

**CITY OF FAIRVIEW, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2016

**CITY OF FAIRVIEW, TENNESSEE**

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**CITY OF FAIRVIEW, TENNESSEE**

Directory of Officials

June 30, 2016

<u>Name</u>	<u>Title</u>
Patti Carroll	Mayor
Toney Sutton	Vice Mayor
Allen Bissell	Commissioner
Shannon Crutcher	Commissioner
Stuart Johnson	Commissioner
Wayne Hall	City Manager
Brandy Johnson	City Recorder
Tom Daugherty	Finance Director

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

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## **INDEPENDENT AUDITORS' REPORT**

To the Mayor and Commissioners  
City of Fairview, Tennessee  
Fairview, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairview, Tennessee, (the City) as of and for the year ended June 30, 2016 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 from 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 City'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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairview, Tennessee, as of June 30, 2016, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

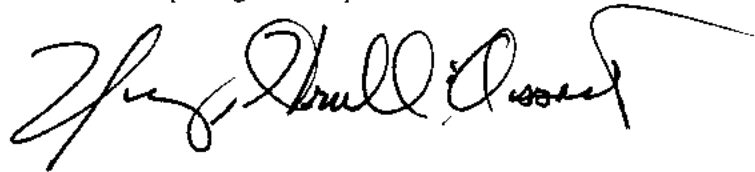
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and schedules of net pension liability (asset), employer contributions, ratios and related actuarial methods and assumptions based on participation in the Public Employee Pension Plan of TCRS on pages 38-40 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's basic financial statements. The Directory of Officials, Combining and Individual Nonmajor Fund Statements and Schedules, and Financial Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining and Individual Nonmajor Fund financial statements and schedules and Financial 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, except for those Financial Schedules marked as "Unaudited", 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, based on our audit, the procedures performed as described above, the Individual Nonmajor Fund financial statements and schedules and Financial Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked as "Unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The Directory of Officials has not been subjected to the auditing procedures applied by us and, accordingly, we express no opinion on them

### *Other Reporting Required by Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2016 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



October 21, 2016

## **Management's Discussion and Analysis**

As management of the City of Fairview, Tennessee (the City) we offer 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, 2016. The analysis focuses on significant financial position, budget changes, and variances from the budget and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

### **Financial Highlights:**

- The assets and deferred outflows of the City of Fairview exceeded its liabilities and deferred inflows at the end of the most recent fiscal year by \$20,680,596 as compared to \$19,785,039 at the end of the prior fiscal year. Of this amount, \$1,952,033 (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors as compared to \$415,605 for the prior fiscal year.
- The government's total net position increased by \$686,785 during the current fiscal year as compared to a decrease of \$793,192 in the prior fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,490,304, an increase of \$1,575,518 in comparison to the prior year. Approximately \$1,020,668 of that total is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, fund balance of the General Fund was \$2,289,353 or 43% of total general fund expenditures as compared to \$368,042 or 7% of the total general fund expenditures of the prior fiscal year.
- The City's total bond debt increased by \$110,241 (or approximately 4%) during the current fiscal year.

### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the City of Fairview's basic financial statements. 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 in addition 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 information on all of the City's assets and liabilities, with the difference between the two reported as net position. Overall increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**Overview of the Financial Statements (Continued):**

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 tax 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 of Fairview include general government, public safety, highways and streets, codes, financial administration and parks and recreation.

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

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The City of Fairview, Tennessee, 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 are of one category, governmental funds, there are no proprietary funds.

Governmental Funds. Governmental Funds are funds 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, government fund financial statements focus on near - term inflows and outflows of spendable resources, as well as on 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 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fairview, Tennessee adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-19 of this report.



**Overview of the Financial Statements (Continued):**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government - wide and fund financial statements. The notes to the financial statements can be found on pages 20-37 of this report.

The combining statements referred to earlier in connection with non major governmental funds and internal service funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 41-44 of this report.

**Financial Analysis of the Financial Statements**

Government - wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fairview, assets exceeded liabilities by \$20,680,596 at the close of the most recent fiscal year as compared to \$19,785,039 at the close of the prior fiscal year.

By far the largest portion of the City's net position (85%) reflects its investment in capital assets (e.g., land , buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. 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 repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Financial Analysis of the Financial Statements**

**City of Fairview's Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 4,382,722	2,724,595
Capital assets, net of depreciation	20,992,484	21,849,969
Net pension asset	263,969	325,628
Deferred outflows of resources	171,329	176,148
Total assets	<u>\$ 25,810,504</u>	<u>25,076,340</u>
Deferred inflows of resources	\$ 1,882,780	1,990,954
Long-term liabilities due in more than one year	2,793,473	2,528,821
Long-term liabilities due within one year	294,617	460,232
Other liabilities	159,037	311,294
Total liabilities and deferred inflows	<u>5,129,908</u>	<u>5,291,301</u>
Net position:		
Net Investment in capital assets	18,023,069	19,025,210
Restricted	704,545	344,224
Unrestricted	1,952,982	415,605
Total net position	<u>\$ 20,680,596</u>	<u>19,785,039</u>

An additional portion of the City's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,952,033 as compared to \$415,605 in 2015 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position.

**Financial Analysis of the Financial Statements (Continued):**

Governmental Activities

The government's net position increased by \$686,785 during the current fiscal year as compared to a decrease of \$793,193 during the prior fiscal year.

Key elements of this increase are as follows:

**City of Fairview's Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Revenues:		
Program revenues:		
Charges for services	\$ 331,705	334,615
Operating grants and contributions	442,547	413,252
Capital grants and contributions	472,688	-
General revenues:		
Property taxes	1,759,763	1,076,809
Sales taxes	1,891,068	1,720,005
Other taxes	1,384,778	1,577,801
Other	43,397	179,507
Total revenues	<u>6,325,946</u>	<u>5,301,989</u>
Expenditures/Expenses:		
General government	1,400,874	2,410,446
Public safety	2,577,771	2,500,548
Streets	573,964	230,934
State Street Aid	217,567	52,201
Financial Administration	164,655	153,059
Parks and recreation	255,172	263,103
Codes Administration	114,331	190,449
City Court	117,944	104,414
Miscellaneous	129,754	110,602
Interest expense on long-term debt	87,129	79,426
Total expenses	<u>5,639,161</u>	<u>6,095,182</u>
Change in net position	686,785	(793,193)
Net position, beginning of year, as restated	* 19,993,811	** 20,578,231
Net position, end of year	<u>\$ 20,680,596</u>	<u>19,785,039</u>

\* As restated in the amount of \$208,772 as explained in Note 10 to the financial statements.

\*\* As restated in the amount of \$151,908 for governmental activities arising from the implementation of GASB 68.

**Financial Analysis of the Financial Statements (Continued):**

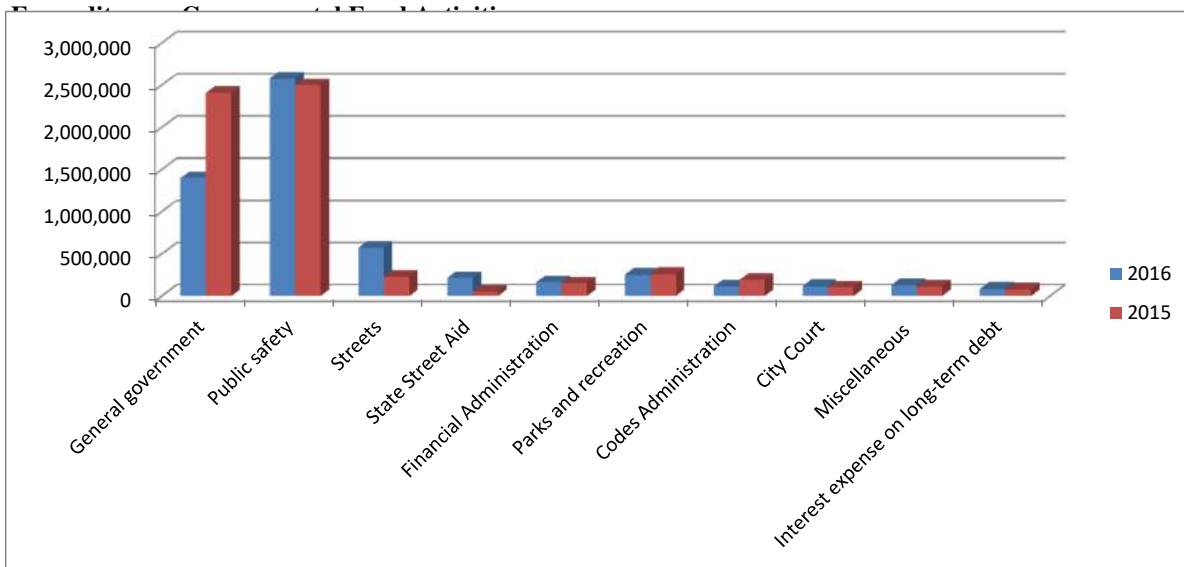
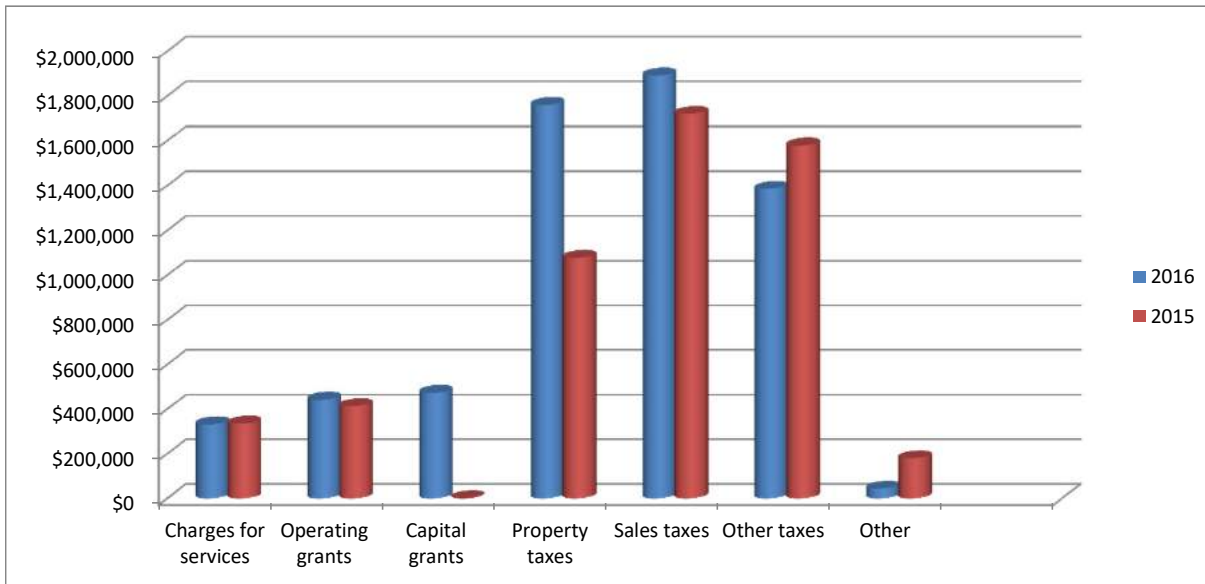
**Governmental Activities:**

The most significant decrease in actual continued revenue sources was derived from property taxes and sales tax which increased by approximately \$855,524. By far the largest increase came from a property tax increase resulting in an increase of approximately \$684,000 or 13% from that of the prior year.

Total expenditures decreased approximately \$459,000 or 7% from the prior year. Expenditures for the current year remained very similar to those of the prior year.

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity and efficiency in local revenue systems to better accommodate future growth.

**Revenues by Source - Governmental Fund Activities**



**Financial Analysis of the Financial Statements (Continued)**

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

Governmental Funds

The focus of the City of Fairview 's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements in particular, unreserved fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,490,304, an increase of \$1,575,518 in comparison with the prior year. Approximately 41% of this total amount (\$1,020,668) constitutes unassigned fund balance, which is available for spending at the government's discretion, the remainder of fund balance (\$1,469,636) is either restricted for various specific purposes or committed to parks, the tree bank and school facilities, as well as, the commitment of funds as required by the City's stabilization policy.

The general fund is the chief operation fund of the City of Fairview, Tennessee. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,020,668 As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 19% of total general fund expenditures.

The fund balance of the City's general fund increased by \$1,528,745 during the current fiscal year. Key factors in this decrease are as follows:

- General Fund revenues increased by approximately \$1,075,000 from the prior, the most significant came from tax revenues which increased by approximately \$857,000, with property taxes and sales taxes accounting for \$617,000 and \$171,000, or in the aggregate approximately 73% of the of the total increase. General Fund expenditures decreased by approximately \$195,000 or 3.5%. The Police Department had the largest decrease in expenditures experiencing a total decrease of approximately \$278,000 with salaries accounting for approximately 82% of the decrease.

**General Fund Budgetary Highlights**

<u>Department</u>	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
General Government	\$ 1,110,183	1,484,881
Financial Administration	164,028	167,278
City Court	113,948	118,948
Codes Administration	119,450	119,450
Police Department	1,470,654	1,442,779
Fire Department	826,410	820,410
Streets	228,943	228,943
State Street Aid	156,500	254,100
Parks and Recreation	211,827	276,327
Debt service	36,731	720,310
Total Expenditures	\$ <u>4,438,674</u>	<u>5,633,426</u>

## **Capital Assets**

The City of Fairview's investment in capital assets from its governmental type activities as of June 30, 2016 amounted to \$20,992,484 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements equipment, and infrastructure. The total increase in the City's investment in capital assets for the current year was 4%.

### **Capital Assets, Continued**

Capital Asset Type:	June 30, 2016	June 30, 2015
Land and land improvements	\$ 2,492,600	2,492,600
Buildings and improvements	4,277,477	4,236,375
Machinery and equipment	3,920,003	3,873,464
Infrastructure	27,407,978	27,330,978
Total Capital Assets	38,098,058	37,933,417
Less accumulated depreciation	(17,105,574)	(16,083,444)
Total	\$ 20,992,484	21,849,973

Additional information on the City of Fairview's capital assets can be found in the notes to the financial statements section of this report.

### **Long - Term Debt**

At the end of the current year, the City of Fairview had bonded debt outstanding of \$2,935,000. The entire amount is secured first by the full faith and credit of the City.

	June 30, 2016	June 30, 2015
<b>City of Fairview's Outstanding Debt</b>		
General Obligation Bonds and Notes	\$ 2,935,000	1,727,363
Capital Lease Obligations	-	1,097,396
	\$ 2,935,000	2,824,759

During 2016, the City issued \$2,935,000 in refunding debt and refunded various bonds and capital lease obligations in the approximate amount of \$2,824,759.

State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue.

Additional information on the City of Fairview's debt can be found in the notes to the financial statements section of this report.

### **Economic Factors and Next Year's Budget and Rates**

The City's economy in 2017 is not expected to change from that experienced in 2016, the City will endeavor to maintain essentially the same level of service with no anticipated property tax increase.

Unassigned fund balance of the General Fund amounted to \$1,020,668, no General Fund Balance was required to balance the 2016-17 budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Fairview, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director and/or City Manager  
City of Fairview, TN

**CITY OF FAIRVIEW, TENNESSEE**

**Statement of Net Position**

**June 30, 2016**

	Governmental Activities	Total
<b>Assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 1,996,636	1,996,636
Total Cash and Cash Equivalents	<u>1,996,636</u>	<u>1,996,636</u>
Receivables:		
Property tax, net of allowance for doubtful accounts	1,766,362	1,766,362
Other governments	619,724	619,724
Total Receivables	<u>2,386,086</u>	<u>2,386,086</u>
Non depreciable capital assets	2,492,600	2,492,600
Depreciable capital assets, net of accumulated depreciation	18,499,884	18,499,884
Net pension asset-TCRS	263,969	263,969
Total Assets	<u>25,639,175</u>	<u>25,639,175</u>
<b>Deferred Outflows of Resources:</b>		
TCRS pension plan	171,329	171,329
Total Deferred Outflows	<u>171,329</u>	<u>171,329</u>
Total Assets and Deferred Outflows	\$ <u>25,810,504</u>	\$ <u>25,810,504</u>
<b>Liabilities</b>		
Liabilities:		
Accounts payable	\$ 72,011	72,011
Accrued liabilities	87,026	87,026
Long-term liabilities:		
Net OPEB obligation payable	4,058	4,058
Due within one year	294,617	294,617
Due in more than one year	2,789,415	2,789,415
Total Liabilities	<u>3,247,128</u>	<u>3,247,129</u>
<b>Deferred Inflow of Resources:</b>		
Unlevied property tax	1,712,400	1,712,400
TCRS pension plan	170,380	170,380
Total Deferred Inflows	<u>1,882,780</u>	<u>1,882,780</u>
<b>Net Position</b>		
Net investment in capital assets	18,023,069	18,023,069
Restricted for:		
Pension asset	263,969	263,969
Public Safety	57,040	57,040
Facilities tax	143,911	143,911
State Street Aid	239,625	239,625
Unrestricted	1,952,982	1,952,982
Total Net Position	<u>20,680,596</u>	<u>20,680,596</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ <u>25,810,504</u>	\$ <u>25,810,505</u>

See accompanying notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**

**Statement of Activities**

**For the Year Ended June 30, 2016**

<b>Functions / Programs:</b>		Charges for	Operating	Capital	Net (Expenses) Revenue and		
					Expenses	Grants and	Grants and
<b>Primary Government:</b>		Services	Contributions	Contributions	Primary Government	Total	
					Governmental		
					Activities		
General government	\$	1,400,874	133,426	-	472,688	(794,760)	(794,760)
Public safety		2,577,771	172,808	204,813	-	(2,200,150)	(2,200,150)
Streets		573,964	4,250	237,734	-	(331,980)	(331,980)
State Street Aid		217,567	-	-	-	(217,567)	(217,567)
Financial Administration		164,655	-	-	-	(164,655)	(164,655)
Parks and recreation		255,172	21,221	-	-	(233,951)	(233,951)
Codes Administration		114,331	-	-	-	(114,331)	(114,331)
City Court		117,944	-	-	-	(117,944)	(117,944)
Miscellaneous		129,754	-	-	-	(129,754)	(129,754)
Interest expense on long-term debt		87,129	-	-	-	(87,129)	(87,129)
Total Government Activities		<u>5,639,162</u>	<u>331,705</u>	<u>442,547</u>	<u>472,688</u>	<u>(4,392,221)</u>	<u>(4,392,221)</u>
Total Primary Government	\$	<u>5,639,162</u>	<u>331,705</u>	<u>442,547</u>	<u>472,688</u>	<u>(4,392,221)</u>	<u>(4,392,221)</u>
<b>General Revenues:</b>							
						\$	
Property taxes						1,759,763	1,759,763
Sales taxes						1,891,068	1,891,068
Wholesale beer tax						255,494	255,494
Wholesale liquor tax						87,336	87,336
Business tax						102,832	102,832
Facilities tax						63,728	63,728
Cable TV franchise tax						105,123	105,123
Hotel / Motel tax						9,069	9,069
Income tax						31,239	31,239
Beer tax, mixed drink and other						14,008	14,008
Sales tax						618,611	618,611
T.V.A. in lieu of taxes						90,594	90,594
Corporate excise tax						6,744	6,744
Unrestricted investment earnings						6,615	6,615
Miscellaneous						36,782	36,782
Total general revenues						<u>5,079,006</u>	<u>5,079,006</u>
Change in net position						686,785	686,785
Net position - beginning of year, as restated						<u>19,993,811</u>	<u>19,993,811</u>
Net position - end of year	\$					<u>20,680,596</u>	<u>20,680,596</u>

See accompanying notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**

**Balance Sheet  
Governmental Funds**

**June 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>	<u>          </u>	<u>          </u>	<u>          </u>
Cash	\$ 1,793,709	202,924	1,996,633
Accounts receivable:			
Property tax	1,769,824	-	1,769,824
Other governments	619,724	-	619,724
Total Receivables	<u>2,389,548</u>	<u>-</u>	<u>2,389,548</u>
 Total Assets	 \$ <u>4,183,257</u>	 <u>202,924</u>	 <u>4,386,181</u>
 <b>Liabilities</b>			
Accounts payable	\$ 71,984	25	72,009
Accrued liabilities	<u>67,533</u>	<u>1,948</u>	<u>69,481</u>
 Total Liabilities	 <u>139,517</u>	 <u>1,973</u>	 <u>141,490</u>
 <b>Deferred Inflow of Resources-Unavailable Revenues</b>	 <u>1,754,387</u>	 <u>-</u>	 <u>1,754,387</u>
 <b>Fund Equity</b>			
Fund Balance:			
Restricted for:			
Public Safety	-	57,040	57,040
Public Facilities	-	143,911	143,911
State Street Aid	239,625	-	239,625
Committed for:			
Stabilization	266,215	-	266,215
Parks	130,620	-	130,620
School Facilities	624,485	-	624,485
Tree Bank	7,740	-	7,740
Unassigned	<u>1,020,668</u>	<u>-</u>	<u>1,020,668</u>
Total Fund Equity	<u>2,289,353</u>	<u>200,951</u>	<u>2,490,304</u>
 Total Liabilities, Deferred Inflows and Fund Equity	 \$ <u>4,183,257</u>	 <u>202,924</u>	 <u>4,386,181</u>

See accompanying notes to financial statements.



**CITY OF FAIRVIEW, TENNESSEE**

**Reconciliation of the Balance Sheet to the Statement of Net Position  
of Governmental Activities**

**June 30, 2016**

<b>Amounts reported for fund balance - total governmental funds</b>		<b>\$ 2,490,304</b>
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Capital assets		38,098,058
- Less accumulated depreciation		(17,105,574)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds		
Property tax		38,526
Liabilities not due and payable currently and not recorded in the governmental funds		
Bonds Payable	(2,935,000)	
Premium, net of amortization	(34,415)	
Compensated absences	(114,617)	
Accrued interest	(17,545)	(3,101,578)
Net pension cost		
		-
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.		
Net OPEB obligation payable		(4,058)
Net pension asset	263,969	
Deferred inflow of resources-TCRS Plan	339,930	
Deferred outflow of resources-TCRS Plan	(338,981)	
		264,918
 <b>Net position of governmental activities</b>		 <b>\$ <u><u>20,680,596</u></u></b>

See accompanying notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**

**Statement of Revenues,  
Expenditures and Changes in Fund Balances**

**All Governmental Fund Types**

**For the Year Ended June 30, 2016**

	General	Other	Total
	Fund	Governmental	Governmental
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:			
Taxes	\$ 4,202,339	63,728	4,266,067
Licenses and permits	84,521	-	84,521
Intergovernmental	1,676,431	-	1,676,431
Fines and forfeits	151,895	15,643	167,538
Charges for services	26,491	-	26,491
Miscellaneous	41,520	50,968	92,488
Total Revenues	<u>6,183,197</u>	<u>130,339</u>	<u>6,313,536</u>
Expenditures:			
Current:			
General government	1,199,250	-	1,199,250
Police department	1,393,122	60,765	1,453,887
Fire department	775,774	-	775,774
Streets	214,142	-	214,142
State Street Aid	178,736	-	178,736
Financial administration	162,468	-	162,468
Parks and recreation	275,162	-	275,162
City court	118,872	-	118,872
Codes administration	118,240	-	118,240
Other program costs	-	10,313	10,313
Debt service	3,642,729	-	3,642,729
Capital outlay	168,473	12,488	180,961
Total Expenditures	<u>8,246,968</u>	<u>83,566</u>	<u>8,330,534</u>
Excess (deficiency) of revenues over expenditures	<u>(2,063,771)</u>	<u>46,773</u>	<u>(2,016,998)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Refunding Bonds	2,935,000	-	2,935,000
Premium on bonds	39,332	-	39,332
Proceeds from Grant and Tax Anticipation Notes	618,184	-	618,184
Total Other Financing Sources (Uses)	<u>3,592,516</u>	<u>-</u>	<u>3,592,516</u>
Net Change in Fund Balance	<u>1,528,745</u>	<u>46,773</u>	<u>1,575,518</u>
Fund Balance, Beginning of Year, as Previously Reported	368,042	154,178	522,220
Restatement	392,566	-	392,566
Fund Balance, Beginning of Year, as Restated	<u>760,608</u>	<u>154,178</u>	<u>914,786</u>
Fund Balance, End of Year	\$ <u>2,289,353</u>	<u>200,951</u>	<u>2,490,304</u>

See accompanying notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities**

**For the Year Ended June 30, 2016**

**Net change in fund balances-total governmental funds:** \$ 1,575,518

**Amounts reported for governmental activities in the statement of net position  
are different because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Gross sale proceeds are recognized in the Governmental Funds, only net gain (loss) is shown in the Government - Wide statement of activities.

Acquisition of capital assets	164,642	
Depreciation expense	<u>(1,022,130)</u>	(857,488)

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

Property tax		13,196
--------------	--	--------

The issuance of long-term debt provides current financial resources to governmental funds. While the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Amortization of bond premium	4,917	
Bond premium	-	
Bond costs	<u>(110,241)</u>	(105,324)

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds

Increase in net OPEB obligation	(4,058)	
Decrease in compensated absences	49,677	
Decrease in pension expense-TCRS	<u>54,596</u>	<u>100,215</u>

**Change in net position of governmental activities** \$ 726,117

See accompanying notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

**General Fund**

**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property and utility taxes	\$ 1,714,500	1,714,500	1,695,570	(18,930)
Local option sales tax	1,705,000	1,705,000	1,891,068	186,068
Wholesale beer tax	215,000	215,000	255,494	40,494
Wholesale liquor tax	65,000	65,000	87,336	22,336
Business tax	86,000	86,000	102,832	16,832
Tax penalties and interest	8,000	8,000	4,070	(3,930)
Natural gas franchise fee	60,000	60,000	51,777	(8,223)
Cable TV franchise tax	95,000	95,000	105,123	10,123
Hotel / Motel tax	7,500	7,500	9,069	1,569
Total Taxes	<u>3,956,000</u>	<u>3,956,000</u>	<u>4,202,339</u>	<u>246,339</u>
Licenses and Permits:				
Building permits	5,100	5,100	4,250	(850)
Other fees and permits	64,500	64,500	80,271	15,771
Total Licenses and Permits	<u>69,600</u>	<u>69,600</u>	<u>84,521</u>	<u>14,921</u>
Intergovernmental:				
Income tax	27,057	27,057	31,239	4,182
Beer tax	4,000	4,000	3,770	(230)
Mixed drink tax	10,000	10,000	9,589	(411)
Sales tax	575,000	575,000	618,611	43,611
School facilities tax	120,000	120,000	153,350	33,350
State Street Aid Revenue:				
State motor fuel tax	151,500	151,500	162,948	11,448
Gasoline 3 cent tax	24,300	24,300	26,171	1,871
Gas 1989 tax	45,200	45,200	48,615	3,415
T.V.A. in-lieu of taxes	90,000	90,000	90,594	594
Excise tax	7,500	7,500	6,744	(756)
Telecommunications sales tax	775	775	649	(126)
Appropriations from County	14,400	14,400	14,400	-
Police and fire incentives	23,400	23,400	19,800	(3,600)
Federal and State grants	115,640	330,013	489,951	159,938
Total Intergovernmental	<u>1,208,772</u>	<u>1,423,145</u>	<u>1,676,431</u>	<u>253,286</u>
Fines and Forfeits:				
Fines and costs	156,050	156,050	151,895	(4,155)
Charges for Services:				
Accident reports	8,000	8,000	5,270	(2,730)
Animal control	-	-	-	-
Parks & recreation fees	750	750	2,120	1,370
Special events	4,500	4,500	15,385	10,885
Other fees	3,960	3,960	3,716	(244)
Total Charges for Services	<u>17,210</u>	<u>17,210</u>	<u>26,491</u>	<u>9,281</u>
Miscellaneous Revenues:				
Interest income	552	552	2,497	1,945
Donations	-	2,000	2,000	-
Sale of Capital Assets	-	-	235	235
Other miscellaneous revenue	9,200	17,900	36,788	18,888
Total Miscellaneous Revenue	<u>9,752</u>	<u>20,452</u>	<u>41,520</u>	<u>21,068</u>
Total Revenue	\$ <u>5,417,384</u>	<u>5,642,457</u>	<u>6,183,197</u>	<u>540,740</u>

Continued next page.

**CITY OF FAIRVIEW, TENNESSEE**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Current:</b>				
Personnel costs	\$ 162,583	166,173	168,005	(1,832)
Contractual services	242,200	260,185	294,251	(34,066)
Supplies and materials	11,700	11,700	9,737	1,963
Insurance	604,000	607,750	553,451	54,299
Special census	-	45,000	44,500	500
Other projects	80,700	170,700	77,941	92,759
Other - refund of developer bonds	-	-	51,365	(51,365)
Capital outlay	9,000	223,373	87,513	135,860
Total General Government	<u>1,110,183</u>	<u>1,484,881</u>	<u>1,286,763</u>	<u>198,118</u>
<b>Financial Administration</b>				
<b>Current:</b>				
Personnel costs	151,878	154,378	155,396	(1,018)
Contractual services	1,850	2,600	1,895	705
Supplies	6,100	6,100	5,177	923
Other	-	-	-	-
Capital outlay	4,200	4,200	4,699	(499)
Total Financial Administration	<u>164,028</u>	<u>167,278</u>	<u>167,167</u>	<u>111</u>
<b>City Court</b>				
<b>Current:</b>				
Personnel costs	108,948	113,948	114,013	(65)
Contractual services	3,250	3,250	3,150	100
Supplies	1,750	1,750	1,709	41
Other	-	-	-	-
Capital outlay	-	-	-	-
Total City Court	<u>113,948</u>	<u>118,948</u>	<u>118,872</u>	<u>76</u>
<b>Codes Administration</b>				
<b>Current:</b>				
Personnel costs	100,550	100,550	103,452	(2,902)
Contractual services	4,900	4,900	1,187	3,713
Supplies	2,500	2,500	2,339	161
Other	-	-	-	-
Capital outlay	11,500	11,500	11,262	238
Total Codes Administration	<u>119,450</u>	<u>119,450</u>	<u>118,240</u>	<u>1,210</u>
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Current:</b>				
Personnel costs	1,163,959	1,161,959	1,169,814	(7,855)
Contractual services	21,270	27,970	24,752	3,218
Operating supplies	68,500	68,500	31,010	37,490
Insurance	2,500	2,500	2,494	6
Other	1,000	1,000	456	544
<b>Fleet maintenance:</b>				
Personnel costs	53,425	53,425	53,816	(391)
Contractual services	15,000	15,000	27,396	(12,396)
Supplies	140,500	107,925	83,384	24,541
Capital outlay	4,500	4,500	1,453	3,047
Total Police Department	<u>1,470,654</u>	<u>1,442,779</u>	<u>1,394,575</u>	<u>48,204</u>

Continued next page.

**CITY OF FAIRVIEW, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Concluded**

**General Fund**

**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Department:				
Current:				
Personnel costs	750,660	750,660	733,721	16,939
Contractual services	26,500	26,500	34,419	(7,919)
Supplies	13,500	13,500	7,634	5,866
Capital outlay	35,750	29,750	35,977	(6,227)
Total Fire Department	<u>826,410</u>	<u>820,410</u>	<u>811,751</u>	<u>8,659</u>
Total Public Safety	<u>2,297,064</u>	<u>2,263,189</u>	<u>2,206,326</u>	<u>56,863</u>
Streets:				
Current:				
Personnel costs	221,943	221,943	207,496	14,447
Contractual services	1,500	1,500	1,211	289
Supplies	5,500	5,500	5,435	65
Capital outlay	-	-	-	-
Total Streets	<u>228,943</u>	<u>228,943</u>	<u>214,142</u>	<u>14,801</u>
State Street Aid				
Current:				
Contractual services	46,500	46,500	44,831	1,669
Supplies	5,000	5,000	511	4,489
Street paving	61,000	158,600	133,394	25,206
Capital outlay-street paving	44,000	44,000	38,831	5,169
Total State Street Aid	<u>156,500</u>	<u>254,100</u>	<u>217,567</u>	<u>36,533</u>
Parks and Recreation:				
Current:				
Personnel costs	\$ 195,827	195,827	191,508	4,319
Contractual services	5,600	52,800	50,193	2,607
Supplies	9,700	10,000	16,402	(6,402)
Spectator events				
Insurance				
Other	-	17,000	17,059	(59)
Capital outlay	700	700	-	700
Total Parks and Recreation	<u>211,827</u>	<u>276,327</u>	<u>275,162</u>	<u>1,165</u>
Debt service:				
Debt service	49,126	49,126	2,933,558	(2,884,432)
Repayment of Tax and Grant Anticipation Notes	(12,395)	618,184	618,184	-
Bond issue costs	-	53,000	90,987	(37,987)
Total Debt service	<u>36,731</u>	<u>720,310</u>	<u>3,642,729</u>	<u>(2,922,419)</u>

Continued on next page

CITY OF FAIRVIEW, TENNESSEE

Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Concluded

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Expenditures	4,438,674	5,633,426	8,246,968	(2,613,542)
Excess (deficiency) of revenues over expenditures	978,710	9,031	(2,063,771)	(2,072,802)
Other Financing Sources (Uses):				
Proceeds from refunding bonds	-	-	2,935,000	2,935,000
Premium on bonds	-	-	39,332	39,332
Proceeds from Tax and Grant Anticipation Notes	-	618,184	618,184	-
Total Other Financing Sources (Uses)	-	618,184	3,592,516	2,974,332
Net Change in Fund Balance	978,710	627,215	1,528,745	901,530
Fund Balance, Beginning of Year, as Previously Reported	368,042	368,042	368,042	-
Restatement	-	-	392,566	392,566
Fund Balance, Beginning of Year, as Restated	368,042	368,042	760,608	392,566
Fund Balance, end of year	\$ 1,346,752	995,257	2,289,353	1,294,096

See accompanying notes to financial statements.

# CITY OF FAIRVIEW, TENNESSEE

## Notes to Financial Statements

June 30, 2016

### (1) **Summary of Significant Accounting Policies**

The City of Fairview, Tennessee, was incorporated July 1, 1959, under provisions of the State of Tennessee. The City operates under a City Manager-Commissioner form of government and provides the following services as authorized by its charter and duly passed ordinances: public safety (police, fire and public health), streets, culture, recreations, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Fairview have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### Reporting Entity

The accompanying financial statements present the government and its component units. 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, 2016, the City had no component units which were required to be included in these financial statements.

#### Accounting Pronouncements

The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.



# CITY OF FAIRVIEW, TENNESSEE

## Notes to Financial Statements

June 30, 2016

### (1) Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting, and Financial Statement

##### Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The government has no proprietary funds.

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(1) Summary of Significant Accounting Policies, (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with financial institutions and amounts deposited with the State of Tennessee Local Government Investment Pool. In addition, certificates of deposit or direct obligations of the Federal government or its agencies that are owned by a specific fund of the City having a maturity of three months or less when purchased are considered to be cash equivalents. Certificates of deposit and deposits in the investment pool are carried at cost which approximates fair value.

The State of Tennessee Local Government Investment Pool is a component of the State of Tennessee State Pooled Investment Fund that is an external investment pool not registered with the Securities and Exchange Commission. The State Pooled Investment Fund is administered by the State Treasurer and is authorized by state statute to invest funds in accordance with the policy guidelines approved by the Funding Board of the State of Tennessee which exercises oversight Responsibility, including the ability to significantly influence operations, designation of management and accountability for all fiscal matters. The Fund is audited annually by the office of the State Comptroller

Delinquent Taxes Receivable

Delinquent taxes receivable have been included in the General Fund balance sheet with offsetting deferred revenue to reflect amounts which were not available at June 30, 2016. Amounts which were available at June 30, 2016 have been recorded as revenue. Property taxes which will be levied October 1, 2016 in the amount of \$1,712,400 have also been recorded as a receivable with offsetting deferred revenue to reflect amounts not available at June 30, 2016.

Supply Inventory

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued as follows:

Enterprise (Water & Sewer) Fund - Inventory, principally materials, supplies and replacement parts, is valued at the lower of cost (first-in, first-out) or market.

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(1) Summary of Significant Accounting Policies, (Continued)**

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet and are eliminated on the government-wide statements. Transfers of monies between funds generally arise as a result of budget appropriations authorizing funds to be transferred from one fund to another.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources are presented after total assets. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. Deferred inflows of resources are presented after total liabilities. A deferred inflow of resources is an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

The City has the following deferred outflows and deferred inflows of resources:

Deferred outflow of resources include the deferred amount on bond refunding. The deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding bonds.

Deferred inflows include unavailable revenue, primarily from property taxes assessed but not levied which is reported in the government-wide statement of net position and Fund balance sheet.

Deferred outflows of resources and deferred inflows of resources also include amounts related to the Town’s participation in the TCRS pension plan.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government systems-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings	25-50 years
Distribution systems	10-50 years
Equipment	5-10 years
Trucks	5-10 years

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(1) Summary of Significant Accounting Policies, (Continued)**

Compensated Absences

The policy of the City permits the accumulation of unused sick leave up to 144 days and employees can carry over a maximum of 5 or 10 days depending upon service.

Property Tax

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

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%
Farm and Residential Property	25%

Taxes were levied at a rate of \$1.00 per \$100 of assessed valuation for the fiscal year ended June 30, 2016. Payments may be made during the period from October 1 through February 28. Current tax collections of \$1,665,580 for the fiscal year ended June 30, 2016 were approximately 97 % of the tax levy.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The City Manager submits to the Board of Commissioners the proposed operating budget for the fiscal year. The operating budgets for the General and Special Revenue Funds include proposed expenditures and the means of financing them. All appropriations in the current operating budget lapse into fund balance of the respective funds at the end of the fiscal year.
2. The budgets passed on the first reading and each of the following readings, and was adopted by ordinance on the second reading. In no event shall total appropriations for any fund exceed the estimated revenues and fund balance.
3. The amounts in the adopted budgets for each fund constitute its total annual appropriation and no expenditure may be made which will result in the annual appropriation for the fund being exceeded, unless an additional appropriation is made. The Finance Director may transfer appropriations within the same department, other changes in appropriations require board approval. Budgetary control is considered established at the department level.

## CITY OF FAIRVIEW, TENNESSEE

### Notes to Financial Statements, Continued

June 30, 2016

#### (1) Summary of Significant Accounting Policies, (Continued)

##### Budgets and Budgetary Accounting

4. Budgeted amounts shown are those originally adopted by the Mayor and Board of Commissioners. All balances of appropriations in the current operating budgets lapse into the fund balance of the fund from which appropriations were made at the end of the fiscal year.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

##### Government-Wide Equity

In the government-wide financial statements, equity is shown as net position and classified into three components. *Net Investment in capital assets*-capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. *Restricted net position*-net position with constraints placed on use, either by (1) external groups such as creditors, grantors, or laws and regulations of other governments, (2) laws through constitutional provisions or enabling legislation. *Unrestricted net position*-All other net position that does not meet the above classifications.

##### Fund Equity

*Financial Policy*-The City implemented Governmental Accounting Standards Board (GASB) Statement 54 for its governmental funds. As a result, fund balance is reported in the fund financial statements under the following categories. *Nonspendable fund balance* represents amounts that are required to be maintained intact, such as inventories and prepaid expenses. *Restricted fund balance* is that portion of fund balance that can be spent only for the specific purposes stipulated by external resource or through enabling legislation. *Committed fund balance* includes amounts constrained to specific purposes as determined by formal action of the City Board of Commissioners (the Board) using its highest level of decision-making authority (ordinance). Conversely, to rescind or modify a fund balance commitment, action by ordinance of the Board is also required. *Assigned fund balance* amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board. Appropriations of fund balance to eliminate projected budgetary deficits in the year's budget are presented as assignments of fund balance. *Unassigned fund balance* is the residual classification of the General Fund.

##### **Spending Policy:**

Generally, when costs are incurred for purposes for which both restricted and unrestricted funds are available it is the City's policy to spend the most restricted dollars before less restricted dollars. Similarly, when expenditures are incurred for which committed, assigned or unassigned amounts may be used, committed amounts are first used followed by assigned then unassigned amounts.

##### **Stabilization Fund Balance Policy:**

The Board established a financial stabilization policy for the purpose of providing funds for an urgent event that affects the safety of the general public (e.g. flood, tornado, etc.). The Board must formally acknowledge the occurrence of the urgent event. The minimum level of funding was set at 5% of General Fund expenditures which amounted to \$266,215 and shown as committed fund balance at June 30, 2016. Should the balance fall below the minimum, the Board will develop a plan to replenish it within two years.

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(1) Summary of Significant Accounting Policies, (Continued)**

**Unassigned General Fund Balance Policy:**

The City endeavors to limit expenditures to anticipated revenues in order to maintain a balanced budget. The fund balance of the General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The City's target is to maintain a minimum unassigned fund balance of not less than two month of General Fund expenditures. In the event unassigned general fund balance should ever fall below the minimum level, the City will develop a plan to restore the deficiency within two years.

**(2) Cash and Cash Equivalents**

The City is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During 2016, the City invested in interest bearing checking accounts and the Tennessee Local Government Investment Pool.

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregate balance of their public deposits must be at least 105% of the average daily balance of public deposits held. Investments with the Tennessee Local Government Investment Pool are not categorized as to custodial credit risk. . As of June 30, 2016, all cash and investment funds of the City were adequately secured by collateral as required by statutes of the State of Tennessee.

**Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily.

**(3) Accounts Receivable**

Accounts receivable at June 30, 2016, consisted of the following:

<u>Fund</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Combined Total</u>
Property taxes:			
Delinquent	\$ 57,424	-	57,424
2016 Levy-Unavailable	1,712,400	-	1,712,400
Other governments:			
State shared	537,610	-	537,610
Grants	82,114	-	82,114
Less: allowance for doubtful accounts	<u>(3,462)</u>	<u>-</u>	<u>(3,462)</u>
 Total	 \$ <u>2,386,086</u>	 <u>-</u>	 <u>2,386,086</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(4) Capital Assets**

Governmental Activities:

A summary of changes in capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Capital Asset - Cost</u>				
Non depreciable capital assets:				
Land and Land Improvements\$	2,492,600	-	-	2,492,600
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,492,600</u>	<u>-</u>	<u>-</u>	<u>2,492,600</u>
Depreciable capital assets:				
Building and Improvements	4,236,375	41,102	-	4,277,477
Equipment	3,873,464	46,539	-	3,920,003
Infrastructure	<u>27,330,978</u>	<u>77,000</u>	<u>-</u>	<u>27,407,978</u>
Total depreciable capital assets	<u>35,440,817</u>	<u>164,641</u>	<u>-</u>	<u>35,605,458</u>
Total capital assets	\$ <u>37,933,417</u>	<u>164,641</u>	<u>-</u>	<u>38,098,058</u>
	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Accumulated Depreciation</u>				
Buildings and improvements	\$ 935,972	110,863	-	1,046,835
Equipment	2,008,799	454,467	-	2,463,266
Infrastructure	<u>13,138,673</u>	<u>456,800</u>	<u>-</u>	<u>13,595,473</u>
Total Accumulated Depreciation	<u>16,083,444</u>	<u>1,022,130</u>	<u>-</u>	<u>17,105,574</u>
Total Depreciable Capital Assets, Net of Depreciation	\$ <u>19,357,373</u>			<u>18,499,884</u>
Total Capital Assets, Net of Depreciation	\$ <u>21,849,973</u>			<u>20,992,484</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 211,682
Public Safety	353,430
Highways and Streets	456,800
Parks and Recreation	<u>218</u>
Total	\$ <u>1,022,130</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(5) Long-Term Debt and Other Obligations Payable**

Governmental Activities:

The following schedule reflects the changes in long-term debt, as shown in the General Long-Term Debt Account Group during 2016.

	<u>Interest Rates</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
General Obligation Capital Outlay Notes Series 2011	3.93 %	\$ 434,000	-	(434,000)	-	-
Tennessee Pooled Loan Program, Series 2001	Variable	1,204,000	-	(1,204,000)	-	-
General Obligation Capital Outlay Note, Series 2012	3.85%	89,363	-	(89,363)	-	-
General Obligation Refunding Bonds, Series 2015	2-3%	-	<u>2,935,000</u>	-	<u>2,935,000</u>	<u>180,000</u>
		1,727,363	2,935,000	(1,727,363)	2,935,000	180,000
Add premium		-	<u>39,332</u>	<u>(4,917)</u>	<u>34,415</u>	-
Total general obligation bonds		<u>1,727,363</u>	<u>2,974,332</u>	<u>(1,732,280)</u>	<u>2,969,415</u>	<u>180,000</u>
Capital Lease Obligations:						
Spartan Rescue Truck	3.34%	187,851	-	(187,851)	-	-
Fire Truck	2.30%	500,738	-	(500,738)	-	-
Police SUVs	2.43%	408,807	-	(408,807)	-	-
		<u>1,097,396</u>	-	<u>(1,097,396)</u>	-	-
Compensated Absences		<u>164,294</u>	-	<u>(49,677)</u>	<u>114,617</u>	<u>114,617</u>
<b>Total</b>		<u>\$2,989,053</u>	<u>2,974,332</u>	<u>(2,879,353)</u>	<u>3,084,032</u>	<u>294,617</u>

Debt service requirements to maturity for the Governmental Activities debt, as of June 30, 2016, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 180,000	70,181
2018	185,000	66,581
2019	190,000	62,881
2020	195,000	59,081
2021	195,000	55,181
2022-2026	1,050,000	211,987
2027-2030	<u>940,000</u>	<u>69,839</u>
Total	\$ <u>2,935,000</u>	<u>595,731</u>

General obligation bonds and capital outlay notes are secured by the City, which is obligated to levy ad valorem taxes to the extent necessary to service these bonds.



## CITY OF FAIRVIEW, TENNESSEE

### Notes to Financial Statements, Continued

June 30, 2016

#### (5) **Long-Term Debt and Other Obligations Payable (Continued)**

##### **Refunding**

In, 2016, the City issued \$2,935,000 General Obligation Refunding Bonds, Series 2015 with interest at 2 to 3% to currently refund \$1,204,000 in outstanding Tennessee Municipal Bond Fund (TMBF) General Obligation Bond, Series 2001, \$434,000 General Obligation Capital Outlay Notes, Series 2011, \$89,363 in General Obligation Capital Outlay Note, Series 2012 and three equipment Lease Obligations in the aggregate amount of \$1,097,396. As a result of the refunding, the City had a net present value savings (loss) ranging from approximately \$(125,685) to \$84,031 assuming a rate of interest of 2% and 5%, respectively on the TMBF variable rate. The refunding was undertaken primarily to obtain reduced debt service payments as well as lower overall interest rates. Issuance of the Refunding Bonds, Series 2015 resulted in a premium of \$39,332 which is being amortized over an eight-year period, the term of the refunded debt and issue costs of \$90,987. The Refunding also resulted in refunded interest of \$37,689 and a premium to call payment of \$20,897.

#### (6) **Pension Plan**

*Plan description.* Employees of City 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](http://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.

CITY OF FAIRVIEW, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2016

(6) **Pension Plan UPDATE**

**General Information about the Pension Plan (Continued)**

*Employees covered by benefit terms.* At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees / beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	54
Active employees	<u>49</u>
	<u>118</u>

*Contributions.* Contributions by the City are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 0 percent of salary. City of Fairview 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, the actuarially determined contribution (ADC) for Fairview was \$168,877 based on a rate of 7.40% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fairview's state shared taxes if required employer contributions are not remitted. The employer's (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.

**Net Pension Liability (Asset)**

Fairview's net pension liability (asset) as presented in the accompanying financial statements was measured as of June 30, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

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, 2015 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:

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(6) Pension Plan**

**General Information about the Pension Plan (Continued)**

<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%	<u>1%</u>
		<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.

*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 City of Fairview 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.

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability</b>	<b><u>Increase (Decrease)</u> Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
<b>Balance at 6/30/14</b>	\$4,431,209	4,756,837	(325,628)
<b>Changes for the year:</b>			
Service cost	170,397	-	170,397
Interest	339,727	-	339,727
Differences between expected and actual experience	(135,439)	-	(135,439)
Contributions – Employer	-	168,877	(168,877)
Contributions- Employees	-	-	-
Net investment income	-	146,850	(146,850)
Benefit payments, including refunds of employee contributions	(143,821)	(143,821)	-
Administrative expense	-	(2,701)	2,701
<b>Net changes</b>	<u>230,864</u>	<u>169,205</u>	<u>61,659</u>
Balance at 6/30/15	\$ <u>4,662,073</u>	<u>4,926,042</u>	<u>(263,969)</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(6) Pension Plan**

**General Information about the Pension Plan (Continued)**

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of City of Fairview 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City of Fairview's net Pension liability (asset)	\$ <u>450,503</u>	<u>(263,969)</u>	<u>(850,915)</u>

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension expense.* For the year ended June 30, 2016, City of Fairview recognized pension expense of \$110,354.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, City of Fairview 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>
Differences between expected and actual experience	\$ 6,244	120,390
Net difference between projected and actual earning on pension plan investments	168,601	218,591
Contributions subsequent to the measurement date of June 30, 2015	<u>165,085</u>	<u>-</u>
Total	\$ <u>339,930</u>	<u>338,981</u>

The amount shown above for "Contribution subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(6) Pension Plan**

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

Year ended June 30:

2017	\$	(44,870)
2018		(44,870)
2019		(44,870)
2020		27,993
2021		(14,157)
Thereafter		(43,363)

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, 2016, the City reported a payable of \$165,085 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**(7) Other Post-employment Benefit (OPEB) Plan**

Benefits Provided

The City provides medical benefits to eligible retirees until they reach the Medicare eligibility age. The City pays 50% of the eligible retiree and 50% of the eligible spouse, if applicable coverage. The retiree pays the portion of the premium not paid by the City. All active employees who retire directly from the City and meet the eligibility criteria may participate.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted on December 8, 2003. As a result of this legislation, employer providing drug coverage to Medicare eligible members, that is, at least actuarially equivalent to the standard benefit provided by Medicare, will be eligible to receive a subsidy. GASB has taken the position that any federal subsidy received should be reported as revenue to the plan sponsor and not used as an offset to the GASB 45 liabilities. The following information is prepared on that basis.

Eligibility

Retirement at age 60 with 15 or more years of service or at age 55 with 25 years or more of service. A spouse of a retiree is eligible for subsidized coverage if covered at least 5 continuous years prior to retirement.

Membership

The number of participants at June 30, 2016, was as follows:

	<u>Employee</u>	<u>Dependents</u>
Active	17	35
Retired	-	-
Total	<u>17</u>	<u>35</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(7) Other Post-Employment Benefit Plan (Continued)**

Funding Policy

The City funds postemployment health care benefits on a pay-as-you-go basis. The City has not established an Other Employment Benefits Trust Fund in order to accumulate and invest assets necessary to pay for the accumulated liability and related claims.

<u>Annual Required Contribution/Net OPEB Obligation</u>	<u>2016</u>
Service cost	\$ 2,858
Unfunded actuarial accrued liability amortization	<u>1,200</u>
Annual Required Contribution (ARC)	4,058
Net OPEB Contributions	-
Net OPEB Obligation, June 30, 2016	\$ <u>4,058</u>

The funded status of the plan as of the most recent actuarial valuation was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage Covered Payroll
7/01/15	\$ 0	\$20,154	\$20,154	0%	\$1,971,268	1.02%

Actuarial Methods and Assumptions

Valuation Date	July 1, 2015
Actuarial Method	Projected Unit Cost Method.
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year in the incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination
Accumulated Post-retirement Benefit Obligation	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount Rate	4% (1% real rate of return plus 3% inflation)

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(7) Other Post-Employment Benefit Plan (Continued)**

Actuarial Methods and Assumptions

Average Per Capita Cost	<table border="0"> <tr> <th colspan="4">Determined as of July 1, 2015</th> </tr> <tr> <th><u>Age</u></th> <th><u>Method</u></th> <th><u>Age</u></th> <th><u>Method</u></th> </tr> <tr> <td>55</td> <td>\$6,519</td> <td>60</td> <td>7,557</td> </tr> <tr> <td>56</td> <td>6,714</td> <td>61</td> <td>7,784</td> </tr> <tr> <td>57</td> <td>6,916</td> <td>62</td> <td>8,017</td> </tr> <tr> <td>58</td> <td>7,123</td> <td>63</td> <td>8,258</td> </tr> <tr> <td>59</td> <td>7,337</td> <td>64</td> <td>8,505</td> </tr> </table>	Determined as of July 1, 2015				<u>Age</u>	<u>Method</u>	<u>Age</u>	<u>Method</u>	55	\$6,519	60	7,557	56	6,714	61	7,784	57	6,916	62	8,017	58	7,123	63	8,258	59	7,337	64	8,505
Determined as of July 1, 2015																													
<u>Age</u>	<u>Method</u>	<u>Age</u>	<u>Method</u>																										
55	\$6,519	60	7,557																										
56	6,714	61	7,784																										
57	6,916	62	8,017																										
58	7,123	63	8,258																										
59	7,337	64	8,505																										
Health Care Cost Trend	Level 5.50%																												
Mortality	RP-2014 Total with Projection MP-2015 Fully Generational.																												
Turnover	Rates Varying by age/sex. Sample male rates: <table border="0"> <tr> <td>Age 20</td> <td>Age 35</td> <td>Age 50</td> </tr> <tr> <td>15.70%</td> <td>5.80%</td> <td>1.90%</td> </tr> </table>	Age 20	Age 35	Age 50	15.70%	5.80%	1.90%																						
Age 20	Age 35	Age 50																											
15.70%	5.80%	1.90%																											
Disability	None assumed.																												
Payroll Increase Rate	3.00%																												
Retirement Rates	Rates vary by age with an average retirement age of 62. Based on TCRS retirement rates.																												
Retirement Contributions	The same contribution requirement for active participants is applicable to retirees. These contributions are based on plan type and coverage tier elected.																												
Data Assumptions:	Spouses are assumed to be equal age, 50% married																												
<i>Age Differential/%Married</i>	100% of all retirees who have healthcare coverage will continue with the same coverage. 20% of all actives who currently have individual healthcare coverage will continue with individual coverage upon retirement. For those with family coverage 20% will elect to continue coverage with 10% electing to continue with spouse coverage and the remainder will elect individual coverage.																												
<i>Coverage</i>																													
Amortization Period	Unfunded Actuarial Accrued Liability – 30 Years.																												

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(8) Commitments and Contingencies**

**Litigation:**

The City is defendant in various lawsuits. Although the ultimate outcome of these lawsuits is not presently determinable, the City's attorney is of the opinion that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Grants:**

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

**(9) Risk Management**

The City of Fairview is exposed to various risks to general liability and property and casualty losses. The City deemed it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property and casualty coverage and workers' compensation. The City participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability, property and casualty insurance and workers' compensation coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The Pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. Settled claims from these losses have not exceeded insurance coverage in any of the past three fiscal years.

**(10) Restatement**

During 2016, the City commenced accounting for local sales tax revenues in accordance with Governmental Accounting Standards Board (GASB) Statement Number 33, "*Accounting and Financial Reporting of Nonexchange Transactions*" and Statement Number 36 "*Recipient Reporting for Certain Shared Nonexchange Revenues*". Generally, provisions of these Statements require that assets (accounts receivable) be recognized in the period in which the tax is imposed and there is an enforceable legal claim to the asset, under the modified accrual basis of accounting the resources must also be available to result in revenue. As a result of adopting provisions of the above GASB Statements, accounts receivable of the General Fund now contain amounts received from the County for local option sales tax during July and August, 2016. In prior years, the City had recognized local option sales tax revenue when received. Further, as a result of adopting the provisions of Statement 33 and 36, fund balance of the General Fund at July 1, 2015 has been increased in the amount of \$208,772. For 2016, there was no significant effect on revenues of the General Fund.

Also, in 2016, the City determined that Compensated absences had been presented as a current liability in the General Fund even though the liability was normally not expected to be liquidated with expendable available financial resource of the Fund.



**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2016

**(10) Restatement**

Accordingly, effective July 1, 2015, the liability for compensated absences of \$183,794 was removed from the General Fund and presented in the General Long-Term debt Account Group.

As a result of the above matters, the following restatements were made to net position at July 1, 2015

	<u>Statement of Activities</u> Governmental <u>Activities</u>	General <u>Fund</u>
Net Position, As Previously Reported	\$ 19,785,039	368,042
Restatement for:		
GASB 33&36	208,772	208,772
Accrued Absences	-	<u>183,794</u>
Net Position, As Restated	\$ <u>19,993,811</u>	<u>760,608</u>

## Required Supplementary Information

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios  
Based on Participation in the Public Employee Pension Plan of TCRS**

**Fiscal Year Ending June 30,**

<b>Total pension liability</b>		<b>2014</b>	<b>2015</b>
Service cost	\$	169,875	170,397
Interest		313,189	339,727
Differences between actual and expected experience		8,028	(135,439)
Benefit payments, including refunds of employee contributions		(131,702)	(143,821)
<b>Net change in total pension liability</b>		<u>359,390</u>	<u>230,864</u>
<b>Total pension liability, beginning of year</b>		<u>4,071,819</u>	<u>4,431,209</u>
<b>Total pension liability, ending of year (a)</b>	\$	<u><u>4,431,209</u></u>	<u><u>4,662,073</u></u>
<b>Plan fiduciary net position</b>			
Contributions, employer	\$	250,211	168,877
Contributions, employee		-	-
Net investment income		666,704	146,850
Benefit payments, including refunds of employee contributions		(131,702)	(143,821)
Administrative expenses		(1,892)	(2,701)
<b>Net change in plan fiduciary net position</b>		<u>783,321</u>	<u>169,205</u>
<b>Plan fiduciary net position, beginning of year</b>		<u>3,973,516</u>	<u>4,756,837</u>
<b>Plan fiduciary net position, ending of year (b)</b>	\$	<u><u>4,756,837</u></u>	<u><u>4,926,042</u></u>
<b>Net Pension Liability (asset) ending of year (a)-(b)</b>	\$	<u><u>(325,628)</u></u>	<u><u>(263,969)</u></u>
<b>Plan fiduciary net position, as a percentage of total pension liability</b>		107.35%	105.66%
<b>Covered-employee payroll</b>	\$	2,134,899	2,282,120
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>		-15.25%	-11.57%

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 future fiscal years until 10 years of information is available

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Contributions Based on Participation in the  
Public Employees Pension Plan of TCRS**

**Fiscal Year Ending June 30,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 250,211	168,877	165,085
Contributions in relation th the actuarially determined contribution	<u>(250,211)</u>	<u>(168,877)</u>	<u>(165,085)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 2,134,899	2,282,120	2,233,892
Contributions as a percentage of covered employee payroll	11.72%	7.40%	7.39%

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 future fiscal years until 10 years of information is available

**CITY OF FAIRVIEW, TENNESSEE**

**Notes to Required Supplemental Information**

**For the Year Ended June 30, 2016**

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

*Methods and assumptions used to determine the 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 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation.
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement

**Combining and Individual Nonmajor Fund Financial Statements**

**CITY OF FAIRVIEW, TENNESSEE**

**Combining Balance Sheet**

**Non Major Governmental Funds**

**June 30, 2016**

	<u>Special Revenue Funds</u>		Total
	<u>Drug</u>	<u>Facilities Tax</u>	Nonmajor
	<u>Fund</u>	<u>Fund</u>	<u>Government</u>
			<u>Funds</u>
<u>Assets</u>			
Cash and cash investments	\$ 59,013	143,911	202,924
Total Assets	<u>\$ 59,013</u>	<u>143,911</u>	<u>202,924</u>
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 25	-	25
Accrued costs	1,948	-	1,948
Total Liabilities	<u>1,973</u>	<u>-</u>	<u>1,973</u>
 Fund balance:			
Restricted for:			
Public Safety	57,040	-	57,040
Public Facilities	-	143,911	143,911
Total Fund Balance	<u>57,040</u>	<u>143,911</u>	<u>200,951</u>
Total Liabilities and Fund Balance	<u>\$ 59,013</u>	<u>143,911</u>	<u>202,924</u>

**CITY OF FAIRVIEW, TENNESSEE**

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances**

**Non Major Governmental Funds**

**For the Year Ended June 30, 2016**

	<u>Special Revenue Funds</u>		Total
	Drug	Facilities Tax	Nonmajor
	Fund	Fund	Government
	<u>        </u>	<u>        </u>	<u>Funds</u>
Revenues:			
Taxes:			
Facilities tax		63,728	63,728
Fines and Forfeits:			
Drug related fines	15,643		15,643
Miscellaneous:			
Interest	48		48
Other income	50,920		50,920
Total Revenues	<u>66,611</u>	<u>63,728</u>	<u>130,339</u>
Expenditures:			
Current:			
Drug fund operations:			
Personnel	48,254	-	48,254
Contractual services	1,751	-	1,751
Supplies	2,180	-	2,180
Other	8,580	-	8,580
Program expenses		10,313	10,313
Capital outlay	12,488	-	12,488
Total Expenditures	<u>73,253</u>	<u>10,313</u>	<u>83,566</u>
Excess (deficiency) of revenues over expenditures	(6,642)	53,415	46,773
Fund Balance, beginning of year	<u>63,682</u>	<u>90,496</u>	<u>154,178</u>
Fund Balance, end of year	<u>\$ 57,040</u>	<u>143,911</u>	<u>200,951</u>



**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance**

**Drug Fund**

**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance:
	Original	Final		Favorable (Unfavorable)
Revenues:				
Fines and forfeits:				
Drug-related fines	\$ 12,000	12,000	15,643	3,643
Miscellaneous income				
Other income	<u>36,030</u>	<u>36,030</u>	<u>50,968</u>	<u>14,938</u>
Total revenues	<u>48,030</u>	<u>48,030</u>	<u>66,611</u>	<u>18,581</u>
Expenditures:				
Current:				
Personnel	41,663	48,163	48,254	(91)
Contractual services	1,000	2,500	1,751	749
Supplies	3,500	3,500	2,180	1,320
Other	5,000	5,000	8,580	(3,580)
Capital outlay	<u>10,000</u>	<u>20,000</u>	<u>12,488</u>	<u>7,512</u>
Total expenditures	<u>61,163</u>	<u>79,163</u>	<u>73,253</u>	<u>5,910</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(13,133)	(31,133)	(6,642)	24,491
Fund Balance, beginning of year	<u>63,682</u>	<u>63,682</u>	<u>63,682</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 50,549</u>	<u>32,549</u>	<u>57,040</u>	<u>24,491</u>

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance**

**Facilities Tax Fund**

**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Facilities tax	\$ 120,012	120,012	63,728	(56,284)
Total revenues	<u>120,012</u>	<u>120,012</u>	<u>63,728</u>	<u>(56,284)</u>
Expenditures:				
Current:				
Services	16,000	16,000	10,313	5,687
Total expenditures	<u>16,000</u>	<u>16,000</u>	<u>10,313</u>	<u>5,687</u>
Excess (deficiency) of revenues over expenditures	104,012	104,012	53,415	(50,597)
Other Financing Sources (Uses):				
Transfer from (to) other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	104,012	104,012	53,415	(50,597)
Fund Balance, beginning of year	<u>90,496</u>	<u>90,496</u>	<u>90,496</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 194,508</u>	<u>194,508</u>	<u>143,911</u>	<u>(50,597)</u>

## **FINANCIAL SCHEDULES**

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Capital Assets Used in the Operation of Governmental Funds-  
by Asset Type**

**For the Year Ended June 30, 2016**

Capital Asset Type:	<b>Cost / Estimated Cost</b>			
	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 2,492,600	-	-	2,492,600
Buildings and improvements	4,236,375	41,102	-	4,277,477
Machinery and equipment	3,873,464	46,539	-	3,920,003
Infrastructure	27,330,978	77,000	-	27,407,978
<b>Total</b>	<b>\$ <u>37,933,417</u></b>	<b><u>164,641</u></b>	<b><u>-</u></b>	<b><u>38,098,058</u></b>

Capital Asset Type:	<b>Accumulated Depreciation</b>			
	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2015</u>
Buildings	\$ 935,972	110,863	-	1,046,835
Machinery and equipment	2,008,799	454,467	-	2,463,266
Infrastructure	13,138,673	456,800	-	13,595,473
<b>Total</b>	<b>\$ <u>16,083,444</u></b>	<b><u>1,022,130</u></b>	<b><u>-</u></b>	<b><u>17,105,574</u></b>

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Capital Assets Used in the Operation of Governmental Funds-  
by Function**

**For the Year Ended June 30, 2016**

	<b>Cost / Estimated Cost</b>			
	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
General Government	\$ 4,931,726	87,641	-	5,019,367
Public Safety	3,329,016	-	-	3,329,016
Highways and Streets	27,330,978	77,000	-	27,407,978
Parks and Recreation	2,341,697	-	-	2,341,697
Grand Total	<u>\$ 37,933,417</u>	<u>164,641</u>	<u>-</u>	<u>38,098,058</u>

	<b>Accumulated Depreciation</b>			
	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
General Government	\$ 2,082,181	211,682	-	2,293,863
Public Safety	861,537	353,430	-	1,214,967
Highways and Streets	13,138,673	456,800	-	13,595,473
Recreation	1,053	218	-	1,271
Grand Total	<u>\$ 16,083,444</u>	<u>1,022,130</u>	<u>-</u>	<u>17,105,574</u>

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**June 30, 2016**

<u>Tax Year</u>	<u>Balance June 30, 2015</u>	<u>Levy</u>	<u>Changes in Assessment</u>	<u>Collections</u>	<u>Balance June 30, 2016</u>
2015	\$ -	1,712,315	(2,978)	(1,662,602)	46,735
2014	29,315		97	(24,081)	5,331
2013	4,426		-	(2,492)	1,934
2012	1,021		-	(68)	953
2011	1,353		157		1,510
2010	162		10		172
2009	385		-	(23)	362
2008	375		-	52	427
	<u>\$ 37,037</u>	<u>1,712,315</u>	<u>(2,714)</u>	<u>(1,689,214)</u>	<u>57,424</u>
					1,712,400
					<u>(3,462)</u>
					<u>\$ 1,766,362</u>

Note: Delinquent property taxes are turned over to the Clerk and Master of the County Chancery Court each year for collection. All of the taxes above, except for the 2015 tax year, are delinquent and are subject to collection proceedings.

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Debt Service Requirements -  
General Obligation Debt**

**June 30, 2016**

<u>Fiscal Year</u>	<u>General Obligation Refunding Bonds - Series 2015</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 180,000	70,181
2018	185,000	66,581
2019	190,000	62,881
2020	195,000	59,081
2021	195,000	55,181
2022	200,000	51,281
2023	205,000	47,281
2024	210,000	42,925
2025	215,000	37,937
2026	220,000	32,563
2027	225,000	27,063
2028	230,000	20,875
2029	240,000	14,550
2030	245,000	7,350
	<u>\$ 2,935,000</u>	<u>595,731</u>

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Federal and State Financial Assistance**

**For the Year Ended June 30, 2016**

CFDA Number	Grant Number	Program Name	Grantor Agency	(Receivable) Deferred Balance 6-30-15	Adjustments	Grant Receipts	Grant Expenditures	(Receivable) Deferred Balance 6-30-16
<b>Federal Programs:</b>								
97.083	EMW-2012-FH-00146	Safer Grant Program	U.S. Dept of Justice	\$ (8,327)	-	186,507	(178,180)	-
16.607	N/A	Bullet Proof Vest Program	U.S. Dept of Justice	-	-	600	(600)	-
20.607	Z13GHS112	Govenors Highway Safety Program	U.S. Department of Transportation **	-	-	3,484	(4,554)	(1,070)
20.607	Contract 14-37410	Govenors Highway Safety Program	U.S. Department of Transportation **	(28,219)	257 ***	30,241	(2,279)	-
				<u>(28,219)</u>	<u>257</u>	<u>33,725</u>	<u>(6,833)</u>	<u>(1,070)</u>
20.205	STP- M-9324 (1)	Resurfacing Grant	U.S. Department of Transportation *	-	-	214,373	(233,817)	(19,444)
20.205	Project 112379.00	Roadscape Project	U.S. Department of Transportation *	-	-	-	(61,600)	(61,600)
				<u>-</u>	<u>-</u>	<u>214,373</u>	<u>(295,417)</u>	<u>(81,044)</u>
			Total Federal Programs	\$ <u>(36,546)</u>	<u>257</u>	<u>435,205</u>	<u>(481,030)</u>	<u>(82,114)</u>
<b>State Programs:</b>								
N/A	None	State Forestry Grant	Tennessee Department of Agriculture	\$ -	-	2,350	(2,350)	-
			Total State Programs	\$ <u>-</u>	<u>-</u>	<u>2,350</u>	<u>(2,350)</u>	<u>-</u>

\* Passed through the Tennessee Dept. of Transportation.

\*\* Passed through the Tennessee Dept. of Safety.

\*\*\*To adjust for erroneous accrual at June 30, 2015.

Note: All Financial Assistance Programs utilize the modified accrual basis of accounting.



## **OTHER REPORTS SECTION**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(615) 385-1008  
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## **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 AUDIT STANDARDS***

To the Mayor and Commissioners  
City of Fairview  
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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairview, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 2, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered, the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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 have not been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations to be a material weakness, Finding (2016-001).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies, Finding (2016-002), (2016-003) and (2016-004).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Fairview's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's responses were 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.



October 21, 2016

**CITY OF FAIRVIEW, TENNESSEE**  
**Schedule of Findings and Recommendations**

**June 30, 2016**

**Current Year Findings**

**Finding-(2016-001)-Unrecorded Bank Account**

We discovered an account with First Bank that had not been recorded in the City's general ledger. The account name was indicated by the Bank as "Chief of Police" account. It appears the account was purposely created to specifically account for the confidential funds related to Drug Fund operations by the Police Chief. Although the police chief has control of the confidential funds checking account, the comptroller requires the police chief to be accountable for drug funds transferred into it. Quarterly reports concerning account activity are to be completed by the police chief or designee and submitted to the city finance using prescribed reporting forms.

Recommendation: We strongly recommend that all bank accounts of the City be recorded in the City's general ledger with all accounts being subjected to the internal controls of the City

Management Response:

City management will change the name of the account "Chief of Police" to "Drug Investigation" and add it to the General Ledger. The account will be reconciled in the same manner as all other city accounts.

**Finding-(2016-002)-General Fixed Asset Records**

General fixed asset detail records are not maintained by the City. In the past detail general fixed asset and depreciation records were maintained by the external accounting firm performing the annual audit of the City and reviewed by the City and the end of each year.

Recommendation: We recommend the City maintain these detail records and establish procedures for identifying and recording the acquisition and disposal of general fixed assets at the time of purchase and/or disposition. Assets should be recorded in the detail records at the time of acquisition or disposal along with related cost and estimated useful life information. Depreciation information should be updated for year-end financial reporting purposes.

Management Response:

City management will maintain detail records and establish procedures for identifying and recording the acquisition and disposal of general fixed assets at the time of purchase and/or disposition with related cost and estimated useful life information. City management will update depreciation information for year-end financial reporting purposes.

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Findings and Recommendations**

**June 30, 2016**

**Current Year Findings (Continued)**

**Finding-(2016-003)-Internal Control Manual**

We noted the City had not finalized its Internal Control Manual at the end of the fiscal year as requested by the State Comptroller's Office.

Recommendation: We recommend the City finalize and adopt the Internal control manual as requested by the State Comptroller.

Management Response:

The city will finalize and adopt an Internal Control Manual as requested by the State Comptroller.

**Finding-(2016-004)-Building Permits**

During our examination, we noted an error in the calculation of a building permit, the error appeared to result from an input oversight in not using the correct dollar level rate.

Recommendation: We suggest consideration be given to having all the permit fee calculations recomputed by another employee independent of the transaction.

Management Response:

City management will utilize a review process for the assessment and collection of building permit fees. In addition, the city will implement a new software package for building permits eliminating most opportunities for manual calculation errors.

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Findings and Recommendations**

**June 30, 2016**

**Prior Year Comments**

**FINDING-(2015-001) Financial Reporting**

The City must maintain effective internal controls over financial reporting that would identify, during the regular course of operations, financial reporting errors. We noted financial reporting errors occurring 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. It appears the conditions occurred due to lack of effective controls over financial reporting. As a result several general ledger amounts for balance sheet accounts were not reported at correct amounts.

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.

Management Response: We have increased the City Manager's and City Recorder's oversight roles and increased staff training.

Disposition: Financial records produced by the City were prepared on the modified accrual basis and required adjustment primarily for items that arose subsequent to close out of the accounting records with the related adjustments proposed by the auditor being reviewed and accepted by City finance personnel. The situation appears much improved.

**FINDING-(2015-002) State Street Aid Revenues and Expenditures**

Resolution No 17-14 states that, the City must separate from the unassigned funds the available State Street Aid funds by the end of the 2015 fiscal year. State Street Aid available funds, presented in the General Fund, have not been properly reserved in the past.

Recommendation: The City should segregate the restricted and committed funds according to the resolution.

Management Response: We will begin segregating funds into separate accounts in the 2016 fiscal year.

Disposition: The City has determined the amount of unexpended State Street Aid funds and has accounted for such amount as a restricted portion of General Fund net position as of June 30, 2016. The situation appears to have been resolved.

**CITY OF FAIRVIEW, TENNESSEE**  
**Schedule of Findings and Recommendations**

**June 30, 2016**

**Prior Year Comments (Continued)**

**FINDING-(2015-003)- Budgets**

The City is required to prepare a budget in accordance with all requirements in Tennessee Code Annotated Section 6-56-203. At the end of 2015 fiscal year, the City incurred substantial costs for road maintenance completed prior to June 30, 2015. Recording of the liability resulted in actual expenditures exceeding the amount appropriated in the budget for the General Fund. The City did not amend the budget before the work was performed, which resulted in expenditure exceeding the budget.

Recommendations: The City should monitor accounts payable more closely which would enable more timely amendment to budgeted appropriations.

Management Response: The City agree that the budget should have been amended on a timely basis and would monitor pending projects for budget revisions.

Disposition: City expenditures were under the amended budget amounts for all departments and funds for the year ended June 30, 2016. The situation appears to have been resolved

**Other Matters**

During the examination, we were requested to review certain City disbursements related to an employee who was also a family member of a City commissioner. In our review of these transactions we found them to be appropriately authorized and the supporting documentation was found it to be in agreement with the expenditure.

Accordingly we have no findings as a result of the above matter. However, it is our understanding the City is currently reviewing and updating its present nepotism policy and that future policy may encompass policies regarding employment of commissioners' family members.

**CITY OF FAIRVIEW, TENNESSEE**

Schedule of Disposition of Prior Year Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2016

**Financial Statement Findings**

Finding Number	Finding Title	Finding Status
2015-001	Financial Reporting Original Finding #2015-001	Partially Corrected
2015-002	State Street Aid Revenue and Expenditures Original Finding #2015-002	Corrected
2015-003	Budget Amendments Original Finding # 2015-003	Corrected

**Schedule of Expenditure of Federal Awards**

There were no prior year findings in the Schedule of Expenditure of Federal Awards.