

TOWN OF FARRAGUT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

Allison M. Myers
Town Recorder

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TOWN OF FARRAGUT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

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TOWN OF FARRAGUT, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

June 30, 2014

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Dr. Ralph McGill, *Mayor*
Mary Dorothy LaMarche, *Vice-Mayor*
David Smoak, *Town Administrator*
Allison M. Myers, *Town Recorder*



Jeff Elliott, *Alderman*
Ron Honken, *Alderman*
Robert N. Markli, *Alderman*

December 2, 2014

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, 2014, 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 34 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 988 single-family housing starts in the past ten years.

(Continued)

Major Initiatives

The major initiatives for Fiscal Year 2014 was the improvements at Everett Road and Kingston Pike and the Old Stage/Watt Road extension project.

Road/street resurfacing and sidewalk construction continues to be a priority. Resurfacing and maintenance costs for roads, streets, and sidewalks were \$604,153.

Park projects for Fiscal Year 2014 included the replacement of softball field fencing as well as the grant opening of the artificial turf field at Mayor Bob Leonard Park. The Town also purchased additional artifacts for the Admiral Farragut Collection, as well as the purchase of the Russell House property.

Equipment purchases for Fiscal Year 2014 included the purchase of a John Deere right-of-way tractor for \$105,374 and a John Deere Gator for \$6,490. The equipment was purchased at a total cost of \$111,864 and was financed with current funds.

Current projects for Fiscal Year 2015 include the 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 2015 includes an additional truck for Public Works and the replacement of a 2000 Ford bucket truck. Park plans for Fiscal Year 2015 include the replacement of the playground at Mayor Bob Leonard Park.

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, 2014, 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 6 percent. Local Taxes increased by 13 percent; License and Permit revenues increased by 14 percent. Intergovernmental revenue, made up primarily of state taxes shared on a per capita basis with local governments, decreased by 1 percent. Fines, forfeitures, and costs increased by 1 percent, whereas interest on investments decreased by 14 percent due to lower interest rates. Other revenues decreased by 66 percent due primarily to a decrease in payments from developers.

Expenditures increased by 18 percent over the previous year due to increases in Public Works and Capital Outlay. General Government expenditures decreased by 7 percent due to decreases in community development and school support.

Fund Balance

As a result of this year's operations, the ending fund balance for all governmental fund types was \$19,086,411. Of this total, the unassigned fund balance of the General Fund was \$6,266,780. The administrative policy is to maintain a minimum reserve in the General Fund equal to thirty percent of the current annual operating budget of \$6,725,475, or \$2,017,643. Therefore, \$4,249,137 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:

Everett Road Fund: Established to facilitate the accounting for revenues derived from a developer for the improvement of a segment of Everett Road. Balance on June 30, 2014 -- \$44,307.

(Continued)

Other Funds and Designations (Continued)

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, 2014 -- \$561,058.

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, 2014 – \$9,686,319.

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, 2014 -- \$199,574.

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 2014-2015 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 FY15, and four projected years. The Capital Investment Program plan presents the fund over five fiscal years: the adopted budget for FY15 and four 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 7 percent from fiscal year 2013 to the estimated 2014 total.
- The Town is optimistic regarding its FY15 sales tax collections based on the past twelve months of collections.

(Continued)

- The projected years of 2016 through 2019 assume conservative 2 percent annual increases.
- 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 FY15.
- 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 FY15 is \$3,270,000.
- All operating expenditures for fiscal years 2016 through 2019 are adjusted for a 4 percent inflationary increase.
- For fiscal years 2016 through 2019, 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 2015 budget document.

The Town of Farragut currently does not have a formal long-range financial plan. The research and creation of this plan is included in the Fiscal Year 2014 work program for Town staff. The long-range plan includes operating budget policies, financial structure policies of all funds and budget procedures. The Board of Mayor and Aldermen will be reviewing the long-range financial plan later in the fiscal year.

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, 2014, the Capital Assets of the Town totaled 30.9 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 \$940,035 for Fiscal Year 2014.

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.

(Continued)

Long-Range Financial Plan (Continued)

Awards

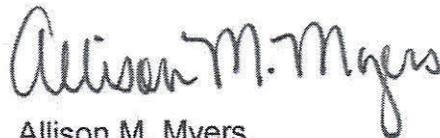
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Farragut for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-second consecutive 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, looped 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

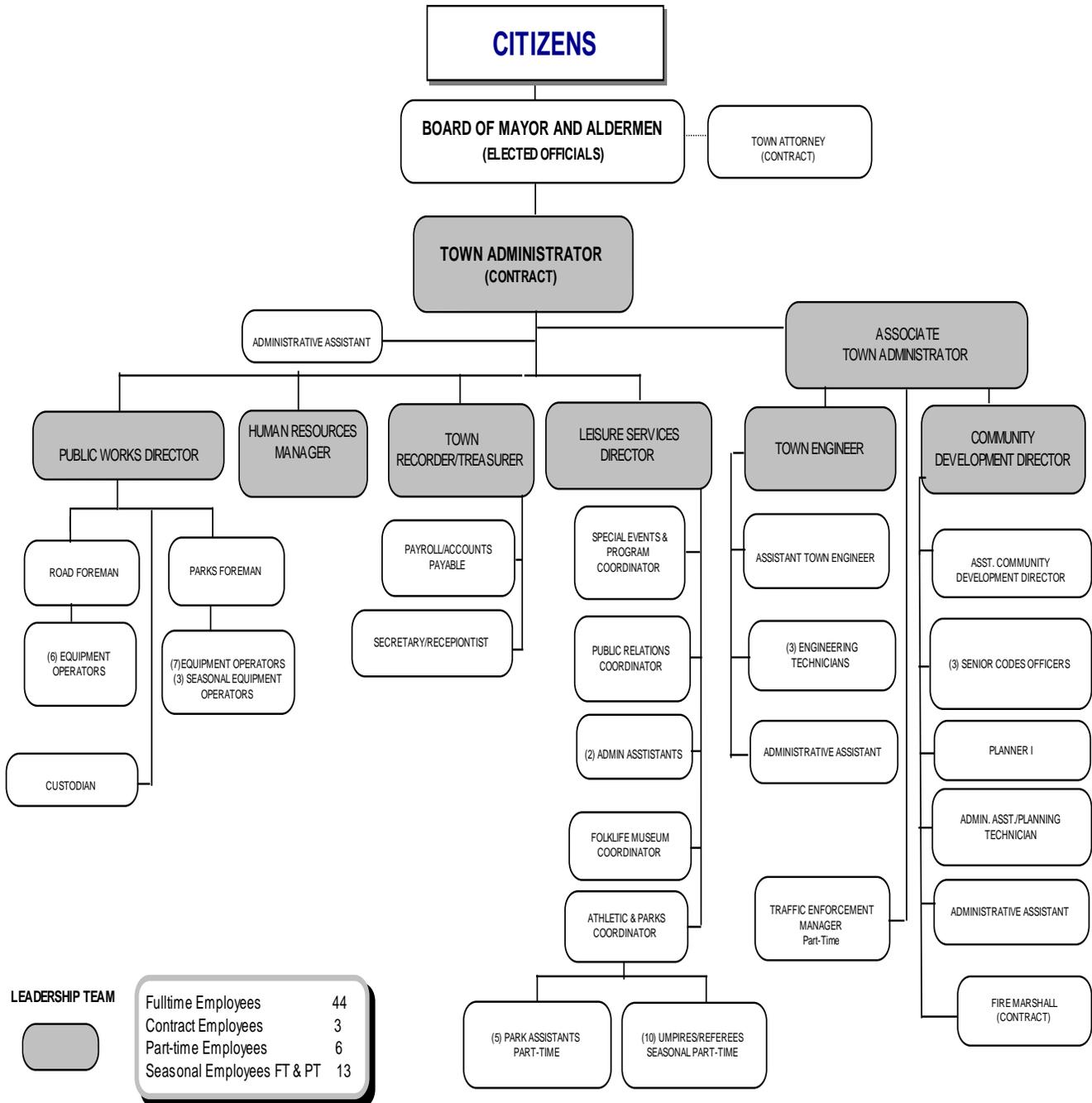
June 30, 2013

Executive Director/CEO

TOWN OF FARRAGUT, TENNESSEE

ORGANIZATION CHART

June 30, 2014



TOWN OF FARRAGUT, TENNESSEE
TOWN OFFICIALS
June 30, 2014

MAYOR

Ralph McGill

VICE-MAYOR

Mary Dorothy LaMarche

ALDERMEN

Jeff Elliott
Robert N. Markli
Ron Honken

Town Attorney	Thomas M. Hale
Town Judge	Lucinda Troyer
Town Administrator	David Smoak
Associate Town Administrator	Gary Palmer
Town Recorder/Treasurer	Allison M. Myers
Interim 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, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014, 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 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, budgetary comparison schedules of nonmajor governmental funds and the capital projects fund, 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 project fund, 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 and the capital project fund, and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, capital assets used in the operation of governmental funds, miscellaneous schedules, and statistical sections have 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 December 2, 2014, 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

December 2, 2014

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Dr. Ralph McGill, *Mayor*
Mary Dorothy LaMarche, *Vice-Mayor*
David Smoak, *Town Administrator*
Allison M. Myers, *Town Recorder*



Jeff Elliott, *Alderman*
Ron Honken, *Alderman*
Robert N. Markli, *Alderman*

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, 2014. 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, 2014 by \$49.8 million (net position). Of this amount, \$18.4 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2014, the Town's governmental funds reported combined ending fund balance of \$19.1 million. Approximately 33% of this total amount (\$6.3 million) is unassigned fund balance available for spending at the government's discretion.
- ◆ At June 30, 2014, total unrestricted fund balance for the general fund was \$7.7 million. The unassigned portion of unrestricted fund balance is \$6.3 million, which is 103% of total general fund expenditures of \$6.1 million.
- ◆ In addition to compensated absences in the amount of \$156,577, the Town has outstanding notes payable in the amount of \$750,000.

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, 2014</u>	<u>June 30, 2013</u>
Current assets	\$ 20,375,853	\$ 17,731,330
Capital assets, net	<u>31,632,597</u>	<u>30,051,713</u>
Total Assets	<u>52,008,450</u>	<u>47,783,043</u>
<u>Liabilities</u>		
Compensated Absences	156,577	170,642
Notes payable	750,000	-
Other liabilities	<u>1,289,442</u>	<u>926,081</u>
Total Liabilities	<u>2,196,019</u>	<u>1,096,723</u>
<u>Net Position</u>		
Net investment in capital assets	30,882,597	30,051,713
Restricted	514,610	581,804
Unrestricted	<u>18,415,224</u>	<u>16,052,803</u>
Total Net Position	<u>\$ 49,812,431</u>	<u>\$ 46,686,320</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 exceeded liabilities by \$49.8 million at June 30, 2014.

The largest portion of the Town's net position (62.0%) reflects its investment of \$30.9 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 \$750,000 used to acquire these assets.

An additional portion of the Town's net position, \$0.5 million (1.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18.4 million (37.0%) 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 \$3.1 million during the current fiscal year as shown below:

	<u>Revenues</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Program Revenues:			
Charges for services		\$ 709,444	\$ 626,242
Operating grants and contributions		536,958	531,143
Capital grants and contributions		250,000	191,295
General Revenues:			
Sales taxes		7,052,999	6,307,686
State income taxes		413,993	528,368
Wholesale beer and liquor tax		1,055,711	1,010,082
Miscellaneous taxes		419,386	443,257
Unrestricted investment earnings		14,802	18,035
Gain on deletion of capital assets		1,457	5,110
Other		<u>337,117</u>	<u>520,981</u>
Total Revenues		<u>10,791,867</u>	<u>10,182,199</u>
	<u>Expenses</u>		
General government		4,879,958	5,134,912
Public works		<u>2,785,798</u>	<u>2,173,870</u>
Total Expenses		<u>7,665,756</u>	<u>7,308,782</u>
Increase in net position		3,126,111	2,873,417
Net position at beginning of year		<u>46,686,320</u>	<u>43,812,903</u>
Net position at end of year		<u>\$49,812,431</u>	<u>\$46,686,320</u>

Of the \$3.1 million increase in net position, \$1.6 million is a result of a net increase in net capital assets while \$1.5 million is a result of an increase in current assets over liabilities.

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.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$19.1 million, an increase of \$2.3 million over the prior year. Approximately \$6.3 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.

FUND STATEMENTS FINANCIAL ANALYSIS (Continued)

Governmental Funds (Continued)

Revenues for governmental functions overall totaled approximately \$10.8 million in the fiscal year ended June 30, 2014, which represents an increase of 6% over the fiscal year ended June 30, 2013. Expenditures for governmental functions, totaling \$9.3 million, increased by approximately 18% over the fiscal year ended June 30, 2013. In the fiscal year ended June 30, 2014, revenues for governmental functions exceeded expenditures by \$1.5 million or 14.2% 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 \$7.7 million of which \$1.45 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 102% of total general fund expenditures of \$6.1 million, while total fund balance represents 126% of that same amount.

In the General Fund, local taxes increased by \$741 thousand due to increased collections from merchants and wholesalers; licenses and permits increased by \$33 thousand due primarily to an increase in the issuance of building permits and plans review fees; intergovernmental revenue (state-shared taxes) decreased by \$88 thousand due primarily to an increase in income tax collected by the state; and other revenue increased by \$104 thousand due primarily to decreases of \$59 thousand in cable television franchise fees, \$27 thousand in recreation fees, and \$16 thousand in rental revenue. Regarding General Fund expenditures, general government expenditures decreased by \$333 thousand from fiscal year 2013 due primarily to a decrease in amounts due to Knox County Schools, while public works expenditures increased by \$119 thousand over Fiscal Year 2013 due primarily to increases in salaries and related benefits, repairs and maintenance, and supplies.

In the Capital Projects Fund, assigned fund balance was \$9.69 million at the end of the current fiscal year, an increase of \$1.61 million over the prior year.

In the Capital Projects Fund, revenues decreased by \$181 thousand due to a decrease in payments from developers. Expenditures increased by \$1.0 million over Fiscal Year 2013 due primarily to the acquisition of the Russell property.

In the remaining non-major funds, fund balance was \$1.68 million at the end of the current fiscal year, an increase of \$94 thousand over the prior year. Expenditures increased by \$596 thousand over Fiscal Year 2013 due to increased spending for both public works and capital outlay, whereas revenue increased by \$4 thousand over the prior fiscal year due to an increase in intergovernmental revenue. The fund balance increase was the result of revenues and other financing sources exceeding expenditures.

Budget Highlights – General Fund

During the year, actual revenues exceeded budgetary estimates by \$1.87 million in the General Fund. This is due primarily to increases in local and state sales taxes, wholesale liquor taxes, and licenses and permits.

Actual expenditures were below budgetary estimates by \$232 thousand in the General Fund. This was primarily due to the Town's budget-adherence efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2014 amount to \$31.6 million (net of accumulated depreciation), an increase of \$1.5 million over the June 30, 2013 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, 2014</u>	<u>June 30, 2013</u>
Land	\$ 3,918,111	\$ 3,767,721
Buildings	2,921,830	2,921,830
Infrastructure	24,072,053	21,715,899
Improvements	5,974,804	5,360,785
Furniture, fixtures, and equipment	1,987,525	1,840,574
Transportation equipment	570,389	570,389
Admiral Farragut Collection	109,978	81,359
Construction in progress	<u>2,397,270</u>	<u>3,177,006</u>
Total Capital Assets	41,951,960	39,435,563
Less: Accumulated Depreciation	<u>(10,319,363)</u>	<u>(9,383,850)</u>
Capital Assets, net of depreciation	<u>\$ 31,632,597</u>	<u>\$ 30,051,713</u>

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

- Completion of several major road improvement projects
- Acquisition of various equipment for use in governmental activities.
- Completion of various improvements at Mayor Bob Leonard Park.
- Right-of-way acquisitions for the Snyder Road/Outlet Drive project.
- Additions to the Admiral Farragut Collection.

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.

Debt Administration

At the end of the current fiscal year, the Town had compensated absences in the amount of approximately \$157,000 in addition to long-term debt of \$750,000.

**Outstanding Long-term Obligations
Governmental Activities**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Capital Outlay Note, Series 2013	\$ 750,000	\$ -
Compensated absences	<u>156,577</u>	<u>170,642</u>
	<u>\$ 906,577</u>	<u>\$ 170,642</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, 2014 and ending June 30, 2015 totals \$13.2 million, a decrease of \$2.0 million from last year's final budget of \$15.2 million. The General and Special Revenue Funds have budgeted expenditures of \$7.5 million, while the Capital Projects Funds have budgeted expenditures of \$5.7 million.

The fiscal 2015 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, 2014

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TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014 and 2013

ASSETS	Governmental Activities	
	2014	2013
Cash on hand and in bank	\$ 1,205,959	\$ 1,673,763
Investments	17,960,131	14,845,355
Accounts receivable	97,356	89,271
Due from other governments	1,112,407	1,120,285
Prepays	-	2,656
Capital assets:		
Non-depreciable assets:		
Land	3,918,111	3,767,721
Admiral David Farragut Collection	109,978	81,359
Construction-in-Progress	2,397,270	3,177,006
Depreciable assets (net of accumulated depreciation):		
Buildings	1,685,465	1,747,229
Improvements	5,111,192	4,723,743
Furniture, fixtures, and equipment	1,045,917	991,491
Transportation equipment	110,886	169,943
Infrastructure	<u>17,253,778</u>	<u>15,393,221</u>
Total Assets	<u>52,008,450</u>	<u>47,783,043</u>
 DEFERRED OUTFLOWS OF RESOURCES	-	-
 LIABILITIES		
Accounts payable	50,182	86,943
Accrued wages and benefits	110,657	107,171
Due to other governments	1,118,969	722,333
Funds held for others	9,634	9,634
Compensated absences:		
Payable within one year	156,577	170,642
Payable after one year	-	-
Notes payable:		
Portion due within one year	250,000	-
Portion due after one year	<u>500,000</u>	<u>-</u>
Total Liabilities	<u>2,196,019</u>	<u>1,096,723</u>
 DEFERRED INFLOWS OF RESOURCES	-	-
 NET POSITION		
Net investment in capital assets	30,882,597	30,051,713
Restricted for:		
State Street Aid Projects	514,610	581,804
Unrestricted position	<u>18,415,224</u>	<u>16,052,803</u>
Total Net Position	<u>\$ 49,812,431</u>	<u>\$ 46,686,320</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF ACTIVITIES
Governmental Activities
For the Fiscal Year Ended June 30, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2014</u>	<u>2013</u>
General Government	\$ 4,879,958	\$ 709,444	\$ -	\$ -	\$ (4,170,514)	\$ (4,508,670)
Public Works	<u>2,785,798</u>	<u>-</u>	<u>536,958</u>	<u>250,000</u>	<u>(1,998,840)</u>	<u>(1,451,432)</u>
Total Government	<u>\$ 7,665,756</u>	<u>\$ 709,444</u>	<u>\$ 536,958</u>	<u>\$ 250,000</u>	<u>\$ (6,169,354)</u>	<u>\$ (5,960,102)</u>
General Revenues (Unrestricted):						
Sales tax.....					7,052,999	6,307,686
State income tax.....					413,993	528,368
Wholesale beer and liquor tax.....					1,055,711	1,010,082
TVA replacement tax.....					228,751	235,785
Mixed drink tax.....					136,421	153,119
Miscellaneous taxes.....					54,214	54,353
Cable TV franchise fee.....					332,819	273,845
Interest earned.....					14,802	18,035
Miscellaneous.....					4,298	247,136
Gain on deletion of capital assets.....					<u>1,457</u>	<u>5,110</u>
Total General Revenues.....					<u>9,295,465</u>	<u>8,833,519</u>
Change in Net Position.....					3,126,111	2,873,417
Net Position – Beginning.....					<u>46,686,320</u>	<u>43,812,903</u>
Net Position – Ending.....					<u>\$ 49,812,431</u>	<u>\$ 46,686,320</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE

FUND FINANCIAL STATEMENTS

June 30, 2014

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TOWN OF FARRAGUT, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2014 and 2013

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
				<u>2014</u>	<u>2013</u>
Assets:					
Cash in hand and in bank	\$ 1,205,959	\$ -	\$ -	\$ 1,205,959	\$ 1,673,763
Investments	6,635,760	9,691,202	1,633,169	17,960,131	14,845,355
Accounts receivable	97,356	-	-	97,356	89,271
Due from other governments	1,063,295	-	49,112	1,112,407	1,120,285
Prepays	-	-	-	-	2,656
Total Assets	<u>9,002,370</u>	<u>9,691,202</u>	<u>1,682,281</u>	<u>20,375,853</u>	<u>17,731,330</u>
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 9,002,370</u>	<u>\$ 9,691,202</u>	<u>\$ 1,682,281</u>	<u>\$ 20,375,853</u>	<u>\$ 17,731,330</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 45,299	\$ 4,883	\$ -	\$ 50,182	\$ 86,943
Accrued wages and benefits	110,657	-	-	110,657	107,171
Due to other governments	1,118,969	-	-	1,118,969	722,333
Funds held for others	9,634	-	-	9,634	9,634
Total Liabilities	<u>1,284,559</u>	<u>4,883</u>	<u>-</u>	<u>1,289,442</u>	<u>926,081</u>
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	2,656
Restricted	-	-	514,610	514,610	581,805
Assigned	1,451,031	9,686,319	1,167,671	12,305,021	14,168,678
Unassigned	6,266,780	-	-	6,266,780	2,052,110
Total Fund Balances	<u>7,717,811</u>	<u>9,686,319</u>	<u>1,682,281</u>	<u>19,086,411</u>	<u>16,805,249</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,002,370</u>	<u>\$ 9,691,202</u>	<u>\$ 1,682,281</u>	<u>\$ 20,375,853</u>	<u>\$ 17,731,330</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Fund Balance – Total Governmental Funds	\$ 19,086,411	\$ 16,805,249
<p style="margin-left: 40px;">Amounts to be 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.....	31,632,597	30,051,713
(2) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.....	<u>(906,577)</u>	<u>(170,642)</u>
Net Position of Governmental Activities	<u>\$ 49,812,431</u>	<u>\$ 46,686,320</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
				<u>2014</u>	<u>2013</u>
Revenues:					
Taxes:					
Sales taxes	\$ 5,579,606	\$ -	\$ -	\$ 5,579,606	\$ 4,884,105
Other taxes	1,055,711	-	-	1,055,711	1,010,082
Licenses, permits and fees	749,380	-	-	749,380	657,294
Intergovernmental:					
State taxes	2,306,772	-	536,958	2,843,730	2,926,349
State grant	-	250,000	-	250,000	191,295
Charges for services	138,411	-	-	138,411	111,564
Fines, forfeitures, and costs	46,368	-	-	46,368	45,822
Investment income	6,390	7,166	1,246	14,802	18,035
Miscellaneous revenue	<u>112,402</u>	<u>-</u>	<u>3,101</u>	<u>115,503</u>	<u>337,653</u>
Total Revenues	<u>9,995,040</u>	<u>257,166</u>	<u>541,305</u>	<u>10,793,511</u>	<u>10,182,199</u>
Expenditures:					
Current:					
General government	4,530,316	-	-	4,530,316	4,862,891
Public works	1,610,175	-	604,153	2,214,328	1,590,927
Capital Outlay	<u>-</u>	<u>2,405,841</u>	<u>111,864</u>	<u>2,517,705</u>	<u>1,417,579</u>
Total Expenditures	<u>6,140,491</u>	<u>2,405,841</u>	<u>716,017</u>	<u>9,262,349</u>	<u>7,871,397</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,854,549</u>	<u>(2,148,675)</u>	<u>(174,712)</u>	<u>1,531,162</u>	<u>2,310,802</u>
Other Financing Sources (Uses):					
Proceeds of Long-term Notes	-	750,000	-	750,000	-
Transfers In	903	3,000,000	270,000	3,270,903	3,504,173
Transfers Out	<u>(3,270,000)</u>	<u>-</u>	<u>(903)</u>	<u>(3,270,903)</u>	<u>(3,504,173)</u>
Total Other Financing Sources (Uses)	<u>(3,269,097)</u>	<u>3,750,000</u>	<u>269,097</u>	<u>750,000</u>	<u>-</u>
Net Change in Fund Balance	585,452	1,601,325	94,385	2,281,162	2,310,802
Fund Balance – July 1 st	<u>7,132,359</u>	<u>8,084,994</u>	<u>1,587,896</u>	<u>16,805,249</u>	<u>14,494,447</u>
Fund Balance – June 30 th	<u>\$ 7,717,811</u>	<u>\$ 9,686,319</u>	<u>\$ 1,682,281</u>	<u>\$ 19,086,411</u>	<u>\$ 16,805,249</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
Net change in fund balance – total governmental funds	\$ 2,281,162	\$ 2,310,802
<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. This is the decrease (increase) in compensated absences during the current period.....</p>		
	14,065	9,713
<p>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.....</p>		
	1,582,528	552,902
<p>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.....</p>		
	(3,101)	(5,110)
<p>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.....</p>		
	1,457	5,110
<p>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.....</p>		
	<u>(750,000)</u>	<u>-</u>
Changes in net position of governmental activities	<u>\$ 3,126,111</u>	<u>\$ 2,873,417</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2013</u>
REVENUES:				
Local Taxes:				
Local sales tax	\$4,404,070	\$5,579,606	\$1,175,536	\$4,884,105
Wholesale beer tax	620,000	563,495	(56,505)	601,452
Wholesale liquor tax.....	<u>300,000</u>	<u>492,216</u>	<u>192,216</u>	<u>408,630</u>
Total Local Taxes.....	<u>5,324,070</u>	<u>6,635,317</u>	<u>1,311,247</u>	<u>5,894,187</u>
Licenses and Permits.....	<u>235,200</u>	<u>416,561</u>	<u>181,361</u>	<u>383,449</u>
Intergovernmental:				
State sales tax	1,350,000	1,473,393	123,393	1,423,581
State income tax	329,515	413,993	84,478	528,368
State beer tax.....	10,100	9,783	(317)	10,222
Street transportation and street aid	42,300	42,324	24	42,368
TVA replacement tax	228,800	228,751	(49)	235,785
Mixed drink tax.....	130,000	136,421	6,421	153,119
Telecommunications sales tax.....	<u>1,200</u>	<u>2,107</u>	<u>907</u>	<u>1,763</u>
Total Intergovernmental	<u>2,091,915</u>	<u>2,306,772</u>	<u>214,857</u>	<u>2,395,206</u>
Interest Income	<u>6,000</u>	<u>6,390</u>	<u>390</u>	<u>7,427</u>
Other:				
Park and recreation.....	85,600	138,411	52,811	111,564
Fines and costs.....	45,361	46,368	1,007	45,822
Cable TV franchise fee	250,000	332,819	82,819	273,845
Museum revenue	-	13,910	13,910	7,357
Solar panel rebate.....	-	1,662	1,662	352
Miscellaneous	2,000	2,636	636	9,284
Rental.....	<u>85,401</u>	<u>94,194</u>	<u>8,793</u>	<u>78,050</u>
Total Other	<u>468,362</u>	<u>630,000</u>	<u>161,638</u>	<u>526,274</u>
Total Revenues.....	<u>8,125,547</u>	<u>9,995,040</u>	<u>1,869,493</u>	<u>9,206,543</u>
EXPENDITURES:				
General Government:				
Legislative:				
Legal notices.....	5,000	5,101	(101)	4,923
Travel and training	33,900	17,080	16,820	33,053

(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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals <u>2013</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Legislative (Continued)				
Dues and subscriptions.....	9,750	11,690	(1,940)	9,340
Printing and supplies	500	428	72	1,195
Education programs.....	10,000	3,883	6,117	3,827
Meeting expenses.....	<u>3,000</u>	<u>465</u>	<u>2,535</u>	<u>2,066</u>
Total Legislative	<u>62,150</u>	<u>38,647</u>	<u>23,503</u>	<u>54,404</u>
Town Court:				
Salaries.....	7,400	2,375	5,025	2,450
Traffic enforcement program .	51,480	44,190	7,290	43,470
Payroll taxes	4,321	3,553	768	3,513
Other employee benefits.....	2,020	-	2,020	2,020
Dues and subscriptions	1,000	646	354	477
Supplies	<u>500</u>	<u>-</u>	<u>500</u>	<u>369</u>
Total Town Court	<u>66,721</u>	<u>50,764</u>	<u>15,957</u>	<u>52,299</u>
Town Administration:				
Salaries.....	444,817	434,790	10,027	422,050
Payroll taxes	19,606	19,450	156	19,320
Health insurance.....	79,091	79,736	(645)	68,942
Retirement	35,327	36,592	(1,265)	34,418
Other employee benefits.....	6,548	5,600	948	7,166
Dues and subscriptions	5,600	4,315	1,285	5,850
Supplies	2,300	76	2,224	994
Printing.....	8,200	3,153	5,047	2,913
Travel and training.....	23,875	16,412	7,463	22,461
Surety bonds.....	1,600	1,925	(325)	763
Accounting and auditing	13,000	12,900	100	12,600
Professional fees	15,000	-	15,000	2,348
Bank charges.....	15,500	14,724	776	14,863
Books/Educational materials .	2,000	1,229	771	1,108
Auto allowance	7,200	7,062	138	5,400
Sundry	<u>500</u>	<u>64</u>	<u>436</u>	<u>-</u>
Total Town Administration ..	<u>680,164</u>	<u>638,028</u>	<u>42,136</u>	<u>621,196</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2013</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Information Technologies:				
Salaries	34,629	34,583	46	24,268
Payroll taxes.....	2,563	2,646	(83)	1,822
Health insurance	6,184	5,716	468	15,656
Retirement.....	1,340	1,375	(35)	953
Other employee benefits	756	565	191	629
Travel	5,500	3,073	2,427	175
Audio visual maintenance	10,000	9,010	990	4,098
GIS system.....	15,000	10,841	4,159	17,482
Data processing	94,456	91,061	3,395	108,272
Website maintenance.....	12,557	9,791	2,766	12,956
Tyler code maintenance.....	12,000	13,004	(1,004)	12,000
Laserfiche maintenance	9,155	6,555	2,600	6,420
Municode maintenance	23,000	5,583	17,417	3,541
Equipment	15,000	-	15,000	2,488
Computer equipment.....	10,000	8,031	1,969	11,576
Park Wi-fi.....	<u>15,000</u>	<u>8,662</u>	<u>6,338</u>	<u>-</u>
Total Information Technologies.....	<u>267,140</u>	<u>210,496</u>	<u>56,644</u>	<u>222,336</u>
Community Development:				
Salaries	440,903	417,592	23,311	411,866
Payroll taxes.....	30,076	29,185	891	28,824
Health insurance	109,182	100,202	8,980	97,371
Retirement.....	35,064	31,889	3,175	35,818
Other employee benefits	15,075	13,223	1,852	13,421
Legal notices	2,000	1,866	134	394
Dues and subscriptions.....	2,000	2,097	(97)	1,835
Professional services	143,000	62,842	80,158	143,649
Supplies	1,000	351	649	222
Travel and training	10,200	7,870	2,330	6,470
Gas, oil, fuel	4,200	3,836	364	3,621
Employee auto	3,600	3,738	(138)	3,462
Printing	3,000	1,228	1,772	2,468
Books/Educational Materials.....	5,000	3,698	1,302	8,232

(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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2013</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Community Development (Continued):				
Equipment	2,200	2,000	200	894
Uniforms	<u>5,000</u>	<u>4,977</u>	<u>23</u>	<u>528</u>
Total Community Development	<u>811,500</u>	<u>686,594</u>	<u>124,906</u>	<u>759,075</u>
Engineering:				
Salaries	377,764	361,958	15,806	357,052
Payroll taxes	24,909	25,092	(183)	25,544
Health insurance	85,255	78,657	6,598	84,698
Retirement	28,984	28,747	237	27,708
Other employee benefits	11,490	8,726	2,764	16,808
Dues and subscriptions	2,380	1,721	659	1,435
Professional services	50,000	290	49,710	-
Supplies and printing	2,400	791	1,609	1,341
Traffic calming	18,000	13,800	4,200	1,258
Traffic signal maintenance	35,000	14,529	20,471	36,547
Traffic signal timing	8,000	2,025	5,975	7,305
Clothing and uniforms	3,580	3,362	218	2,172
Travel and training	9,000	4,276	4,724	6,185
Gas, oil, fuel	4,500	3,438	1,062	3,058
NPDES – Storm water	34,200	33,768	432	23,027
Equipment/software	7,900	7,640	260	1,007
Auto allowance	<u>3,600</u>	<u>3,462</u>	<u>138</u>	<u>3,462</u>
Total Engineering	<u>706,962</u>	<u>592,282</u>	<u>114,680</u>	<u>598,607</u>
General Government Buildings:				
Postage	6,500	4,080	2,420	5,362
Security	3,000	1,343	1,657	825
Utilities	68,000	53,105	14,895	62,795
Telephone	40,720	29,261	11,459	27,179
Repair and maintenance -				
Office equipment	5,000	-	5,000	2,164
Building	65,900	40,659	25,241	28,983
Radio communication	5,300	2,653	2,647	-

(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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2013</u>
EXPENDITURES (Continued):				
General Government (Continued):				
General Government Buildings (Continued):				
Office supplies.....	18,000	15,088	2,912	17,741
First aid services	1,000	531	469	258
Equipment	2,500	162	2,338	41,178
Dues and subscriptions.....	750	192	558	-
Equipment rental	<u>18,000</u>	<u>14,613</u>	<u>3,387</u>	<u>13,596</u>
Total General Government Buildings...	<u>234,670</u>	<u>161,687</u>	<u>72,983</u>	<u>200,081</u>
Leisure Services:				
Salaries	420,187	387,433	32,754	377,170
Payroll taxes.....	31,101	29,000	2,101	28,605
Health insurance	114,772	120,094	(5,322)	111,528
Retirement.....	18,722	19,024	(302)	11,868
Other employee benefits	8,100	7,260	840	7,378
Dues and subscriptions.....	2,910	2,729	181	2,440
Publication of annual report ..	20,000	18,899	1,101	18,069
Community relations	6,000	1,631	4,369	1,493
Event decorations	19,000	19,263	(263)	14,779
Community programs.....	30,000	25,033	4,967	26,865
Supplies	12,000	6,133	5,867	5,974
Utilities.....	85,000	69,969	15,031	61,940
Professional services	10,000	1,335	8,665	3,300
Travel and training	10,000	6,700	3,300	5,115
Gas, oil, fuel	6,500	5,910	590	5,453
Auto Allowance	3,600	3,462	138	3,462
Farragut Folklife Museum.	26,000	50,609	(24,609)	24,604
Volunteer program	12,000	8,708	3,292	12,028
Other programs	10,000	7,961	2,039	4,606
Advertising/printing.....	22,000	18,757	3,243	19,871
Educational materials.....	250	-	250	-
Equipment/Software.....	44,250	37,629	6,621	38,920
Uniforms.....	<u>2,000</u>	<u>318</u>	<u>1,682</u>	<u>1,178</u>
Total Leisure Services.....	<u>914,392</u>	<u>847,857</u>	<u>66,535</u>	<u>786,646</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals <u>2013</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Human Resources:				
Salaries	65,044	64,824	220	62,755
Payroll taxes.....	4,815	5,370	(555)	5,260
Health insurance	12,347	10,444	1,903	8,182
Retirement.....	2,517	3,889	(1,372)	3,860
Other employee benefits	1,148	992	156	864
Employee recognition.....	18,000	17,221	779	14,865
Travel and Training	3,550	2,828	722	2,985
Dues and Subscriptions	550	385	165	460
Printing	4,500	4,335	165	3,999
Employee Assistance	3,150	2,182	968	2,862
HRA Benefits.....	25,000	18,339	6,661	27,177
Wellness.....	16,500	9,070	7,430	6,996
Professional services	<u>8,600</u>	<u>9,306</u>	<u>(706)</u>	<u>16,190</u>
Total Human Resources	<u>165,721</u>	<u>149,185</u>	<u>16,536</u>	<u>156,455</u>
Economic Development:				
Advertising and printing.....	9,000	378	8,622	2,418
Professional services	147,000	106,292	40,708	77,750
Economic development partnership.....	36,500	37,769	(1,269)	13,000
Travel and training.....	<u>3,000</u>	<u>2,486</u>	<u>514</u>	<u>2,115</u>
Total Economic Development.....	<u>195,500</u>	<u>146,925</u>	<u>48,575</u>	<u>95,283</u>
Non-departmental:				
Legal	160,000	148,086	11,914	137,290
Property insurance	40,000	41,638	(1,638)	37,890
Liability insurance.....	56,000	44,508	11,492	53,721
Insurance claims	8,000	392	7,608	439
Community support	31,000	31,000	-	27,500
Park & Ride	6,400	6,400	-	32,980
School support	110,000	110,000	-	832,333

(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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2013</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Non-departmental (Continued):				
Taxes shared with Knox				
County Schools.....	-	452,706	(452,706)	722,333
Retirement.....	<u>173,500</u>	<u>173,121</u>	<u>379</u>	<u>194,356</u>
Total Non-departmental	<u>584,900</u>	<u>1,007,851</u>	<u>(422,951)</u>	<u>1,316,509</u>
Total General Government.....	<u>4,689,820</u>	<u>4,530,316</u>	<u>159,504</u>	<u>4,862,891</u>
Public Works:				
Salaries.....	798,022	774,789	23,233	727,058
Payroll taxes.....	48,412	48,078	334	44,570
Health insurance.....	309,892	325,610	(15,718)	303,578
Retirement.....	61,976	53,384	8,592	47,972
Other employee benefits.....	45,089	35,032	10,057	31,840
Dues and subscriptions	1,350	1,335	15	1,041
Utilities	9,800	9,349	451	8,979
Traffic signals.....	6,500	6,404	96	5,900
Street lights.....	70,200	68,835	1,365	69,729
Repairs and maintenance -				
Motor vehicles	43,000	41,470	1,530	41,392
Building.....	4,000	2,450	1,550	8,725
Other maintenance.....	57,250	50,988	6,262	43,841
Travel and training.....	10,500	9,011	1,489	5,715
Mowing and street sweeping ...	25,000	21,800	3,200	20,936
Refuse hauling.....	13,800	12,672	1,128	9,825
Equipment rental.....	3,000	2,334	666	1,954
Supplies.....	5,000	2,367	2,633	4,759
Gas, oil, diesel.....	58,000	57,144	856	52,069
Signs	17,000	16,351	649	15,448
Cement and concrete	2,000	591	1,409	1,322
Crushed stone and sand	2,500	1,029	1,471	-
Snow removal supplies	13,100	13,012	88	5,662
Machinery and equipment.....	31,000	22,285	8,715	14,520
Uniforms.....	19,000	16,740	2,260	17,057

(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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2013</u>
EXPENDITURES (Continued):				
Public Works:				
Drainage projects	12,000	4,085	7,915	8,705
Sidewalk construction.....	10,000	8,993	1,007	2,965
Boundary maintenance	<u>5,000</u>	<u>4,037</u>	<u>963</u>	<u>(4,500)</u>
Total Public Works	<u>1,682,391</u>	<u>1,610,175</u>	<u>72,216</u>	<u>1,491,062</u>
Total Expenditures	<u>6,372,211</u>	<u>6,140,491</u>	<u>231,720</u>	<u>6,353,953</u>
Excess of Revenues Over Expenditures	<u>1,753,336</u>	<u>3,854,549</u>	<u>2,101,213</u>	<u>2,852,590</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	910	903	(7)	11,305
Operating transfers out.....	<u>(3,270,000)</u>	<u>(3,270,000)</u>	<u>-</u>	<u>(3,492,868)</u>
Total Other Financing Sources (Uses)	<u>(3,269,090)</u>	<u>(3,269,097)</u>	<u>(7)</u>	<u>(3,481,563)</u>
NET CHANGE IN FUND BALANCE.....	(1,515,754)	585,452	2,101,206	(628,973)
FUND BALANCE – July 1st.....	<u>7,132,359</u>	<u>7,132,359</u>	<u>-</u>	<u>7,761,332</u>
FUND BALANCE – June 30th	<u>\$5,616,605</u>	<u>\$7,717,811</u>	<u>\$2,101,206</u>	<u>\$7,132,359</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014

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, 2014

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, 2014

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.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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

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, 2014 there were no significant encumbrances in the major and non-major funds of the Town.

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.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014 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, 2014

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, 2014

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,

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

(J) COMPENSATED ABSENCES (Continued):

c. brothers, sisters, spouse, children, step-children, father-in-law, and mother-in-law. 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, 2014

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

(M) FUND BALANCE (Continued):

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.

- 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 that will be a committed fund balance. 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, 2014, the balance of the arrangement was \$287,800.

(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.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

(O) IMPLEMENTATION OF NEW ACCOUNTING STANDARDS:

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In addition the GASB issued Statement No. 65, “Items Previously Reported as Assets and Liabilities.” This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Since this statement closely correlates to Statement No. 63, the Town has elected to early implement the provisions of this statement

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

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u> (1) (2)	<u>Statement of Net Position</u>
ASSETS			
Cash on hand and in bank	\$ 1,205,959	\$ -	\$ 1,205,959
Investments	17,960,131	-	17,960,131
Accounts receivable	97,356	-	97,356
Due from other governments	1,112,407	-	1,112,407
Prepays	-	-	-
Capital assets, Net	<u>-</u>	<u>31,632,597</u>	<u>31,632,597</u>
 Total Assets	 <u>\$ 20,375,853</u>	 <u>\$ 31,632,597</u>	 <u>\$ 52,008,450</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

(Continued)

Balance Sheet/Statement of Net Position (Continued)

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u> (1) (2)	<u>Statement of Net Position</u>
LIABILITIES AND NET POSITION			
Accounts payable	\$ 50,182	\$ -	\$ 50,182
Accrued wages and benefits	110,657	-	110,657
Due to other governments	1,118,969	-	1,118,969
Funds held for others	9,634	-	9,634
Compensated absences	-	156,577	156,577
Notes payable	-	<u>750,000</u>	<u>750,000</u>
Total Liabilities	<u>1,289,442</u>	<u>906,577</u>	<u>2,196,019</u>
 Fund Balance/Net Position	 <u>19,086,411</u>	 <u>30,726,020</u>	 <u>49,812,431</u>
 Total Liabilities and Fund Balance/Net Position	 <u>\$ 20,375,853</u>	 <u>\$ 31,632,597</u>	 <u>\$52,008,450</u>

(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	\$ 41,951,960
Accumulated depreciation	<u>(10,319,363)</u>
	<u>\$ 31,632,597</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	\$ 156,577
Notes payable	<u>750,000</u>
	<u>\$ 906,577</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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. The effect of the differences is illustrated below.

	Total Governmental Funds	Capital- Related Items (1) (2)	Long-term Debt Transactions (3) (4)	Reclassi- fications	Statement of Activities
REVENUES					
Taxes:					
Sales taxes	\$ 5,579,606	\$ -	\$ -	\$ -	\$ 5,579,606
Other taxes	1,055,711	-	-	-	1,055,711
Licenses, permits and fees	749,380	-	-	-	749,380
Intergovernmental:					
State taxes	2,843,730	-	-	-	2,843,730
State grant	250,000	-	-	-	250,000
Charges for services	138,411	-	-	-	138,411
Fines, forfeitures and costs	46,368	-	-	-	46,368
Investment income	14,802	-	-	-	14,802
Miscellaneous revenue	115,503	(3,101)			112,402
Gain on deletion of capital assets	-	1,457	-	-	1,457
Total Revenues	<u>10,793,511</u>	<u>(1,644)</u>	<u>-</u>	<u>-</u>	<u>10,791,867</u>
EXPENDITURES/ EXPENSES					
Current:					
General					
Government	4,530,316	363,707	(14,065)	-	4,879,958
Public Works	2,214,328	576,328	-	(4,858)	2,785,798
Capital Outlay	<u>2,517,705</u>	<u>(2,522,563)</u>	<u>-</u>	<u>4,858</u>	<u>-</u>
Total Expenditures	<u>9,262,349</u>	<u>(1,582,528)</u>	<u>(14,065)</u>	<u>-</u>	<u>7,665,756</u>
OTHER FINANCING SOURCES (USES)/ CHANGES IN NET POSITION:					
Proceeds of long-term notes	<u>750,000</u>	<u>-</u>	<u>(750,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE FOR THE YEAR	<u>\$ 2,281,162</u>	<u>\$ 1,580,884</u>	<u>\$ (735,935)</u>	<u>\$ -</u>	<u>\$ 3,126,111</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 decrease by the amount of depreciation expense charged for the year.

Capital expenditures	\$ 2,522,563
Depreciation expense	<u>(940,035)</u>
Difference	<u>\$ 1,582,528</u>

(2) 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)	\$ 1,644
Proceeds	<u>3,101</u>
Difference	<u>\$ (1,457)</u>

(3) A decrease in compensated absences payable is not recorded as a decrease in expenditures in governmental funds. However, in the Statement of Activities, a decrease in this liability is reported as a decrease in expenditures.

Decrease in Compensated Absences Payable	<u>\$ 14,065</u>
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(4) Issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Long-term debt increased as follows:

Notes payable	<u>\$ 750,000</u>
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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 (I).

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.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – CASH AND INVESTMENTS (Continued):

Total Cash and Investments of \$19,166,090 at June 30, 2014, are classified as follows:

Type	Amount
Petty Cash	\$ 588
Local financial institutions	1,205,371
State of Tennessee Local Government Investment Pool.....	17,960,131
Total Cash and Investments	\$19,166,090

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).

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS:

Taxes collected and held by the State of Tennessee at June 30, 2014, 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 and Loudon County, Tennessee, at June 30, 2014, was \$1,063,295.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2014 is as follows:

Summary of Changes in Capital Asset Activity

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2014</u>
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 3,767,721	\$ 150,390	\$ -	\$ 3,918,111
Admiral Farragut Collection	81,359	28,619	-	109,978
Construction-in-progress	<u>3,177,006</u>	<u>2,214,928</u>	<u>2,994,664</u>	<u>2,397,270</u>
Total Non-depreciable Assets	<u>7,026,086</u>	<u>2,393,937</u>	<u>2,994,664</u>	<u>6,425,359</u>
Depreciable Assets:				
Buildings	2,921,830	-	-	2,921,830
Improvements	5,360,785	614,019	-	5,974,804
Furniture, fixtures, and equipment	1,840,574	153,117	6,166	1,987,525
Transportation equipment	570,389	-	-	570,389
Infrastructure	<u>21,715,899</u>	<u>2,356,154</u>	-	<u>24,072,053</u>
Total Depreciable Assets	<u>32,409,477</u>	<u>3,123,290</u>	<u>6,166</u>	<u>35,526,601</u>
Accumulated Depreciation:				
Buildings	1,174,601	61,764	-	1,236,365
Improvements	637,042	226,570	-	863,612
Furniture, fixtures, and equipment	849,083	97,047	4,522	941,608
Transportation equipment	400,446	59,057	-	459,503
Infrastructure	<u>6,322,678</u>	<u>495,597</u>	-	<u>6,818,275</u>
Total Accumulated Depreciation	<u>9,383,850</u>	<u>940,035</u>	<u>4,522</u>	<u>10,319,363</u>
Net Depreciable Assets	<u>23,025,627</u>	<u>2,183,255</u>	<u>1,644</u>	<u>25,207,238</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,051,713</u>	<u>\$ 4,577,192</u>	<u>\$2,996,308</u>	<u>\$ 31,632,597</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – CAPITAL ASSETS (Continued):

Capital assets are categorized by function as follows:

General Government	\$ 5,327,228
Public Works	28,032,540
Parks and Recreation	<u>8,592,192</u>
Total Capital Assets	<u>\$ 41,951,960</u>

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

General Government	\$ 363,707
Public Works	<u>576,328</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 940,035</u>

NOTE 6 – LONG-TERM DEBT:

Following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2014:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2014</u>	Amounts Due Within <u>One (1) Year</u>
Capital Outlay Note, Series 2013	\$ -	\$ 750,000	\$ -	\$ 750,000	\$ 250,000
Compensated absences	<u>170,642</u>	<u>171,536</u>	<u>185,601</u>	<u>156,577</u>	<u>156,577</u>
Long-term Liabilities	<u>\$ 170,642</u>	<u>\$ 921,536</u>	<u>\$ 185,601</u>	<u>\$ 906,577</u>	<u>\$ 406,577</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, 2014, 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>
2015	\$ 250,000	\$ 11,250	\$ 261,250
2016	250,000	7,500	257,500
2017	<u>250,000</u>	<u>3,750</u>	<u>253,750</u>
	<u>\$ 750,000</u>	<u>\$ 22,500</u>	<u>\$ 772,500</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014 consist of the following:

	<u>Major Governmental Funds</u>		Non-Major Governmental Funds	<u>Totals</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>		
Restricted To:				
State Street Aid	\$ -	\$ -	\$ 514,610	\$ 514,610
Assigned To:				
Balance June 30, 2015 Budget	1,448,031	-	-	1,448,031
Capital projects	-	9,686,319	-	9,686,319
Equipment & vehicle replacement	-	-	561,058	561,058
Stormwater	3,000	-	-	3,000
Everett Road project	-	-	44,307	44,307
State Street Aid	-	-	562,306	562,306
Unassigned	<u>6,266,780</u>	-	-	<u>6,266,780</u>
Totals	<u>\$ 7,717,811</u>	<u>\$ 9,686,319</u>	<u>\$ 1,682,281</u>	<u>\$ 19,086,411</u>

NOTE 8 – PENSION PLANS:

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, 2014

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 \$174,900. In addition, the Board of Mayor and Aldermen authorized a one-time contribution to the Plan of \$524,465, of which \$173,121 was funded in the current fiscal year.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – PENSION PLANS (Continued):

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..

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 Sprint.com to lease real property used to locate a communication tower. The lease commenced March 1, 2006, for a five (5)-year period and was renewed for a five (5)-year period effective March 1, 2011. One (1) additional extension of five (5) years is available. The lease currently calls for monthly payments of \$684.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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

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.
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 a five (5)-year period effective May 7, 2011. Two (2) additional extensions of five (5) years each are 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, 2011 for a one (1)-year period and is renewable for three (3) additional one (1)-year periods. Monthly payments are \$950.
5. Lease with Knox County, Tennessee to lease space in the Town Hall to be used by the Knox County Sheriff. The lease is effective October 31, 2004 and continues for a term of ten (10) years. Monthly payments are \$300.
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>		
2015	\$	46,772
2016		30,797
2017		12,768
2018		2,128

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 – INTERFUND TRANSFERS:

Interfund transfers for the fiscal year ended June 30, 2014 consisted of the following:

Transfers From:	<u>General Fund</u>	<u>Non Major Governmental Fund</u>
Transfers To:		
Major Governmental Funds:		
Capital Project Fund	\$ 3,000,000	\$ -
General Fund	-	903
Non-major Governmental Funds:		
State Street Aid Fund	120,000	-
Equipment Replacement Fund	<u>150,000</u>	<u>-</u>
Total Transfers	<u>\$ 3,270,000</u>	<u>\$ 903</u>

NOTE 12 - LITIGATION:

Knox County, Tennessee v. Town of Farragut. This lawsuit was served on the Town on May 30, 2014, regarding the division of liquor-by-the drink taxes with Knox County, Tennessee. An out-of-court settlement was reached in September 2014 whereby the Town will pay \$1,106,829 to Knox County over three (3) years. Because \$722,333 of this liability was recorded prior to July 1, 2013, the remainder – \$384,496 – is recorded in the Town’s financial statements for the fiscal year ended June 30, 2014.

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 entered into an agreement to provide funding for the Farragut Business Alliance. The remaining commitment under the agreement is as follows:

Fiscal Year Ending <u>June 30,</u>	
2015	\$ 30,000
2016	23,000

NOTE 14 – SUBSEQUENT EVENT:

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 2, 2014, which is the date on which the financial statements were issued.

TOWN OF FARRAGUT, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014

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TOWN OF FARRAGUT, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
June 30, 2014

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TOWN OF FARRAGUT, TENNESSEE
NON – MAJOR GOVERNMENTAL FUNDS
June 30, 2014

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.

Beautification Fund: Established to provide funds for the aesthetic improvement of Town property.

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

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TOWN OF FARRAGUT, TENNESSEE
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2014

With Comparative Totals for the Fiscal Year Ended June 30, 2013

<u>ASSETS</u>	Special Revenue Fund	Capital Projects Funds				Total Non-Major Governmental Funds	
	State Street Aid	Equipment Replace- ment	Beauti- fication	Everett Road	Total	2014	2013
Investments	\$ 1,027,804	\$ 561,058	\$ -	\$ 44,307	\$ 605,365	\$1,633,169	\$1,542,704
Due from other governments	<u>49,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,112</u>	<u>46,891</u>
Total Assets	<u>\$ 1,076,916</u>	<u>\$ 561,058</u>	<u>\$ -</u>	<u>\$ 44,307</u>	<u>\$ 605,365</u>	<u>\$1,682,281</u>	<u>\$1,589,595</u>
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,699
FUND BALANCE:							
Restricted	514,610	-	-	-	-	514,610	581,805
Assigned	<u>562,306</u>	<u>561,058</u>	<u>-</u>	<u>44,307</u>	<u>605,365</u>	<u>1,167,671</u>	<u>1,006,091</u>
Total Fund Balance	<u>1,076,916</u>	<u>561,058</u>	<u>-</u>	<u>44,307</u>	<u>605,365</u>	<u>1,682,281</u>	<u>1,587,896</u>
Total Liabilities and Fund Balance	<u>\$ 1,076,916</u>	<u>\$ 561,058</u>	<u>\$ -</u>	<u>\$ 44,307</u>	<u>\$ 605,365</u>	<u>\$1,682,281</u>	<u>\$1,589,595</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	Special Revenue Fund State Street Aid	Capital Projects Funds				Total Non-Major Governmental Funds	
		Equipment Replace- ment	Beauti- fication	Everett Road	Total	2014	2013
Revenues:							
State Shared Revenue	\$ 536,958	\$ -	\$ -	\$ -	\$ -	\$ 536,958	\$ 531,143
Investment income	720	485	1	40	526	1,246	1,507
Other income	-	3,101	-	-	3,101	3,101	5,110
Total Revenues	<u>537,678</u>	<u>3,586</u>	<u>1</u>	<u>40</u>	<u>3,627</u>	<u>541,305</u>	<u>537,760</u>
Expenditures:							
Public Works	604,153	-	-	-	-	604,153	99,865
Capital Outlay	-	111,864	-	-	111,864	111,864	20,098
Total Expenditures	<u>604,153</u>	<u>111,864</u>	<u>-</u>	<u>-</u>	<u>111,864</u>	<u>716,017</u>	<u>119,963</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(66,475)	(108,278)	1	40	(108,237)	(174,712)	417,797
Other Financing Sources (Uses)							
Transfers In	120,000	150,000	-	-	150,000	270,000	370,000
Transfers Out	-	-	(903)	-	(903)	(903)	(11,305)
Net Change in Fund Balance	53,525	41,722	(902)	40	40,860	94,385	776,492
Fund Balance – July 1 st	<u>1,023,391</u>	<u>519,336</u>	<u>902</u>	<u>44,267</u>	<u>564,505</u>	<u>1,587,896</u>	<u>811,404</u>
Fund Balance – June 30 th	<u>\$ 1,076,916</u>	<u>\$ 561,058</u>	<u>\$ -</u>	<u>\$ 44,307</u>	<u>\$ 605,365</u>	<u>\$1,682,281</u>	<u>\$1,587,896</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<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 2013</u>
REVENUES:					
State of Tennessee -					
Gasoline tax apportionment ..	\$ 537,000	\$ 537,000	\$ 536,958	\$ (42)	\$ 531,143
Interest earned.....	<u>500</u>	<u>500</u>	<u>720</u>	<u>220</u>	<u>832</u>
Total Revenue	<u>537,500</u>	<u>537,500</u>	<u>537,678</u>	<u>178</u>	<u>531,975</u>
EXPENDITURES:					
Public Works:					
Street repairs and maintenance	65,000	65,000	60,366	4,634	58,584
Resurface program.....	500,000	976,402	467,119	509,283	23,598
Centerline	40,000	40,000	39,640	360	10,047
Guardrails	15,000	15,000	3,813	11,187	4,800
Sidewalk maintenance.....	50,000	50,000	3,215	46,785	2,836
Traffic signal maintenance.....	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Total Expenditures.....	<u>700,000</u>	<u>1,176,402</u>	<u>604,153</u>	<u>572,249</u>	<u>99,865</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources.....	(162,500)	(638,902)	(66,475)	572,427	432,110
OTHER FINANCING SOURCES:					
Operating Transfers In.....	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>220,000</u>
NET CHANGE IN FUND BALANCE	(42,500)	(518,902)	53,525	527,427	652,110
FUND BALANCE – July 1st	<u>1,023,391</u>	<u>1,023,391</u>	<u>1,023,391</u>	<u>-</u>	<u>371,281</u>
FUND BALANCE – June 30th	<u>\$ 980,891</u>	<u>\$ 504,489</u>	<u>\$1,076,916</u>	<u>\$ 527,427</u>	<u>\$ 1,023,391</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, 2014
With Comparative Totals for the Year Ended June 30, 2013

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals <u>2013</u>
REVENUES:					
Interest earned.....	\$ 9,000	\$ 9,000	\$ 7,166	\$ (1,834)	\$ 9,101
State grant	630,000	630,000	250,000	(380,000)	191,295
Contractor forfeitures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,500</u>
Total Revenues	<u>639,000</u>	<u>639,000</u>	<u>257,166</u>	<u>(381,834)</u>	<u>437,896</u>
EXPENDITURES					
Capital Outlay:					
Highways and streets.....	3,775,000	3,874,999	89,149	3,785,850	885,768
Sidewalks.....	-	-	-	-	5,000
Park improvements	75,000	625,000	603,113	21,887	280,776
Land acquisition.....	500,000	500,000	96,771	403,229	100,000
Equipment.....	-	-	-	-	28,536
Outdoor classroom.....	135,000	390,250	167,190	223,060	-
Russell House.....	1,250,000	1,250,000	1,258,706	(8,706)	-
Greenway improvements.....	562,500	780,353	68,833	711,520	-
Traffic signal enhancements....	160,000	160,000	122,079	37,921	-
Developer refunds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,401</u>
Total Expenditures	<u>6,457,500</u>	<u>7,580,602</u>	<u>2,405,841</u>	<u>5,174,761</u>	<u>1,397,481</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	<u>(5,818,500)</u>	<u>(6,941,602)</u>	<u>(2,148,675)</u>	<u>4,792,927</u>	<u>(959,585)</u>
OTHER FINANCING SOURCES:					
Proceeds of long-term notes.....	-	-	750,000	750,000	-
Operating transfer in	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>3,122,868</u>
Total Other Financing Sources	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,750,000</u>	<u>750,000</u>	<u>3,122,868</u>
NET CHANGE IN FUND BALANCE	<u>(2,818,500)</u>	<u>(3,941,602)</u>	<u>1,601,325</u>	<u>5,542,927</u>	<u>2,163,283</u>
FUND BALANCE – July 1st	<u>8,084,994</u>	<u>8,084,994</u>	<u>8,084,994</u>	<u>-</u>	<u>5,921,711</u>
FUND BALANCE – June 30th	<u>\$ 5,266,494</u>	<u>\$ 4,143,392</u>	<u>\$ 9,686,319</u>	<u>\$ 5,542,927</u>	<u>\$ 8,084,994</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, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<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 2013</u>
REVENUES:					
Interest earned.....	\$ 300	\$ 300	\$ 485	\$ 185	\$ 606
Sale of capital assets.....	<u>-</u>	<u>-</u>	<u>3,101</u>	<u>3,101</u>	<u>5,110</u>
Total Revenues	300	300	3,586	3,286	5,716
EXPENDITURES:					
Capital Outlay:					
Equipment.....	<u>107,000</u>	<u>119,000</u>	<u>111,864</u>	<u>7,136</u>	<u>20,098</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(106,700)	(118,700)	(108,278)	10,422	(14,382)
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	43,300	31,300	41,722	10,422	135,618
FUND BALANCE – July 1st	<u>519,336</u>	<u>519,336</u>	<u>519,336</u>	<u>-</u>	<u>383,718</u>
FUND BALANCE – June 30th	<u>\$ 562,636</u>	<u>\$ 550,636</u>	<u>\$ 561,058</u>	<u>\$ 10,422</u>	<u>\$ 519,336</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL PROJECTS FUNDS – BEAUTIFICATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2013</u>
REVENUES:				
Interest earned	\$ 20	\$ 1	\$ (19)	\$ 10
EXPENDITURES:				
Capital Outlay:				
Beautification Projects	-	-	-	-
Excess (Deficit) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	20	1	(19)	10
OTHER FINANCING SOURCES (USES):				
Operating transfer out	(910)	(903)	7	(11,305)
NET CHANGE IN FUND BALANCE	(890)	(902)	(12)	(11,295)
FUND BALANCE – July 1st	902	902	-	12,197
FUND BALANCE – June 30th	\$ 12	\$ -	\$ (12)	\$ 902

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL PROJECTS FUNDS – EVERETT ROAD
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE– BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
With Comparative Totals for the Fiscal Year Ended June 30, 2013

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (<u>Negative</u>)	Totals <u>2013</u>
REVENUES:				
Interest earned.....	\$ -	\$ 40	\$ 40	\$ 59
EXPENDITURES.....	-	-	-	-
NET CHANGE IN FUND BALANCE.....	-	40	40	59
FUND BALANCE – July 1 st	<u>44,267</u>	<u>44,267</u>	-	<u>44,208</u>
FUND BALANCE – June 30 th	<u>\$ 44,267</u>	<u>\$ 44,307</u>	<u>\$ 40</u>	<u>\$ 44,267</u>

See accompanying independent auditors' report.

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TOWN OF FARRAGUT, TENNESSEE

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

June 30, 2014

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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, 2014

<u>Program</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
General Government	\$ 5,293,734	\$ 33,494	\$ -	\$ 5,327,228
Public Works	26,177,426	4,855,944	3,000,830	28,032,540
Parks and Recreation	<u>7,964,403</u>	<u>627,789</u>	<u>-</u>	<u>8,592,192</u>
Total.....	<u>\$ 39,435,563</u>	<u>\$ 5,517,227</u>	<u>\$ 3,000,830</u>	<u>\$ 41,951,960</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, 2014

<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	\$ 2,574,526	\$ -	\$ -	\$ 364,909	\$ 227,358	\$ 109,978	\$ -	\$ 5,327,228
Public Works	442,295	92,920	-	24,072,053	684,971	343,031	-	2,397,270	28,032,540
Parks and Recreation ...	<u>1,425,359</u>	<u>254,384</u>	<u>5,974,804</u>	<u>-</u>	<u>937,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,592,192</u>
Subtotal.....	3,918,111	2,921,830	5,974,804	24,072,053	1,987,525	570,389	109,978	2,397,270	41,951,960
Less: Accumulated Depreciation	<u>-</u>	<u>1,236,365</u>	<u>863,612</u>	<u>6,818,275</u>	<u>941,608</u>	<u>459,503</u>	<u>-</u>	<u>-</u>	<u>10,319,363</u>
Total Governmental Funds – Capital Assets.....	<u>\$ 3,918,111</u>	<u>\$ 1,685,465</u>	<u>\$ 5,111,192</u>	<u>\$ 17,253,778</u>	<u>\$ 1,045,917</u>	<u>\$ 110,886</u>	<u>\$ 109,978</u>	<u>\$ 2,397,270</u>	<u>\$ 31,632,597</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE

MISCELLANEOUS SCHEDULES

June 30, 2014

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TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
June 30, 2014

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Book Value</u> <u>June 30,</u> <u>2014</u>
Cash:			
Cash on hand			\$ 588
Cash in checking:			
BB&T	N/A	N/A	1,109,946
BB&T	N/A	N/A	6,840
BB&T	N/A	N/A	79,115
BB&T	N/A	N/A	<u>9,470</u>
 Total Cash			 <u>1,205,959</u>
Investments:			
Local Government Investment Pool:			
State of Tennessee	Variable	-	2
State of Tennessee	Variable	-	199,574
State of Tennessee	Variable	-	17,742
State of Tennessee	Variable	-	561,058
State of Tennessee	Variable	-	6,409,600
State of Tennessee	Variable	-	976,929
State of Tennessee	Variable	-	44,307
State of Tennessee	Variable	-	<u>9,750,919</u>
 Total Investments.....			 <u>17,960,131</u>
 Total Cash & Investments.....			 <u>\$ 19,166,090</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
 June 30, 2014

<u>TRANSFERS TO:</u>	<u>TRANSFERS FROM:</u>	
	<u>General</u> <u>Fund</u>	<u>Beautification</u> <u>Fund</u>
Capital Projects Fund	\$ 3,000,000	\$ -
Transfer made to provide funds for capital projects		
Equipment Replacement Fund	150,000	-
Transfer made to provide funds for equipment replacement		
State Street Aid	120,000	-
Transfer made to provide funds for street and highway improvements		
General Fund	<u>-</u>	<u>903</u>
Transfer made to provide funds for beautification equipment		
Total	<u>\$ 3,270,000</u>	<u>\$ 903</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS AND SURETY BONDS
June 30, 2014

MAYOR

Ralph McGill

VICE-MAYOR

Mary Dorothy LaMarche

ALDERMEN

Jeff Elliott
Robert Markli
Ron Honken

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, 2014

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
-----------------------------	------------

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	\$ 11,983,782
Fine Arts	\$ 700,000
Mobile equipment	\$ 407,882
Valuable papers	\$ 250,000
Data Processing	\$ 162,000
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, 2014

<u>Program Name</u>	<u>Grant/Contract Number</u>	<u>Grantor Agency</u>	<u>Receivable Balance 7-1-13</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable Balance 6-30-14</u>
Local Park & Recreation Grant - renovation of multi-use Field #2	LPRF32701-01588	Tennessee Department of Environment and Conservation	\$ <u> -</u>	\$ <u> 250,000</u>	\$ <u> 250,000</u>	\$ <u> -</u>

This schedule prepared using the modified accrual basis of accounting.

TOWN OF FARRAGUT, TENNESSEE
STATISTICAL SECTION
June 30, 2014

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. The town implemented GASB Statement No. 34 in 2004; schedules presenting governmental-wide information include information beginning in that year.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental										
Activities:										
Net investment in										
capital assets	\$ 30,882,597	\$ 30,051,713	\$ 29,498,811	\$ 28,443,639	\$ 26,836,668	\$ 25,927,007	\$23,439,077	\$ 21,066,789	\$19,462,645	\$18,663,891
Restricted	514,610	581,804	150,527	134,853	7,191,609	7,737,277	8,271,989	7,749,666	7,038,595	6,160,018
Unrestricted	<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>	<u>2,321,242</u>	<u>1,992,424</u>
Total Governmental										
Activities										
Net Position	<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>	<u>\$28,822,482</u>	<u>\$26,816,333</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
EXPENSES:										
Governmental Activities:										
General Government	\$ 4,879,958	\$ 5,134,912	\$ 4,238,269	\$ 3,549,541	\$ 3,907,825	\$ 3,721,048	\$ 3,412,959	\$ 2,928,152	\$ 2,510,363	\$ 2,310,100
Public Works	<u>2,785,798</u>	<u>2,173,870</u>	<u>2,872,183</u>	<u>2,489,934</u>	<u>2,134,258</u>	<u>2,465,461</u>	<u>2,298,025</u>	<u>1,755,991</u>	<u>1,790,451</u>	<u>1,858,499</u>
Total Governmental Activities Expenses	<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>	<u>4,300,814</u>	<u>4,168,599</u>
PROGRAM REVENUES:										
Governmental Activities:										
Charges for Services:										
General Government	709,444	626,242	654,938	596,398	599,404	573,850	885,924	628,812	506,415	381,988
Operating Grants and Contributions	536,958	531,143	533,521	537,377	524,055	518,329	559,114	555,502	497,426	502,474
Capital Grants and Contributions	<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>	<u>90,000</u>	<u>151,941</u>
Total Governmental Activities Program Revenues	<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>	<u>1,093,841</u>	<u>1,036,403</u>
Net (Expense) Revenue for Governmental Activities	<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>	<u>(3,206,973)</u>	<u>(3,132,196)</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental Activities										
Taxes:										
Sales tax	7,052,999	6,307,686	5,622,173	5,210,803	5,002,777	4,429,716	4,396,657	4,075,605	3,493,102	3,148,753
State income tax	413,993	528,368	387,587	428,740	320,215	685,897	574,002	361,674	189,265	209,896
Wholesale beer And liquor tax	1,055,711	1,010,082	951,067	867,874	832,555	828,671	782,059	660,616	618,742	588,929
TVA replacement tax	228,751	235,785	238,882	221,892	216,897	189,079	183,043	163,620	128,817	125,492
Mixed drink tax	136,421	153,119	142,300	133,183	132,964	160,932	111,568	155,332	170,244	153,591
Miscellaneous taxes	54,214	54,353	53,863	53,937	53,820	55,044	56,343	57,325	51,408	51,537
Cable TV franchise fee	332,819	273,845	266,476	261,234	252,047	250,783	230,869	212,004	199,068	188,784
Contributions	-	-	-	-	-	-	-	-	15,000	-
Interest earned	14,802	18,035	14,756	22,540	34,618	161,619	422,621	507,195	337,036	145,621
Miscellaneous	4,298	247,136	321,217	418,946	461,342	9,109	118,597	2,786	10,440	29,937
Gain on deletion of capital assets	<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>	<u>-</u>	<u>-</u>
Total Governmental Activities	<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>	<u>5,213,122</u>	<u>4,642,540</u>
Change in Net Position of Governmental Activities	<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>	<u>\$ 2,006,149</u>	<u>\$ 1,510,344</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
GASB 54:										
GENERAL FUND:										
Nonspendable	\$ -	\$ 2,656	\$ 656	\$ -						
Assigned	1,451,031	5,077,593	2,843,488	2,473,835						
Unassigned	<u>6,266,780</u>	<u>2,052,110</u>	<u>4,917,188</u>	<u>4,479,251</u>						
Total General Fund	<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	\$ 514,610	\$ 581,805	\$ 150,527	\$ 134,853						
Assigned	<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>\$ 11,368,600</u>	<u>\$ 9,672,890</u>	<u>\$ 6,733,115</u>	<u>\$ 6,324,974</u>						
PRE GASB 54:										
GENERAL FUND										
Reserved					\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Designated:										
Compensated Absences					118,210	58,780	52,688	50,818	42,080	38,266
Other Employee Benefits					-	59,011	63,222	60,453	63,508	63,129
Insurance Needs					524,530	522,670	514,327	493,742	468,526	449,918
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>	<u>1,789,208</u>	<u>1,479,376</u>
Total General Fund					<u>\$ 5,568,718</u>	<u>\$ 2,412,167</u>	<u>\$ 2,674,295</u>	<u>\$ 2,945,723</u>	<u>\$ 2,363,322</u>	<u>\$ 2,030,689</u>
ALL OTHER GOVERNMENTAL FUNDS										
Reserved					\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Designated:										
Debt Service Fund					23	83,586	82,252	78,960	74,927	71,952
Capital Projects Funds					6,195,048	7,629,118	7,983,585	7,255,938	6,629,808	5,732,112
Unreserved - Undesignated:										
Special Revenue Fund					187,561	108,159	288,404	493,728	408,787	427,906
Debt Service					<u>-</u>	<u>-</u>	<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>	<u>\$ 7,113,522</u>	<u>\$ 6,231,970</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
REVENUES:										
Taxes	\$ 6,635,317	\$ 5,894,187	\$ 5,184,785	\$ 4,766,160	\$ 4,579,938	\$3,958,606	\$3,760,884	\$ 3,319,096	\$ 2,880,634	\$ 2,666,993
Licenses, permits and fees	749,380	657,294	645,118	493,385	511,733	656,316	951,385	710,689	572,102	461,670
Intergovernmental	3,093,730	3,117,644	2,908,380	2,916,187	2,711,966	2,909,062	2,901,902	2,892,597	2,358,370	2,265,620
Charges for services	138,411	111,564	94,337	93,340	81,483	92,589	80,771	60,408	51,732	55,518
Fines, forfeitures and costs	46,368	45,822	75,023	173,352	174,821	1,816	5,674	1,156	1,143	2,273
Interest earned	14,802	18,035	14,756	22,540	34,618	161,619	422,621	507,195	337,036	145,621
Miscellaneous	<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>	<u>90,946</u>	<u>81,248</u>
Total Revenues	<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>	<u>6,291,963</u>	<u>5,678,943</u>
EXPENDITURES:										
General government	4,530,316	4,862,891	3,991,982	3,338,196	3,689,937	3,582,560	3,294,348	2,768,949	2,389,575	2,191,328
Public Works	2,214,328	1,590,927	2,281,535	1,955,377	1,447,724	1,634,654	1,641,780	1,288,759	1,279,573	1,192,123
Capital Outlay	<u>2,517,705</u>	<u>1,417,579</u>	<u>1,882,339</u>	<u>2,361,182</u>	<u>1,783,334</u>	<u>3,441,321</u>	<u>3,130,482</u>	<u>2,207,277</u>	<u>1,408,630</u>	<u>1,347,615</u>
Total Expenditures	<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>	<u>5,077,778</u>	<u>4,731,066</u>
NET CHANGE IN FUND BALANCE	<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>	<u>\$ 1,214,185</u>	<u>\$ 947,877</u>

Prior to 2004, "Charges for Services" and "Fines, Forfeitures and Costs" were included in "Miscellaneous" revenues.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 5
LARGEST REMITTERS OF SALES TAX REVENUE
AND APPLICABLE RATES
For the Fiscal Year Ended June 30, 2014

<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	\$ 99.6%	99.6%	2.25%	1
Loudon County, Tennessee	_____ .4%	_____ .4%	2.25%	2
	<u>\$ 100.0%</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, 2004 and 2013

	Fiscal Year 2005				Fiscal Year 2014			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail trade	250	6250.00%	\$ 2,855,262	38029.60%	283	417.67%	\$ 8,416,087	58960.96%
Services	111	2775.00%	427,343	5691.84%	135	2250.00%	573,526	4017.98%
Manufacturing					20	333.33%	8,241	57.73%
Wholesale Trade	26	650.00%	57,253	762.56%	38	633.33%	157,037	1100.16%
Construction	5	125.00%	7,501	99.91%	4	66.67%	1,171	8.20%
Finance, Insurance, Real Estate	-				5	83.88%	1,277	8.95%
Transportation and Utilities	5	125.00%	64,024	852.74%	4	66.67%	224,151	1570.34%
Agriculture	4	100.00%	7,508	100.00%	6	100.00%	14,274	100.00%
Other, Non Classified	-				15	250.00%	75,884	531.62%
Total	<u>406</u>	<u>100.00%</u>	<u>\$ 3,453,763</u>	<u>100.00%</u>	<u>510</u>	<u>8500.00%</u>	<u>\$ 9,471,648</u>	<u>66355.950%</u>

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.
 3. Does not include Farragut's share of county clerk or out-of-state taxpayer amounts.
 4. Blank cells are suppressed to avoid potential disclosure of confidential information.

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>
2004	\$ -	\$ -	\$ -	\$ -	\$ 523,635,420	\$ 1,960,142,700	\$ -
2005	448,726,650	91,084,880	2,266,900	-	542,078,430	2,031,686,400	-
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	-

Source: Knox County Property Assessor

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.

Detail information of residential, commercial and agriculture assessed values is not available for 2003 and 2004. Only totals are available.

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>
2005	\$	\$ 2.69
2006		2.69
2007		2.69
2008		2.69
2009		2.69
2010		2.36
2011		2.36
2012		2.36
2013		2.36
2014		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 2014 AND TEN YEARS AGO (2005)

<u>Taxpayer</u>	<u>2014</u>			<u>2005</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	\$19,533,300	1	2.36%	\$ -	-	-
Hart TC IV, LLC	11,095,320	2	1.34%	-	-	-
11400 POP I Private Investment Group	7,761,320	3	0.94%	-	-	-
Costco Wholesale Corporation	5,781,320	4	0.70%	-	-	-
NHC Healthcare/Farragut L	5,347,120	5	0.65%	9,360,900	3	0.48%
LB Knoxville/Lansborough	5,262,240	6	0.64%	9,658,600	2	0.50%
Metro Knoxville HMA – 10800 Parkside	5,249,920	7	0.63%	-	-	-
11400 POP II Private Investment Group	5,192,880	8	0.63%	-	-	-
Turkey Creek Land Partner	4,237,560	9	0.51%	-	-	-
Moser-Biddle Corp.	3,732,800	10	0.45%	-	-	-
Baptist Hospital West	-	-	-	11,178,500	1	0.57%
Kohl's Retail Center	-	-	-	6,571,400	4	0.34%
Farragut Land Partners	-	-	-	5,686,800	5	0.29%
Farragut Point	-	-	-	4,675,500	6	0.24%
Farragut Land Partners – 11534 Parkside	-	-	-	4,400,000	7	0.23%
White Realty, Inc. (Steinmart)	-	-	-	3,677,800	8	0.19%
White Realty, Inc. (Fresh Market)	-	-	-	3,634,800	9	0.19%
Coolsports, LLC	-	-	-	3,620,600	10	0.19%
	<u>\$73,236,860</u>		<u>8.84%</u>	<u>\$ 62,464,900</u>		<u>3.22%</u>

Source: Knox County Property Assessor, Comprehensive Financial Report June 30, 2004

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>
	General Obligation <u>Bonds</u>	Capital Outlay <u>Notes</u>	<u>Total</u>		
2005	\$ -	\$ -	\$ -	-	\$ -
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	750,000	750,000	-	-

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>
2005	\$ -	-	\$ -
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 13
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014

<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	\$ 750,000	100.0%	\$ 750,000
Debt Repaid with Property Taxes			
Knox County, Tennessee Overlapping Debt	632,397,204	7.8%	<u>49,326,982</u>
Total Direct and Overlapping Debt			<u>\$ 50,076,982</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)</u> <u>Population</u>	<u>Personal</u> <u>Income</u>	<u>Per Capita</u> <u>Income</u>	<u>Median</u> <u>Age</u>	<u>(2)</u> <u>Public</u> <u>School</u> <u>Enrollment</u>	<u>(2)</u> <u>Private</u> <u>School</u> <u>Enrollment</u>	<u>(2)</u> <u>Unemployment</u> <u>Rate</u>
2005	18,982 (4)	-	-	-	5,582	877	2.5%
2007	19,717 (4)	-	-	-	5,446	967	5.2%
2008	19,717 (4)	-	-	-	5,592	986	4.1% (5)
2009	19,717 (4)	-	-	-	5,254	869	5.4% (5)
2000	19,717 (4)	-	-	-	5,236	875	5.7% (5)
2010	19,717 (4)	-	-	-	5,125	1,048	7.6% (5)
2011	20,676 (6)	-	-	-	5,196	897	7.6% (5)
2012	20,676 (6)	-	-	-	5,345	915	5.9% (5)
2013	20,676 (6)	-	-	-	5,077	920	7.0% (5)
2014	20,676 (6)	-	-	-	6,990	963	6.4% (5)

Sources (1) Federal census, Special Local Census, Town's estimate based upon housing-starts ratio
(2) Federal Census
(3) East Tennessee Development District
(4) Based on Special Local Census (04/2006)
(5) State of Tennessee, Labor and Workforce Development, June 2013
(6) 2010 Federal Census

No information is available on personal income

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 17
PRINCIPAL EMPLOYERS
CURRENT YEAR ANDTEN YEARS AGO

<u>Employer</u>	<u>2014</u>			<u>2005</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	1,100	1		350	2	
Knox County Schools	770	2		395	1	
Kroger	278	3		82	7	
NHC Healthcare	250	4		133	3	
Ingles Food Store	190	5		75	8	
Costco	189	6				
Summitt View	177	7				
JC Penney Department Store	130	8				
Kohl's Department Store	120	9		124	5	
Publix	120	10				
Fox Den Country Club				125	4	
Farragut Health Care				122	6	
Abureys Restaurant				70	9	
Bi-Lo Food Store				<u>70</u>	10	
Total	<u>3,324</u>			<u>1,196</u>		

Source: Town of Farragut, June 30, 2005 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>2005</u>	<u>2006</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>
Administration	5	6	6	6	6	7	8	10*	10*	10 *
Community Development	8	8	8	8	8	8	7	7	7	7
Engineering	6	6	7	6	6	6	6	6	6	6 *
Public Works	17	15	15	17	17	17	17	23*	24*	24 *
Leisure Services	<u>10</u>	<u>12</u>	<u>23</u>	<u>20</u>	<u>22</u>	<u>12*</u>	<u>22*</u>	<u>22*</u>	<u>22*</u>	<u>22</u>
Total	<u><u>46</u></u>	<u><u>47</u></u>	<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>

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>2005</u>	<u>2006</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>FUNCTION/PROGRAM</u>										
Public Works/Engineering										
Street Resurfacing (miles)	3.53	5.00	3.89	4.90	3.15	2.00	2.82	3.39	4.13	2.79
Right-of-Way Mowing (miles)	31.12	31.12	31.12	31.12	31.12	31.12	31.12	31.12	31.12	31.12
Parks and Recreation										
Athletic Field User Groups*	22	32	70	23	26	28	27	44	38	62
Community Room Rentals	25	51	48	41	20	34	41	26	26	27
Park Shelter Rentals	151	163	118	167	147	122	175	357	440	504
Building Department										
New Residential Permits	137	121	151	85	42	52	44	63	98	100
Residential; Addition Permits	88	96	79	100	89	94	92	87	34	43
Commercial Structure Permits	7	32	45	59	33	16	15	23	19	24
Commercial Addition Permits	18	16	26	32	37	27	14	20	4	28
Accessory Structure Permits	26	23	29	41	28	33	41	38	23	19

Source: Various Town Departments

*Fall 2011 – Spring 2013

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

	Fiscal Year									
	<u>2005</u>	<u>2006</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>FUNCTION/PROGRAM</u>										
Public Works/Engineering										
Streets Maintained (miles)	140.10	140.10	140.10	140.68	140.68	140.68	140.68	140.68	140.68	140.68
Vehicle Fleet	16	16	17	18	20	20	20	20	20	20
Parks and Recreation										
Park Acreage	115.96	115.96	115.96	115.96	132.76	132.76	142.24	142.24	142.24	142.24
Playgrounds	2	2	2	2	2	2	3	3	3	3
Baseball/Softball/Soccer/ Volleyball fields	11	11	11	15	17	17	17	17	17	17
Picnic areas & Covered shelters	7	7	7	7	7	7	9	9	9	9
Bronze Sculptures	5	5	5	5	5	5	9	9	9	9

Source: Inventory schedules and various town departments.

TOWN OF FARRAGUT, TENNESSEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 30, 2014

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

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December 2, 2014

INDEPENDENT AUDITOR'S REPORT IN 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, 2014, 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 December 2, 2014.

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
December 2, 2014

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

Findings of Compliance and Other Matters

None.