

TOWN OF FARRAGUT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

Allison M. Myers
Town Recorder

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TOWN OF FARRAGUT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

June 30, 2016

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November 28, 2016

The Board of Mayor and Aldermen
and Citizens of the
Town of Farragut, Tennessee

The comprehensive annual financial report of the Town of Farragut, Tennessee, for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the town's financial activities have been included.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Farragut's MD&A can be found immediately following the report of the independent auditors.

The Town is required to undergo an annual audit in conformity with the provisions of generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. The Town's level of federal financial assistance for the fiscal year is below the amount that requires an audit in conformity with the provisions of the Single Audit Act, as revised in 2003, and OMB Circular A-133. Thus, an audit in conformity with this provision is not required. The independent auditors' report on the internal control structure and compliance with applicable laws and regulations is included.

The Reporting Entity and Its Services

The Town of Farragut is located in Knox County on the southwestern limits of the City of Knoxville, Tennessee, and in close proximity to the City of Oak Ridge, Tennessee. Farragut was first settled in the early 1800's and was basically an agrarian community until the early 1960's. It is now one of the most rapidly developing residential areas of Knox County.

The Town of Farragut was incorporated in 1980 as the citizens wished to have "control of their destiny" and planned orderly growth of commercial and residential areas. Farragut is primarily a bedroom community serving the business, educational, and industrial sectors of Knoxville, Tennessee, and the United States Government facilities located at Oak Ridge, Tennessee.

The Reporting Entity and Its Services (Continued)

The Town of Farragut is unique in that it does not provide a full-range of municipal services, nor does it levy any property taxes. The Town does provide street and drainage construction and maintenance, recreational activities and facilities, planning and zoning, building codes enforcement, engineering, and administrative services. The Town also supports and maintains the Farragut Folklife Museum featuring an extensive collection of documents and memorabilia of Admiral David Glasgow Farragut, its namesake, who was born in the area, as well as a collection of local and Civil War art and artifacts.

The Knox County Board of Education provides educational services to students within the jurisdiction of the Town of Farragut. The county school system is a part of the government of Knox County. The Knox County Library Board opened a Farragut branch library on Campbell Station Road in 1997. Electrical service is provided by the Lenoir City Utility Board, Lenoir City, Tennessee; the First Utility District of Knox County provides water and sewer services; and natural gas is provided by the Knoxville Utility Board, Knoxville, Tennessee. The Knox County Sheriff's Department provides law enforcement and Rural/Metro Corporation, a private subscription fire department, provides fire protection. Private subscription companies including Tennessee Trash Service and Waste Management provide garbage collection. Each of these services was in place and in existence before the incorporation of the town on January 16, 1980.

The five-member Board of Mayor and Aldermen are elected to staggered four-year terms; the mayor runs at large, two aldermen are elected from each of the two wards. All elected officials serve without financial compensation. The Town Administrator is appointed by and serves at the pleasure of the Board of Mayor and Aldermen. All employees serve at the pleasure of the Town Administrator in accordance with the Town of Farragut Personnel Policies.

Economic Outlook

The Town has been successful for 36 years in meeting the demands of an increasing population without property taxes. The main sources of revenue are local sales tax, state-shared revenue and miscellaneous permits and fees.

The greater Knoxville five-county area enjoys a relatively stable economy and is somewhat insulated from national trends. This is due primarily to the two largest area employers: the University of Tennessee, and the three United States Department of Energy facilities in Oak Ridge, Tennessee – the Oak Ridge National Laboratory, the Y-12 nuclear weapons plant, and East Tennessee Technology Park, a former uranium enrichment facility. The University of Tennessee provides stable employment; the Oak Ridge/Department of Energy employment remains fairly stable.

Farragut's commerce consists mainly of small service-oriented commercial shopping areas. Employment within the town is generally limited to retail sales and professional services which continue to grow.

Farragut's attractiveness is its small town, rural atmosphere and dedication to aesthetics. Stringent controls on zoning, building codes, and signage; regulations promoting the preservation of open space; the development of parks and recreational facilities; and excellent schools have made Farragut a very desirable place to live and raise a family. The growth is substantiated by an increase in population. The Town has experienced 875 single-family housing starts in the past ten years.

(Continued)

Major Initiatives

The major initiatives for Fiscal Year 2016 was the continuing construction of the Everett Road widening project and the engineering plans for the Kingston Pike Greenway.

Road/street resurfacing and sidewalk construction continues to be a priority. Resurfacing and maintenance costs for roads, streets, and sidewalks were \$726,474.

Park projects for Fiscal Year 2016 included the completion of the playground improvements and installation of synthetic turf at Mayor Bob Leonard Park.

Equipment purchases for Fiscal Year 2016 included the purchase of two (2) 4-wheel drive mowers, a 2-wheel drive mower, a 2016 Ford F-150, and a 2016 Freightliner dump truck. The Equipment and vehicle purchases totaled \$199,832 and were financed with current funds.

Current projects for Fiscal Year 2017 include the continued construction of Everett Road, improvements to the Watt Road/Kingston Pike intersection, construction of the Kingston Pike Greenway, and improvements to the Russell House site. Road resurfacing and sidewalk construction are also planned.

Equipment to purchase in Fiscal Year 2017 includes the replacement of a John Deere 997 mower and a 2006 dump truck. Park plans for Fiscal Year 2017 include field improvements at Bob Leonard Park and McFee Park expansion plans.

Long-range plans include the widening and reconstruction of additional streets, the development of additional parkland, and continuing construction of a pedestrian circulation system.

Financial Information

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Town also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the financial staff of the Town.

As a part of the Town's audit, described earlier, the auditors considered the Town's internal control structure in order to determine the auditing procedures necessary, including that portion related to federal and state financial assistance programs, as well as to determine that the Town has complied with applicable laws and regulations. The results of the Town's audit for the fiscal year ended June 30, 2016, provide no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

(Continued)

Financial Information (Continued)

In addition, the town maintains a system of budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the town's governing body. Expenditures may not legally exceed appropriations authorized by the Board of Mayor and Aldermen. Any revision to the total expenditures of any fund must be approved by the board with an appropriate ordinance amendment.

General Government Functions

Revenue increased over the previous year's revenue by 12 percent. Local Taxes increased by 5 percent; License and Permit revenues increased by 16 percent. Intergovernmental revenue, made up primarily of state taxes shared on a per capita basis with local governments, increased by 23 percent. Fines, forfeitures, and costs increased by 45 percent, whereas interest on investments increased by 179 percent. Other revenues increased by 45 percent due primarily to utility relocation assistance.

Expenditures increased by 47 percent from the previous year due primarily to increases in Capital Outlay.

Fund Balance

As a result of this year's operations, the ending fund balance for all governmental fund types was \$24,753,015. Of this total, the unassigned fund balance of the General Fund was \$9,019,693. The administrative policy is to maintain a minimum reserve in the General Fund equal to thirty percent of the current annual operating budget of \$6,785,646, or \$2,035,694. Therefore, \$6,983,999 was available for appropriation in future fiscal years.

Capital Improvements

Appropriations from the fund balance are generally utilized for specific capital improvement projects. Many of these projects are implemented over a multi-year schedule that requires continued appropriations or a carryover of the outstanding balances. All current and proposed capital projects will be financed without the issuance of debt obligations.

Other Funds and Designations

The Board of Mayor and Aldermen has established other funds and designations to provide revenue for specific projects, services, or other purposes. The revenue is appropriated from the General Fund and transferred into an individual fund. The Board of Mayor and Aldermen must adopt a budget with specific appropriations before funds may be expended. The board and management staff has established policies and goals for these funds and reserves that serve as guidelines for financial administration. This provides a sound financial base for the needs of the town. The following funds have been established:

Equipment Fund: Established to provide replacement of equipment or vehicles. Goal is to have adequate funds to finance the ten-year projected replacement schedule. Balance on June 30, 2016 is \$647,153.

(Continued)

Other Funds and Designations (Continued)

Capital Projects Fund: Established for major capital improvements such as construction and reconstruction of roads, installation of sidewalks, and development of recreational facilities. Goal – maintain a balance necessary to fund scheduled projects. Balance on June 30, 2016 is \$11,334,435.

In addition, the following have been assigned in the General Fund:

Designated for Insurance: Established to provide funds for claims not covered by insurance, or to pay for the deductible amount of the insurance policy. Balance on June 30, 2016 is \$99,668.

Long-Range Financial Plan

The annual budget serves as the foundation for the Town of Farragut's financial planning and control. All departments of the Town of Farragut are required to submit requests for budget appropriations to the Town Administrator. The Town Administrator, in concert with the Town Recorder, uses these requests as the starting point for development of a proposed budget. After meetings with department heads, the Town Administrator presents the budget to the Board of Mayor and Aldermen for approval. The board is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the Town of Farragut's fiscal year. The Town Administrator may make transfers of appropriations between departments. Transfers of appropriations between funds, however, require the approval of the Board of Mayor and Aldermen. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

The 2016-2017 budget was developed in context of long-term financial plans. The plans anticipate funding needs and available revenues and forecast methods for matching future revenues and expenses. Plans have been developed for all the Town's major operating funds: General, State Street Aid, and Capital Investment Program. The State Street Aid and General Fund plan presents the fund over seven fiscal years: three previous years, the adopted budget for FY17, and three projected years. The Capital Investment Program plan presents the fund over five fiscal years: one previous year, the adopted budget for FY17 and three projected years. There are several benefits to these plans. First, the plans give future Boards a valuable perspective when considering budgets within each plan's five-year horizon. Second, the plans impart a measure of discipline on Town staff. The plans establish funding ceilings on recurring operating expenditures. Finally, the plans help the Town in absorbing the impact of economic booms and busts. The Town of Farragut is particularly susceptible to economic fluctuations due to its reliance on local sales tax.

The plan reflects the following assumptions based on historic trends and knowledge of economic conditions present when the budget was developed:

- Local sales tax increased 6 percent in FY16 over FY15.
- The Town is optimistic regarding its FY17 sales tax collections based on the past twelve months of collections.
- The projected years of 2018 through 2021 assume conservative 2 percent annual increases.

(Continued)

Long-Range Financial Plan (Continued)

- All other revenues during the planning horizon are expected to increase a conservative 2 percent per year as well.
- Approximately 60 percent of the General Fund's expenditures are associated with employee compensation. The Board of Mayor and Aldermen approved a 2 percent merit increase for FY17.
- The General Fund makes contributions to the Town's Capital Investment, Equipment Replacement and the State Street Aid funds. The total transfers to the funds for FY17 is \$3,348,253.
- All operating expenditures for fiscal years 2017 through 2020 are adjusted for a 4 percent inflationary increase.
- For fiscal years 2017 through 2020, revenues are projected to exceed expenditures by an average of \$1.5 million per year.
- The Town has prepared a long-term approach that allows organization to reduce the fund balance to a level of 30 percent of the operating expenditures, if needed. This allows the Town to maintain compliance with its fund balance policy and evaluate the Town's financial burden for non-reoccurring and capital expenditures.
- All long-term schedules can be found in the Fiscal Year 2017 budget document.

The long-range plan includes operating budget policies, financial structure policies of all funds and budget procedures.

Capital Assets

The Capital Assets of the Town include those assets used in the performance of general governmental functions as well as infrastructure (primarily roads). As of June 30, 2016, the Capital Assets of the Town totaled 34.7 million (net of accumulated depreciation). The amount carried on the books represents the estimated historical cost of the assets and is considerably less than the current value. Depreciation of Capital Assets is recognized in the Town's accounting system and was \$1,000,430 for Fiscal Year 2016.

Independent Audit

State statutes require an annual audit by independent Certified Public Accountants. The accounting firm of Ingram, Overholt & Bean, P.C., Certified Public Accountants, was selected. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of *Government Auditing Standards* issued by the Comptroller General of the United States. The auditors' report on the government-wide financial statements and combined and individual fund statements and schedules is included in the financial section of this report.

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Long-Range Financial Plan (Continued)

Awards

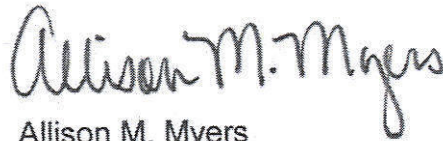
The Government Finance Officers Association of the United States and Canada (FGOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Farragut for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable local requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the leadership and support of the Board of Mayor and Aldermen in planning and conducting the financial operations of the town in a responsible and progressive manner, nor without the efficient and dedicated services of the entire staff throughout the fiscal year.

Respectfully submitted,

A handwritten signature in black ink that reads "Allison M. Myers". The signature is written in a cursive style with a large, looping initial "A".

Allison M. Myers
Town Recorder/Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Farragut
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

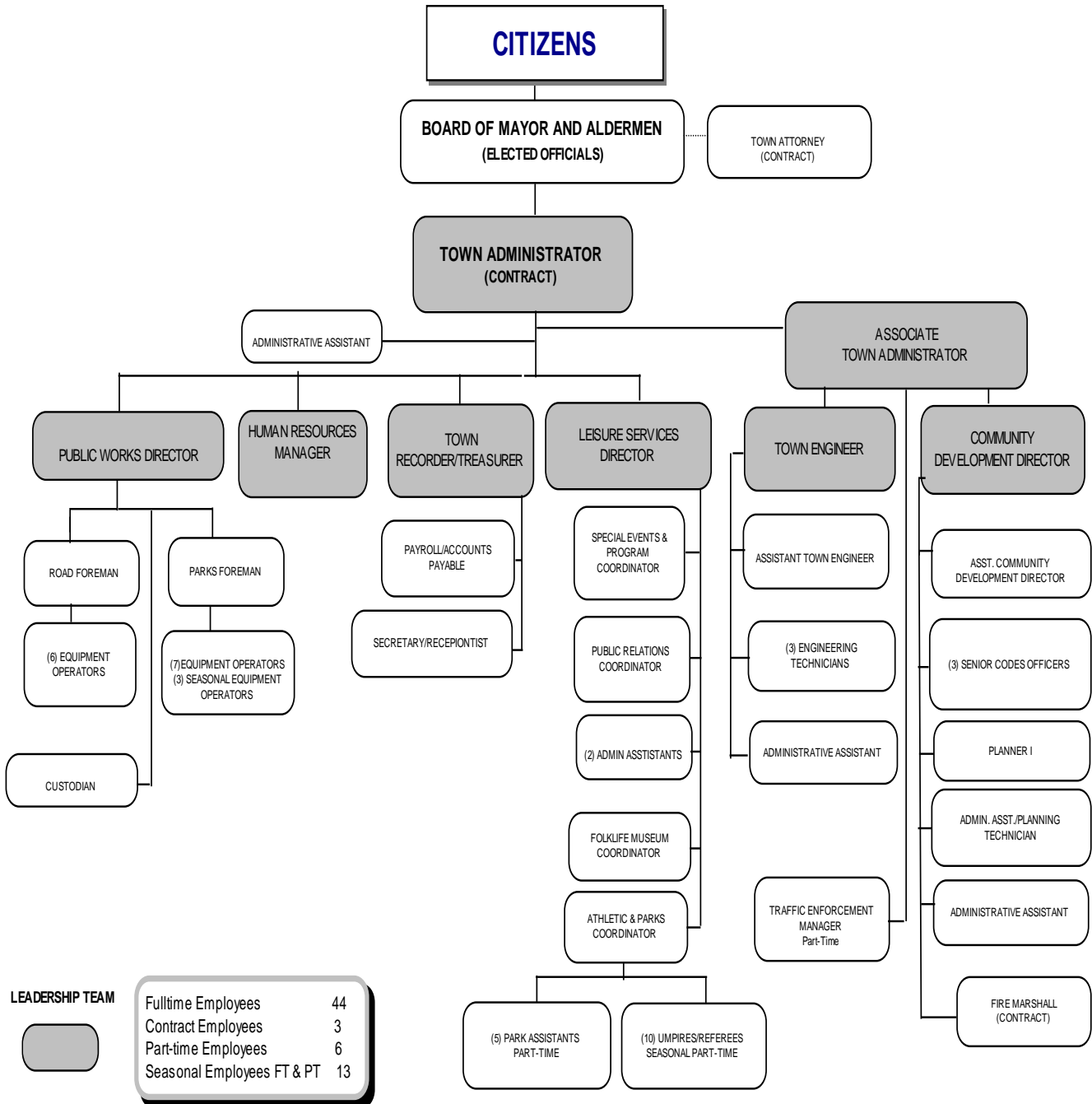
June 30, 2015

Executive Director/CEO

TOWN OF FARRAGUT, TENNESSEE

ORGANIZATION CHART

June 30, 2016



TOWN OF FARRAGUT, TENNESSEE
TOWN OFFICIALS
June 30, 2016

MAYOR

Ralph McGill

VICE-MAYOR

Mary Dorothy LaMarche

ALDERMEN

Robert N. Markli
Ron Pinchok
Louise Povlin

Town Attorney	Thomas M. Hale
Town Judge	Keith Alley
Town Administrator	David Smoak
Associate Town Administrator	Gary Palmer
Town Recorder/Treasurer	Allison M. Myers
Community Development Director	Mark Shipley
Leisure Services Director	Sue C. Stuhl
Public Works Supervisor	William E. McKelvey
Town Engineer	Darryl W. Smith
Human Resources Manager	Janet Curry

TOWN OF FARRAGUT, TENNESSEE

SECTION TWO

FINANCIAL SECTION

June 30, 2016

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Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
Facsimile
865-982-1665

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Farragut
Farragut, 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 Town of Farragut, Tennessee (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Farragut as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison information 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 14 – 20 and required supplementary schedules on pages 63 – 65 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 Town of Farragut, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules of nonmajor governmental funds and the capital projects funds, capital assets used in the operation of governmental funds, miscellaneous schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules of nonmajor governmental funds and the capital projects funds, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the capital projects funds, capital assets used in the operation of governmental funds, miscellaneous schedules, and statistical sections are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the Town of Farragut, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Farragut, Tennessee's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
November 28, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Farragut's (the Town) Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Town exceeded its liabilities at June 30, 2016 by \$59.0 million (net position). Of this amount, \$24.3 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2016, the Town's governmental funds reported combined ending fund balance of \$24.8 million. Approximately 36% of this total amount (\$9.0 million) is unassigned fund balance available for spending at the government's discretion.
- ◆ At June 30, 2016, total unrestricted fund balance for the general fund was \$11.7 million. The unassigned portion of unrestricted fund balance is \$9.0 million, which is 155% of total general fund expenditures of \$5.8 million.
- ◆ In addition to compensated absences in the amount of \$177,313, the Town has outstanding notes payable in the amount of \$250,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town'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 Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town's net position changed during the current 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 periods, such as expenses pertaining to earned but unused annual leave.

Both of the government-wide statements pertain to functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include street and drainage construction and maintenance, recreation, planning and zoning, building codes enforcement, engineering, and administrative services.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 Town are **governmental** funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

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 equity provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds organized according to their type (general, special revenue, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund equity for the General Fund and the Capital Projects Fund, both of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for the general, special revenue, and capital projects funds. Budgetary comparison statements have been provided in the basic financial statements for the general and special revenue funds to demonstrate compliance with the budget. Budgetary comparison statements for the capital projects funds are included in Other Supplementary Information.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

The Town presents the following comparative analysis of government-wide net position:

Net Position		
Governmental Activities		
<u>Assets</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current assets	\$ 25,389,496	\$ 24,058,657
Capital assets, net	<u>34,683,541</u>	<u>31,433,909</u>
Total Assets	<u>60,073,037</u>	<u>55,492,566</u>
<u>Deferred Outflows of Resources</u>	<u>9,099</u>	<u>100,000</u>
<u>Liabilities</u>		
Compensated Absences	177,313	175,183
Notes payable	250,000	500,000
Net pension liability	-	76,878
Other liabilities	<u>630,247</u>	<u>1,102,146</u>
Total Liabilities	<u>1,057,560</u>	<u>1,854,207</u>
<u>Net Position</u>		
Net investment in capital assets	34,433,541	30,933,909
Restricted	295,263	448,849
Unrestricted	<u>24,295,772</u>	<u>22,355,601</u>
Total Net Position	<u>\$ 59,024,576</u>	<u>\$ 53,738,359</u>

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources exceeded liabilities by \$59.0 million at June 30, 2016.

The largest portion of the Town's net position (58.3%) reflects its investment of \$34.4 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. There is outstanding debt in the amount of \$250,000 used to acquire these assets.

An additional portion of the Town's net position, \$0.3 million (0.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$24.3 million (41.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position for the government as a whole.

Analysis of Change in Net Position

The Town's net position increased by \$5.3 million during the current fiscal year as shown below:

	Changes in Net Position Governmental Activities	
<u>Revenues</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Program Revenues:		
Charges for services	\$ 853,113	\$ 691,655
Operating grants and contributions	566,655	542,193
Capital grants and contributions	461,919	315,176
General Revenues:		
Sales taxes	7,865,155	7,454,308
State income taxes	926,868	427,423
Wholesale beer and liquor tax	1,152,215	1,104,047
Miscellaneous taxes	441,486	434,762
Unrestricted investment earnings	44,880	16,106
Gain on deletion of capital assets	17,988	-
Other	401,519	395,913
Total Revenues	<u>12,731,798</u>	<u>11,381,583</u>
<u>Expenses</u>		
General government	4,476,319	4,438,200
Public works	2,961,762	2,899,140
Debt service	7,500	11,250
Total Expenses	<u>7,445,581</u>	<u>7,348,590</u>
Increase in net position	<u>5,286,217</u>	<u>4,032,993</u>
Net position at beginning of year	53,738,359	49,812,431
Restatement – See Note 1 (P)	-	(107,065)
Net position at beginning of year - restated	<u>53,738,359</u>	<u>49,705,366</u>
Net position at end of year	<u>\$59,024,576</u>	<u>\$53,738,359</u>

Of the \$5.3 million increase in net position, \$3.3 million is a result of a net increase in net capital assets, \$2.1 million is a result of an increase in current assets over liabilities, and (\$0.1) million is a result of a decrease in deferred outflows of resources.

FUND STATEMENTS FINANCIAL ANALYSIS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund equity may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Fund, and Capital Project Funds.

FUND STATEMENTS FINANCIAL ANALYSIS (Continued)

Governmental Funds (Continued)

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$24.8 million, an increase of \$1.8 million over the prior year. Approximately \$9.0 million of this total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is either nonspendable, restricted, or assigned to indicate that it is not available for new spending because it represents prepayments or it has already been restricted or assigned under the Town's tentative plans.

Revenues for governmental functions overall totaled approximately \$12.8 million in the fiscal year ended June 30, 2016, which represents an increase of 12% over the fiscal year ended June 30, 2015. Expenditures for governmental functions, totaling \$11.0 million, increased by approximately 47% over the fiscal year ended June 30, 2015. In the fiscal year ended June 30, 2016, revenues for governmental functions exceeded expenditures by \$1.8 million or 14.1% of revenues.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance of the General Fund was \$11.7 million of which \$2.66 million was assigned by management for specific purposes. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 155% of total general fund expenditures of \$5.8 million, while total fund balance represents 201% of that same amount.

In the General Fund, local taxes increased by \$352 thousand due to increased collections from merchants and wholesalers; licenses and permits increased by \$57 thousand due primarily to increases in the issuance of building permits and storm water revenue; intergovernmental revenue (state-shared taxes) increased by \$613 thousand due primarily to an increase in sales tax and income tax collected by the state; and other revenue increased by \$98 thousand due primarily to increases of \$24 thousand in cable television franchise fees, \$28 thousand in fines/costs, \$18 thousand in rental revenue, and \$22 thousand in park and recreation fees. Regarding General Fund expenditures, general government expenditures increased by \$54 thousand over fiscal year 2015 due primarily to an increase in special census expenditures, while public works expenditures increased by \$34 thousand over Fiscal Year 2015 due primarily to increases in salaries and related benefits.

In the Capital Projects Fund, assigned fund balance was \$11.33 million at the end of the current fiscal year, a decrease of \$0.70 million from the prior year.

In the Capital Projects Fund, revenues increased by \$202 thousand due to increases in utility relocation assistance payments, road development fees, and state grants. Expenditures increased by \$3.2 million over Fiscal Year 2015 due primarily to more expenditures for park improvements and road construction.

In the remaining non-major funds, fund balance was \$1.74 million at the end of the current fiscal year, a decrease of \$10 thousand from the prior year. Expenditures increased by \$204 thousand over Fiscal Year 2015 due to increased spending for capital outlay and public works, whereas revenue increased by \$82 thousand over the prior fiscal year due to an increase in intergovernmental revenue and equipment sales. The fund balance increase was the result of revenues and other financing sources exceeding expenditures.

FUND STATEMENTS FINANCIAL ANALYSIS (Continued)

Budget Highlights – General Fund

During the year, actual revenues exceeded budgetary estimates by \$2.41 million in the General Fund. This is due primarily to increases in local and state sales taxes, wholesale liquor taxes, the state income tax, and the cable television franchise fees.

Actual expenditures were below budgetary estimates by \$1.06 million in the General Fund. This was primarily due to the Town's budget-adherence efforts and lower-than-anticipated expenditures for professional fees, salaries and health insurance, and payments to Knox County Schools.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2016 amount to \$34.7 million (net of accumulated depreciation), an increase of \$3.25 million over the June 30, 2015 total. Capital assets include land, buildings, infrastructure, improvements, furniture, fixtures, and equipment, transportation equipment, the Admiral Farragut Collection, and construction in progress. The following table reflects the capital assets at the end of both the current and prior fiscal years:

Capital Assets, Net of Depreciation Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$ 3,918,111	\$ 3,918,111
Buildings	3,035,029	2,971,083
Infrastructure	24,161,664	24,148,164
Improvements	7,113,527	6,373,268
Furniture, fixtures, and equipment	2,129,602	2,075,406
Transportation equipment	636,022	662,888
Admiral Farragut Collection	109,978	109,978
Construction in progress	<u>5,751,948</u>	<u>2,487,209</u>
Total Capital Assets	46,855,881	42,746,107
Less: Accumulated Depreciation	<u>(12,172,340)</u>	<u>(11,312,198)</u>
Capital Assets, net of depreciation	<u>\$ 34,683,541</u>	<u>\$ 31,433,909</u>

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

- Mayor Bob Leonard Playground improvements
- Acquisition of various equipment and vehicles for use in governmental activities.
- Synthetic turf on MBL Field 1.
- Installation of splash pad at McFee Park.
- Construction on the Watt Road/Kingston Pike intersection project.
- LED lighting in the Farragut Town Hall.
- Construction on the Everett Road project.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes 1 (K) and 5 to the Financial Statements for further information regarding capital assets.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt Administration

At the end of the current fiscal year, the Town had compensated absences in the amount of approximately \$177,000 in addition to long-term debt of \$250,000.

Outstanding Long-term Obligations Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Capital Outlay Note, Series 2013	\$ 250,000	\$ 500,000
Compensated absences	<u>177,313</u>	<u>175,183</u>
	<u>\$ 427,313</u>	<u>\$ 675,183</u>

Please refer to the Notes 1 (L) and 6 to the Financial Statements for further information regarding long-term obligations.

OTHER MATTERS

The preliminary budget for the Town of Farragut for the fiscal year beginning July 1, 2016 and ending June 30, 2017 totals \$15.7 million, an increase of \$3.2 million over last year's final budget of \$12.5 million. The General and Special Revenue Funds have budgeted expenditures of \$7.8 million, while the Capital Projects Funds have budgeted expenditures of \$7.9 million.

The fiscal 2017 budget will provide the excellent services that the citizens of Farragut have grown accustomed to receiving. This level of service is directly attributable to the Town's well-trained and dedicated workforce coupled with the support of a progressive Board of Mayor and Alderman.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and Town Aldermen with a general overview of the Town's finances. If you have any questions about this report or need additional information, contact:

Town of Farragut, Tennessee
11408 Municipal Center Drive
Farragut, TN 37934
(865) 966-7057

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TOWN OF FARRAGUT, TENNESSEE
GOVERNMENT-WIDE FINANCIAL STATEMENTS
June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2016 and 2015

ASSETS	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Cash on hand and in bank	\$ 4,935,315	\$ 4,199,257
Investments	19,072,986	18,576,221
Accounts receivable	117,365	108,451
Due from other governments	1,257,596	1,174,728
Net pension asset	6,234	-
Capital assets:		
Non-depreciable assets:		
Land	3,918,111	3,918,111
Admiral David Farragut Collection	109,978	109,978
Construction-in-Progress	5,751,948	2,487,209
Depreciable assets (net of accumulated depreciation):		
Buildings	1,673,461	1,672,461
Improvements	5,733,988	5,262,863
Furniture, fixtures, and equipment	1,084,633	1,032,823
Transportation equipment	119,073	145,377
Infrastructure	<u>16,292,349</u>	<u>16,805,087</u>
Total Assets	<u>60,073,037</u>	<u>55,492,566</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>9,099</u>	<u>100,000</u>
 LIABILITIES		
Accounts payable	195,086	123,032
Accrued wages and benefits	48,961	143,031
Due to other governments	376,566	757,449
Funds held for others	9,634	78,634
Net pension liability	-	76,878
Compensated absences:		
Payable within one year	177,313	175,183
Payable after one year	-	-
Notes payable:		
Portion due within one year	250,000	250,000
Portion due after one year	<u>-</u>	<u>250,000</u>
Total Liabilities	<u>1,057,560</u>	<u>1,854,207</u>
 DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
 NET POSITION		
Net investment in capital assets	34,433,541	30,933,909
Restricted for:		
State Street Aid Projects	289,029	448,849
Pension	6,234	-
Unrestricted position	<u>24,295,772</u>	<u>22,355,601</u>
Total Net Position	<u>\$ 59,024,576</u>	<u>\$ 53,738,359</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF ACTIVITIES
Governmental Activities
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2016	2015
General Government	\$ 4,476,319	\$ 789,459	\$ -	\$ -	\$ (3,686,860)	\$ (3,772,753)
Public Works	2,961,762	63,654	566,655	461,919	(1,869,534)	(2,015,563)
Debt Service:						
Interest on long-term debt	7,500	-	-	-	(7,500)	(11,250)
Total Government	\$ 7,445,581	\$ 853,113	\$ 566,655	\$ 461,919	\$ (5,563,894)	\$ (5,799,566)
General Revenues (Unrestricted):						
Sales tax.....					7,865,155	7,454,308
State income tax.....					926,868	427,423
Wholesale beer and liquor tax.....					1,152,215	1,104,047
TVA replacement tax.....					242,633	239,638
Mixed drink tax.....					144,957	140,997
Miscellaneous taxes.....					53,896	54,127
Cable TV franchise fee.....					375,114	351,364
Interest earned.....					44,880	16,106
Miscellaneous.....					26,405	44,549
Gain on deletion of capital assets.....					17,988	-
Total General Revenues.....					10,850,111	9,832,559
Change in Net Position.....					5,286,217	4,032,993
Net Position – Beginning.....					53,738,359	49,812,431
Restatement.....					-	(107,065)
Restated Net Position – Beginning.....					53,738,359	49,705,366
Net Position – Ending.....					\$ 59,024,576	\$ 53,738,359

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE

FUND FINANCIAL STATEMENTS

June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
				<u>2016</u>	<u>2015</u>
Assets:					
Cash in hand and in bank	\$ 4,935,315	\$ -	\$ -	\$ 4,935,315	\$ 4,199,257
Investments	5,974,293	11,407,484	1,691,209	19,072,986	18,576,221
Accounts receivable	117,365	-	-	117,365	108,451
Due from other governments	1,207,503	-	50,093	1,257,596	1,174,728
Due from other funds	-	89,862	-	89,862	70,539
Total Assets	<u>12,234,476</u>	<u>11,497,346</u>	<u>1,741,302</u>	<u>25,473,124</u>	<u>24,129,196</u>
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 12,234,476</u>	<u>\$ 11,497,346</u>	<u>\$ 1,741,302</u>	<u>\$ 25,473,124</u>	<u>\$ 24,129,196</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 32,175	\$ 162,911	\$ -	\$ 195,086	\$ 123,032
Accrued wages and benefits	48,961	-	-	48,961	143,031
Due to other governments	376,566	-	-	376,566	757,449
Due to other funds	89,862	-	-	89,862	70,539
Funds held for others	9,634	-	-	9,634	78,634
Total Liabilities	<u>557,198</u>	<u>162,911</u>	<u>-</u>	<u>720,109</u>	<u>1,172,685</u>
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Restricted	-	-	289,029	289,029	448,849
Assigned	2,657,585	11,334,435	1,452,273	15,444,293	14,016,063
Unassigned	9,019,693	-	-	9,019,693	8,491,599
Total Fund Balances	<u>11,677,278</u>	<u>11,334,435</u>	<u>1,741,302</u>	<u>24,753,015</u>	<u>22,956,511</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,234,476</u>	<u>\$ 11,497,346</u>	<u>\$ 1,741,302</u>	<u>\$ 25,473,124</u>	<u>\$ 24,129,196</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Fund Balance – Total Governmental Funds	\$ 24,753,015	\$ 22,956,511
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement of net position are different because:</p>		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	34,683,541	31,433,909
(2) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.....	(427,313)	(675,183)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Deferred outflows related to pensions \$ 9,099		
Less: Deferred inflows related to pensions _____ -	9,099	100,000
(4) Net pension obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds.....	-	(76,878)
(5) Net pension asset is not a current financial resource and, therefore, is not reported in the governmental funds	<u>6,234</u>	<u>-</u>
Net Position of Governmental Activities	<u>\$ 59,024,576</u>	<u>\$ 53,738,359</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Governmental Funds
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
				<u>2016</u>	<u>2015</u>
Revenues:					
Local Taxes:					
Local option sales tax	\$ 6,201,560	\$ -	\$ -	\$ 6,201,560	\$ 5,897,535
Other taxes	1,152,215	-	-	1,152,215	1,104,047
Licenses, permits and fees	789,240	63,654	-	852,894	735,126
Intergovernmental:					
State taxes	3,031,949	-	566,655	3,598,604	2,961,151
State grant	-	42,950	-	42,950	10,000
Charges for services	156,516	-	-	156,516	134,724
Fines, forfeitures, and costs	89,487	-	-	89,487	61,664
Investment income	15,977	25,562	3,341	44,880	16,106
Miscellaneous revenue	<u>150,897</u>	<u>418,969</u>	<u>55,040</u>	<u>624,906</u>	<u>431,043</u>
Total Revenues	<u>11,587,841</u>	<u>551,135</u>	<u>625,036</u>	<u>12,764,012</u>	<u>11,351,396</u>
Expenditures:					
Current:					
General government	4,189,530	-	-	4,189,530	4,135,657
Public works	1,628,044	-	726,474	2,354,518	2,201,801
Capital Outlay	-	3,987,745	178,215	4,165,960	882,588
Debt Service	<u>-</u>	<u>257,500</u>	<u>-</u>	<u>257,500</u>	<u>261,250</u>
Total Expenditures	<u>5,817,574</u>	<u>4,245,245</u>	<u>904,689</u>	<u>10,967,508</u>	<u>7,481,296</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>5,770,267</u>	<u>(3,694,110)</u>	<u>(279,653)</u>	<u>1,796,504</u>	<u>3,870,100</u>
Other Financing Sources (Uses):					
Transfers In	-	3,000,000	270,000	3,270,000	3,314,331
Transfers Out	<u>(3,270,000)</u>	<u>-</u>	<u>-</u>	<u>(3,270,000)</u>	<u>(3,314,331)</u>
Total Other Financing Sources (Uses)	<u>(3,270,000)</u>	<u>3,000,000</u>	<u>270,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,500,267	(694,110)	(9,653)	1,796,504	3,870,100
Fund Balance – July 1st	<u>9,177,011</u>	<u>12,028,545</u>	<u>1,750,955</u>	<u>22,956,511</u>	<u>19,086,411</u>
Fund Balance – June 30th	<u>\$ 11,677,278</u>	<u>\$ 11,334,435</u>	<u>\$ 1,741,302</u>	<u>\$ 24,753,015</u>	<u>\$ 22,956,511</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Net change in fund balance – total governmental funds	\$ 1,796,504	\$ 3,870,100
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p> <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in accrual for compensated absences	\$ (2,130)	
Change in net pension liability/asset	83,112	
Change in deferred outflows related to pensions	<u>(90,901)</u>	111,581
(9,919)		
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. This is the amount by which capital outlays exceeded depreciation in the current period.....	3,281,846	(198,688)
Governmental funds report proceeds received from the sale of capital assets as revenues. In the statement of activities, only the gain or loss on the sale of capital assets is recorded. This is the amount of proceeds from the sale of capital assets.....	(50,202)	-
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. However, in the statement of activities, gains and losses are recorded for disposals. This is the amount of net gain (loss) on the disposal of capital assets in the current period.....	17,988	-
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. This is the amount by which debt proceeds in the current period exceeded the retirement of long-term debt.....	<u>250,000</u>	<u>250,000</u>
Changes in net position of governmental activities	<u>\$ 5,286,217</u>	<u>\$ 4,032,993</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2015</u>
REVENUES:				
Local Taxes:				
Local option sales tax.....	\$ 5,200,000	\$ 6,201,560	\$1,001,560	\$ 5,897,535
Wholesale beer tax.....	560,000	600,437	40,437	583,559
Wholesale liquor tax	<u>400,000</u>	<u>551,778</u>	<u>151,778</u>	<u>520,488</u>
Total Local Taxes	<u>6,160,000</u>	<u>7,353,775</u>	<u>1,193,775</u>	<u>7,001,582</u>
Licenses and Permits	<u>289,000</u>	<u>414,126</u>	<u>125,126</u>	<u>357,554</u>
Intergovernmental:				
State sales tax.....	1,400,000	1,663,595	263,595	1,556,773
State income tax.....	375,000	926,868	551,868	427,423
State beer tax	10,000	10,096	96	9,889
Street transportation and street aid.....	42,000	42,064	64	42,189
TVA replacement tax.....	225,000	242,633	17,633	239,638
Mixed drink tax	130,000	144,957	14,957	140,997
Grant	30,000	-	(30,000)	-
Telecommunications sales tax	<u>1,400</u>	<u>1,736</u>	<u>336</u>	<u>2,049</u>
Total Intergovernmental....	<u>2,213,400</u>	<u>3,031,949</u>	<u>818,549</u>	<u>2,418,958</u>
Interest Income	<u>4,500</u>	<u>15,977</u>	<u>11,477</u>	<u>6,991</u>
Other:				
Park and recreation	100,600	156,516	55,916	134,724
Fines and costs	40,500	89,487	48,987	61,664
Cable TV franchise fee.....	275,000	375,114	100,114	351,364
Museum revenue.....	-	9,244	9,244	9,542
Solar panel rebate	-	1,693	1,693	1,663
Miscellaneous.....	2,000	19,874	17,874	12,699
Rental	<u>90,451</u>	<u>120,086</u>	<u>29,635</u>	<u>101,963</u>
Total Other.....	<u>508,551</u>	<u>772,014</u>	<u>263,463</u>	<u>673,619</u>
Total Revenues	<u>9,175,451</u>	<u>11,587,841</u>	<u>2,412,390</u>	<u>10,458,704</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE– BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	<u>Totals</u> 2015
EXPENDITURES:				
General Government:				
Legislative:				
Legal notices	5,500	6,146	(646)	4,647
Travel and training.....	38,900	16,594	22,306	30,431
Dues and subscriptions	9,750	9,890	(140)	7,640
Printing and supplies.....	500	408	92	103
Education programs	4,500	3,237	1,263	44
Meeting expenses	<u>2,000</u>	<u>1,376</u>	<u>624</u>	<u>1,307</u>
 Total Legislative	 <u>61,150</u>	 <u>37,651</u>	 <u>23,499</u>	 <u>44,172</u>
 Town Court:				
Salaries	7,400	1,900	5,500	2,388
Traffic enforcement program.....	51,480	44,295	7,185	44,610
Payroll taxes.....	4,321	3,544	777	3,595
Other employee benefits	1,734	1,230	504	1,689
Dues and subscriptions.....	1,000	25	975	660
Supplies	<u>500</u>	<u>238</u>	<u>262</u>	<u>-</u>
 Total Town Court.....	 <u>66,435</u>	 <u>51,232</u>	 <u>15,203</u>	 <u>52,942</u>
 Town Administration:				
Salaries	479,615	462,917	16,698	465,195
Payroll taxes.....	20,728	21,444	(716)	20,449
Health insurance	66,707	67,070	(363)	63,282
Retirement.....	39,674	42,523	(2,849)	40,787
Other employee benefits	7,275	6,424	851	5,715
Dues and subscriptions.....	7,170	7,371	(201)	6,478
Supplies	2,300	399	1,901	1,248
Printing	8,600	5,066	3,534	9,530
Travel and training	22,000	17,115	4,885	14,859
Surety bonds.....	1,600	414	1,186	1,269
Accounting and auditing.....	13,200	13,500	(300)	13,000
Professional fees.....	15,000	9,090	5,910	-
Special census	50,000	40,897	9,103	-
Bank charges	17,600	10,117	7,483	15,733
Books/Educational materials.....	2,250	1,651	599	1,766

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	<u>Totals 2015</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Town Administration (Continued):				
Auto allowance	7,200	7,256	(56)	7,256
Sundry	<u>500</u>	<u>41</u>	<u>459</u>	<u>-</u>
Total Town Administration.	<u>761,419</u>	<u>713,295</u>	<u>48,124</u>	<u>666,567</u>
Information Technologies:				
Salaries.....	36,373	6,899	29,474	33,568
Payroll taxes	2,692	524	2,168	2,568
Health insurance.....	14,550	1,833	12,717	4,128
Retirement	1,408	269	1,139	1,340
Other employee benefits	417	182	235	438
Professional services.....	50,000	51,295	(1,295)	-
Dues and subscriptions	50	-	50	-
Travel.....	5,200	4,967	233	99
Audio visual maintenance.....	7,500	3,414	4,086	6,686
GIS system	10,000	28,225	(18,225)	8,480
Data processing.....	96,456	98,359	(1,903)	87,389
Website maintenance	8,200	8,267	(67)	7,553
Tyler code maintenance	13,000	13,633	(633)	12,164
Laserciche maintenance	9,155	4,777	4,378	6,413
Municode maintenance	16,000	1,285	14,715	12,163
Computer equipment	19,000	16,633	2,367	76,883
Park Wi-fi	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total Information Technologies	<u>291,001</u>	<u>240,562</u>	<u>50,439</u>	<u>259,872</u>
Community Development:				
Salaries.....	416,680	408,174	8,506	396,179
Payroll taxes	27,071	28,024	(953)	27,201
Health insurance.....	103,167	99,770	3,397	104,435
Retirement	32,085	32,730	(645)	31,230
Other employee benefits	11,579	10,174	1,405	11,665
Legal notices	2,580	4,657	(2,077)	2,427
Dues and subscriptions	2,315	1,896	419	1,200
Professional services.....	124,950	62,832	62,118	130,242

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (<u>Negative</u>)	Totals <u>2015</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Community Development (Continued):				
Supplies	1,000	535	465	285
Travel and training	15,980	10,604	5,376	11,578
Gas, oil, fuel	4,200	2,180	2,020	3,077
Employee auto	3,600	3,628	(28)	3,489
Printing	5,500	3,866	1,634	2,271
Books/Educational				
Materials.....	6,700	4,725	1,975	4,286
Equipment.....	3,500	440	3,060	-
Uniforms.....	<u>5,000</u>	<u>2,024</u>	<u>2,976</u>	<u>3,974</u>
Total Community Development.....	<u>765,907</u>	<u>676,259</u>	<u>89,648</u>	<u>733,539</u>
Engineering:				
Salaries	380,912	378,001	2,911	371,893
Payroll taxes.....	25,529	28,705	(3,176)	25,916
Health insurance	72,844	77,419	(4,575)	67,397
Retirement.....	29,129	27,048	2,081	29,523
Other employee benefits.....	17,453	7,046	10,407	9,372
Dues and subscriptions.....	2,380	1,301	1,079	1,115
Professional services	110,000	58,298	51,702	-
Supplies and printing.....	1,200	651	549	1,420
Traffic signal maintenance	45,000	32,653	12,347	34,331
Traffic signal timing	8,000	1,035	6,865	3,850
Clothing and uniforms	3,900	2,186	1,714	3,947
Travel and training	8,600	1,734	6,966	3,172
Gas, oil, fuel	4,500	2,357	2,143	3,140
NPDES – Storm water	37,340	22,174	15,166	18,226
Equipment/software	3,450	1,402	2,048	1,067
Auto allowance.....	<u>3,600</u>	<u>3,628</u>	<u>(28)</u>	<u>3,628</u>
Total Engineering.....	<u>753,837</u>	<u>645,638</u>	<u>108,199</u>	<u>577,997</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals 2015
EXPENDITURES (Continued):				
General Government (Continued):				
General Government Buildings:				
Postage	6,500	3,559	2,941	4,325
Security.....	3,500	720	2,780	510
Utilities	68,000	53,840	14,160	63,698
Telephone.....	33,000	32,490	510	30,609
Repair and maintenance -				
Office equipment.....	2,500	297	2,203	887
Building.....	44,600	37,316	7,284	58,787
Radio communication	6,250	2,775	3,475	3,673
Office supplies	18,000	9,437	8,563	12,463
First aid services.....	1,000	248	752	328
Equipment.....	4,000	5,899	(1,899)	499
Dues and subscriptions	750	-	750	70
LED lighting	60,000	59,049	951	-
Equipment rental.....	<u>18,000</u>	<u>12,824</u>	<u>5,176</u>	<u>15,425</u>
Total General Government Buildings	<u>266,100</u>	<u>218,454</u>	<u>47,646</u>	<u>191,274</u>
Leisure Services:				
Salaries.....	442,374	424,670	17,704	386,086
Payroll taxes	32,752	31,781	971	29,043
Health insurance.....	125,459	111,331	14,128	90,732
Retirement	23,577	22,178	1,399	18,225
Other employee benefits.....	8,570	4,938	3,632	6,007
Dues and subscriptions	3,000	2,035	965	3,282
Publication of annual report....	17,600	15,918	1,682	15,049
Community relations	4,500	1,519	2,981	2,875
Event decorations	20,500	19,238	1,262	17,313
Community programs	30,000	27,786	2,214	20,372
Supplies	8,000	6,231	1,769	7,838
Utilities	85,000	76,338	8,662	82,575
Professional services.....	55,000	37,086	17,914	18,562
Travel and training.....	10,555	7,317	3,238	5,726
Gas, oil, fuel.....	6,500	2,872	3,628	3,796
Auto Allowance.....	3,600	3,489	111	3,628

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2015</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Leisure Services (Continued):				
Farragut Folklife Museum.	26,000	10,191	15,809	21,959
Volunteer program	14,000	13,309	691	7,918
Other programs	6,300	6,026	274	4,564
Advertising/printing.....	25,000	25,031	(31)	16,879
Educational materials.....	250	53	197	235
Equipment/Software.....	66,500	67,311	(811)	24,285
Uniforms.....	<u>2,000</u>	<u>1,307</u>	<u>693</u>	<u>332</u>
Total Leisure Services.....	<u>1,017,037</u>	<u>917,955</u>	<u>99,082</u>	<u>787,281</u>
Human Resources:				
Salaries	68,375	68,699	(324)	66,628
Payroll taxes.....	5,058	6,202	(1,144)	5,713
Health insurance	6,118	4,636	1,482	7,504
Retirement.....	3,967	4,509	(542)	4,085
Other employee benefits	985	1,002	(17)	958
Employee recognition.....	18,000	17,513	487	17,901
Travel and Training	3,650	2,375	1,275	1,022
Dues and Subscriptions	565	527	38	574
Printing	6,000	1,345	4,655	5,819
Employee Assistance.....	1,800	2,174	(374)	3,455
HRA Benefits.....	20,000	7,719	12,281	18,666
Wellness.....	7,500	2,007	5,493	7,356
Professional services	<u>33,600</u>	<u>17,913</u>	<u>15,687</u>	<u>13,108</u>
Total Human Resources	<u>175,618</u>	<u>136,621</u>	<u>38,997</u>	<u>152,789</u>
Economic Development:				
Advertising and printing.....	4,000	1,664	2,336	7,604
Professional services	64,500	74,100	(9,600)	99,815
Economic development partnership.....	41,500	43,084	(1,584)	50,000
Travel and training	<u>2,500</u>	<u>2,410</u>	<u>90</u>	<u>2,190</u>
Total Economic Development.....	<u>112,500</u>	<u>121,258</u>	<u>(8,758)</u>	<u>159,609</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals 2015
EXPENDITURES (Continued):				
General Government (Continued):				
Non-departmental (Continued):				
Legal	160,000	115,966	44,034	104,584
Property insurance	50,000	50,000	-	46,675
Liability insurance.....	55,000	42,161	12,839	43,858
Insurance claims	8,000	2,000	6,000	-
Community support	36,000	35,000	1,000	31,000
Park & Ride	3,000	3,000	-	3,000
School support	110,000	110,000	-	110,000
Taxes shared with Knox				
County Schools.....	433,943	72,478	361,465	70,498
Retirement.....	-	-	-	100,000
Total Non-departmental	<u>855,943</u>	<u>430,605</u>	<u>425,338</u>	<u>509,615</u>
Total General Government.....	<u>5,126,947</u>	<u>4,189,530</u>	<u>937,417</u>	<u>4,135,657</u>
Public Works:				
Salaries.....	859,496	852,731	6,765	815,415
Payroll taxes	53,022	55,681	(2,659)	51,720
Health insurance.....	326,197	319,955	6,242	261,333
Retirement	64,124	56,632	7,492	55,664
Other employee benefits.....	45,898	33,430	12,468	36,256
Dues and subscriptions	1,300	1,365	(65)	922
Utilities	12,000	8,772	3,228	10,000
Traffic signals.....	7,000	11,825	(4,825)	6,000
Street lights.....	70,000	62,382	7,618	64,000
Repairs and maintenance -				
Motor vehicles	43,000	39,743	3,257	45,143
Building.....	6,000	4,628	1,372	5,831
Other maintenance.....	55,000	52,222	2,778	43,305
Travel and training	9,000	8,475	525	8,804
Mowing and street sweeping ...	23,000	21,800	1,200	21,800
Refuse hauling.....	14,000	8,391	5,609	5,748
Equipment rental.....	3,000	2,631	369	1,863
Supplies	5,000	3,448	1,552	3,546
Gas, oil, diesel.....	60,000	31,136	28,864	51,854
Signs	17,000	16,117	883	15,979

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals 2015
EXPENDITURES (Continued):				
Public Works:				
Cement and concrete	2,000	515	1,485	1,049
Crushed stone and sand.....	2,000	868	1,132	1,011
Snow removal supplies.....	12,000	9,336	2,664	25,652
Machinery and equipment	15,000	4,145	10,855	19,611
Uniforms	22,600	13,147	9,453	20,275
Drainage projects.....	10,000	4,441	5,559	5,908
Sidewalk construction.....	15,000	4,228	10,772	10,000
Recycling Enclosure	-	-	-	3,756
Boundary maintenance.....	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>1,402</u>
 Total Public Works.....	 <u>1,755,137</u>	 <u>1,628,044</u>	 <u>127,093</u>	 <u>1,593,847</u>
 Total Expenditures.....	 <u>6,882,084</u>	 <u>5,817,574</u>	 <u>1,064,510</u>	 <u>5,729,504</u>
 Excess of Revenues Over Expenditures	 2,293,367	 5,770,267	 3,476,900	 4,729,200
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(3,270,000)</u>	<u>(3,270,000)</u>	<u>-</u>	<u>(3,270,000)</u>
NET CHANGE IN FUND BALANCE				
	(976,633)	2,500,267	3,476,900	1,459,200
FUND BALANCE – July 1st	<u>9,177,011</u>	<u>9,177,011</u>	<u>-</u>	<u>7,717,811</u>
FUND BALANCE – June 30th.....	<u>\$8,200,378</u>	<u>\$11,677,278</u>	<u>\$ 3,476,900</u>	<u>\$9,177,011</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Farragut, Tennessee (the Town) operates under a Mayor and Board of Aldermen form of government and is organized into the following departments: Administration, Engineering, Community Development, Public Works, and Leisure Services.

The accounting policies of the Town of Farragut, Tennessee, (the primary government) are in conformity with all applicable statements of the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

(A) FINANCIAL REPORTING ENTITY:

Governmental Accounting Standards Board (GASB) Statement No. 14 - "The Financial Reporting Entity", as amended by GASB Statement No. 39 – "Determining Whether Certain Organizations are Component Units" defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of a component unit's Board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

In evaluating how to define the government for financial reporting purposes, management has considered the primary government and all potential component units by applying the definitions and the criteria set forth by GASB Statement No. 14, as amended by GASB Statement No. 39.

The financial statements of the Town (primary government) provide an overview of the entity based on financial accountability. The primary government consists of all the organizations that make up its legal entity - all funds, departments, and offices that are not legally separate. The Town meets all the criteria defined for a primary government in GASB No. 14, as amended by GASB Statement No. 39, as follows:

- a. Separately elected governing body
- b. Separate legal standing through legislation authorizing its creation
- c. Fiscally independent of other state and local governments

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria applicable to GASB Statement No. 14, as amended by GASB Statement No. 39, for component units, the Town has no financial accountability for any component units. Therefore, the financial reporting entity is limited to those funds, departments, and offices which comprise the Town's legally adopted jurisdictions.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(B) BASIC FINANCIAL STATEMENTS – GASB NO. 34:

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new model the focus is on either the Town as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Town currently has no business-type activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, on the various departments of the Town are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. However, interfund services, if any, are not eliminated. Net interfund activity is shown in the government-wide financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

(C) BASIS OF PRESENTATION:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(C) BASIS OF PRESENTATION (Continued):

The following categories are used by the Town:

Governmental Fund Types

Governmental Funds are those through which most of the governmental functions of the Town are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income.

Governmental Funds include the following fund types:

General Fund: The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other major capital projects) that are legally restricted to expenditures for specific purposes. There is one (1) special revenue fund presented as a non-major fund in the basic financial statements as follows:

State Street Aid: The State Street Aid Fund is used to account for the State gasoline tax. Proceeds of this tax must be expended for the improvement and maintenance of Town Streets.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. There is one (1) capital projects fund presented as a major fund in the basic financial statements as follows:

Capital Projects Fund: The Capital Projects Fund is used to account for the primary capital improvement projects of the Town.

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the Town's actual experience conforms to the annual budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include local sales tax, state-shared sales tax, other state-shared taxes, highway user tax, wholesale beer and liquor taxes, and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity, except for interfund services, has been eliminated from the government-wide financial statements. At June 30, 2016 there were no significant encumbrances in the major and non-major funds of the Town.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued):

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department, and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

(E) BUDGETS AND BUDGETARY ACCOUNTING:

The Town Administrator submits an annual budget to the Board of Mayor and Aldermen. The Board of Mayor and Aldermen adopt the budget after holding public hearings. Once approved, the Board of Mayor and Aldermen may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on the following basis. Revenues are budgeted by source. Expenditures are budgeted by fund, which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Board of Mayor and Aldermen. Within these controls, management may transfer appropriations without the Board of Mayor and Aldermen's approval.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund and Capital Projects Funds.

The General Fund, Special Revenue Fund and Capital Projects Funds have legally adopted budgets.

Budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgeted amounts are as originally adopted (or as subsequently amended) by the Board of Mayor and Aldermen. The budgets were amended during the year as follows:

State Street Aid Fund expenditures increased by \$458,000
Equipment Replacement Fund expenditures increased by \$47,000

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(F) ENCUMBRANCES:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized by the Town of Farragut, Tennessee. All encumbrances and appropriations lapse at year-end. At June 30, 2016 there were no significant encumbrances in the major and non-major funds of the Town.

(G) USE OF ESTIMATES:

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

(H) CASH

The Town considers investments with an original maturity of ninety (90) days or less to be a cash equivalent.

(I) INVESTMENTS:

In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loan associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio. Investments consist of amounts held in the Local Government Investment Pool and are stated at cost.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(I) INVESTMENTS (Continued):

As allowed by Governmental Accounting Standards Board Statement Number 31, the town reports at amortized cost money market investments and participating interest earning investment contracts that have a remaining maturity at time of purchase of one year or less. By definition, money market investments are short-term, highly liquid debt instruments including commercial paper, bankers acceptances, and U.S. Treasury and agency obligations. All other investments are carried at fair value.

(J) COMPENSATED ABSENCES:

All employees on permanent full-time status shall earn annual leave for uninterrupted continuous service as follows:

Less than three (3) years	8 hours per month
Three (3) to ten (10) years	12 hours per month
Ten (10) to twenty (20) years	16 hours per month
Over twenty (20) years.....	20 hours per month

All employees on permanent part-time status, working twenty (20) or more hours per work week, shall earn 4 hours of annual leave per month for uninterrupted continuous service.

Annual leave shall begin to accrue at the end of the first full calendar month of employment or appointment. An employee starting to work at any time after the first day of a calendar month shall not have accumulated annual leave until the end of the following calendar month.

Annual leave may be accrued up to a maximum of two hundred forty (240) hours at the end of each calendar year. Any unused annual leave above the maximum limit on January 1st of each year shall be forfeited.

Employees resigning voluntarily and who give reasonable notice of intention to resign, or upon retirement, shall receive payment at the then current rate of compensation for such employee for all accrued annual leave earned as of the date of resignation or retirement. In the event of the employee's death, the Town will pay the employee's estate the consideration due for the accrued annual leave.

Seasonal, temporary or emergency employees will not accrue leave.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(J) COMPENSATED ABSENCES (Continued):

All employees on permanent full-time status shall earn 8 hours of sick leave for each completed month of service. All employees on permanent part-time status, working twenty (20) or more hours per work week, shall earn 4 hours of sick leave for each completed month of service. Sick leave shall begin to accrue at the end of the first full calendar month of employment. An employee starting to work at any time after the first day of the calendar month shall not have accumulated sick leave until the end of the following calendar month. An employee can accrue up to ninety (90) days of sick leave. No payment will be made for accrued sick leave upon separation from the Town.

The Town of Farragut provides a disability insurance plan. The benefits would be made effective after ninety (90) days and would provide up to 60% of the employee's compensation at the time of the disability.

Those employees who had accumulated above ninety (90) sick leave days on July 1, 1993, are permitted to apply the excess sick leave days in conjunction with the disability benefits. The Town would provide the remaining 40% of the employee's compensation in return for each excess sick day used. The total compensation paid to an employee shall not exceed 100% of the employee's compensation by using any combination of sick leave and disability benefits.

The Town of Farragut, Tennessee, may provide leave with pay for the following:

- a. Jury Duty – Jury leave shall be authorized by the Town Administrator for full-time employees who are required to serve jury duty, provided that such leave is reported in advance.
- b. Military Leave – Military leave shall be provided to members of the Tennessee National Guard or a U.S. Military Reserve component for federal annual field training with no loss of pay up to fifteen (15) working days in one calendar year. If a regular employee is ordered to active state duty by the Governor, the employee is entitled to receive full pay while on duty. Use of military leave for annual training or emergency state duty will not affect the employee's rights to regular leave or benefits, nor will it impair the employee's performance evaluation with the Town. An employee may either keep the military paycheck and not receive a Town paycheck, or may elect to sign over the military check to the Town and receive his/her Town paycheck.
- c. Bereavement Leave – In case of death in the immediate family, a full-time employee may be granted a leave of absence with pay of up to three (3) working days. Dependent upon the functions required of an employee regarding the death of an immediate family member, the Town Administrator may allow up to two additional leave days if he/she is convinced of its need. "Immediate family" shall include parents, step-parents, grandparents, brothers, sisters, spouse, children, step-children, father-in-law, and mother-in-law.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(J) COMPENSATED ABSENCES (Continued):

c. Bereavement Leave (Continued)

The full-time employee may be granted a leave of absence with pay of one day in the case of the death of aunts, uncles, nieces, or nephews. The Town Administrator may allow one additional day depending upon the functions required of the employee. After the approved bereavement leave period, additional leave may be charged to the employee's annual leave.

d. Leave Without Pay – A full-time employee may be granted a leave of absence without pay for sickness, disability, or other good and sufficient reasons which are considered, in the opinion of the Town Administrator, to be controlling or in the best interests of the Town. Such leave must be requested in writing and shall require the prior approval of the Town Administrator. An employee will not accrue sick leave or annual leave while on leave of absence without pay. Leave of absence without pay for maternity purposes may be granted regular employees. At the option of an employee, she may exhaust available sick leave and annual leave before taking a maternity leave without pay.

Compensated absences shown in the government-wide financial statements have been computed following *Governmental Accounting Standards Board (GASB) Statement 16*. The statement requires that, in addition to direct salary cost, all salary related items be accrued as well. The Town has accrued the appropriate matching payroll taxes and pension plan contributions.

(K) CAPITAL ASSETS:

Capital assets, including public domain infrastructure (e.g. roads) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(K) CAPITAL ASSETS (Continued):

Property, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	50
Improvements	25
Equipment and vehicles	5 – 25
Infrastructure	50

(L) LONG-TERM OBLIGATIONS:

In the government-wide financial statements, long-term debt (if applicable) and other long-term obligations (compensated absences) are reported as liabilities in the applicable governmental activities. Debt premiums, discounts, and issuance costs are deferred and amortized over the life of the debt. Debt payable is reported net of the applicable premium or discount.

In the fund financial statements, when applicable, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, in the period in which the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(M) FUND BALANCE:

Governmental fund equity is classified as fund balance. The Town reports fund balances in accordance with Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance and Governmental Fund Type Definitions*. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent due to their form (e.g. inventory and prepaids) or funds that legally or contractually are required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.
- c. Committed fund balances comprise those amounts that are set aside for a specific purpose by the Town's highest level of decision making authority (Board of Major and Aldermen) through its highest level of formal action (ordinance). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(M) FUND BALANCE (Continued):

- d. Assigned fund balances consist of amounts that are set aside with the intent to be used for a specific purpose by the Town's highest level of decision making body. Assigned fund balances may not cause a deficit in unassigned fund balance. Except as provided for the Town administrator's authority to assign fund balance, as described below, fund balance may only be assigned by the Board of Mayor and Aldermen by resolution.
- e. Unassigned fund balances consist of excess funds that have not been classified in the previous four categories.

Significant aspects of the Town's fund balance policy are as follows:

The Board of Mayor and Aldermen has granted the Town Administrator the authority to assign funds for specific purposes in an amount not to exceed \$20,000 per purpose or in total not to exceed \$200,000.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

Maintaining a Financial Stabilization Account is a necessity for sound financial management and fiscal accountability. The Town's governing body has the authority to establish a Financial Stabilization Account. The Town has a stabilization arrangement under resolution 2011-05 for the purpose of providing funds for an urgent event that affects the safety of the general public. The minimum level for the Financial Stabilization Account is 5% of General Fund expenditures. The recognition of an urgent event must be established by the governing body or their designee, the Town Administrator. Amounts will be added to maintain the minimum level as established by the policy. At June 30, 2016, the balance of the arrangement was \$290,900.

(N) COMPARATIVE TOTAL DATA:

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations.

(O) PENSIONS:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

Total fund balances of the Town's governmental funds differ from equity of governmental activities reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources in the governmental fund balance sheets.

Balance Sheet/Statement of Net Position

	Total Governmental <u>Funds</u>	Long-term Assets, <u>Liabilities</u> (1) (2) (3) (4)	Statement of <u>Net Position</u>
ASSETS			
Cash on hand and in bank	\$ 4,935,315	\$ -	\$ 4,935,315
Investments	19,072,986	-	19,072,986
Accounts receivable	117,365	-	117,365
Due from other governments	1,257,596	-	1,257,596
Due from other funds	89,862	-	89,862
Net pension asset	-	6,234	6,234
Capital assets, Net	<u>-</u>	<u>34,683,541</u>	<u>34,683,541</u>
 Total Assets	 <u>25,473,124</u>	 <u>34,689,775</u>	 <u>60,162,899</u>
 DEFERRED OUTFLOW OF RESOURCES			
	<u>-</u>	<u>9,099</u>	<u>9,099</u>
 LIABILITIES AND NET POSITION			
Accounts payable	\$ 195,086	\$ -	\$ 195,086
Accrued wages and benefits	48,961	-	48,961
Due to other governments	376,566	-	376,566
Funds held for others	9,634	-	9,634
Due to other funds	89,862	-	89,862
Compensated absences	-	177,313	177,313
Notes payable	-	250,000	250,000
Total Liabilities	<u>720,109</u>	<u>427,313</u>	<u>1,147,422</u>
 Fund Balance/Net Position	 <u>\$ 24,753,015</u>	 <u>\$ 34,271,561</u>	 <u>\$ 59,024,576</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued):

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (Continued)

(1) When capital assets (land, buildings, infrastructure, etc.) that are to be used in governmental activities are purchased or constructed, the costs of these assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes these capital assets among the assets of the Town as a whole.

Cost of Capital Assets	\$ 46,855,881
Accumulated depreciation	<u>(12,172,340)</u>
	<u>\$ 34,683,541</u>

(2) Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Compensated Absences	\$ 177,313
Notes payable	<u>250,000</u>
	<u>\$ 427,313</u>

(3) Deferred outflows of resources and deferred inflows of resources related to pensions are not reported in the governmental funds. However, such amounts are reported in the statement of net position.

Deferred outflows related to pensions	\$ 9,099
Deferred inflows related to pensions	<u>-</u>
	<u>\$ 9,099</u>

(4) Net pension assets of the agent plan are not current financial resources and, therefore, are not reported in the governmental funds.

Net pension assets	<u>\$ 6,234</u>
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(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds differs from the change in net position for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued):

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

The effect of the differences is illustrated below.

	Total Governmental Funds	Capital- Related Items (1)	Long-term Debt Transactions (2) (3)	Reclassi- fications	Statement of Activities
REVENUES					
Taxes:					
Local option sales taxes	\$ 6,201,560	\$ -	\$ -	\$ -	\$ 6,201,560
Other taxes	1,152,215	-	-	-	1,152,215
Licenses, permits and fees	477,780	-	-	-	477,780
Intergovernmental:					
State taxes	3,598,604	-	-	-	3,598,604
State grant	42,950	-	-	-	42,950
Charges for services	156,516	-	-	-	156,516
Fines, forfeitures and costs	89,487	-	-	-	89,487
Investment income	44,880	-	-	-	44,880
Miscellaneous revenue	1,000,020	(50,202)	-	-	949,818
Gain on deletion of capital assets	-	17,988	-	-	17,988
Total Revenues	<u>12,764,012</u>	<u>(32,214)</u>	<u>-</u>	<u>-</u>	<u>12,731,798</u>
EXPENDITURES/ EXPENSES					
Current:					
General Government	4,189,530	396,243	9,919	(119,373)	4,476,319
Public Works	2,354,518	604,187	-	3,057	2,961,762
Debt Service:					
Principal retirement	250,000	-	(250,000)	-	-
Interest	7,500	-	-	-	7,500
Capital Outlay	<u>4,165,960</u>	<u>(4,282,276)</u>	<u>-</u>	<u>116,316</u>	<u>-</u>
Total Expenditures	<u>10,967,508</u>	<u>(3,281,846)</u>	<u>(240,081)</u>	<u>-</u>	<u>7,445,581</u>
NET CHANGE FOR THE YEAR	<u>\$ 1,796,504</u>	<u>\$3,249,632</u>	<u>\$ 240,081</u>	<u>\$ -</u>	<u>\$ 5,286,217</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued):

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

(1) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital expenditures	\$ 4,282,276
Depreciation expense	1,000,430
Difference	<u>\$ 3,281,846</u>

Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.

Deleted capital assets (net)	\$ 32,214
Proceeds	(50,202)
Difference	<u>\$ (17,988)</u>

(2) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrual for compensated absences	\$ (2,130)
Change in net pension liability/asset	83,112
Change in deferred outflows related to pension	(90,901)
	<u>\$ (9,919)</u>

(3) Repayment of debt principal is reported as a expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the Town as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. The Town's long-term debt was reduced because principal payments were made to holders of long-term debt.

Principal payments made	<u>\$ 250,000</u>
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(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – CASH AND INVESTMENTS:

State laws authorize the Town to invest in obligations of the U. S. Treasury and other authorized instruments as more fully explained in Note 1.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Total Cash and Investments of \$24,008,301 at June 30, 2016, are classified as follows:

Type	Amount
Petty Cash	\$ 588
Local financial institutions	4,934,727
State of Tennessee Local Government Investment Pool.....	19,072,986
Total Cash and Investments	\$24,008,301

Credit Risk – It is the Town’s policy to minimize custodial credit risk associated with cash deposits by utilizing financial institutions that issue deposits through the Federal Deposit Insurance Corporation and participate in the Tennessee State Collateral Pool.

In addition, it is the Town’s policy to minimize credit risk losses due to defaults of a security issuer or backer, by limiting investments to the safest types of securities and limiting bank certificates of deposit to less than \$250,000 coverage by FDIC.

Investments in the Local Government Investment Pool are reported at amortized cost. The State Pooled Investment Fund, of which the Local Government Investment Pool is a part, is managed like a SEC 2a-7 fund. The same investment guidelines are followed, but the State Pooled Investment Fund does not report to the SEC. The investment pool does not have a credit quality rating.

The shares in the Local Government Investment Pool are constant dollar. Therefore, the fair value of the position in the Pool is the same as the value of the Pool shares.

The State Pooled Investment Fund is governed by the State Funding Board in accordance with Tennessee Code Annotated. The Funding Board is comprised of the State Treasurer, the Comptroller, the Commissioner of Finance and Administration, the Secretary of State, and the Governor. Reporting is done monthly, quarterly, and annually and there are regularly scheduled meetings. The Funding Board has developed an Investment Policy which meets SEC 2a-7 requirements and state law.

Additional financial information regarding the Local Government Investment Pool is available from the Local Government Investment Pool, P. O. Box 198785, Nashville, Tennessee 37219-8785 (telephone (615) 532-1163).

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS:

Taxes collected and held by the State of Tennessee at June 30, 2016, and remitted to the Town within sixty (60) days are reflected in the financial statements.

The amount due from the State of Tennessee directly and indirectly through Knox County, Tennessee, and Loudon County, Tennessee, at June 30, 2016, was \$1,257,596.

NOTE 5 – CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2016 is as follows:

Summary of Changes in Capital Asset Activity

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2016</u>
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 3,918,111	\$ -	\$ -	\$ 3,918,111
Admiral Farragut Collection	109,978	-	-	109,978
Construction-in-progress	<u>2,487,209</u>	<u>3,984,688</u>	<u>719,949</u>	<u>5,751,948</u>
Total Non-depreciable Assets	<u>6,515,298</u>	<u>3,984,688</u>	<u>719,949</u>	<u>9,780,037</u>
Depreciable Assets:				
Buildings	2,971,083	63,946	-	3,035,029
Improvements	6,373,268	740,259	-	7,113,527
Furniture, fixtures, and equipment	2,075,406	180,112	125,916	2,129,602
Transportation equipment	662,888	19,720	46,586	636,022
Infrastructure	<u>24,148,164</u>	<u>13,500</u>	<u>-</u>	<u>24,161,664</u>
Total Depreciable Assets	<u>36,230,809</u>	<u>1,017,537</u>	<u>172,502</u>	<u>37,075,844</u>
Accumulated Depreciation:				
Buildings	1,298,622	62,946	-	1,361,568
Improvements	1,110,404	269,135	-	1,379,539
Furniture, fixtures, and equipment	1,042,583	98,713	96,327	1,044,969
Transportation equipment	517,512	43,398	43,961	516,949
Infrastructure	<u>7,343,077</u>	<u>526,238</u>	<u>-</u>	<u>7,869,315</u>
Total Accumulated Depreciation	<u>11,312,198</u>	<u>1,000,430</u>	<u>140,288</u>	<u>12,172,340</u>
Net Depreciable Assets	<u>24,918,611</u>	<u>17,107</u>	<u>32,214</u>	<u>24,903,504</u>
Governmental Activities Capital Assets, Net	<u>\$31,433,909</u>	<u>\$ 4,001,795</u>	<u>\$ 752,163</u>	<u>\$34,683,541</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued):

Capital assets are categorized by function as follows:

General Government	\$ 5,446,766
Public Works	31,669,885
Parks and Recreation	<u>9,739,230</u>
Total Capital Assets	<u>\$ 46,855,881</u>

Depreciation expense was charged to the governmental functions in the government-wide financial statements as follows:

General Government	\$ 396,243
Public Works	<u>604,187</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 1,000,430</u>

NOTE 6 – LONG-TERM DEBT:

Following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2016:

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2016</u>	Amounts Due Within <u>One (1) Year</u>
Capital Outlay Note, Series 2013	\$ 500,000	\$ -	\$ 250,000	\$ 250,000	\$ 250,000
Compensated absences	<u>175,183</u>	<u>188,945</u>	<u>186,815</u>	<u>177,313</u>	<u>177,313</u>
Long-term Liabilities	<u>\$ 675,183</u>	<u>\$ 188,945</u>	<u>\$ 436,815</u>	<u>\$ 427,313</u>	<u>\$ 427,313</u>

On November 7, 2013, the Town issued Capital Outlay Notes, Series 2013 in the amount of \$750,000. The note calls for annual principal payments of \$250,000 plus accrued interest at one and one-half percent (1.5%) due each November 6th. The note matures on November 6, 2016.

As of June 30, 2016, debt service requirements to maturity for principal and interest, for general long-term debt obligations, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 250,000</u>	<u>\$ 3,750</u>	<u>\$ 253,750</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued):

No funds have been committed or assigned in the General Fund for the liquidation of compensated absences. In prior years, compensated absences have been liquidated by the General Fund.

NOTE 7 – FUND BALANCES:

Fund balances at June 30, 2016 consist of the following:

	<u>Major Governmental Funds</u>		Non-Major	
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Restricted To:				
State Street Aid	\$ -	\$ -	\$ 289,029	\$ 289,029
Assigned To:				
Balance June 30, 2017 Budget	2,636,996	-	-	2,636,996
Capital projects	-	11,334,435	-	11,334,435
Equipment & vehicle replacement	-	-	647,153	647,153
Stormwater	20,589	-	-	20,589
State Street Aid	-	-	805,120	805,120
Unassigned	<u>9,019,693</u>	-	-	<u>9,019,693</u>
Totals	<u>\$ 11,677,278</u>	<u>\$ 11,334,435</u>	<u>\$ 1,741,302</u>	<u>\$ 24,753,015</u>

NOTE 8 – PENSION PLANS:

Defined Benefit Plan:

Plan Description:

Certain former employees of the Town of Farragut are provided a defined benefit pension plan through the Town of Farragut Supplemental Retirement Plan, a single-employer pension plan administered by USI Consulting Group. The Plan was created under the authority of the Farragut Board of Mayor and Aldermen and may be amended by them at any time. The plan does not issue a stand-alone financial report nor is it included in the report of a public employee retirement system.

Benefits Provided:

The principal goal of the funding policy is to assure that future pension plan contributions and current plan assets should be sufficient to provide for all benefits expected to be paid to current active, inactive, and retired members, and their beneficiaries. Contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs. Members are eligible to retire with an unreduced benefit at the first month

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Benefits Provided (Continued):

following the earlier of social security normal retirement age or the participant's sixty-seventh birthdate. An early retirement benefit is available that reduces the accrued benefit in accordance with the Social Security reduction formula, as determined by the U.S. Social Security Administration, except that no reduction shall apply after the participant reaches age sixty-five. All participants are vested in the Plan.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. An annual adjustment of three percent (3%) per annum in payment and deferral periods, according to the Plan provisions, is applied to current benefits.

Employees Covered by Benefit Terms:

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	4
Active employees	$\begin{array}{r} - \\ \hline 5 \end{array}$

The Plan is closed to new entrants.

Contributions:

Participants are excluded from making contributions to the Plan. The Town makes employer contributions at the rate set by the Board of Mayor and Aldermen as determined by an actuarial valuation. No contributions were made for the year ended June 30, 2016. The employer's actuarially determined contribution (ADC) is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Town's net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Actuarial Assumptions:

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.4 percent
Salary increases	N/A
Investment rate of return	5.0 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	3.0 percent

Mortality rates were based on the Internal Revenue Service 2014 Combined Static Mortality.

Cost Method – Entry Age Normal, as required by GASB Statements No. 67 and 68

The normal cost is the sum of the individual normal costs, determined as the level percentage of compensation which would have been necessary to fund the employee's projected retirement, death and withdrawal benefits, from entry age (the age at which he would have entered the plan had it been in effect on his employment date), to his retirement age. Because the plan has no active participants, there is no further accrual and therefore there is no normal cost.

The actuarial accrued liability is the accumulation, based on the actuarial assumptions, of all assumed prior normal costs. Thus, it represents the amount of reserves which would be held by the plan had it always been in effect for the present group of participants and had plan experience followed that predicted by the actuarial assumptions.

Actuarial gains and losses arising from differences between plan experience and that predicted by the actuarial assumptions, as measured by the difference between actual and expected unfunded actuarial accrued liabilities, are amortized over the average of the expected remaining service lives of all employees (active and inactive), as required by GASB Statement No. 68.

Attribution parameters determine how growth in the benefit formula is allocated to years of service. Because the plan has no active participants, there is no further attribution; all benefits are included in the accrued liability as of the valuation date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Actuarial Assumptions (Continued):

inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Large Blend	7.7%	15%
Small/Mid Blend	7.8%	6%
Non US Equity – Developed	7.9%	5%
Non US Equity – Emerging Markets	9.3%	1%
US Corporate Bonds – Core	4.5%	40%
US Corporate Bonds – High Yield	6.2%	5%
Non US Debt – Developed	2.5%	10%
US Treasurys	3.0%	10%
TIPS	3.2%	5%
Real Estate	6.3%	<u>3%</u>
		100%

Rate of Return:

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate:

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumes that contributions will be made at the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Change in the Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
Balance at June 30, 2014	<u>\$ 272,899</u>	<u>\$ 196,021</u>	<u>\$ 76,878</u>
Changes for the year:			
Interest	13,554	-	13,554
Differences between expected and actual experience	1,270	-	1,270
Contributions – employer	-	100,000	(100,000)
Net investment income	-	3,206	(3,206)
Benefit payments, including refunds of employee contributions	(3,671)	(3,671)	-
Administrative expense	<u>-</u>	<u>(5,270)</u>	<u>5,270</u>
Net Changes	<u>11,153</u>	<u>94,265</u>	<u>(83,112)</u>
Balance at June 30, 2015	<u>\$ 284,052</u>	<u>\$ 290,286</u>	<u>\$ (6,234)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability (asset) of the Town calculated using the discount rate of 5.0 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 (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current rate:

	1% Decrease <u>(4.0%)</u>	Current Discount Rate <u>(5.0%)</u>	1% Increase <u>(6.0%)</u>
The Town's net pension liability (asset)	\$ (50,162)	\$ (6,234)	\$ 48,738

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense:

For the year ended June 30, 2016, The Town recognized pension expense of \$7,789.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

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

Deferred outflows of resources and deferred inflows of resources:

For the year ended June 30, 2016, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings of pension plan investments	<u>\$ 9,099</u>	<u>\$ -</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 2,275
2017	2,275
2018	2,275
2019	2,274
2020	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2016, there was no payable to the Pension Plan.

Defined Contribution Plan:

The Town provides pension benefits to all full-time employees through two (2) Internal Revenue Code Section 401 retirement (defined contribution) plans as established by the Board of Mayor and Aldermen on June 1, 1984. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees, except those who have not attained the age of 18, who render 40 hours or more of service each week, are eligible to participate in the plans from the date of employment. The plans may be amended by the Board of Mayor and Aldermen at any time.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – PENSION PLANS (Continued):

Defined Contribution Plan (Continued):

The first plan, established as a FICA replacement plan, is for the Town’s employees who have opted out of the Social Security Retirement System. The Plan requires the Town to provide a regular contribution amount equal to eight percent (8%) of the employee’s eligible compensation. An additional two percent (2%) matching contribution is available.

The Plan also contains longevity contributions (non-matching) as follows:

<u>Years of Service</u>	<u>Contribution Rate</u>
0 – 4	0%
5 – 10	2%
11 – 20	4%
21 +	6%

Participants in this plan are immediately vested on all contributions.

The second plan is established for the Town’s employees who have not opted out of the Social Security Retirement System. The Plan does not require the Town to provide a regular contribution amount. However, there is a four percent (4%) matching contribution available. The Plan also contains longevity contributions (non-matching) as follows:

<u>Years of Service</u>	<u>Contribution Rate</u>
0 – 4	0%
5 – 10	2%
11 – 20	4%
21 +	6%

Participants in this plan are 100% vested on matching contributions after three (3) years and are immediately vested on non-matching contributions.

The plans are administered by the State of Tennessee Deferred Compensation Plan II.

Total pension expense under the two plans for the year was \$185,889.

Deferred Compensation Plan:

Employees of the Town of Farragut may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments) as established by the Board of Mayor and Aldermen on November 30, 1992. The Plan may be amended by the Board of Mayor and Aldermen at any time.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – PENSION PLANS (Continued):

Deferred Compensation Plan (Continued):

The deferred compensation plan is available to all employees of the Town who render 40 or more hours of service each week. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

As part of its fiduciary role, the Town has an obligation of due care in selecting the third party administrator. The plan is administered by the Tennessee State Deferred Compensation Plan and Trust. The Town's management believes the Town has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

NOTE 9 – RISK FINANCING ACTIVITIES:

It is the policy of the Town to purchase insurance through its participation in the Tennessee Municipal League Risk Management Pool for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and worker's compensation. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

The Tennessee Municipal League Risk Management Pool is a non-profit, risk sharing organization of Tennessee municipalities and local public agencies. A pool is a cooperative arrangement that works in many ways like a traditional insurer. Participating members such as the Town pay a contribution (premium), receive coverage, and make claims against that coverage. Part of the Town's premium is used to establish a loss fund for payment of claims. Another part of the Town's premium is used to purchase reinsurance to cover losses that exceed the Pool's loss fund. The reinsurance is purchased to protect the pool in a worst case scenario.

NOTE 10 – LEASES IN FINANCIAL STATEMENTS OF LESSORS:

The Town has entered into the following leasing transactions as lessor:

1. Lease with AT&T to lease real property used to locate a communication tower. The lease was modified on June 11, 2015 and expires on December 19, 2020. The lease calls for annual payments of \$15,000 with an adjustment equal to three percent (3%) of the annual rent on each December 19th. The lease can be renewed for one ten (10) year period on December 19, 2020. Annual lease payments at that date increase to \$30,000 and are adjusted by three percent (3%) of the annual rental on each December 19th. The lease currently calls for monthly payments of \$1,287.
2. Lease with Crown Castle to lease real property whereon a communications facility has been constructed. The lease commenced August 27, 2003, for a five (5)-year period and was renewed for five (5)-year periods in August 2008 and August 2013. One (1) additional extension of five (5) years is available. Monthly payments are \$2,859 for the remaining term of the lease, such amount including sublease income from four (4) co-located providers.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – LEASES IN FINANCIAL STATEMENTS OF LESSORS (Continued):

3. Lease with Crown Communications, Inc. to lease real property whereon a communications facility has been constructed. The lease commenced May 7, 2006, for a five (5)-year period and was renewed for five (5)-year periods in May 2011 and May 2016. One (1) additional extension of five (5) years is available. Annual payments are \$24,837 for the remaining term of the lease, such amount including sublease income from a co-located provider at an annual rental of \$12,696.
4. Lease with Knox County, Tennessee to lease space in the Town Hall to be used by the Knox County Clerk. The lease commenced November 1, 2015 for a five (5)-year period. Monthly payments during the lease range from \$1,100 to \$1,300.
5. Lease with Knox County, Tennessee to lease space in the Town Hall to be used by the Knox County Sheriff. The lease expired during the prior fiscal year and is in the process of being renegotiated.
6. Lease with Harriet Williams to lease space on the Russell Property. The lease is effective November 8, 2013 on a month-to-month basis. Monthly payments are \$1,500. The lease can be cancelled upon ninety (90) days written notice.

Future aggregate minimum lease payments receivable is as follows:

Fiscal Year Ending <u>June 30,</u>	
2017	\$ 56,012
2018	46,442
2019	45,399
2020	46,498
2021	34,162

NOTE 11 – INTERFUND TRANSFERS:

Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following:

Transfers From:	General <u>Fund</u>
Transfers To:	
Major Governmental Funds:	
Capital Project Fund	\$ 3,000,000
Non-major Governmental Funds:	
State Street Aid Fund	120,000
Equipment Replacement Fund	<u>150,000</u>
Total Transfers	<u>\$ 3,270,000</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – INTERFUND TRANSFERS (Continued):

Transfers from the General Fund to the Capital Projects Fund are made to provide funds for capital projects.

Transfers from the General Fund to the Equipment Replacement Fund are made to provide funds for equipment purchases.

Transfers from the General Fund to the State Street Aid Fund are made to provide funds for street and highway improvements.

NOTE 12 - LITIGATION:

The Town is named as a defendant in various other suits challenging actions taken by the Town, but no damages are being sought in these actions.

NOTE 13 – COMMITMENTS:

The Town had the following outstanding commitments at June 30, 2016:

	<u>Total Contract</u>	<u>Amount Incurred to Date</u>	<u>Remaining Balance</u>
Everett Road Improvements:			
Project Management	\$ 373,317	\$ 231,044	\$ 142,273
Contractor	3,356,844	2,122,959	1,233,885

NOTE 14 – SUBSEQUENT EVENT:

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 28, 2016, which is the date on which the financial statements were issued.

TOWN OF FARRAGUT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS
Last Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ -	\$ -
Interest	14,576	13,554
Changes in benefit terms	-	-
Differences between actual & expected experience	(31,976)	1,270
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(1,530)</u>	<u>(3,671)</u>
Net change in total pension liability	<u>(18,930)</u>	<u>11,153</u>
Total pension liability-beginning	<u>291,829</u>	<u>272,899</u>
Total pension liability-ending (a)	<u><u>\$ 272,899</u></u>	<u><u>\$ 284,052</u></u>
 Plan fiduciary net position		
Contributions – employer	\$ 150,000	\$ 100,000
Contributions – employee	-	-
Net investment income	14,077	3,206
Benefit payments, including refunds of employee contributions	(1,530)	(3,671)
Administrative expense	<u>(1,290)</u>	<u>(5,270)</u>
Net change in plan fiduciary net position	<u>161,257</u>	<u>94,265</u>
Plan fiduciary net position – beginning	<u>34,764</u>	<u>196,021</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 196,021</u></u>	<u><u>\$ 290,286</u></u>
 Net Pension Liability (asset)-ending (a) – (b)	<u><u>\$ 76,878</u></u>	<u><u>\$ (6,234)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	 71.83%	 102.19%
 Covered-employee payroll	 \$ N/A	 \$ N/A
 Net pension liability (asset) as a percentage of covered-employee payroll	 N/A	 N/A

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

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
 Last Fiscal Years Ending June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 14,346	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>150,000</u>	<u>100,000</u>	<u>-</u>
Contribution deficiency (excess)	<u><u>\$ (135,654)</u></u>	<u><u>\$ (100,000)</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage covered – employee payroll	N/A	N/A	N/A

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.

TOWN OF FARRAGUT, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 63-64
For the Fiscal Year Ended June 30, 2016

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Early age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	8 years
Asset valuation	Market value of assets
Inflation	2.4 percent
Salary increases	N/A
Investment Rate of Return	5.0 percent, net of investment expense, including inflation
Retirement age	Age 65
Mortality	IRS 2014 Combined Static Mortality
Cost of Living Adjustments	3.0 percent

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TOWN OF FARRAGUT, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
NON – MAJOR GOVERNMENTAL FUNDS
June 30, 2016

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for financial resources that are legally restricted for a specific purpose.

State Street Aid Fund: Established to account for the State gasoline tax.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Equipment Replacement Fund: Established to provide funds for the replacement of equipment or vehicles.

Everett Road Fund: Established to facilitate the accounting of revenues derived from a developer for the improvement of a segment of Everett Road.

TOWN OF FARRAGUT, TENNESSEE
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2016

With Comparative Totals for the Fiscal Year Ended June 30, 2015

<u>ASSETS</u>	<u>Special Revenue Fund State Street Aid</u>	<u>Capital Projects Fund Equipment Replacement</u>	<u>Total Non-Major Governmental Funds</u>	
			<u>2016</u>	<u>2015</u>
Investments	\$ 1,044,056	\$ 647,153	\$1,691,209	\$1,749,530
Due from other governments	<u>50,093</u>	<u>-</u>	<u>50,093</u>	<u>48,500</u>
Total Assets	<u>\$ 1,094,149</u>	<u>\$ 647,153</u>	<u>\$1,741,302</u>	<u>\$1,798,030</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,744
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,331</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,075</u>
FUND BALANCE:				
Restricted	289,029	-	289,029	448,849
Assigned	<u>805,120</u>	<u>647,153</u>	<u>1,452,273</u>	<u>1,302,106</u>
Total Fund Balance	<u>1,094,149</u>	<u>647,153</u>	<u>1,741,302</u>	<u>1,750,955</u>
Total Liabilities and Fund Balance	<u>\$ 1,094,149</u>	<u>\$ 647,153</u>	<u>\$1,741,302</u>	<u>\$1,798,030</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>	
	<u>State Street Aid</u>	<u>Equipment Replacement</u>	<u>2016</u>	<u>2015</u>
Revenues:				
State Shared Revenue	\$ 566,655	\$ -	\$ 566,655	\$ 542,193
Investment income	2,057	1,284	3,341	1,265
Other income	<u>-</u>	<u>55,040</u>	<u>55,040</u>	<u>-</u>
Total Revenues	<u>568,712</u>	<u>56,324</u>	<u>625,036</u>	<u>543,458</u>
Expenditures:				
Public Works	726,474	-	726,474	607,954
Capital Outlay	<u>-</u>	<u>178,215</u>	<u>178,215</u>	<u>92,499</u>
Total Expenditures	<u>726,474</u>	<u>178,215</u>	<u>904,689</u>	<u>700,453</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(157,762)	(121,891)	(279,653)	(156,995)
Other Financing Sources (Uses)				
Transfers In	120,000	150,000	270,000	270,000
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,331)</u>
Net Change in Fund Balance	(37,762)	28,109	(9,653)	68,674
Fund Balance – July 1 st	<u>1,131,911</u>	<u>619,044</u>	<u>1,750,955</u>	<u>1,682,281</u>
Fund Balance – June 30 th	<u>\$ 1,094,149</u>	<u>\$ 647,153</u>	<u>\$ 1,741,302</u>	<u>\$ 1,750,955</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
SPECIAL REVENUE FUND – STATE STREET AID
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Total 2015</u>
REVENUES:					
State of Tennessee -					
Gasoline tax apportionment ..	\$ 540,000	\$ 540,000	\$ 566,655	\$ 26,655	\$ 542,193
Interest earned.....	<u>500</u>	<u>500</u>	<u>2,057</u>	<u>1,557</u>	<u>756</u>
Total Revenue	<u>540,500</u>	<u>540,500</u>	<u>568,712</u>	<u>28,212</u>	<u>542,949</u>
EXPENDITURES:					
Public Works:					
Street repairs and maintenance	74,000	74,000	67,023	6,977	70,372
Resurface program.....	500,000	958,000	636,946	321,054	517,730
Centerline	40,000	40,000	15,853	24,147	15,771
Guardrails	6,000	6,000	5,231	769	-
Sidewalk maintenance.....	50,000	50,000	1,421	48,579	4,081
Traffic calming	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>
Total Expenditures.....	<u>688,000</u>	<u>1,146,000</u>	<u>726,474</u>	<u>419,526</u>	<u>607,954</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources.....	(147,500)	(605,500)	(157,762)	447,738	(65,005)
OTHER FINANCING SOURCES:					
Operating Transfers In.....	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
NET CHANGE IN FUND BALANCE	(27,500)	(485,500)	(37,762)	447,738	54,995
FUND BALANCE – July 1st	<u>1,131,911</u>	<u>1,131,911</u>	<u>1,131,911</u>	<u>-</u>	<u>1,076,916</u>
FUND BALANCE – June 30th	<u>\$1,104,411</u>	<u>\$ 646,411</u>	<u>\$1,094,149</u>	<u>\$ 447,738</u>	<u>\$1,131,911</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL PROJECTS FUNDS – CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2015</u>
REVENUES:				
Interest earned.....	\$ 9,000	\$ 25,562	\$ 16,562	\$ 7,850
Federal grant.....	258,000	-	(258,000)	-
State grants.....	867,000	42,950	(824,050)	10,000
Utility relocation assistance	56,000	418,969	362,969	305,176
Road development fees.....	-	63,654	63,654	26,208
Miscellaneous revenue	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>	<u>-</u>
Total Revenues.....	<u>1,270,000</u>	<u>551,135</u>	<u>(718,865)</u>	<u>349,234</u>
EXPENDITURES				
Capital Outlay:				
Highways and streets.....	1,183,000	2,689,787	(1,506,787)	293,790
Sidewalks.....	-	73,894	(73,894)	28,929
Park improvements.....	1,200,000	1,153,009	46,991	3,170
Land acquisition.....	500,000	-	500,000	-
Equipment shed.....	-	465	(465)	49,253
Outdoor classroom.....	-	-	-	219,679
Russell House.....	300,000	15,154	284,846	16,921
Greenway improvements.....	510,000	2,594	507,406	178,347
Traffic signal enhancements....	210,000	52,842	157,158	-
Historical signs.....	50,000	-	50,000	-
Parkside feasibility	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total Capital Outlay	<u>4,053,000</u>	<u>3,987,745</u>	<u>65,255</u>	<u>790,089</u>
Debt Service:				
Principal retirement.....	250,000	250,000	-	250,000
Interest	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>11,250</u>
Total Debt Service	<u>257,500</u>	<u>257,500</u>	<u>-</u>	<u>261,250</u>
Total Expenditures.....	<u>4,310,500</u>	<u>4,245,245</u>	<u>65,255</u>	<u>1,051,339</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(3,040,500)	(3,694,110)	(653,610)	(702,105)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>3,044,331</u>
NET CHANGE IN FUND BALANCE	(40,500)	(694,110)	(653,610)	2,342,226
FUND BALANCE – July 1 st	<u>12,028,545</u>	<u>12,028,545</u>	<u>-</u>	<u>9,686,319</u>
FUND BALANCE – June 30 th	<u>\$ 11,988,045</u>	<u>\$11,334,435</u>	<u>\$ (653,610)</u>	<u>\$12,028,545</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL PROJECTS FUNDS – EQUIPMENT REPLACEMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2015</u>
REVENUES:					
Interest earned.....	\$ 350	\$ 350	\$ 1,284	\$ 934	\$ 485
Sale of capital assets.....	-	-	50,202	50,202	-
Miscellaneous revenue	<u>-</u>	<u>-</u>	<u>4,838</u>	<u>4,838</u>	<u>-</u>
Total Revenues	350	350	56,324	55,974	485
EXPENDITURES:					
Capital Outlay:					
Equipment.....	<u>140,500</u>	<u>187,500</u>	<u>178,215</u>	<u>9,285</u>	<u>92,499</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(140,150)	(187,150)	(121,891)	65,259	(92,014)
OTHER FINANCING SOURCES:					
Operating transfer in	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
NET CHANGE IN FUND BALANCE	9,850	(37,150)	28,109	65,259	57,986
FUND BALANCE – July 1st	<u>619,044</u>	<u>619,044</u>	<u>619,044</u>	<u>-</u>	<u>561,058</u>
FUND BALANCE – June 30th	<u>\$ 628,894</u>	<u>\$ 581,894</u>	<u>\$ 647,153</u>	<u>\$ 65,259</u>	<u>\$ 619,044</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL ACTIVITIES**

June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 Schedule of Changes by Function and Activity
 For the Fiscal Year Ended June 30, 2016

<u>Program</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
General Government	\$ 5,383,097	\$ 75,255	\$ 11,586	\$ 5,446,766
Public Works	28,372,354	4,178,396	880,865	31,669,885
Parks and Recreation	<u>8,990,656</u>	<u>748,574</u>	<u>-</u>	<u>9,739,230</u>
Total.....	<u>\$ 42,746,107</u>	<u>\$ 5,002,225</u>	<u>\$ 892,451</u>	<u>\$ 46,855,881</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule by Function and Activity
June 30, 2016

<u>Program</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Infrastructure</u>	<u>Furniture, Fixtures, and Equipment</u>	<u>Transportation Equipment</u>	<u>Admiral Farragut Collection</u>	<u>Construction In Progress</u>	<u>Total</u>
General Government..	\$ 2,050,457	\$ 2,638,472	\$ -	\$ -	\$ 432,087	\$ 215,772	\$ 109,978	\$ -	\$ 5,446,766
Public Works.....	442,295	142,173	-	24,161,664	751,555	420,250	-	5,751,948	31,669,885
Parks and Recreation.	<u>1,425,359</u>	<u>254,384</u>	<u>7,113,527</u>	<u>-</u>	<u>945,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,739,230</u>
Subtotal.....	3,918,111	3,035,029	7,113,527	24,161,664	2,129,602	636,022	109,978	5,751,948	46,855,881
Less: Accumulated Depreciation	<u>-</u>	<u>1,361,568</u>	<u>1,379,539</u>	<u>7,869,315</u>	<u>1,044,969</u>	<u>516,949</u>	<u>-</u>	<u>-</u>	<u>12,172,340</u>
Total Governmental Funds – Capital Assets	<u>\$ 3,918,111</u>	<u>\$ 1,673,461</u>	<u>\$ 5,733,988</u>	<u>\$16,292,349</u>	<u>\$ 1,084,633</u>	<u>\$ 119,073</u>	<u>\$ 109,978</u>	<u>\$ 5,751,948</u>	<u>\$ 34,683,541</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE

MISCELLANEOUS SCHEDULES

June 30, 2016

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TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
June 30, 2016

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Book Value June 30, 2016</u>
Cash:			
Cash on hand			\$ 588
Cash in checking:			
BB&T	N/A	N/A	4,752,358
BB&T	N/A	N/A	6,343
BB&T	N/A	N/A	8,026
BB&T	N/A	N/A	<u>168,000</u>
Total Cash			<u>4,935,315</u>
Investments:			
Local Government Investment Pool:			
State of Tennessee	Variable	-	2
State of Tennessee	Variable	-	99,900
State of Tennessee	Variable	-	17,799
State of Tennessee	Variable	-	647,153
State of Tennessee	Variable	-	4,870,179
State of Tennessee	Variable	-	1,249,606
State of Tennessee	Variable	-	44,449
State of Tennessee	Variable	-	<u>12,143,898</u>
Total Investments.....			<u>19,072,986</u>
Total Cash & Investments.....			<u>\$ 24,008,301</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
 June 30, 2016

<u>TRANSFERS TO:</u>	<u>TRANSFERS FROM:</u>
	General Fund
Capital Projects Fund	
Transfer made to provide funds for capital projects	\$ 3,000,000
Equipment Replacement Fund	
Transfer made to provide funds for equipment replacement	150,000
State Street Aid	
Transfer made to provide funds for street and highway improvements	<u>120,000</u>
Total.....	<u>\$ 3,270,000</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS AND SURETY BONDS
June 30, 2016

MAYOR

Ralph McGill

VICE-MAYOR

Mary Dorothy LaMarche

ALDERMEN

Robert Markli
Ron Pinchok
Louise Povlin

OTHER OFFICIALS

David Smoak – Town Administrator
(Surety Bond Coverage - \$250,000)

Allison Myers - Town Recorder
(Surety Bond Coverage - \$250,000)

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2016

General Liability and Auto Liability:

Liabilities Created By The Tennessee Governmental

Tort Liability Act:

General - Bodily injury	\$ 300/700,000
General - Property damage	\$ 100,000
Automobiles - Bodily injury	\$ 300/700,000
Automobiles - Property damage	\$ 100,000
Other Loss	\$ 1,000,000

Liabilities For Which A Limit Is Not Imposed By
The Tennessee Governmental Tort Liability Act:

Combined single limit	\$ 700,000
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Automobile Collision and Comprehensive Coverage -

Collision -
\$1,000 deductible;
Comprehensive -
\$1,000 deductible

Property and Crime:

Fire and Extended Coverage - 80% Co-insurance:

Office contents and building improvements	\$ 17,149,387
Fine Arts	\$ 700,000
Mobile equipment	\$ 435,798
Valuable papers	\$ 250,000
Data Processing	\$ 250,000
Software	\$ 100,000

Public Officials' Personal Errors and Omissions Liability:

Liability limit (\$5,000 deductible)	\$ 1,000,000
--	--------------

Crime Coverage:

Employee Dishonesty	\$ 150,000
Forgery or Alteration	\$ 150,000
Theft, Disappearance, or Destruction	\$ 150,000
Computer Fraud	\$ 150,000

Terrorism	\$ 500,000
-----------------	------------

Workmen's Compensation and Employer's Liability:

Employer's Liability:

Each occurrence	\$ 300,000
Policy limit	\$ 700,000
Employee limit	\$ 300,000

Surety Bonds:

Town Administrator	\$ 250,000
Town Recorder	\$ 250,000

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 June 30, 2016

Program Name	Grant/Contract Number	Grantor Agency	Receivable Balance 7-1-15	Cash Receipts	Expenditures	Receivable Balance 6-30-16
Local Parks and Recreation Fund	n/a	Tennessee Department of Environment and Conservation	\$ <u> -</u>	\$ <u> 42,950</u>	\$ <u> 42,950</u>	\$ <u> -</u>

This schedule prepared using the modified accrual basis of accounting.

TOWN OF FARRAGUT, TENNESSEE
STATISTICAL SECTION
June 30, 2016

This part of the Town of Farragut's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

CONTENTS	SCHEDULES
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1 through 4
REVENUE CAPACITY These schedules contain information to help the reader assess the Town's most significant local revenue source.	5 through 10
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	11 through 15
DEMOGRAPHIC AND ECONOMIC INFORMATION These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	16 through 17
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	18 through 20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 1
NET POSITION BY COMPONENT
(Prepared Using the Accrual Basis of Accounting)
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental										
Activities:										
Net investment in										
capital assets	\$ 34,433,541	\$ 30,933,909	\$ 30,882,597	\$ 30,051,713	\$ 29,498,811	\$ 28,443,639	\$ 26,836,668	\$ 25,927,007	\$23,439,077	\$ 21,066,789
Restricted	295,263	448,849	514,610	581,804	150,527	134,853	7,191,609	7,737,277	8,271,989	7,749,666
Unrestricted	<u>24,295,772</u>	<u>22,355,601</u>	<u>18,415,224</u>	<u>16,052,803</u>	<u>14,163,565</u>	<u>12,994,311</u>	<u>4,602,442</u>	<u>2,353,387</u>	<u>2,621,607</u>	<u>2,894,905</u>
Total Governmental										
Activities										
Net Position	<u>\$ 59,024,576</u>	<u>\$ 53,738,359</u>	<u>\$ 49,812,431</u>	<u>\$ 46,686,320</u>	<u>\$ 43,812,903</u>	<u>\$ 41,572,803</u>	<u>\$ 38,630,719</u>	<u>\$ 36,017,671</u>	<u>\$34,332,673</u>	<u>\$ 31,711,360</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 2
CHANGES IN NET POSITION
(Prepared Using the Accrual Basis of Accounting)
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
EXPENSES:										
Governmental Activities:										
General Government	\$ 4,476,319	\$ 4,438,200	\$ 4,879,958	\$ 5,134,912	\$ 4,238,269	\$ 3,549,541	\$ 3,907,825	\$ 3,721,048	\$ 3,412,959	\$ 2,928,152
Public Works	2,961,762	2,899,140	2,785,798	2,173,870	2,872,183	2,489,934	2,134,258	2,465,461	2,298,025	1,755,991
Debt Service	<u>7,500</u>	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Expenses	<u>7,445,581</u>	<u>7,348,590</u>	<u>7,665,756</u>	<u>7,308,782</u>	<u>7,110,452</u>	<u>6,039,475</u>	<u>6,042,083</u>	<u>6,186,509</u>	<u>5,710,984</u>	<u>4,684,143</u>
PROGRAM REVENUES:										
Governmental Activities:										
Charges for Services:										
General Government	789,459	665,447	709,444	626,242	654,938	596,398	599,404	573,850	885,924	628,812
Public Works	63,654	26,208	-	-	-	-	-	-	-	-
Operating Grants and Contributions	566,655	542,193	536,958	531,143	533,521	537,377	524,055	518,329	559,114	555,502
Capital Grants and Contributions	<u>461,919</u>	<u>315,176</u>	<u>250,000</u>	<u>191,295</u>	<u>163,772</u>	<u>228,541</u>	<u>208,621</u>	<u>-</u>	<u>-</u>	<u>182,019</u>
Total Governmental Activities Program Revenues	<u>1,881,687</u>	<u>1,549,024</u>	<u>1,496,402</u>	<u>1,348,680</u>	<u>1,352,231</u>	<u>1,362,316</u>	<u>1,332,080</u>	<u>1,092,179</u>	<u>1,445,038</u>	<u>1,366,333</u>
Net (Expense) Revenue for Governmental Activities	<u>(5,563,894)</u>	<u>(5,799,566)</u>	<u>(6,169,354)</u>	<u>(5,960,102)</u>	<u>(5,758,221)</u>	<u>(4,677,159)</u>	<u>(4,710,003)</u>	<u>(5,094,330)</u>	<u>(4,265,946)</u>	<u>(3,317,810)</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 2
CHANGES IN NET POSITION (Continued)
(Prepared Using the Accrual Basis of Accounting)
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental Activities										
Taxes:										
Sales tax	7,865,155	7,454,308	7,052,999	6,307,686	5,622,173	5,210,803	5,002,777	4,429,716	4,396,657	4,075,605
State income tax	926,868	427,423	413,993	528,368	387,587	428,740	320,215	685,897	574,002	361,674
Wholesale beer and liquor tax	1,152,215	1,104,047	1,055,711	1,010,082	951,067	867,874	832,555	828,671	782,059	660,616
TVA replacement tax	242,633	239,638	228,751	235,785	238,882	221,892	216,897	189,079	183,043	163,620
Mixed drink tax	144,957	140,997	136,421	153,119	142,300	133,183	132,964	160,932	111,568	155,332
Miscellaneous taxes	53,896	54,127	54,214	54,353	53,863	53,937	53,820	55,044	56,343	57,325
Cable TV franchise fee	375,114	351,364	332,819	273,845	266,476	261,234	252,047	250,783	230,869	212,004
Interest earned	44,880	16,106	14,802	18,035	14,756	22,540	34,618	161,619	422,621	507,195
Miscellaneous	26,405	44,549	4,298	247,136	321,217	418,946	461,342	9,109	118,597	2,786
Gain on deletion of capital assets	<u>17,988</u>	<u>-</u>	<u>1,457</u>	<u>5,110</u>	<u>-</u>	<u>94</u>	<u>15,816</u>	<u>8,478</u>	<u>11,500</u>	<u>10,531</u>
Total Governmental Activities	<u>10,850,111</u>	<u>9,832,559</u>	<u>9,295,465</u>	<u>8,833,519</u>	<u>7,998,321</u>	<u>7,619,243</u>	<u>7,323,051</u>	<u>6,779,328</u>	<u>6,887,259</u>	<u>6,206,688</u>
Change in Net Position of Governmental Activities	<u>\$ 5,286,217</u>	<u>\$ 4,032,993</u>	<u>\$ 3,126,111</u>	<u>\$ 2,873,417</u>	<u>\$2,240,100</u>	<u>\$ 2,942,084</u>	<u>\$ 2,613,048</u>	<u>\$1,684,998</u>	<u>\$ 2,621,313</u>	<u>\$ 2,888,878</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS
(Prepared Using the Accrual Basis of Accounting)
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
FUND BALANCE UNDER										
GASB 54:										
GENERAL FUND:										
Nonspendable	\$ -	\$ -	\$ -	\$ 2,656	\$ 656	\$ -				
Assigned	2,657,585	685,412	1,451,031	5,077,593	2,843,488	2,473,835				
Unassigned	<u>9,019,693</u>	<u>8,491,599</u>	<u>6,266,780</u>	<u>2,052,110</u>	<u>4,917,188</u>	<u>4,479,251</u>				
Total General Fund	<u>\$ 11,677,278</u>	<u>\$ 9,177,011</u>	<u>\$ 7,717,811</u>	<u>\$ 7,132,359</u>	<u>\$ 7,761,332</u>	<u>\$ 6,953,086</u>				
ALL OTHER										
GOVERNMENTAL FUNDS:										
Restricted	\$ 289,029	\$ 448,849	\$ 514,610	\$ 581,805	\$ 150,527	\$ 134,853				
Assigned	<u>12,786,708</u>	<u>13,330,651</u>	<u>10,853,990</u>	<u>9,091,085</u>	<u>6,582,588</u>	<u>6,190,121</u>				
Total All Other Governmental Funds	<u>\$ 13,075,737</u>	<u>\$ 13,779,500</u>	<u>\$ 11,368,600</u>	<u>\$ 9,672,890</u>	<u>\$ 6,733,115</u>	<u>\$ 6,324,974</u>				
FUND BALANCE PRIOR TO										
IMPLEMENTATION OF										
GASB 54:										
GENERAL FUND										
Reserved							\$ 50,000	\$ -	\$ -	\$ -
Unreserved - Designated:										
Compensated Absences							118,210	58,780	52,688	50,818
Other Employee Benefits							-	59,011	63,222	60,453
Insurance Needs							524,530	522,670	514,327	493,742
Capital Projects							809,000	-	-	-
Unreserved - Undesignated							<u>4,066,978</u>	<u>1,771,706</u>	<u>2,044,058</u>	<u>2,340,710</u>
Total General Fund							<u>\$ 5,568,718</u>	<u>\$ 2,412,167</u>	<u>\$ 2,674,295</u>	<u>\$ 2,945,723</u>
ALL OTHER										
GOVERNMENTAL FUNDS										
Reserved							\$ -	\$ -	\$ -	\$ -
Unreserved - Designated:										
Debt Service Fund							23	83,586	82,252	78,960
Capital Projects Funds							6,195,048	7,629,118	7,983,585	7,255,938
Unreserved - Undesignated:										
Special Revenue Fund							187,561	108,159	288,404	493,728
Debt Service							<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds							<u>\$ 6,382,632</u>	<u>\$ 7,820,863</u>	<u>\$ 8,354,241</u>	<u>\$ 7,828,626</u>

Under the requirements of GASB 54, fund balance is reported as nonspendable, restricted, assigned, or unassigned. Fund balances presented subsequent to 2010 are reported in accordance with this requirement.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(Prepared Using the Accrual Basis of Accounting)
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES:										
Taxes	\$ 7,353,775	\$ 7,001,582	\$ 6,635,317	\$ 5,894,187	\$ 5,184,785	\$ 4,766,160	\$ 4,579,938	\$3,958,606	\$ 3,760,884	\$ 3,319,096
Licenses, permits and fees	852,984	735,126	749,380	657,294	645,118	493,385	511,733	656,316	951,385	710,689
Intergovernmental	3,641,554	2,971,151	3,093,730	3,117,644	2,908,380	2,916,187	2,711,966	2,909,062	2,901,902	2,892,597
Charges for services	156,516	134,724	138,411	111,564	94,337	93,340	81,483	92,589	80,771	60,408
Fines, forfeitures and costs	89,487	61,664	46,368	45,822	75,023	173,352	174,821	1,816	5,674	1,156
Interest earned	44,880	16,106	14,802	18,035	14,756	22,540	34,618	161,619	422,621	507,195
Miscellaneous	<u>624,906</u>	<u>431,043</u>	<u>115,503</u>	<u>337,653</u>	<u>449,844</u>	<u>516,501</u>	<u>544,756</u>	<u>83,021</u>	<u>197,560</u>	<u>71,349</u>
Total Revenues	<u>12,764,012</u>	<u>11,351,396</u>	<u>10,793,511</u>	<u>10,182,199</u>	<u>9,372,243</u>	<u>8,981,465</u>	<u>8,639,315</u>	<u>7,863,029</u>	<u>8,320,797</u>	<u>7,562,490</u>
EXPENDITURES:										
General Government	4,189,530	4,135,657	4,530,316	4,862,891	3,991,982	3,338,196	3,689,937	3,582,560	3,294,348	2,768,949
Public Works	2,354,518	2,201,801	2,214,328	1,590,927	2,281,535	1,955,377	1,447,724	1,634,654	1,641,780	1,288,759
Capital Outlay	4,165,960	882,588	2,517,705	1,417,579	1,882,339	2,361,182	1,783,334	3,441,321	3,130,482	2,207,277
Debt Service:										
Principal	250,000	250,000	-	-	-	-	-	-	-	-
Interest	<u>7,500</u>	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>10,967,508</u>	<u>7,481,296</u>	<u>9,262,349</u>	<u>7,871,397</u>	<u>8,155,856</u>	<u>7,654,755</u>	<u>6,920,995</u>	<u>8,658,535</u>	<u>8,066,610</u>	<u>6,264,985</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,796,504</u>	<u>\$ 3,870,100</u>	<u>\$ 1,531,162</u>	<u>\$ 2,310,802</u>	<u>\$ 1,216,387</u>	<u>\$ 1,326,710</u>	<u>\$ 1,718,320</u>	<u>\$ (795,506)</u>	<u>\$ 254,187</u>	<u>\$ 1,297,505</u>
 Debt Service as a percentage of noncapital expenditures	3.9%	4.0%	-	-	-	-	-	-	-	-

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 5
LARGEST REMITTERS OF SALES TAX REVENUE
AND APPLICABLE RATES
For the Fiscal Year Ended June 30, 2016

<u>Remitter</u>	<u>Value</u>	<u>Percentage of Total Revenue</u>	<u>Local Option Sales Tax Rate</u>	<u>Rank</u>
Knox County, Tennessee	\$ 6,177,145	99.6%	2.25%	1
Loudon County, Tennessee	<u>24,415</u>	<u>0.4%</u>	2.25%	2
	<u>\$ 6,201,560</u>	<u>100.0%</u>		

NOTE:

The Town's local option sales tax is collected by the State of Tennessee. The state remits the revenue to the county where the revenue is derived. The counties further remit the revenue to the various municipalities within their county boundaries.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 6
LOCAL SALES TAX REVENUE BY INDUSTRY
For the Fiscal Years Ended June 30, 2007 and 2016

	Fiscal Year 2007				Fiscal Year 2016			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail trade	289	60.84%	\$ 3,537,207	84.57%	271	55.88%	\$ 9,434,100	89.90%
Services	130	27.37%	463,063	11.07%	132	27.22%	662,073	6.31%
Manufacturing	10	2.11%	228	0.01%	15	3.09%	6,583	0.06%
Wholesale Trade	27	5.68%	75,632	1.81%	32	6.60%	174,604	1.66%
Construction	5	1.05%	7,974	0.19%	4	0.82%	1,584	0.02%
Finance, Insurance, Real Estate	2	0.42%	-	0.00%	7	1.44%	1,490	0.01%
Transportation and Utilities	5	1.05%	84,673	2.02%	6	1.24%	93,507	0.89%
Agriculture	4	0.84%	13,992	0.33%	5	1.03%	14,051	0.13%
Other, Non Classified	3	0.64%	-	0.00%	13	2.68%	107,496	1.02%
Total	475	100.00%	\$ 4,182,769	100.00%	485	100.00%	\$10,495,498	100.00%

Source: Tennessee Department of Revenue, Research Division.

- Notes:
1. Figures subject to revision due to amended taxpayer returns.
 2. Figures represent local sales tax collected by taxpayers during the period, not disbursements from the Department of Revenue. Thus, amounts presented above do not match to amounts reflected within the financial report.
 3. Changes in local telecommunications sourcing rules in 2003 reduced the number of taxpayers reporting in Transportation and Utilities.
 4. Does not include Farragut's share of county clerk or out-of-state taxpayer amounts.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 7
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Agriculture Property</u>	<u>Less: Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Actual Value</u>	<u>Total Direct Tax Rate</u>
2006	\$478,901,000	\$ 99,707,200	\$ 2,256,400	\$ -	\$ 580,864,600	\$ 2,182,135,300	\$ -
2007	499,656,700	105,436,200	2,191,450	-	607,284,350	2,281,310,800	-
2008	580,675,025	144,954,240	2,886,200	-	728,515,465	2,708,836,800	-
2009	586,048,175	153,458,680	2,243,625	-	741,750,480	2,761,175,200	-
2010	589,962,300	154,774,240	3,116,600	-	747,853,140	2,784,846,700	-
2011	614,495,575	166,017,640	2,993,450	-	783,506,665	2,904,687,960	-
2012	636,052,150	184,186,616	3,458,125	-	823,696,891	3,039,491,609	-
2013	638,166,669	186,706,975	3,286,240	-	828,159,884	3,039,491,609	-
2014	(1)	(1)	(1)	-	839,610,438	3,166,204,554	-
2015	659,245,220	189,280,533	4,684,500	-	853,210,253	3,149,071,533	-

Source: Knox County Property Assessor

(1) Information not available.

Note: Knox County Property Assessor assigns a value of zero to all tax exempt property.

Property assessed for industrial purposes is not segregated from commercial property. Thus, industrial property is not reported separately.

The Town of Farragut does not assess a property tax. Thus, there is no direct tax rate.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 8
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 (Rate per \$100 of Assessed Value)
 LAST TEN CALENDAR YEARS

<u>Tax Year</u>	<u>Total Direct Tax Rate</u>	<u>Overlapping Tax Rate - Knox County</u>
2007	\$	\$ 2.69
2008		2.69
2009		2.69
2010		2.36
2011		2.36
2012		2.36
2013		2.36
2014		2.32
2015		2.32
2016		2.32

Source: Knox County, Tennessee

Note: The Town of Farragut does not have a property tax. Thus, there is no direct tax rate.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 9
PRINCIPAL PROPERTY TAXPAYERS
CALENDAR YEAR 2016 AND TEN YEARS AGO (2007)

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Town Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Town Taxable Assessed Value</u>
Metro Knoxville HMA -10820 Parkside	\$19,533,320	1	2.33%	\$ -		
Hart TC IV, LLC	11,095,320	2	1.37%	-		
Parkside Plaza Office Spe LLC	6,800,000	3	0.81%	-		
Costco Wholesale Corporation	5,781,320	4	0.69%	-		
NHC Healthcare/Farragut L	5,390,200	5	0.64%	4,545,840	1	0.78%
LB Knoxville/Lansborough	5,262,240	6	0.63%	3,863,440	3	0.67%
Metro Knoxville HMA LLC	5,249,920	7	0.63%	-		0.00%
11400 POP II Private Investment Group	4,120,000	8	0.49%	-		0.00%
Moser-Biddle Corp.	3,732,800	9	0.44%	-		0.00%
Baptist Hospital West	-		0.00%	4,157,520	2	0.71%
Salt Creek, LLC	-		0.00%	2,628,560	5	0.45%
Farragut Land Partners	3,591,280	10	0.38%	2,392,800	6	0.41%
Farragut Point	-		0.00%	1,851,960	7	0.32%
Farragut Land Partners – 11534 Parkside	-		0.00%	2,821,680	4	0.49%
White Stores, Inc.	-		0.00%	1,545,800	9	0.27%
Village Green	-		0.00%	1,453,920	10	0.25%
Coolsports, LLC	-		0.00%	1,696,280	8	0.29%
	<u>\$70,556,400</u>		<u>8.41%</u>	<u>\$ 26,957,800</u>		<u>4.64%</u>

Source: Knox County Property Assessor, Comprehensive Financial Report June 30, 2007

The above represents the ten (10) largest taxpayers located within the Town of Farragut, Tennessee who were assessed property tax by Knox County, Tennessee.

Percentage of Total Taxable Assessed Value represents only the taxable assessed value within the Town's incorporated area.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 10
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

The Town of Farragut, Tennessee does not levy property taxes.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 11
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended <u>June 30</u>	<u>Governmental Activities</u>			Percentage of Personal <u>Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Capital Outlay Notes</u>	<u>Total</u>		
2007	\$ -	\$ -	\$ -	-	\$ -
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	750,000	750,000	-	-
2015	-	500,000	500,000	-	-
2016	-	250,000	250,000	-	-

Information is not available for personal income.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 12
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	Percentage Of Actual Taxable Value <u>of Property</u>	Per <u>Capita</u>
2007	\$ -	-	\$ -
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 13
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with General Government Revenue			
Town of Farragut – direct debt	\$ 250,000	100.0%	\$ 250,000
Debt Repaid with Property Taxes			
Knox County, Tennessee Overlapping Debt	670,270,000	8.3%	<u>55,632,410</u>
Total Direct and Overlapping Debt			<u>\$ 55,882,410</u>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding indebtedness of those overlapping governments that is borne by the residents and business of the Town of Farragut. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of Knox County, Tennessee's taxable assessed value within the Town's boundaries and dividing it by Knox County, Tennessee's total taxable assessed value.

Source: Knox County, Tennessee government

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 14
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

The State of Tennessee nor the Town of Farragut itself imposes no legal debt margins. Thus, for the current year and prior nine fiscal years, the Town has had no legal debt margin constraints.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 15
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

For the current and prior nine years there was no pledged revenue coverage.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 16
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

<u>Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>Public School Enrollment</u>	<u>Private School Enrollment</u>	<u>Unemployment Rate</u>
2007	19,717 (2)	-	-	-	5,592	986	4.1% (4)
2008	19,717 (2)	-	-	-	5,254	869	5.4% (4)
2009	19,717 (2)	-	-	-	5,236	875	5.7% (4)
2010	19,717 (2)	-	-	-	5,125	1,048	7.6% (4)
2011	20,676 (5)	-	-	-	5,196	897	7.6% (4)
2012	20,676 (5)	-	-	-	5,345	915	5.9% (4)
2013	20,676 (5)	-	-	-	5,077	920	7.0% (4)
2014	20,676 (5)	-	-	-	6,990	963	6.4% (4)
2015	20,676 (5)	-	-	-	7,147	1,194	4.8% (4)
2016	22,676 (3)	-	-	-	7,312	1,235	4.3% (4)

Sources (1) Federal census, Special Local Census, Town's estimate based upon housing-starts ratio
(2) Based on Special Local Census (04/2006)
(3) Based on Special Local Census (04/2016)
(4) State of Tennessee, Labor and Workforce Development
(5) 2010 Federal Census

No information is available on personal income

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 17
PRINCIPAL EMPLOYERS
CALENDAR YEAR 2016 AND TEN YEARS AGO (2007)

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Town Employment</u>
Tennova Health West/Women	988	1		336	2	
Knox County Schools	558	2		485	1	
Kroger	265	3		103	6	
NHC Healthcare	251	4		180	3	
Costco	175	7		-	-	
Ingles Food Store	189	6		44	10	
Summitt View	199	5		-	-	
JC Penney Department Store	113	9		-	-	
Kohl's Department Store	115	8		125	4	
Publix	108	10		-	-	
Fox Den Country Club	-			125	4	
Farragut Health Care	-			115	5	
Aubrey's Restaurant	-			90	7	
Food City	-			70	8	
Edison Park Steakhouse	-			50	9	
Total	<u>2,961</u>			<u>1,723</u>		

Source: Town of Farragut, June 30, 2007 Comprehensive Financial Report

Employment figures for the residents of the Town of Farragut are not available. Thus, the schedule does not present the percentage of Town Employment.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 18
TOWN EMPLOYMENT (INCLUDING PART-TIME)
BY FUNCTION/PROGRAM
LAST TEN YEARS

	Employees as of June 30,									
<u>FUNCTION/PROGRAM</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Administration	6	6	6	7	8	10*	10*	10 *	10 *	10
*Community Development	8	8	8	8	7	7	7	7	7	7
Engineering	7	6	6	6	6	6	6	6 *	6	6
Public Works	15	17	17	17	17	23*	24*	24 *	24 *	26
Leisure Services	<u>23</u>	<u>20</u>	<u>22</u>	<u>12*</u>	<u>22*</u>	<u>22*</u>	<u>22*</u>	<u>22 *</u>	<u>22 *</u>	<u>25</u>
Total	<u><u>59</u></u>	<u><u>57</u></u>	<u><u>59</u></u>	<u><u>50</u></u>	<u><u>60</u></u>	<u><u>68</u></u>	<u><u>69</u></u>	<u><u>69</u></u>	<u><u>69</u></u>	<u><u>74</u></u>

Source: Town personnel records

* including part-time and seasonal

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 19
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>FUNCTION/PROGRAM</u>										
Public Works/Engineering										
Street Resurfacing (miles)	3.89	4.90	3.15	2.00	2.82	3.39	4.13	2.79	3.56	3.69
Right-of-Way Mowing (miles)	31.12	31.12	31.12	31.12	31.12	31.12	31.12	31.12	31.92	31.92
Parks and Recreation										
Athletic Field User Groups	70	23	26	28	27	44	38	62	63	65
Community Room Rentals	48	41	20	34	41	26	26	27	21	30
Park Shelter Rentals	118	167	147	122	175	357	440	504	519	586
Building Department										
New Residential Permits	151	85	42	52	44	63	98	100	110	112
Residential; Addition Permits	79	100	89	94	92	87	34	43	34	52
Commercial Structure Permits	45	59	33	16	15	23	19	24	5	6
Commercial Addition Permits	26	32	37	27	14	20	4	28	41	37
Accessory Structure Permits	29	41	28	33	41	38	23	19	26	18

Source: Various Town Departments

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 20
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>FUNCTION/PROGRAM</u>	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Works/Engineering										
Streets Maintained (miles)	140.10	140.68	140.68	140.68	140.68	140.68	140.68	140.68	140.68	142.00
Vehicle Fleet	17	18	20	20	20	20	20	20	21	21
Parks and Recreation										
Park Acreage	115.96	115.96	132.76	132.76	142.24	142.24	142.24	142.24	142.24	142.24
Playgrounds	2	2	2	2	3	3	3	3	3	3
Baseball/Softball/Soccer/ Volleyball fields	11	15	17	17	17	17	17	17	17	17
Picnic areas & Covered shelters	7	7	7	7	9	9	9	9	9	9
Bronze Sculptures	5	5	5	5	9	9	9	9	9	9

Source: Inventory schedules and various Town departments.

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TOWN OF FARRAGUT, TENNESSEE

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 AUDITING STANDARD*

June 30, 2016

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Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

Telephone
865-984-1040
Facsimile
865-982-1665

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 AUDITING STANDARD*

Honorable Mayor and Members
of the Board of Aldermen
Town of Farragut
Farragut, 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 Town of Farragut, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Farragut, Tennessee's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Town of Farragut, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Ingram, Overholt & Bean, P.C .

Alcoa, Tennessee
November 28, 2016

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

Findings of Compliance and Other Matters

None.