

**CITY OF FAIRVIEW, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2018

**CITY OF FAIRVIEW, TENNESSEE**

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**CITY OF FAIRVIEW, TENNESSEE**

Directory of Officials

June 30, 2018

<u>Name</u>	<u>Title</u>
Patti Carroll	Mayor
Shannon Crutcher	Vice Mayor
Derek Burks	Commissioner
Scott Lucas	Commissioner
Debby Rainey	Commissioner
Scott Collins	City Manager
Brandy Johnson	City Recorder
Tom Daugherty	Finance Director

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

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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, 2018 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, 2018, 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 and City OPEB Plan on pages 41-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

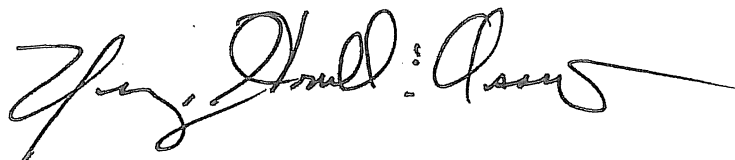
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 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 October 18, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 18, 2018

A handwritten signature in black ink, appearing to read "Jeffrey J. Paul". The signature is written in a cursive style with a long horizontal line extending to the right.

## 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, 2018. 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 \$19,613,692 as compared to \$21,032,649 at the end of the prior fiscal year. Of this amount, \$2,199,321 (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors as compared to \$2,965,260 for the prior fiscal year.
- The government's total net position decreased by \$1,319,983 during the current fiscal year as compared to an increase of \$352,053 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 \$2,855,842, a decrease of \$651,774 in comparison to the prior year. Approximately \$1,093,699 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 \$2,221,608 or 34% of total general fund expenditures as compared to \$3,202,149 or 61% of the total general fund expenditures of the prior fiscal year.
- The City's total bond debt decreased by \$189,917 (or approximately 7%) 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 governmental fund financial statements can be found on pages 12-18 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 19-34 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 40-43 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 \$19,613,692 at the close of the most recent fiscal year as compared to \$21,032,649 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>2018</b>	<b>2017</b>
Current and other assets	\$ 4,952,650	5,502,607
Capital assets, net of depreciation	19,374,719	20,131,982
Net pension asset	-	-
Deferred outflows of resources	450,478	369,686
Total assets	<u>\$ 24,777,847</u>	<u>26,004,275</u>
Deferred inflows of resources	\$ 1,882,318	1,842,341
Net pension liability	85,974	15,757
Long-term liabilities due in more than one year	2,446,058	2,607,224
Long-term liabilities due within one year	460,162	318,601
Other liabilities	289,644	187,703
Total liabilities and deferred inflows	<u>5,164,155</u>	<u>4,971,626</u>
Net position:		
Net Investment in capital assets	16,780,137	17,347,483
Restricted	634,234	719,906
Unrestricted	2,199,321	2,965,260
Total net position	<u>\$ 19,613,692</u>	<u>21,032,649</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 \$2,199,321 as compared to \$2,965,260 in 2017 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 decreased by \$1,319,983 during the current fiscal year as compared to an increase of \$352,053 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>2018</b>	<b>2017</b>
Revenues:		
Program revenues:		
Charges for services	\$ 575,566	413,323
Operating grants and contributions	52,323	278,995
Capital grants and contributions	166,604	171,478
General revenues:		
Property taxes	1,842,875	1,779,667
Sales taxes	2,040,766	2,022,778
Other taxes	1,641,709	1,706,250
Other	119,476	111,878
Total revenues	<u>6,439,319</u>	<u>6,484,369</u>
Expenditures/Expenses:		
General government	2,096,315	1,735,376
Public safety	3,484,039	2,727,015
Streets	1,257,122	661,484
State Street Aid	92,061	70,551
Financial Administration	194,184	172,178
Parks and recreation	(8,144)	312,258
Codes Administration	413,169	233,699
City Court	166,542	124,176
Miscellaneous	-	24,859
Interest expense on long-term debt	64,015	70,720
Total expenses	<u>7,759,302</u>	<u>6,132,316</u>
Change in net position	(1,319,983)	352,053
Net position, beginning of year, as restated	<u>20,933,675</u>	<u>20,680,596</u>
Net position, end of year	<u>\$ 19,613,692</u>	<u>21,032,649</u>

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

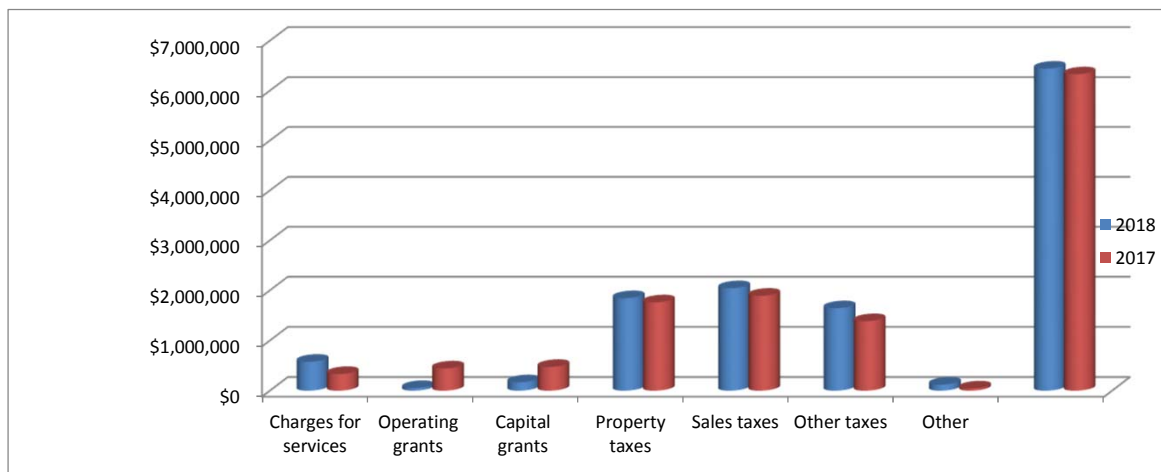
**Governmental Activities:**

The most significant decrease in actual continued revenue sources was derived from grant revenue which decreased by approximately \$227,000 largely as a result of the decrease in grant programs in fiscal year 2018. This decrease was offset by an increases of approximately \$81,000 in local sales and property tax and a decrease of approximately \$57,000 in other taxes resulting in an overall decrease in total revenues of \$45,050.

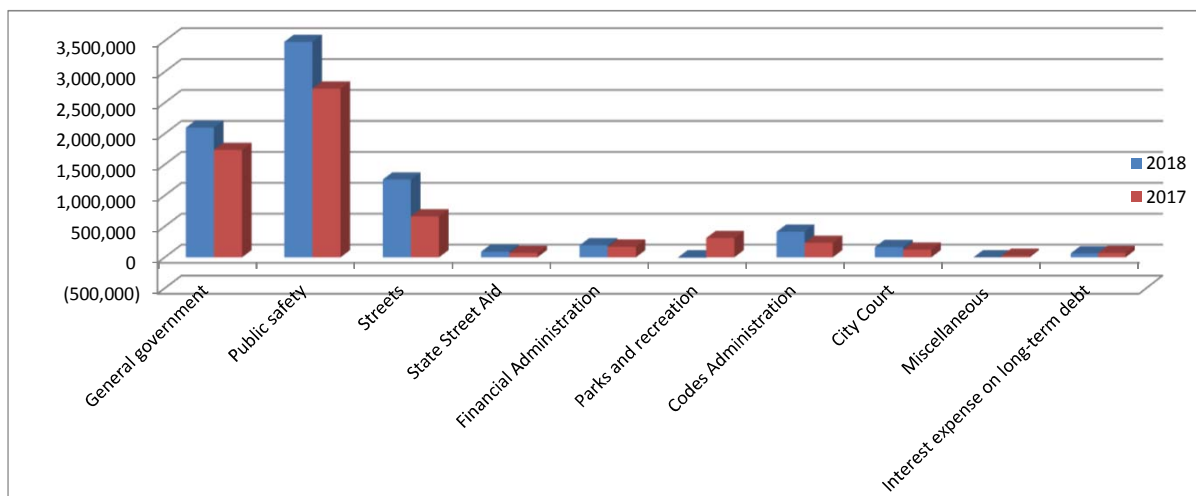
Total expenditures increased approximately \$1,627,000 or 27% from the prior year. The increase is primarily due to increased operating costs of all departments compared to the prior year.

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**



**Expenditures - 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 Faiview '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 \$2,855,842, a decrease of \$651,774 in comparison with the prior year. Approximately 38% of this total amount (\$1,093,699) constitutes unassigned fund balance, which is available for spending at the government's discretion, the remainder of fund balance (\$1,762,143) 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 \$1,093,699 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 17% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$918,186 during the current fiscal year. Key factors in this decrease are as follows:

- The most significant decrease in actual continued revenue sources arose from tax revenue which decreased by approximately \$89,000. this was offset by increases in licenses and permits, intergovernmental, fines and forfeits, charges for services and a small decrease in miscellaneous revenues. Total revenues increased by \$209,793 compared with the prior year. Total expenditures increased by \$1,212,630 compared to the prior year. The increase is due to significant increases in expenditures for the police, fire, and streets departments.

**General Fund Budgetary Highlights**

<u>Department</u>	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
General Government	\$ 839,022	1,890,900
Financial Administration	165,917	169,080
City Court	139,509	171,492
Planning and Zoning	385,579	392,287
Police Department	1,610,121	1,633,850
Fire Department	1,408,848	1,366,500
Public works	979,245	1,151,791
Board of Commissioners	90,566	112,800
Total Expenditures	\$ 5,618,807	6,888,700

**Capital Assets**

The City of Fairview's investment in capital assets from its governmental type activities as of June 30, 2018 amounted to \$19,374,719 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements equipment, and infrastructure. The total decrease in the City's investment in capital assets for the current year was 3.8%.

**Capital Assets, Continued**

Capital Asset Type:	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land and land improvements	\$ 2,492,600	2,492,600
Buildings and improvements	4,277,477	4,277,477
Machinery and equipment	4,107,228	4,018,634
Infrastructure	<u>27,407,978</u>	<u>27,407,978</u>
Total Capital Assets	38,285,283	38,196,689
Less accumulated depreciation	<u>(18,910,564)</u>	<u>(18,064,707)</u>
Total	<u>\$ 19,374,719</u>	<u>20,131,982</u>

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 \$2,570,000. The entire amount is secured first by the full faith and credit of the City.

<b>City of Fairview's Outstanding Debt</b>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
General Obligation Bonds and Notes	\$ 2,570,000	2,755,000
Capital Lease Obligations	-	-
	<u>\$ 2,570,000</u>	<u>2,755,000</u>

During 2016, the City issued \$2,935,000 in refunding debt and refunded various bonds and capital lease obligations in In 2018 \$185,000 of that debt was repaid.

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 2019 is not expected to change from that experienced in 2018, 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 \$1,093,699. General Fund Balance in the amount of \$288,303 was required to balance the 2018-19 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, 2018**

	<u>Governmental</u>	<u>Total</u>
	Activities	
<b>Assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 2,567,444	2,567,444
Total Cash and Cash Equivalents	<u>2,567,444</u>	<u>2,567,444</u>
Receivables:		
Property tax, net of allowance for doubtful accounts	1,839,358	1,839,358
Other governments	545,848	545,848
Total Receivables	<u>2,385,206</u>	<u>2,385,206</u>
Capital Assets:		
Non depreciable capital assets	2,492,600	2,492,600
Depreciable capital assets, net of accumulated depreciation	16,882,119	16,882,119
Total Capital Assets	<u>19,374,719</u>	<u>19,374,719</u>
Total Assets	24,327,369	24,327,369
<b>Deferred Outflows of Resources:</b>		
TCRS pension plan	450,478	450,478
Total Deferred Outflows	<u>450,478</u>	<u>450,478</u>
Total Assets and Deferred Outflows	\$ <u><u>24,777,847</u></u>	<u><u>19,825,197</u></u>
<b>Liabilities</b>		
Liabilities:		
Accounts payable	\$ 130,684	130,684
Accrued liabilities	158,960	158,960
Long-term liabilities:		
Net pension liability-TCRS	85,974	85,974
Net OPEB obligation payable	41,475	41,475
Due within one year	460,162	460,162
Due in more than one year	2,404,583	2,404,583
Total Liabilities	<u>3,281,837</u>	<u>3,281,837</u>
<b>Deferred Inflow of Resources:</b>		
Unlevied property tax	1,792,026	1,792,026
TCRS pension plan	90,292	90,292
Total Deferred Inflows	<u>1,882,318</u>	<u>1,882,318</u>
<b>Net Position</b>		
Net investment in capital assets	16,780,137	16,780,137
Restricted for:		
Public Safety	84,946	84,946
Facilities tax	308,606	308,606
State Street Aid	240,682	240,682
Unrestricted	2,199,321	2,199,321
Total Net Position	<u>19,613,692</u>	<u>19,613,692</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ <u><u>24,777,847</u></u>	<u><u>24,777,847</u></u>

See accompanying notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**

**Statement of Activities**

**For the Year Ended June 30, 2018**

<b>Functions / Programs:</b>		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position	
						Primary Government	Total
<b>Primary Government:</b>						Governmental Activities	
General government	\$	2,096,315	415,317	32,523	141,999	(1,506,476)	(1,506,476)
Public safety		3,484,039	135,077	19,800	24,605	(3,304,557)	(3,304,557)
Public Works		1,257,122	5,042	-	-	(1,252,080)	(1,252,080)
Board of Commissioners		92,061	-	-	-	(92,061)	(92,061)
Financial Administration		194,184	-	-	-	(194,184)	(194,184)
Parks and recreation		(8,144)	20,130	-	-	28,274	28,274
Planning and Zoning		413,169	-	-	-	(413,169)	(413,169)
City Court		166,542	-	-	-	(166,542)	(166,542)
Interest expense on long-term debt		64,015	-	-	-	(64,015)	(64,015)
Total Government Activities		<u>7,759,303</u>	<u>575,566</u>	<u>52,323</u>	<u>166,604</u>	<u>(6,964,809)</u>	<u>(6,964,809)</u>
Total Primary Government	\$	<u>7,759,303</u>	<u>575,566</u>	<u>52,323</u>	<u>166,604</u>	<u>(6,964,809)</u>	<u>(6,964,809)</u>
<b>General Revenues:</b>							
						\$	
							1,842,875
							1,842,875
							2,040,766
							2,040,766
							231,109
							231,109
							83,801
							83,801
							130,157
							130,157
							172,771
							172,771
							87,061
							87,061
							104,800
							104,800
							60,375
							60,375
							680,896
							680,896
							90,739
							90,739
							18,386
							18,386
							101,090
							101,090
							<u>5,644,826</u>
							<u>5,644,826</u>
							(1,319,983)
							(1,319,983)
							<u>20,933,675</u>
							<u>20,933,675</u>
							\$ <u>19,613,692</u>
							<u>19,613,692</u>

See accompanying notes to financial statements.

**CITY OF FAIRVIEW, TENNESSEE**

**Balance Sheet  
Governmental Funds**

**June 30, 2018**

<b>Assets</b>	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Cash	\$ 1,977,349	590,095	2,567,444
Accounts receivable:			
Property tax	1,843,791	-	1,843,791
Other governments	498,559	47,289	545,848
Total Receivables	<u>2,342,350</u>	<u>47,289</u>	<u>2,389,639</u>
 Total Assets	 <u>\$ 4,319,699</u>	 <u>637,384</u>	 <u>4,957,083</u>
 <b>Liabilities</b>			
Accounts payable	\$ 127,534	3,150	130,684
Accrued liabilities	<u>136,766</u>	<u>-</u>	<u>136,766</u>
 Total Liabilities	 <u>264,300</u>	 <u>3,150</u>	 <u>267,450</u>
 <b>Deferred Inflow of Resources-Unavailable Revenues</b>	 <u>1,833,791</u>	 <u>-</u>	 <u>1,833,791</u>
 <b>Fund Equity</b>			
Fund Balance:			
Restricted for:			
Public Safety	-	84,946	84,946
Public Facilities	-	308,606	308,606
State Street Aid	-	240,682	240,682
Committed for:			
Stabilization	324,570	-	324,570
Parks	109,502	-	109,502
Capital Projects	304,402	-	304,402
Tree Bank	101,132	-	101,132
Assigned to:			
Appropriated in 2018-19 budget	288,303	-	288,303
Unassigned	<u>1,093,699</u>	<u>-</u>	<u>1,093,699</u>
Total Fund Equity	<u>2,221,608</u>	<u>634,234</u>	<u>2,855,842</u>
 Total Liabilities, Deferred Inflows and Fund Equity	 <u>\$ 4,319,699</u>	 <u>637,384</u>	 <u>4,957,083</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, 2018**

<b>Amounts reported for fund balance - total governmental funds</b>	\$	2,855,842
 <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		38,285,283
Less accumulated depreciation		(18,910,563)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds		
Property tax		37,330
Liabilities not due and payable currently and not recorded in the governmental funds		
Bonds Payable	(2,570,000)	
Premium, net of amortization	(24,581)	
Compensated absences	(270,162)	
Accrued interest	(22,194)	(2,886,937)
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	(41,475)	
Net pension asset	(85,974)	
Deferred inflow of resources-TCRS Plan	677,476	
Deferred outflow of resources-TCRS Plan	(317,290)	
		232,737
<b>Net position of governmental activities</b>	<b>\$</b>	<b>19,613,692</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, 2018**

	General	Other	Total
	Fund	Governmental	Governmental
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:			
Taxes	\$ 4,441,780	172,771	4,614,551
Licenses and permits	126,743	-	126,743
Intergovernmental	1,129,693	269,729	1,399,422
Fines and forfeits	120,547	12,930	133,477
Charges for services	21,730	-	21,730
Miscellaneous	141,296	7,971	149,267
Total Revenues	<u>5,981,789</u>	<u>463,401</u>	<u>6,445,190</u>
Expenditures:			
Current:			
General government	1,499,145	-	1,499,145
Police department	1,664,799	20,688	1,685,487
Fire department	1,314,878	-	1,314,878
Streets	758,769	-	758,769
State Street Aid	92,061	54,979	147,040
Financial administration	155,219	-	155,219
City court	167,455	-	167,455
Codes administration	404,147	-	404,147
Other program costs	-	30,564	30,564
Debt service	110,091	143,841	253,932
Capital outlay	324,854	355,474	680,328
Total Expenditures	<u>6,491,418</u>	<u>605,546</u>	<u>7,096,964</u>
Excess (deficiency) of revenues over expenditures	(509,629)	(142,145)	(651,774)
Other Financing Sources (Uses)			
Transfers	(408,557)	408,557	-
Fund Balance, Beginning of Year, as Restated	<u>3,139,794</u>	<u>367,822</u>	<u>3,507,616</u>
Fund Balance, End of Year	<u>\$ 2,221,608</u>	<u>634,234</u>	<u>2,855,842</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, 2018**

**Net change in fund balances-total governmental funds:** \$ (651,774)

**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	\$ 209,014	
Disposal of capital asset-book value	(12,833)	
Depreciation expense	<u>(953,443)</u>	(757,262)

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

Property tax	6,962
--------------	-------

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 payments	<u>185,000</u>	189,917

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) decrease in net OPEB obligation	2,869	
(Increase) decrease in compensated absences	(136,561)	
Decrease in pension expense-TCRS	<u>25,867</u>	<u>(107,825)</u>

**Change in net position of governmental activities** \$ (1,319,983)

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Taxes:					
Property and utility taxes	-	\$ 1,772,000	1,792,000	1,786,216	(5,784)
Local option sales tax		2,025,000	2,110,000	2,040,766	(69,234)
Wholesale beer tax		230,000	230,000	231,109	1,109
Wholesale liquor tax		92,000	92,000	83,801	(8,199)
Business tax		100,000	50,000	130,157	80,157
Tax penalties and interest		3,000	5,000	6,929	1,929
Natural gas franchise fee		50,000	50,000	49,697	(303)
Cable TV franchise tax		110,000	120,000	104,800	(15,200)
Hotel / Motel tax		9,000	9,000	8,305	(695)
Total Taxes		<u>4,391,000</u>	<u>4,458,000</u>	<u>4,441,780</u>	<u>(16,220)</u>
Licenses and Permits:					
Building permits		4,000	6,000	5,042	(958)
Other fees and permits		193,500	132,500	121,701	(10,799)
Total Licenses and Permits		<u>197,500</u>	<u>138,500</u>	<u>126,743</u>	<u>(11,757)</u>
Intergovernmental:					
Income tax		30,000	5,000	14,078	9,078
Beer tax		4,000	4,000	3,733	(267)
Mixed drink tax		9,500	10,500	10,806	306
Sales tax		660,000	680,000	680,896	896
School facilities tax		87,000	87,000	87,061	61
Petroleum special tax		16,000	16,000	16,123	123
T.V.A. in-lieu of taxes		90,000	90,000	90,739	739
Excise tax		6,750	6,750	19,392	12,642
Telecommunications salea tax		500	250	4,061	3,811
Appropriations from County		14,400	14,400	14,400	-
Police and fire incentives		39,000	22,800	19,800	(3,000)
Federal and State grants		6,500	248,000	168,604	(79,396)
Total Intergovernmental		<u>963,650</u>	<u>1,184,700</u>	<u>1,129,693</u>	<u>(55,007)</u>
Fines and Forfeits:					
Fines and costs		135,750	112,950	120,547	7,597
Charges for Services:					
Accident reports		4,500	1,500	1,600	100
Animal control		-	-	-	-
Parks & recreation fees		1,200	1,200	2,645	1,445
Special events		18,000	18,000	15,814	(2,186)
Other fees		5,000	3,000	1,671	(1,329)
Total Charges for Services		<u>28,700</u>	<u>23,700</u>	<u>21,730</u>	<u>(1,970)</u>
Miscellaneous Revenues:					
Interest income		20,000	13,750	11,335	(2,415)
Donations		7,000	12,000	10,952	(1,048)
Sale of Capital Assets		10,000	250	17,919	17,669
Other miscellaneous revenue		17,716	94,250	101,090	6,840
Total Miscellaneous Revenue		<u>54,716</u>	<u>120,250</u>	<u>141,296</u>	<u>21,046</u>
Total Revenue	\$	<u>5,771,316</u>	<u>6,038,100</u>	<u>5,981,789</u>	<u>(56,311)</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Current:				
Personnel costs	\$ 233,072	246,000	247,532	(1,532)
Contractual services	107,200	378,400	320,633	57,767
Supplies and materials	52,800	114,500	79,049	35,451
Insurance	265,450	291,000	262,994	28,006
Other projects	95,000	575,000	588,937	(13,937)
Capital outlay	85,500	286,000	296,853	(10,853)
Total General Government	<u>839,022</u>	<u>1,890,900</u>	<u>1,795,998</u>	<u>94,902</u>
Financial Administration				
Current:				
Personnel costs	118,867	119,380	118,625	755
Contractual services	19,550	20,250	15,589	4,661
Supplies	5,700	7,550	5,183	2,367
Insurance	18,800	18,900	15,822	3,078
Capital outlay	3,000	3,000	5,029	(2,029)
Total Financial Administration	<u>165,917</u>	<u>169,080</u>	<u>160,248</u>	<u>8,832</u>
City Court				
Current:				
Personnel costs	106,809	132,092	134,526	(2,434)
Contractual services	7,000	6,750	24	6,726
Supplies	6,900	5,450	4,077	1,373
Insurance	18,800	27,200	28,828	(1,628)
Capital outlay	-	-	-	-
Total City Court	<u>139,509</u>	<u>171,492</u>	<u>167,455</u>	<u>4,037</u>
Planning and Zoning:				
Current:				
Personnel costs	259,229	262,887	295,876	(32,989)
Contractual services	81,650	90,000	76,858	13,142
Supplies	14,800	12,700	9,560	3,140
Insurance	28,400	25,200	21,853	3,347
Capital outlay	1,500	1,500	19	1,481
Total Planning and Zoning	<u>385,579</u>	<u>392,287</u>	<u>404,166</u>	<u>(11,879)</u>
Public Safety:				
Police Department:				
Current:				
Personnel costs	1,201,771	1,184,600	1,229,029	(44,429)
Contractual services	38,700	78,750	75,065	3,685
Operating supplies	162,050	155,300	140,909	14,391
Insurance	206,600	214,200	219,796	(5,596)
Other	-	-	-	-
Capital outlay	1,000	1,000	-	1,000
Total Police Department	<u>1,610,121</u>	<u>1,633,850</u>	<u>1,664,799</u>	<u>(30,949)</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, 2018**

	<u>Final</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire Department:				
Current:				
Personnel costs	1,019,948	936,200	950,083	(13,883)
Contractual services	54,550	43,750	34,421	9,329
Supplies	158,750	197,050	164,741	32,309
Insurance	159,600	167,500	165,633	1,867
Capital outlay	16,000	22,000	12,210	9,790
Total Fire Department	<u>1,408,848</u>	<u>1,366,500</u>	<u>1,327,088</u>	<u>39,412</u>
Total Public Safety	<u>3,018,969</u>	<u>3,000,350</u>	<u>2,991,887</u>	<u>8,463</u>
Public Works:				
Current:				
Personnel costs	542,195	518,386	502,915	15,471
Contractual services	19,950	37,650	37,486	164
Supplies	185,400	176,455	101,337	75,118
Other	9,800	97,500	4,255	93,245
Insurance	110,400	122,800	112,776	10,024
Capital outlay	111,500	199,000	10,743	188,257
Total Public Works	<u>979,245</u>	<u>1,151,791</u>	<u>769,512</u>	<u>382,279</u>
Board of Commissioners:				
Current:				
Personnel costs	29,066	28,500	28,387	113
Services	8,800	11,200	3,967	7,233
Supplies	25,100	25,100	19,132	5,968
Insurance	27,600	48,000	40,575	7,425
Capital outlay-street paving			-	-
Total Board of Commissioners	<u>90,566</u>	<u>112,800</u>	<u>92,061</u>	<u>20,739</u>
Debt service:				
Debt service	108,000	108,000	110,091	(2,091)
Total Debt service	<u>108,000</u>	<u>108,000</u>	<u>110,091</u>	<u>(2,091)</u>
Total Expenditures	<u>5,726,807</u>	<u>6,996,700</u>	<u>6,491,418</u>	<u>505,282</u>
Other Financing Sources (Uses)				
Transfer out from General Fund			(408,557)	(408,557)
Excess (deficiency) of revenues over expenditures	44,509	(958,600)	(918,186)	40,414
Fund Balance, Beginning of Year, as Restated	<u>3,139,794</u>	<u>3,139,794</u>	<u>3,139,794</u>	<u>-</u>
Fund Balance, End of year	\$ <u>3,184,303</u>	<u>2,181,194</u>	<u>2,221,608</u>	<u>40,414</u>

See accompanying notes to financial statements.

# CITY OF FAIRVIEW, TENNESSEE

## Notes to Financial Statements

June 30, 2018

### (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, 2018, 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, 2018

**(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, 2018

**(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, 2018. Amounts which were available at June 30, 2018 have been recorded as revenue. Property taxes which will be levied October 1, 2018 in the amount of \$1,792,026 have also been recorded as a receivable with offsetting deferred revenue to reflect amounts not available at June 30, 2018.

Supply Inventory

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued at lower of cost (first-in, first-out) or market,

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(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 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 City’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 recorded at acquisition value when received.

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, 2018

**(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 vacation 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, 2018. Payments may be made during the period from October 1 through February 28. Current tax collections of \$1,763,247 for the fiscal year ended June 30, 2018 were approximately 98 % 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, 2018

#### (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 \$324,570 and shown as committed fund balance at June 30, 2018. 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, 2018

(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 2018, 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, 2018, 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, 2018, consisted of the following:

<u>Fund</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Combined Total</u>
Property taxes:			
Delinquent	\$ 51,765	-	51,765
2016 Levy-Unavailable	1,792,025	-	1,792,025
Other governments:			
State shared	495,933	47,289	543,222
Grants	2,626	-	2,626
Less: allowance for doubtful accounts	<u>(4,432)</u>	<u>-</u>	<u>(4,432)</u>
Total	<u>\$ 2,337,917</u>	<u>47,289</u>	<u>2,385,206</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(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, 2017</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2018</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	4,277,477	-	-	4,277,477
Equipment	4,018,634	209,014	(120,420)	4,107,228
Infrastructure	<u>27,407,978</u>	<u>-</u>	<u>-</u>	<u>27,407,978</u>
Total depreciable capital assets	<u>35,704,089</u>	<u>209,014</u>	<u>(120,420)</u>	<u>35,792,683</u>
Total capital assets	\$ <u>38,196,689</u>	<u>209,014</u>	<u>(120,420)</u>	<u>38,285,283</u>
	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Accumulated Depreciation</u>				
Buildings and improvements	\$ 1,517,525	110,863	-	1,628,388
Equipment	2,493,096	383,967	(107,587)	2,769,476
Infrastructure	<u>14,054,086</u>	<u>458,614</u>	<u>-</u>	<u>14,512,700</u>
Total Accumulated Depreciation	<u>18,064,707</u>	<u>953,444</u>	<u>(107,587)</u>	<u>18,910,564</u>
Total Depreciable Capital Assets, Net of Depreciation	\$ <u>17,639,382</u>			<u>16,882,119</u>
Total Capital Assets, Net of Depreciation	\$ <u>20,131,982</u>			<u>19,374,719</u>

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

General Government	\$ 158,735
Public Safety	324,703
Highways and Streets	468,310
Parks and Recreation	<u>1,696</u>
Total	\$ <u>954,444</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(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 2018.

	<u>Interest Rates</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
General Obligation						
Bonds, Series 2015	2-3%	<u>2,755,000</u>	-	<u>(185,000)</u>	<u>2,570,000</u>	<u>190,000</u>
		2,755,000	-	(185,000)	2,570,000	190,000
Add premium		<u>29,498</u>	-	<u>(4,915)</u>	<u>24,583</u>	-
Total general obligation bonds		<u>2,784,498</u>	-	<u>(189,915)</u>	<u>2,594,583</u>	<u>190,000</u>
Compensated Absences		<u>133,601</u>	<u>136,561</u>	-	<u>270,162</u>	<u>270,162</u>
Total		<u>\$2,918,099</u>	<u>136,561</u>	<u>(184,915)</u>	<u>2,864,745</u>	<u>460,162</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>
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
2024-2028	1,100,000	161,363
2029-2030	<u>485,000</u>	<u>21,900</u>
Total	\$ <u>2,570,000</u>	<u>458,968</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, 2018

**(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.

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

*Employees covered by benefit terms.* At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees / beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	55
Active employees	<u>49</u>
	<u>122</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, 2018, the actuarially determined contribution (ADC) for Fairview was \$205,191 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.



**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(6) Pension Plan (Continued)**

**Net Pension Liability (Asset)**

Fairview's net pension liability (asset) as presented in the accompanying financial statements was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.56 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(6) Pension Plan (Continued)**

**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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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>
	(a)	(b)	(a) – (b)
<b>Balance at 6/30/16</b>	\$5,082,158	5,066,401	15,757
<b>Changes for the year:</b>			
Service cost	168,150	-	168,150
Interest	384,976	-	384,976
Differences between expected and actual experience	111,634	-	111,634
Changes in assumptions	132,101	-	132,101
Contributions – Employer	-	160,834	(160,834)
Contributions- Employees	-	-	-
Net investment income		569,733	(569,733)
Benefit payments, including refunds of employee contributions	(234,596)	(234,596)	-
Administrative expense	-	(3,923)	3,923
<b>Net changes</b>	<u>562,265</u>	<u>492,048</u>	<u>70,217</u>
<b>Balance at 6/30/17</b>	<u>\$5,644,423</u>	<u>5,558,449</u>	<u>85,974</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City of Fairview's net Pension liability (asset)	\$ <u>945,416</u>	<u>85,974</u>	<u>(618,700)</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, 2018, City of Fairview recognized pension expense of \$179,324.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2018, City of Fairview reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 128,985	(90,292)
Changes in assumptions	115,588	
Net difference between projected and actual earning on pension plan investments	714	-
Contributions subsequent to the measurement date of June 30, 2017	<u>205,191</u>	<u>-</u>
Total	\$ <u>450,478</u>	<u>(90,292)</u>

The amount shown above for "Contribution subsequent to the measurement date of June 30, 2017," 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, 2018

**(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:	
2019	\$ (658)
2020	72,205
2021	30,055
2022	(17,749)
2023	20,784
Thereafter	50,359

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, 2018, the City reported a payable \$14,726 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

**(7) Post Employment Benefit Plan**

During 2017, the City’s annual OPEB cost was calculated based on the Annual Required Contributions (ARC) of the employer. The (ARC) is the amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represented a level of funding that, if paid on an ongoing basis, was projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

During 2018, the City adopted GASB Statement No. 75, this statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 requires the District to report the total liability on the face of the financial statements and also requires the presentation of more extensive note disclosures and required supplementary information about their OPEB.

**Funding Policy**

The District does not intend to fund the post-employment medical plan. No assets have been segregated and restricted to provide for post-employment benefits.

**Demographic Information**

Membership

The number of participants at June 30, 2018, was as follows:

	<u>Employee</u>	<u>Dependents</u>
Active	6	26
Retired	<u>1</u>	<u>-</u>
Total	<u>7</u>	<u>26</u>

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

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

**Plan Provisions**

**Medical Benefits**

Eligibility Retirement at age 60 with 15 or more years of service or retirement at age 55 with 25 or more years of service. Retiree must have been hired prior to November 5, 2015.

A spouse of a retiree is eligible for subsidized coverage if covered at least 5 continuous years prior to retirement.

Postretirement Contributions Fairview pays 50% of the premium for elected coverage for the eligible retiree. The premium varies by plan option and coverage tier (individual or family).

Medical Plan Benefits Two options (1 and 2) are available through Blue Cross Blue Shield of Tennessee.

Coverage is provided to the retiree's age 65 if there are no interruptions in coverage

Other Benefits No other healthcare benefits are available to retirees.

**Change in Plan Provisions** None.

**Actuarial Method** Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary.

**Service Cost** Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that 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 participant's service between date of hire and date of expected termination.

**Total OPEB Liability** The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

**Discount Rate** 3.88% (0.88% real rate of return plus 3.00% inflation)

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

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

**Average per Capita Claim cost:**

Age	Medical
55	7,580
56	7,808
57	8,042
58	8,283
59	8,532
60	8,787
61	9,051
62	9,323
63	9,602
64	9,890

**Health Care Cost Trend**

Level 5.5%

**Effect of ACA**

The excess coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits in this valuation. This plan has current medical costs well under the limits in current law. Current legislative discussions include both repeal of the excise tax and postponement beyond 2022.

**Mortality**

RPH -2014 Total Table with Projection MP-2017

**Turnover**

Rates varying based on unisex age and select and ultimate at 3 years. Rates based the TCRS actuarial assumptions from the 2017 retirement plan valuation report. More detail is shown on Page 14.

**Disability**

None assumed

**Retirement Rates**

Detail is shown on Page 14.

**Retiree Contributions**

Retirees pay the balance of the contribution not paid by the City. Currently this is 50% of the contribution for elected coverage.

**Salary Scale**

3.00%

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

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

**Data Assumptions**

Coverage 100% of all retirees who currently 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.

**Valuation Methodology and Terminology**

We have used GASB accounting methodology to determine the postretirement medical benefit obligations.

**Valuation Date** June 30, 2018

**Measurement Date** June 30, 2018

**Selection of Assumptions**

The discount rate was selected by reviewing the recent published Bond Buyer GO-20 bond index. This is one of the indices acceptable under GASB 75. This index is published weekly and is trending toward 4.00% in recent months. We selected 3.88% as the discount rate for this valuation.

The termination rates were developed from the withdrawal assumption used in the 2017 actuarial report for the TCRS retirement plans. The rates are a two year select and ultimate table. The following are representative rates used in this valuation.

	<u>Employee Termination Rate</u>		
	<u>1<sup>st</sup> Year</u>	<u>2<sup>nd</sup> Year</u>	<u>Ultimate</u>
Male			
Age 30	21.8%	17.9%	7.4%
Age 40	19.2%	15.9%	3.5%
Age 50	17.0%	13.0%	2.8%
Female			
Age 30	21.8%	17.9%	11.1%
Age 40	19.2%	15.9%	5.4%
Age 50	17.0%	13.0%	3.8%

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

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

**Selection of Assumptions (Continued)**

The retirement rates were developed from the assumption used in the 2017 actuarial report for the TCRS retirement plans. These rates are gender specific. The following are representative rates used in this valuation.

Employment Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
60	10.5%	11.0%
61	15.0%	13.0%
62	20.0%	18.0%
63	17.5%	16.0%
64	17.5%	16.0%
65	24.0%	24.0%

The mortality table is a current table used for valuation purposes and the mortality projection used is the most current available.

**Changes in the Total OPEB Liability**

Net OPEB Obligation (Asset), June 30, 2017, calculated under provisions of GASB 45	\$ 7,725
Restatement required under GASB 75	<u>36,619</u>
Balance at June 30, 2017, GASB 75	44,344
Changes for the year:	
Service cost	2,679
Interest	1,684
Benefit payments	<u>(7,232)</u>
Net changes	<u>(2,869)</u>
Balance at 6/30/18	\$ <u>41,478</u>

Plan fiduciary net position, end of year -%

**OPEB Expense**

Service cost	\$ 2,679
Interest	<u>1,684</u>
Total OPEB expense	\$ <u>4,363</u>



**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

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

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate at June 30, 2018:

	1% Decrease	Discount Rate	1 % Increase
	<u>2.88%</u>	<u>3.88%</u>	<u>4.88%</u>
Total OPEB liability	\$ 37,000	\$ 41,475	\$ 46,569

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate at June 30, 2018:

	1% Decrease	Healthcare Cost Trend Rate	1 % Increase
	<u>4.5%</u>	<u>5.5%</u>	<u>6.5%</u>
Total OPEB liability	\$ 35,436	\$ 41,475	\$ 49,011

**Deferred Inflows (Outflows)**

At June 30, 2018, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Deferred Outflows of Resources	Deferred Inflows of Resources
\$ -	-

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense. There were no deferred outflows / inflows, accordingly there is future OPEB expense amounts at June 30, 2018.

**(8) Interfund Transactions**

Prior to the fiscal year 2017-18, State Street Aid revenues and related expenditures had been shown in the General Fund. Effective July 1, 2017, the General Fund transferred the accumulated equity (\$400,035) of State Street Aid revenues over expenditures to a separate Special Revenue Fund that was subsequently used to account solely for State Street Aid revenues and related expenditures.

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(9) Budget Overages**

Expenditures exceeded budgetary amounts as shown below. Funding of any departmental budget overage or fund deficit is ultimately the responsibility of the General Fund.

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund			
Planning and Zoning	\$ 392,287	404,166	11,879
Police Department	1,633,850	1,664,799	30,949
Debt service	108,007	110,091	2,091

**(9) 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.

**(10) 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.

**CITY OF FAIRVIEW, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2018

**(11) Restatement**

Change in accounting principle:

As a result, of the adoption of GASB 75 the District was required to report the difference between the net pension benefits accrued as determined under GASB 45 and the net OPEB obligation at determined under provisions of GASB 75. The cumulative effect of this change in accounting principle amounted to \$2,876,800, it was accounted for as a reduction in net position as of July 1, 2017.

Correction of Accounts Payable:

Also, during the 2017-18 fiscal year, the City determined that general fund accounts payable was inadvertently under stated in the amount of \$62,355, as a result, net position at July 1, 2017 was reduced by that amount.

	General Fund	Government- Wide Activities
Restatements were as follows as of July 1, 2017:		
Net Position, July 1, 2017, as previously reported	\$ 3,202,149	21,032,649
Cumulative effect of changing to GASB 75	-	(36,619)
Restatement for accounts payable	<u>(62,355)</u>	<u>(62,355)</u>
Net Position, July 1, 2017 as restated	<u>\$ 3,139,794</u>	<u>20,933,675</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>	<b>2016</b>	<b>2017</b>
Service cost	\$ 169,875	170,397	178,654	168,150
Interest	313,189	339,727	357,365	384,976
Differences between actual and expected experience	8,028	(135,439)	35,793	111,634
Change in assumptions	-	-	-	132,101
Benefit payments, including refunds of employee contributions	(131,702)	(143,821)	(151,727)	(234,596)
<b>Net change in total pension liability</b>	<b>359,390</b>	<b>230,864</b>	<b>420,085</b>	<b>562,265</b>
<b>Total pension liability, beginning of year</b>	<b>4,071,819</b>	<b>4,431,209</b>	<b>4,662,073</b>	<b>5,082,158</b>
<b>Total pension liability, ending of year (a)</b>	<b>\$ 4,431,209</b>	<b>4,662,073</b>	<b>5,082,158</b>	<b>5,644,423</b>
<b>Plan fiduciary net position</b>				
Contributions, employer	\$ 250,211	168,877	164,928	160,834
Contributions, employee	-	-	-	-
Net investment income	666,704	146,850	130,793	569,733
Benefit payments, including refunds of employee contributions	(131,702)	(143,821)	(151,727)	(234,596)
Administrative expenses	(1,892)	(2,701)	(3,635)	(3,923)
<b>Net change in plan fiduciary net position</b>	<b>783,321</b>	<b>169,205</b>	<b>140,359</b>	<b>492,048</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>3,973,516</b>	<b>4,756,837</b>	<b>4,926,042</b>	<b>5,066,401</b>
<b>Plan fiduciary net position, ending of year (b)</b>	<b>\$ 4,756,837</b>	<b>4,926,042</b>	<b>5,066,401</b>	<b>5,558,449</b>
<b>Net Pension Liability (asset) ending of year (a)-(b)</b>	<b>\$ (325,628)</b>	<b>(263,969)</b>	<b>15,757</b>	<b>85,974</b>
<b>Plan fiduciary net position, as a percentage of total pension liability</b>	<b>107.35%</b>	<b>105.66%</b>	<b>99.69%</b>	<b>98.48%</b>
<b>Covered-employee payroll</b>	<b>\$ 2,134,899</b>	<b>2,282,120</b>	<b>2,228,762</b>	<b>2,228,762</b>
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>-15.25%</b>	<b>-11.57%</b>	<b>0.71%</b>	<b>3.86%</b>

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>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 250,211	168,877	164,928	160,834	205,191
Contributions in relation th the actuarially determined contribution	<u>(250,211)</u>	<u>(168,877)</u>	<u>(164,928)</u>	<u>(160,834)</u>	<u>(205,191)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 2,134,899	2,282,120	2,233,892	2,173,434	2,645,890
Contributions as a percentage of covered employee payroll	11.72%	7.40%	7.38%	7.40%	7.76%

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, 2018**

*Valuation date:* Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2017 actuarial valuation.

*Methods and assumptions used to determine the contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by 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, 2018**

	Special Revenue Funds			Total
	Drug Fund	State Street Aid	Facilities Tax Fund	Nonmajor Government Funds
<u>Assets</u>				
Cash and cash investments	87,396	193,568	309,131	590,095
Accounts receivable:	\$ -	47,289	-	47,289
Total Assets	\$ <u>87,396</u>	<u>240,857</u>	<u>309,131</u>	<u>637,384</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 2,450	175	525	3,150
Total Liabilities	<u>2,450</u>	<u>175</u>	<u>525</u>	<u>3,150</u>
 Fund balance:				
Restricted for:				
Public Safety	84,946	-	-	84,946
State street aid	-	240,682	-	240,682
Public Facilities	-	-	308,606	308,606
Total Fund Balance	<u>84,946</u>	<u>240,682</u>	<u>308,606</u>	<u>634,234</u>
Total Liabilities and Fund Balance	\$ <u>87,396</u>	<u>240,857</u>	<u>309,131</u>	<u>637,384</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, 2018**

	Special Revenue Funds			Total
	Drug Fund	State Street Aid	Facilities Tax Fund	Nonmajor Government Funds
Revenues:				
Taxes:				
State gasoline tax	-	269,729		269,729
Facilities tax	-	-	172,771	172,771
Fines and Forfeits:				
Drug related fines	12,930	-	-	12,930
Miscellaneous:				
Interest	71	51	-	122
Other income	7,849		-	7,849
Total Revenues	20,850	269,780	172,771	463,401
Expenditures:				
Current:				
Personnel	-	-	-	-
Contractual services	1,685	25,429	12,069	39,183
Supplies	18,803	29,550	-	48,353
Other	200		18,495	18,695
Program expenses	-		-	-
Debt service	-	38,806	105,035	143,841
Capital outlay	11,840	335,348	8,286	355,474
Total Expenditures	32,528	429,133	143,885	605,546
Other Financing Sources (Uses)				
Transfer in from General Fund	1,394	400,035	7,128	408,557
Excess (deficiency) of revenues over expenditures	(10,284)	240,682	36,014	266,412
Fund Balance, beginning of year	95,230	-	272,592	367,822
Fund Balance, end of year	\$ 84,946	240,682	308,606	634,234

**CITY OF FAIRVIEW, TENNESSEE**

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

**Drug Fund**

**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance: Favorable (Unfavorable)
	Original	Final		
Revenues:				
Fines and forfeits:				
Drug-related fines	\$ 13,000	12,000	12,930	930
Miscellaneous income				
Other income	20,250	250	7,920	7,670
Total revenues	33,250	12,250	20,850	8,600
Expenditures:				
Current:				
Contractual services	3,000	3,000	1,685	1,315
Supplies	29,000	29,000	18,803	10,197
Other	14,000	14,000	12,040	1,960
Total expenditures	46,000	46,000	32,528	13,472
Other Financing Sources (Uses)				
Transfer in from General Fund	-	-	1,394	1,394
Excess (deficiency) of revenues over expenditures and other sources (uses)	(12,750)	(33,750)	(10,284)	23,466
Fund Balance, beginning of year	95,230	95,230	95,230	-
Fund Balance, end of year	\$ 82,480	61,480	84,946	23,466

**CITY OF FAIRVIEW, TENNESSEE**

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

**State Street Aid**

**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes:				
State gasoline tax	\$ 225,250	260,250	269,729 *	9,479
Other income	-	-	51	51
Total revenues	<u>225,250</u>	<u>260,250</u>	<u>269,780</u>	<u>9,530</u>
Expenditures:				
Current:				
Services	28,000	28,000	25,429	2,571
Supplies	57,500	57,500	29,550	27,950
Debt service	39,000	39,000	38,806	194
Capital outlay	<u>404,750</u>	<u>360,000</u>	<u>335,348</u>	<u>24,652</u>
Total expenditures	<u>529,250</u>	<u>484,500</u>	<u>429,133</u>	<u>55,367</u>
Other Financing Sources (Uses)				
Transfer in from General Fund	-	-	400,035	400,035
Excess (deficiency) of revenues over expenditures	(304,000)	(224,250)	240,682	464,932
Fund Balance, beginning of year	<u>272,592</u>	<u>272,592</u>		<u>(272,592)</u>
Fund Balance, end of year	\$ <u><u>(31,408)</u></u>	<u><u>48,342</u></u>	<u><u>240,682</u></u>	<u><u>192,340</u></u>

Comprised of Gas 1989 tax, Gas 2017 tax, Gas 3 cent tax and Gasoline & Motor Fuel tax of \$25,385, \$38,477, \$47,051, and \$158,816.00

**CITY OF FAIRVIEW, TENNESSEE**

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

**Facilities Tax Fund**

**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes:				
Facilities tax	\$ 225,250	160,250	172,771	12,521
Total revenues	<u>225,250</u>	<u>160,250</u>	<u>172,771</u>	<u>12,521</u>
Expenditures:				
Current:				
Services	25,000	15,000	12,069	2,931
Supplies	60,000	60,000	-	60,000
Other	67,000	31,000	18,495	12,505
Debt service	105,000	105,000	105,035	(35)
Capital outlay	<u>21,000</u>	<u>12,000</u>	<u>8,286</u>	<u>3,714</u>
Total expenditures	<u>278,000</u>	<u>223,000</u>	<u>143,885</u>	<u>79,115</u>
Other Financing Sources (Uses)				
Transfer in from General Fund			<u>7,128</u>	<u>7,128</u>
Excess (deficiency) of revenues over expenditures	(52,750)	(62,750)	36,014	98,764
Fund Balance, beginning of year	<u>272,592</u>	<u>272,592</u>	<u>272,592</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 219,842</u>	<u>209,842</u>	<u>308,606</u>	<u>98,764</u>

**CITY OF FAIRVIEW, TENNESSEE**

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

**For the Year Ended June 30, 2018**

Capital Asset Type:	<b>Cost / Estimated Cost</b>			
	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 2,492,600	-	-	2,492,600
Buildings and improvements	4,277,477	-	-	4,277,477
Machinery and equipment	4,018,634	209,014	(120,420)	4,107,228
Infrastructure	27,407,978	-	-	27,407,978
<b>Total</b>	<b>\$ <u>38,196,689</u></b>	<b><u>209,014</u></b>	<b><u>(120,420)</u></b>	<b><u>38,285,283</u></b>

Capital Asset Type:	<b>Accumulated Depreciation</b>			
	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2018</u>
Buildings	\$ 1,517,525	110,863	-	1,628,388
Machinery and equipment	2,493,096	383,967	(107,587)	2,769,476
Infrastructure	14,054,086	458,614	-	14,512,700
<b>Total</b>	<b>\$ <u>18,064,707</u></b>	<b><u>953,444</u></b>	<b><u>(107,587)</u></b>	<b><u>18,910,564</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, 2018**

	<b>Cost / Estimated Cost</b>			
	<u>Balance</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u>
	<u>June 30, 2017</u>			<u>June 30, 2018</u>
General Government	\$ 5,063,327	209,014	(78,335)	5,194,006
Public Safety	3,376,287	-	(42,085)	3,334,202
Highways and Streets	27,407,978	-	-	27,407,978
Parks and Recreation	2,349,097	-	-	2,349,097
Grand Total	\$ <u>38,196,689</u>	<u>209,014</u>	<u>(120,420)</u>	<u>38,285,283</u>

	<b>Accumulated Depreciation</b>			
	<u>Balance</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u>
	<u>June 30, 2017</u>			<u>June 30, 2018</u>
General Government	\$ 2,429,488	158,735	(77,426)	2,510,797
Public Safety	1,578,904	324,703	(30,161)	1,873,446
Highways and Streets	14,054,087	468,310		14,522,396
Recreation	2,229	1,696		3,925
Grand Total	\$ <u>18,064,707</u>	<u>953,444</u>	<u>(107,587)</u>	<u>18,910,564</u>

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**June 30, 2018**

<u>Tax Year</u>	<u>Balance June 30, 2017</u>	<u>Levy</u>	<u>Changes in Assessment</u>	<u>Collections</u>	<u>Balance June 30, 2018</u>
2017	\$ -	1,792,025	8,795	(1,763,247)	37,573
2016	30,993	-	-	(24,510)	6,483
2015	6,238	-	-	(3,990)	2,248
2014	1,758	-	-	(698)	1,060
2013	1,675	-	-	(110)	1,565
2012	953	-	-	(299)	654
2011	1,510	-	-	(262)	1,248
2010	172	-	-	-	172
2009	334	-	-	-	334
2008	427	-	-	-	427
	<u>\$ 44,060</u>	<u>1,792,025</u>	<u>8,795</u>	<u>(1,793,116)</u>	<u>51,764</u>
					Add 2018-19 Estimated Levy 1,792,026
					Less Allowance for Uncollectible (4,432)
					<u>\$ 1,839,358</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 2016 tax year, are delinquent and are subject to collection proceedings.



**CITY OF FAIRVIEW, TENNESSEE**

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

**June 30, 2018**

<u>Fiscal Year</u>	<u>General Obligation Refunding Bonds - Series 2015</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 2,570,000</u>	<u>458,968</u>

**CITY OF FAIRVIEW, TENNESSEE**

**Schedule of Federal and State Financial Assistance**

**For the Year Ended June 30, 2018**

CFDA Number	Grant Number	Program Name	Grantor Agency	(Receivable) Deferred Balance 6-30-17	Adjustments	Grant Receipts	Grant Expenditures	(Receivable) Deferred Balance 6-30-18
<b>Federal Programs:</b>								
16.738	Contract 30017	JAG grant	U.S. Dept of Justice Transportation	\$ -	-	4,101	(4,101)	-
20.600	Z17THS161	Govenors Highway Safety Program	U.S. Department of Transportation	** -	-	5,857	(5,857)	-
20.600	Z17THS108	Govenors Highway Safety Program	U.S. Department of Transportation	** -	-	9,671	(12,297)	(2,626)
				<u>(1,070)</u>	<u>-</u>	<u>19,629</u>	<u>(22,255)</u>	<u>(2,626)</u>
20.205	SRTS-9400(54)	Safe Routes to School	U.S. Department of Transportation	** (87,083)	-	229,082	(141,999)	(0)
				<u>(81,044)</u>	<u>-</u>	<u>229,082</u>	<u>(141,999)</u>	<u>(0)</u>
			Total Federal Programs	\$ <u>(82,114)</u>	<u>-</u>	<u>252,812</u>	<u>(168,355)</u>	<u>(2,626)</u>
<b>State Programs:</b>								
N/A	Contract 65877	State Forestry Grant	Tennessee Department of Agriculture	\$ -	-	2,350.00	(2,350.00)	-

\* Passed through the Tennessee Dept. of Transportation.

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

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

## **OTHER REPORTS SECTION**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

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NASHVILLE, TN 37204-3109

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GREGORY V. HOWELL

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## **INDEPENDENT AUDITORS' 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, each major fund, and the aggregate remaining fund information of the City of Fairview, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 18, 2018.

### **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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

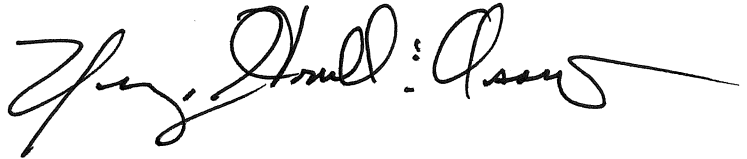
**Compliance and Other Matters**

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*.

**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 18, 2018

A handwritten signature in black ink, appearing to read "Greg. Gould". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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

**June 30, 2018**

**Current Year Findings**

None

**CITY OF FAIRVIEW, TENNESSEE**

Schedule of Disposition of Prior Year Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2018

**Financial Statement Findings**

Finding Number	Finding Title	Finding Status
2017-002	General Fixed Asset Records Original Finding #2016-002	Corrected
2017-003	Internal Control Manual Original Finding # 2016-003	Corrected

**Schedule of Expenditure of Federal Awards**

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