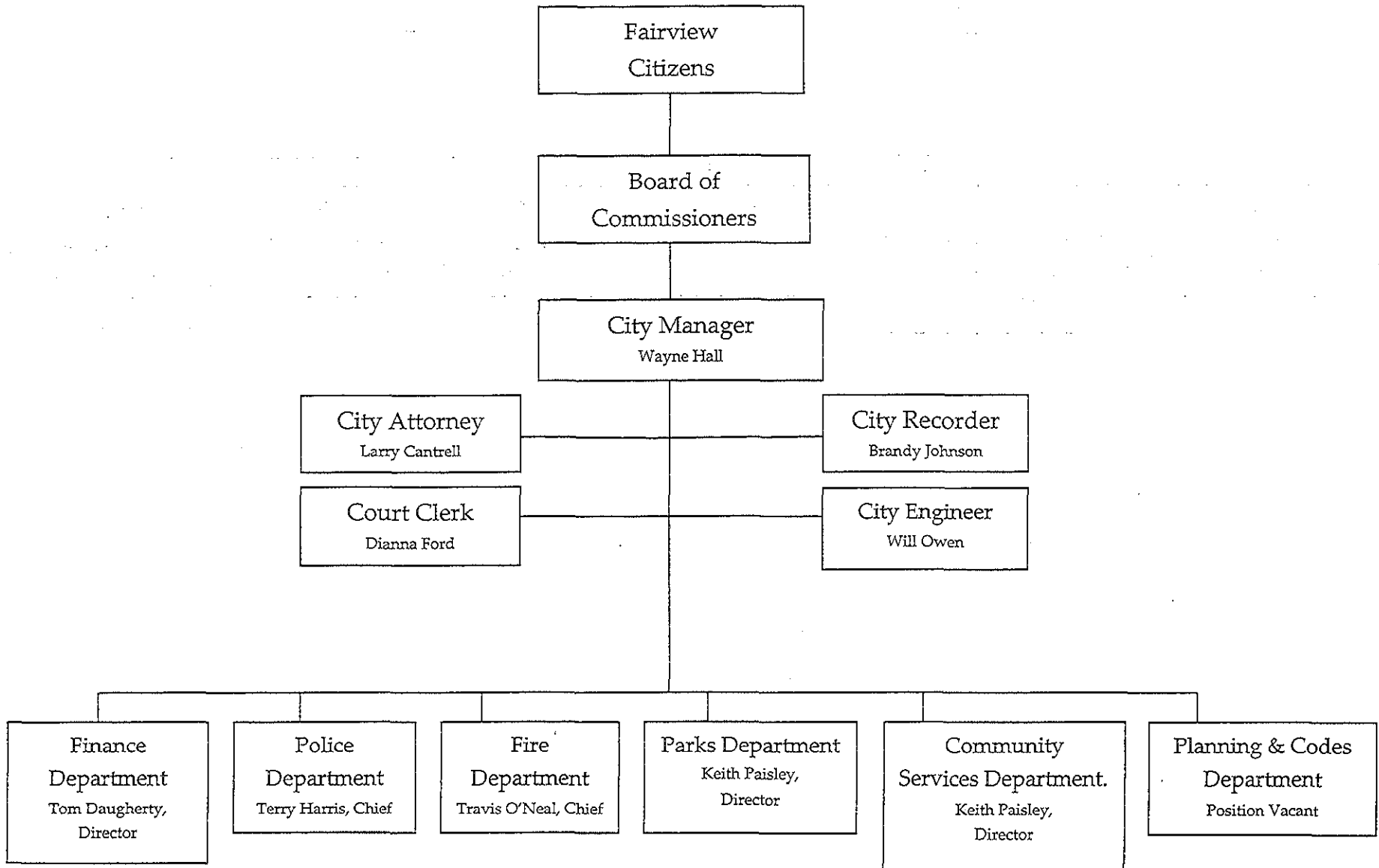
CITY OF FAIRVIEW, TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2014

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Introductory Section

CITY OF FAIRVIEW, TENNESSEE
ORGANIZATIONAL CHART
JUNE 30, 2015



CITY OF FAIRVIEW, TENNESSEE
DIRECTORY OF OFFICIALS
JUNE 30, 2015

Mayor	Patti Carroll
Vice-Mayor	Toney Sutton
Commissioner	Allen Bissell
Commissioner	Shannon Crutcher
Commissioner	Stuart Johnson
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

Report on Financial Statements

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, 2015, 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, 2015, 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

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 1 to the financial statements, the City has suffered deficit fund balances and slow recovery in revenue that raise substantial doubt about its ability to continue as a going concern. The City's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

As described in Note 14 to the financial statements, in 2015 the City recorded a prior period adjustment relating to the initial establishment of the net pension asset (liability) and the recording of employer contributions. 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 4 through 10, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS on page 42, Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS on page 43, 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.

Implementation of New Accounting Standards

As disclosed in Note 1 of the financial statements, the City of Fairview implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* during the fiscal year 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, 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.

Patterson Handley & Bellentine

October 23, 2015

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015.

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 (pages 11-13).

FINANCIAL HIGHLIGHTS

The following are key financial highlights.

- **Net Position.** Government-wide assets and deferred outflows of resources of the City of Fairview exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,785,039. Of this amount, \$415,605 (unrestricted) may be used to meet the City's ongoing obligation to citizens and creditors.
- **Fund Balances.** At June 30, 2015, the City's government funds reported combined ending fund balances of \$522,220 or a decrease of \$417,961.
- **General Fund - Fund Balance.** At June 30, 2015, the fund balance for the General Fund was \$368,042, or 6.7% of total general fund expenditures.
- **Debt.** The City's total debt decreased by a net of \$446,563 during the year ended June 30, 2015.

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 11 - 13 of this report.

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 14 - 17 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 18 - 24 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 25 - 41 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 Changes in Net Pension Liability (Asset) and Related Ratio Based on Participation in the Public Employee Pension Plan of TCRS can be found on page 42 of this report. The Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS can be found on page 43 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 44 of this report.

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,785,039 as of June 30, 2015.

City of Fairview, Tennessee
Government-wide Financial Statement
Net Position - Governmental Activities
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 3,050,223	\$ 2,258,177
Capital assets, net of depreciation	<u>21,849,969</u>	<u>22,728,508</u>
Total Assets	<u>24,900,192</u>	<u>24,986,685</u>
Deferred Outflows of Resources	<u>176,148</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 25,076,340</u>	<u>\$ 24,986,685</u>
Liabilities:		
Long-term liabilities	\$ 2,989,053	\$ 3,361,075
Other liabilities	<u>311,294</u>	<u>112,287</u>
Total Liabilities	<u>3,300,347</u>	<u>3,473,362</u>
Deferred Inflows of Resources	<u>1,990,954</u>	<u>1,087,000</u>
Net Position:		
Net investment in capital assets	19,025,210	19,457,186
Restricted assets	344,224	362,676
Unrestricted	<u>415,605</u>	<u>606,461</u>
Total Net Position	<u>19,785,039</u>	<u>20,426,323</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 25,076,340</u>	<u>\$ 24,986,685</u>

By far the largest portion of the City's net position (96%) 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, 98% 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 \$415,605 may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2015, 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, 2015 and 2014

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<u>REVENUES:</u>		
Program revenues:		
Charges for services	\$ 334,615	\$ 444,839
Operating grants and contributions	413,252	415,948
General revenues:		
Property taxes	1,076,809	1,037,993
Sales taxes	1,720,005	1,365,200
Beer / liquor taxes	283,146	263,119
Business taxes	99,692	82,123
Franchise taxes	156,189	132,675
Occupancy taxes	7,458	6,307
Intergovernmental revenues	1,031,316	830,591
Building permit fees	66,201	41,850
Interest	6,803	9,702
Gain on sale of assets	32,646	11,691
Other revenues	73,857	28,827
Total revenues	<u>5,301,989</u>	<u>4,670,865</u>
<u>EXPENSES:</u>		
General government:		
General government	2,410,446	2,470,961
Finance administration	153,059	153,396
City court	104,414	109,381
Codes	190,449	184,732
Public safety	2,300,174	2,169,308
Fleet maintenance	200,374	239,625
State street aid	52,201	238,315
Streets and roads	230,937	50,828
Parks	263,103	265,819
Pension expense	110,598	-
Interest on long-term debt	79,426	55,730
Total expenses	<u>6,095,181</u>	<u>5,938,095</u>
Change in net position	(793,192)	(1,267,230)
Net position, July 1, 2014, before restatement	<u>20,426,323</u>	<u>21,693,553</u>
Prior period adjustment	<u>151,908</u>	<u>-</u>
Net position, July 1, 2014, as restated	<u>20,578,231</u>	<u>21,693,553</u>
Net position, June 30, 2015	<u>\$ 19,785,039</u>	<u>\$ 20,426,323</u>

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 and 2014

<u>REVENUES:</u>	<u>2015</u>	<u>2014</u>
General revenues:		
Taxes	\$ 3,351,734	\$ 2,915,198
Licenses and permits	79,059	52,789
Fines and fees	223,228	369,272
Intergovernmental revenues	1,444,568	1,221,633
Other	77,653	33,407
Total general revenues	<u>5,176,242</u>	<u>4,592,299</u>
Facilities tax	66,238	41,934
Drug fund	<u>61,178</u>	<u>56,043</u>
Total revenue	<u>5,303,658</u>	<u>4,690,276</u>
<u>EXPENDITURES:</u>		
General government	1,371,343	1,539,617
Finance administration	162,634	153,396
City court	109,093	109,381
Codes administration	200,191	184,732
Public safety	2,409,285	2,153,512
Fleet maintenance	200,374	239,625
Drug fund	121,228	17,044
State street aid	58,925	306,328
Highways and streets	242,284	50,828
Parks and recreation	320,273	357,271
Debt service	<u>525,989</u>	<u>281,858</u>
Total expenditures	<u>5,721,619</u>	<u>5,393,592</u>
Decrease in fund balance	<u>(417,961)</u>	<u>(703,316)</u>
Fund balances - July 1, 2014, before restatement	940,181	1,690,616
Prior period adjustment	<u>-</u>	<u>(47,119)</u>
Fund balances - as restated	<u>940,181</u>	<u>1,643,497</u>
Fund balances - June 30, 2015	<u>\$ 522,220</u>	<u>\$ 940,181</u>

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$522,220, a decrease of \$417,961 from the previous year. Of the total \$522,220 balance, \$36,347 is nonspendable. Another \$190,046 is restricted for use in the State Street Aid Fund, which provides for paving and maintenance of streets, \$63,682 is restricted to use within the Drug Fund and \$90,496 is restricted for the Facilities Fund. Also, \$7,119 is committed for capital projects, \$533,462 is committed for schools, \$165,585 is committed for parks, \$97,440 is committed for the tree bank fund and \$66,368 is committed for the bond fund. The City restricted and committed more governmental funds than it had at June 30, 2015, resulting in a negative unassigned balance of \$728,325. 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 (\$728,325) represents none of the general fund's expenditures.

Fund Budgetary Highlights

Budget projections exceed actual revenue by \$110,583 in the General Fund and \$14,762 in the Facilities Fund. The Drug Fund's budgeted projections of revenues were less than actual revenue by \$41,148.

Actual expenditures exceed budget projections by \$179,617 in the General Fund, and budget projections exceed actual expenditures by \$1,622 in the Drug Fund.

Capital Asset and Debt Administration

Capital Asset. At the end of fiscal year 2015, the City had \$21,849,969 (net of accumulated depreciation) invested in a broad range of capital assets, compared to \$22,728,508 at the beginning of the year. This total includes land, land improvements, buildings, equipment and street system infrastructure. The total decrease in the City's investment in capital assets for the current period amounted to \$878,539 (net).

Major capital assets purchased during the current fiscal year include the following:

- Five new vehicles
- A snow plow
- A dump trailer
- Police in-car camera and laptop

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, 2015 and 2014, the City had total long-term liabilities outstanding of \$2,989,053 and \$3,361,075 respectively. Of this amount, \$2,824,759 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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
General Obligations Debt and Capital Lease Obligations	\$ 3,271,322	\$ 2,373,471
Less: payments	(446,563)	(226,128)
Add: additions	-	1,123,979
Subtotal	2,824,759	3,271,322
Compensated absences	164,294	89,753
	\$ 2,989,053	\$ 3,361,075

CITY OF FAIRVIEW, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

Economic Factors and New Year's Budget and Rates

Factors considered in preparation of the City's budget for the 2015/2016 fiscal year include the following:

- The City remains conservative in budget projections and is using historical data to establish a baseline budget for the 2015/2016 budget.
- Legislated stabilizations plans and fund balance policies are being implemented. Legislative plans for FY 15/16 are to establish a cash management policy.
- The City's debt restructure plan developed the City's registered financial advisors, Cumberland Securities Company, Inc., is in the last stages of implementation. Standard & Poor's rated the City as "A/Stable". Raymond James & Associates, Inc. won the bid with a TIC of 2.499079 on the August 3, 2015 bond sale. This restructure aids in cash flow issues, lowers overall interest rates, and lessens interest rate risk with a fixed rate on all debt.
- Revenue shortfalls have been addressed with a \$.365 property tax increase and permit fee upgrades, additionally, conducting a special census and impact fee possibilities are being considered.

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, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash and cash equivalents	\$ 601,939
Property tax receivable	1,736,537
Intergovernmental revenue receivable	313,226
Grant receivable	36,546
Prepaid items	36,347
Net pension asset	325,628
Capital assets, not being depreciated:	
Land	2,492,600
Capital assets, net of accumulated depreciation	
Capital assets, net of depreciation	<u>19,357,369</u>
Total assets	<u>24,900,192</u>
<u>Deferred Outflows of Resources:</u>	
Deferred employer contributions to pension plan	<u>176,148</u>
Total deferred outflows of resources	<u>176,148</u>
Total assets and deferred outflows of resources	<u>\$ 25,076,340</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>Governmental Activities</u>
<u>Liabilities:</u>	
Accounts payable	\$ 290,591
Other payables	20,703
Long-term liabilities:	
Compensated absences	164,294
Due within one year	460,232
Due beyond one year	2,364,527
	3,300,347
Total liabilities	3,300,347
 <u>Deferred Inflows of Resources:</u>	
Deferred pension investment earnings	291,454
Deferred current property taxes	1,699,500
	1,990,954
Total deferred inflows of resources	1,990,954
 <u>Net Position:</u>	
Net investment in capital assets	19,025,210
Restricted for:	
State street aid	190,046
Drug enforcement	63,682
Facilities	90,496
Unrestricted	415,605
	19,785,039
Total net position	19,785,039
Total liabilities, deferred inflows of resources and net position	\$ 25,076,340

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 2,410,446	\$ -	\$ 129,824	\$ -	\$ (2,280,622)
Finance administration	153,059	79,059	-	-	(74,000)
City court	104,414	164,008	-	-	59,594
Codes	190,449	-	-	-	(190,449)
Police department	1,432,559	91,548	58,814	-	(1,282,197)
Fire department	852,615	-	14,400	-	(838,215)
Public health	15,000	-	-	-	(15,000)
Traffic	-	-	-	-	-
Fleet maintenance	200,374	-	-	-	(200,374)
State street aid	52,201	-	210,214	-	158,013
Streets and roads	230,937	-	-	-	(230,937)
Parks	263,103	-	-	-	(263,103)
Tree bank fund	-	-	-	-	-
Pension expense	110,598	-	-	-	(110,598)
Interest on long-term debt	79,426	-	-	-	(79,426)
Total Governmental Activities	<u>6,095,181</u>	<u>334,615</u>	<u>413,252</u>	<u>-</u>	<u>(5,347,314)</u>
General revenues:					
Taxes:					
Property taxes					1,076,809
Sales taxes					1,720,005
Beer / liquor taxes					283,146
Business taxes					99,692
Franchise taxes					156,189
Occupancy taxes					7,458
Intergovernmental revenues					1,031,316
Building permit fees					66,201
Interest					6,803
Gain on sale of assets					32,646
Other					73,857
Total general revenue					<u>4,554,122</u>
Change in net position					(793,192)
Net position - July 1, 2014					<u>20,426,323</u>
Prior period adjustment					<u>151,908</u>
Net assets - July 1, 2014, as restated					<u>20,578,231</u>
Net position - June 30, 2015					<u>\$ 19,785,039</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Facilities Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 447,341	\$ 90,496	\$ 64,102	\$ 601,939
Receivables:				
Property taxes	1,736,537	-	-	1,736,537
Intergovernmental	313,226	-	-	313,226
Grants	36,546	-	-	36,546
Prepaid items	36,347	-	-	36,347
Total assets	<u>\$ 2,569,997</u>	<u>\$ 90,496</u>	<u>\$ 64,102</u>	<u>\$ 2,724,595</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 290,171	\$ -	\$ 420	\$ 290,591
Other payables	20,703	-	-	20,703
Compensated absences	164,294	-	-	164,294
Total liabilities	<u>475,168</u>	<u>-</u>	<u>420</u>	<u>475,588</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred delinquent property taxes	27,287	-	-	27,287
Deferred current property taxes	1,699,500	-	-	1,699,500
Total deferred inflows of resources	<u>1,726,787</u>	<u>-</u>	<u>-</u>	<u>1,726,787</u>
<u>FUND BALANCES</u>				
Fund balances:				
Nonspendable	36,347	-	-	36,347
Restricted for:				
State street aid	190,046	-	-	190,046
Drug enforcement	-	-	63,682	63,682
Facilities	-	90,496	-	90,496
Committed for:				
Capital projects	7,119	-	-	7,119
Schools	533,462	-	-	533,462
Parks	165,585	-	-	165,585
Tree bank fund	97,440	-	-	97,440
Bond fund	66,368	-	-	66,368
Unassigned	(728,325)	-	-	(728,325)
Total fund balances	<u>368,042</u>	<u>90,496</u>	<u>63,682</u>	<u>522,220</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,569,997</u>	<u>\$ 90,496</u>	<u>\$ 64,102</u>	<u>\$ 2,724,595</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total governmental funds balances \$ 522,220

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 \$16,083,445 21,849,969

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the government funds:

General long-term debt payable (2,824,759)

In accordance with GASB 68, the net pension asset (liability), deferred outflow of resources, and deferred inflow for resources are recorded on the Statement of Net Position and not reported in the governmental funds:

Net pension asset (liability) 325,628

Deferred employer contributions to pension plan 176,148

Deferred pension investment earnings (291,454)

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. 27,287

Net position of governmental activities \$ 19,785,039

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Revenues</u>	General	Facilities Fund	Drug Fund	Total Governmental Funds
Taxes	\$ 3,351,734	\$ -	\$ -	\$ 3,351,734
Licenses and permits	79,059	-	-	79,059
Fines and fees	223,228	-	28,493	251,721
Intergovernmental	1,444,568	-	-	1,444,568
Uses of money and property	-	66,238	-	66,238
Other	77,653	-	32,685	110,338
Total revenues	<u>5,176,242</u>	<u>66,238</u>	<u>61,178</u>	<u>5,303,658</u>
 <u>Expenditures</u>				
Current:				
General government	1,371,343	-	-	1,371,343
Finance administration	162,634	-	-	162,634
City court	109,093	-	-	109,093
Codes administration	200,191	-	-	200,191
Police department	1,497,693	-	121,228	1,618,921
Fire department	893,163	-	-	893,163
Public health	15,000	-	-	15,000
State street aid	58,925	-	-	58,925
Highways and streets	242,284	-	-	242,284
Parks and recreation	320,273	-	-	320,273
Traffic	-	-	-	-
Fleet maintenance	203,803	-	-	203,803
Debt service	444,989	81,000	-	525,989
Total expenditures	<u>5,519,391</u>	<u>81,000</u>	<u>121,228</u>	<u>5,721,619</u>
Excess (deficiency) of revenues over expenditures	<u>(343,149)</u>	<u>(14,762)</u>	<u>(60,050)</u>	<u>(417,961)</u>
Net change in fund balance	<u>(343,149)</u>	<u>(14,762)</u>	<u>(60,050)</u>	<u>(417,961)</u>
Fund balance - July 1, 2014	711,191	105,258	123,732	940,181
Fund balance - June 30, 2015	<u>\$ 368,042</u>	<u>\$ 90,496</u>	<u>\$ 63,682</u>	<u>\$ 522,220</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, 2015

Net change in fund balance - governmental funds \$ (417,961)

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 on the Statement of Activities:

Acquisition of capital assets	164,770
Depreciation expense	(1,043,309)

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	(1,669)
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In accordance with GASB 68, pension expense was recorded for the governmental activities on the Statement of Activities. However, it is not reported as an expenditure for the governmental funds.

(110,598)

Employer contributions reported on governmental funds as expenditures but, in accordance with GASB 68, reported as deferred outflows of resources on the Statement of Net Position.

169,012

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 reduce liabilities in the Statement of Net Position:

General obligation loan payments	188,682
Capital lease payments	257,881

Change in net position - governmental activities	\$ (793,192)
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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, 2015

Revenues:	Budget		Actual
	Original	Final	
Taxes:			
Real estate taxes	\$ 1,117,000	\$ 1,117,000	\$ 1,078,478
Wholesale beer tax	200,000	200,000	217,409
Wholesale liquor tax	60,000	60,000	65,737
Local sales tax - trustee	1,900,000	1,900,000	1,720,005
Cable TN franchise tax	100,000	100,000	97,453
Natural gas franchise tax	45,000	45,000	58,736
Business tax - trustee	85,000	85,000	99,692
Occupancy tax	6,800	6,800	7,458
Interest and penalty	8,925	8,925	6,766
Total taxes	3,522,725	3,522,725	3,351,734
Licenses and Permits:			
Building, electrical and plumbing permits	40,000	40,000	69,105
Fees - appeals	350	350	-
Other permits	2,500	2,500	2,115
Sign permits	2,750	2,750	1,474
Contractor license	1,000	1,000	1,150
Beer and liquor licenses	5,500	5,500	5,215
Total licenses and permits	52,100	52,100	79,059
Intergovernmental Revenue:			
State sales tax	583,000	583,000	584,687
State income tax	22,000	22,000	53,708
State beer tax	4,500	4,500	3,692
State gasoline and motor fuel tax	205,000	205,000	127,842
Gas 3 cent	-	-	41,643
Gas 1989	-	-	22,437
Petroleum special	16,000	16,000	15,749
Excise tax	5,000	5,000	7,481
Telecommunications sales tax	750	750	756
School facilities tax	135,000	135,000	121,397
GHSO Grant	45,000	45,000	58,814
Local grants and contributions	255,950	255,950	281,649
TVA in-lieu of tax	90,000	90,000	89,476
Mixed drink tax	10,000	10,000	9,441
Educational incentive pay	8,400	8,400	8,400
State law enforcement ed	14,400	14,400	14,400
Special law enforcement	200	200	2,996
Total intergovernmental revenue	1,395,200	1,395,200	1,444,568

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, 2015

	Budget		Actual
	Original	Final	
Fines and fees:			
Process fees for business tax	1,200	1,200	1,570
Subdividing and other fees	15,000	15,000	3,407
Engineer charges and fees	3,000	3,000	6,825
Miscellaneous fees/charges	9,250	9,250	14,872
Special program fees	5,000	5,000	8,568
Fees driving school	10,000	10,000	7,970
City court fines and costs	249,600	249,600	164,008
Event fees	3,900	3,900	8,526
Trail fees	1,850	1,850	4,082
Tree planting fees	-	-	3,400
Total fines and fees:	298,800	298,800	223,228
Other revenue:			
Bond ordinance revenue	-	-	68,000
Mowing revenue	18,000	18,000	5,857
City auction	-	-	3,796
Total other revenue:	18,000	18,000	77,653
Total revenues	5,286,825	5,286,825	5,176,242

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, 2015

<u>Expenditures:</u>	Budget		Actual
	Original	Final	
General government:			
Salaries and wages	\$ 174,307	\$ 174,307	\$ 149,437
Payroll taxes	15,774	15,774	12,514
Retirement contributions	8,258	8,258	4,206
Insurance	656,983	656,983	686,331
Telephone	83,000	83,000	74,944
Office supplies and postage	10,800	10,800	13,637
Legal and professional	52,828	52,828	56,226
Utility service	63,000	63,000	63,910
Repairs and maintenance	6,600	6,600	233,303
Other services and charges	10,100	10,100	14,215
Equipment purchases	8,500	8,500	12,075
Data processing	14,720	14,720	5,559
Engineering and architect	34,000	34,000	44,986
Total general government	1,138,870	1,138,870	1,371,343
Finance administration:			
Salaries	126,173	126,173	131,120
Payroll taxes	9,653	9,653	9,514
Retirement contributions	9,337	9,337	9,575
Insurance	324	324	324
Printing, postage, etc.	6,450	6,450	5,999
Dues and memberships	1,850	1,850	1,899
Computer and software	4,200	4,200	4,203
Total finance administration	157,987	157,987	162,634
City court:			
Salaries and wages	98,341	98,341	94,660
Payroll taxes	7,523	7,523	6,934
Retirement contributions	5,856	5,856	4,679
Insurance	360	360	400
Office supplies and postage	2,500	2,500	2,420
Data processing	3,150	3,150	-
Other services and charges	100	100	-
Total city court	117,830	117,830	109,093
State street aid:			
Street improvement	104,000	132,000	46,632
Equipment	10,000	10,000	12,293
Total state street aid	114,000	142,000	58,925

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, 2015

	Budget		Actual
	Original	Final	
Codes administration:			
Salaries and wages	159,336	159,336	156,266
Payroll taxes	12,189	12,189	11,677
Retirement contributions	10,382	10,382	9,742
Insurance	324	324	333
Office supplies	2,700	2,700	3,008
Equipment	17,000	17,000	14,453
Other	1,600	1,600	4,712
Total codes administration	203,531	203,531	200,191
Police department:			
Salaries - police	1,217,103	1,217,103	1,231,493
Payroll taxes	93,108	93,108	88,249
Retirement contributions	71,109	71,109	75,357
Insurance	5,200	5,200	5,653
Travel	-	-	49,114
GHSO grant	2,000	2,000	2,397
Contractual services	19,940	19,940	19,385
Repairs and maintenance	1,500	1,500	1,202
Uniforms and supplies	28,000	28,000	16,245
Equipment purchases	8,000	8,000	6,100
Other services and charges	6,250	6,250	2,498
Total police department	1,452,210	1,452,210	1,497,693
Fire department:			
Salaries and wages	645,259	645,259	665,551
Payroll taxes	49,362	49,362	47,536
Retirement contributions	26,761	26,761	40,548
Insurance	1,956	1,956	2,006
Repairs and maintenance	22,500	22,500	24,350
Supplies	18,500	18,500	14,106
Uniforms	6,000	6,000	2,106
Building/equipment purchases	81,000	81,000	78,960
Other services and charges	18,000	18,000	18,000
Total fire department	869,338	869,338	893,163
Public health:			
Utility services	15,000	15,000	15,000
Total public health	15,000	15,000	15,000

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
Highways and streets:			
Salaries and wages	195,440	195,440	198,401
Payroll taxes	14,568	14,568	13,850
Retirement contributions	13,373	13,373	11,347
Repairs and maintenance	11,500	11,500	9,689
Insurance	702	702	690
Supplies	11,800	11,800	8,307
Total highways and streets	247,383	247,383	242,284
Parks:			
Salaries and wages	175,881	171,381	173,262
Payroll taxes	13,455	13,455	12,057
Retirement contributions	9,624	9,624	10,129
Insurance	720	720	616
Repairs and maintenance	14,000	34,500	37,458
Building, improvements and equipment	47,500	65,215	59,227
Office supplies	9,700	9,700	7,776
Events expenses	13,500	13,500	17,954
Other services and charges	2,100	2,100	1,794
Total parks	286,480	320,195	320,273
Fleet maintenance:			
Salaries and wages	47,270	47,270	46,005
Payroll taxes	3,616	3,616	3,434
Retirement contributions	3,498	3,498	3,429
Insurance	108	108	108
Repairs and maintenance	20,000	20,000	22,608
Gas & Oil	140,000	140,000	114,386
Office supplies	19,000	19,000	13,833
Total fleet maintenance	233,492	233,492	203,803
Debt service	522,938	441,938	444,989
Total expenditures	5,359,059	5,339,774	5,519,391
Excess of revenues under expenditures	(72,234)	(52,949)	(343,149)
Net change in fund balance	\$ (72,234)	\$ (52,949)	\$ (343,149)
Fund balance - July 1, 2014			711,191
Fund balance - June 30, 2015			\$ 368,042

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, 2015

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, 2015

	Budget		Actual
	Original	Final	
<u>Revenues:</u>			
Building permit fees	\$ 80,000	\$ 80,000	\$ 66,201
Interest	1,000	1,000	37
Total revenues	<u>81,000</u>	<u>81,000</u>	<u>66,238</u>
<u>Expenditures:</u>			
Debt service	-	81,000	81,000
Total expenditures	<u>-</u>	<u>81,000</u>	<u>81,000</u>
Excess of revenues over (under) expenditures	<u>81,000</u>	<u>-</u>	<u>(14,762)</u>
Net change in fund balance	<u>\$ 81,000</u>	<u>\$ -</u>	<u>\$ (14,762)</u>
Fund balance - July 1, 2014			<u>105,258</u>
Fund balance - June 30, 2015			<u>\$ 90,496</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, 2015

	Budget		Actual
	Original	Final	
<u>Revenues:</u>			
Drug related fines	\$ -	\$ -	\$ 28,493
Interest	30	30	39
Sale of confiscated property	20,000	20,000	32,646
Total revenues	<u>20,030</u>	<u>20,030</u>	<u>61,178</u>
<u>Expenditures:</u>			
Salaries and wages	-	-	334
Repairs and maintenance	2,000	2,000	170
Building, improvements and equipment	60,000	108,000	112,265
Other services and charges	12,850	12,850	8,459
Total expenditures	<u>74,850</u>	<u>122,850</u>	<u>121,228</u>
Excess of revenues over (under) expenditures	<u>(54,820)</u>	<u>(102,820)</u>	<u>(60,050)</u>
Net change in fund balance	<u>\$ (54,820)</u>	<u>\$ (102,820)</u>	<u>\$ (60,050)</u>
Fund balance - July 1, 2014			<u>123,732</u>
Fund balance - June 30, 2015			<u>\$ 63,682</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, 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. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, in the year ending June 30, 2015. See Notes 8-11. The adoption of GASB Statement No. 68 updated the accounting and report for pension including reporting the net pension asset (liability), deferred inflows of resources related to pension and deferred outflows of resources pension on the statement of net position.

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, 2015.

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, 2015

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, 2015

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, 2015.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern

At June 30, 2015, there were several factors that have contributed to the continued overall economic distress of the City, which include continued fund balance deficits and the use of reserve funds to balance the budget. At June 30, 2015, the City still has not been able to make progress toward replenishing these balances.

The City has and continues to work aggressively to address the structural imbalances that worsened over the last several years. It has done this by making extensive cuts in staffing and service delivery. The City plans to mitigate any further risk through the issuance of Bonds as well as a Tax Anticipation Note.

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 \$773 at June 30, 2015.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has deferred employer contributions to its pension plan that qualify for this reporting category at June 30, 2015.

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 pension investment earnings and deferred current property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 2015, 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 \$1,085,394 were reported as revenue for the year ended June 30, 2015, and were approximately 97.4% 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, 2015, delinquent taxes for 2014 and older have been filed with the Williamson County Clerk and Master.

Of the \$1,736,537 property taxes receivable, \$1,699,500 represents the estimated 2015 property taxes to be billed October 2015. This receivable is reported in the Balance Sheet – Governmental Funds with offsetting deferred inflow of resources for the amounts not available at June 30, 2015. Amounts available at June 30, 2015, have been recorded as revenue in the governmental fund statements.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 carry over 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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.

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.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents at June 30, 2015, 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.

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2015, the City's cash and cash equivalents were classified as Category 1 deposits because the financial institutions used by the City participate in the Tennessee bank collateral pool.

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

	<u>Governmental Activities</u>
Checking account	\$ 134,892
Deposits in State of Tennessee Local Government investment pool	466,477
Cash on hand	<u>570</u>
Total	<u>\$ 601,939</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

Capital assets activity for governmental activities for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 2,492,600	\$ -	\$ -	\$ 2,492,600
<u>Capital assets being depreciated</u>				
Machinery and equipment	3,873,805	164,770	(165,114)	3,873,461
Buildings and improvement	4,236,375	-	-	4,236,375
Infrastructure	27,330,978	-	-	27,330,978
Total assets being depreciated	<u>35,441,158</u>	<u>164,770</u>	<u>(165,114)</u>	<u>35,440,814</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,695,958)	(477,957)	165,114	(2,008,801)
Buildings and improvement	(826,135)	(109,836)	-	(935,971)
Infrastructure	(12,683,157)	(455,516)	-	(13,138,673)
Total accumulated depreciation	<u>(15,205,250)</u>	<u>(1,043,309)</u>	<u>165,114</u>	<u>(16,083,445)</u>
Capital assets being depreciated, net	<u>20,235,908</u>	<u>(878,539)</u>	<u>-</u>	<u>19,357,369</u>
Total governmental activities				
Capital assets, net	<u>\$ 22,728,508</u>	<u>\$ (878,539)</u>	<u>\$ -</u>	<u>\$ 21,849,969</u>

Depreciation expense for governmental activities as of June 30, 2015, divided by function/program:

General government	\$ 548,744
Public safety	34,841
Roads and streets	455,516
Parks and recreation	<u>4,208</u>
Total depreciation expense - governmental activities	<u>\$ 1,043,309</u>

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities, consisting of compensated absences, general obligation debt agreements and capital lease agreements, at June 30, 2015, are comprised of the following:

	<u>Governmental Activities</u>
Compensated absences	\$ 164,294
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 .0209% in the year ending June 30, 2015.	1,204,000
\$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	434,000
\$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	89,363
Total general obligation debt	1,727,363
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	187,851
\$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	500,738
\$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	408,807
Total capital lease obligations	1,097,396
Total long-term liabilities	\$ 2,989,053

Long-term liabilities activity for the year ended June 30, 2015, is as follows:

	Governmental Activities				
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One year
Compensated absences	\$ 89,753	\$ 243,814	\$ (169,273)	\$ 164,294	\$ -
General obligation debt:					
TN Pooled Loan: City Hall	1,285,000	-	(81,000)	1,204,000	85,000
General obligation: highway and streets	497,000	-	(63,000)	434,000	65,320
Fire tanker loan	134,045	-	(44,682)	89,363	45,204
Total general obligation debt	1,916,045	-	(188,682)	1,727,363	195,524
Capital lease obligations:					
Spartan fire rescue Truck lease/purchase	231,298	-	(43,447)	187,851	45,214
Fire truck lease/purchase	618,959	-	(118,221)	500,738	120,943
Police SUV lease	505,020	-	(96,213)	408,807	98,551
Total capital lease obligations:	1,355,277	-	(257,881)	1,097,396	264,708
Total long-term liabilities	\$ 3,361,075	\$ 243,814	\$ (615,836)	\$ 2,989,053	\$ 460,232

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015:

Year	TN Pooled Loan Program		Spartan Rescue Truck		Highway & Streets	
	Principal Payments	Interest Payments	Principal Payments	Interest Payments	Principal Payments	Interest Payments
2016	\$ 85,000	\$ 2,339	\$ 45,214	\$ 6,351	\$ 65,320	\$ 16,997
2017	89,000	2,153	46,725	4,840	67,887	14,430
2018	94,000	1,956	48,285	3,280	70,551	11,762
2019	98,000	1,751	47,627	3,136	73,328	8,990
2020	103,000	1,536	-	-	76,210	6,108
2021	108,000	1,310	-	-	80,704	3,113
2022	114,000	1,072	-	-	-	-
2023	119,000	823	-	-	-	-
2024	125,000	562	-	-	-	-
2025	131,000	288	-	-	-	-
2026	138,000	-	-	-	-	-
	<u>\$ 1,204,000</u>	<u>\$ 13,790</u>	<u>\$ 187,851</u>	<u>\$ 17,607</u>	<u>\$ 434,000</u>	<u>\$ 61,400</u>

Year	Fire Tanker		Fire Trucks		Police SUVs	
	Principal Payments	Interest Payments	Principal Payments	Interest Payments	Principal Payments	Interest Payments
2016	\$ 45,204	\$ 1,156	\$ 120,943	\$ 11,529	\$ 98,551	\$ 9,934
2017	44,159	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
2020	-	-	-	-	-	-
	<u>\$ 89,363</u>	<u>\$ 1,319</u>	<u>\$ 500,738</u>	<u>\$ 29,151</u>	<u>\$ 408,807</u>	<u>\$ 25,133</u>

Year	Total Principal Payments	Total Interest Payments
2016	\$ 460,232	\$ 48,305
2017	472,445	37,870
2018	442,811	27,980
2019	454,357	19,432
2020	179,210	7,644
2021	188,704	4,423
2022	114,000	1,072
2023	119,000	823
2024	125,000	562
2025	131,000	289
2026	138,000	-
	<u>\$ 2,824,759</u>	<u>\$ 148,400</u>

Interest expense for governmental activities for the year ended June 30, 2015, was \$79,426.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - LEASES

We lease certain office equipment under noncancellable operating leases. Rent expense under these leases was \$12,218 for the year ended June 30, 2015. The minimum monthly payments are \$1,155. 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, 2015:

Year Ending June 30,	Capital Leases	Operating Leases
2016	\$ 292,522	\$ 13,854
2017	292,522	11,521
2018	292,522	7,949
2019	292,522	5,285
2020	-	2,449
	1,170,088	\$ 41,058
Less amount representing interest	(79,692)	
Present value of net minimum lease payments	1,097,396	
Less: current installments	(306,376)	
	\$ 791,020	

A summary of the net book value of assets utilized under the capitalized leases at June 30, 2015, is as follows:

Cost	\$ 1,480,414
Accumulated depreciation	(442,226)
Net book value	\$ 1,038,188

NOTE 7 – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred inflows of resources consist of the following at June 30, 2015:

	<u>Governmental Activities</u>
<u>Deferred outflows of resources:</u>	
Deferred employer contributions to pension plan	\$ 176,148
<u>Deferred inflows of resources:</u>	
Deferred pension investment earnings	\$ 291,454
Property Taxes:	
Delinquent property taxes	27,287
2015 estimated property tax levy	1,669,500
	\$ 1,988,241

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8 – GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

Employees of Fairview are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	53
Active employees	<u>47</u>
	115

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary (use alternative language if employees are non-contributory). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the City were \$169,012 based on a rate of 7.4 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 – NET PENSION LIABILITY (ASSETS)

The City's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges 8.97 to 3.71% based on age, including inflation, average 4.25%
Investment rate of return	7.5%, net of investment expense, including inflation
Cost of living adjustments	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 – NET PENSION LIABILITY (ASSETS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 – CHANGES IN THE NET PENSION LIABILITY (ASSETS)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 6/30/2013	\$ 4,071,819	\$ 3,973,516	\$ 98,303
Changes for the year:			
Service Cost	169,875	-	169,875
Interest	313,189	-	313,189
Differences between expected and actual experience	8,028	-	8,028
Contributions – employer	-	250,221	(250,221)
Contributions – employee	-	-	-
Net investment income	-	666,704	(666,704)
Benefit payments, including refunds of employee contributions	(131,702)	(131,702)	-
Administrative expense	-	(1,892)	1,892
Net change	359,390	783,331	(423,941)
Balance at 6/30/2014	\$ 4,431,209	\$ 4,756,847	\$ (325,638)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	Net Pension Liability (Asset)
Net pension liability (asset)	\$ 355,561	\$ (325,628)	\$ (883,932)

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 11 – PENSION EXPENSE (INCOME) AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION

Pension Expense

For the year ended June 30, 2015, the City recognized pension expense of \$110,598.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expenses and actual experience	\$ 7,136	\$ -
Net difference between projected and actual earnings on pension plan investments	-	291,454
Contributions subsequent to the measurement date of June 30, 2014	<u>169,012</u>	<u>-</u>
Total	\$ 176,148	\$ 291,454

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2016	\$ (71,971)
2017	\$ (71,971)
2018	\$ (71,971)
2019	\$ (71,971)
2020	\$ 892
Thereafter	\$ 2,676

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$13,096 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

CITY OF FAIRVIEW, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City maintains insurance coverage through the Tennessee Municipal League Risk Management Pool (TML), covering each of those risks of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The City pays a premium, receives coverage, and can make claims against the coverage. The City meets the TML's guidelines and complies with its rules and regulation, including loss control requirements as well as its underwriting standards.

Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 13 - 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 14 - PRIOR PERIOD ADJUSTMENT

An adjustment to the beginning net position on the government-wide financial statements totaling \$151,908 has been recognized for the initial establishment of the net pension liability (asset) and to record employer contributions made during the year ended June 30, 2014, in accordance with GASB 68. See Note 1.

NOTE 15 - SUBSEQUENT EVENTS

We have evaluated events subsequent to the year ending June 30, 2015. As of October 23, 2015, the date the financial statements were available to be issued, other than the following matters, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements. In July 2015, we entered in to a \$403,811 tax anticipation note with a 3.25% interest rate maturing June 30, 2016. Also, we issued bonds totaling \$2,980,000 in \$5,000 denominations in August 2015 with interest paid semi-annually on March 1 and September 1. The bonds have a maturity date of March 1, 2022.

Required Supplemental Information

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
JUNE 30, 2015

	2014
Total pension liability:	
Service cost	\$ 169,875
Interest	313,189
Changes in benefit terms	-
Differences between actual and expected experience	8,028
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(131,702)
Net change in total pension liability	359,390
Total pension liability – beginning	4,071,819
Total pension liability – ending (a)	\$ 4,431,209
Plan fiduciary net position:	
Contributions – employer	\$ 250,211
Contribution – employee	-
Net investment income	666,704
Benefit payments, including refunds of employee contributions	(131,702)
Administrative expense	(1,892)
Net change in plan fiduciary net position	783,321
Plan fiduciary net position – beginning	3,973,516
Plan fiduciary net position – ending (b)	\$ 4,756,837
Net pension liability (asset) – ending (a) – (b)	\$ (325,628)
Plan fiduciary net position as a percentage of total pension liability	107.35%
Covered-employee payroll	\$ 2,134,899
Net pension liability (asset) as a percentage of covered-employee payroll	15.25%

This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN PUBLIC EMPLOYEE PENSION PLAN OF TCRS
JUNE 30, 2015

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 250,211	\$ 169,012
Contributions in relation to the actuarially determined contribution	<u>250,211</u>	<u>169,012</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,134,899	\$ 2,283,946
Contributions as a percentage of covered-employee payroll	11.72%	7.4%

This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

Notes to Schedule of Contributions Based on Participation in Public Employee Pension Plan TCRS:

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges 8.97 to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including adjustments for some anticipated improvement
Cost of living adjustments	2.5%

Supplemental Information

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2015

<u>Tax Year</u>	<u>Property Tax Levied</u>	<u>Property Tax Receivable Balance June 30, 2014</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, 2015</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	-	(52)	(183)	-
2006	878,470	614	-	(240)	(374)	-
2007	912,721	142	-	22	(164)	-
2008	930,618	340	-	87	(52)	375
2009	968,177	626	-	(241)	-	385
2010	970,088	223	-	(61)	-	162
2011	978,138	2,158	-	(805)	-	1,353
2012	1,003,876	7,851	-	(6,830)	-	1,021
2013	1,019,161	25,120	-	(20,694)	-	4,426
2014	1,048,649	1,087,000	27,709	(1,085,394)	-	29,315
2015	N/A	-	1,699,500	-	-	1,699,500
		<u>\$ 1,126,227</u>	<u>\$ 1,727,209</u>	<u>\$ (1,116,126)</u>	<u>\$ (773)</u>	<u>\$ 1,736,537</u>

NOTE: All uncollected taxes for years prior to 2015 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, 2015

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
<u>Federal Awards</u>			
U.S. Department of Homeland Security (SAFER)	97.083	EMW-2012-FH-00146	\$ 129,840
U.S. Dept. of Transportation/ TN Dept. of Transportation	20.607	14-37410	58,853
TOTAL FEDERAL AWARDS			\$ 188,693

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 of
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, 2015, and the related notes to the financial statements, which collectively comprise the City of Fairview, Tennessee's basic financial statements and have issued our report thereon dated October 23, 2015.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (2015-001, 2015-002, and 2015-003).

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item (2015-002 and 2015-003).

City of Fairview, Tennessee's Response to Findings

City of Fairview, Tennessee's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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.

Patterson Handley & Bellentine

October 23, 2015

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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. Three 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 2015-001, 2015-002, and 2015-003.
3. Two instance of noncompliance was disclosed during the audit. See 2015-002, 2015-003.

FINDINGS—FINANCIAL STATEMENTS AUDIT

2015-001

- 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, 2015, 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 lack of effective controls over financial reporting.
- Effect: 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.

2015-002

- Criteria: Per Resolution No 17-14, the City must separate from the unassigned funds the State Street Aid funds by the end of the 2015 fiscal year.
- Condition: The State Street Aid has not been put into a separate account.
- Cause: The City Finance Director believed the requirement began in 2016 or that it was required as funds became available.
- Effect: The City is not in compliance with Resolution No 17-14.
- Questioned Costs: No questioned costs are associated with this finding.
- Recommendations: The City should segregate the restricted and committed funds according to the Resolution or amend the Resolution.
- Response: We will begin segregating funds into separate accounts in the 2016 fiscal year.

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

2015-003:

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.

Perspective Information: During the year, road maintenance was completed. The City planned to use funds received from grant reimbursement; however, to request reimbursement the City must first disburse the funds for work performed. The work was complete by the end of the fiscal year and the accrued liability is properly recorded. The City did not disburse the funds; therefore, the grant revenue is properly not recorded.

Cause: The City did not amend the budget before the work was performed, which resulted in expenditure exceeding the budget. The City Finance Director also misunderstood how the grant funds would be recorded.

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 approving projects.

Response: We agree that the budget should have been amended before the project was approved and will monitor pending projects for budget revisions before bids are accepted.

CITY OF FAIRVIEW, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Financial Statement Findings:

Finding Number	Finding Title	Status
2013-002	Internal Controls (original finding # 2013-002)	Repeated
2014-001	Actual Expenditures exceed Amounts Appropriated in Budget (original finding # 2013-001)	Repeated