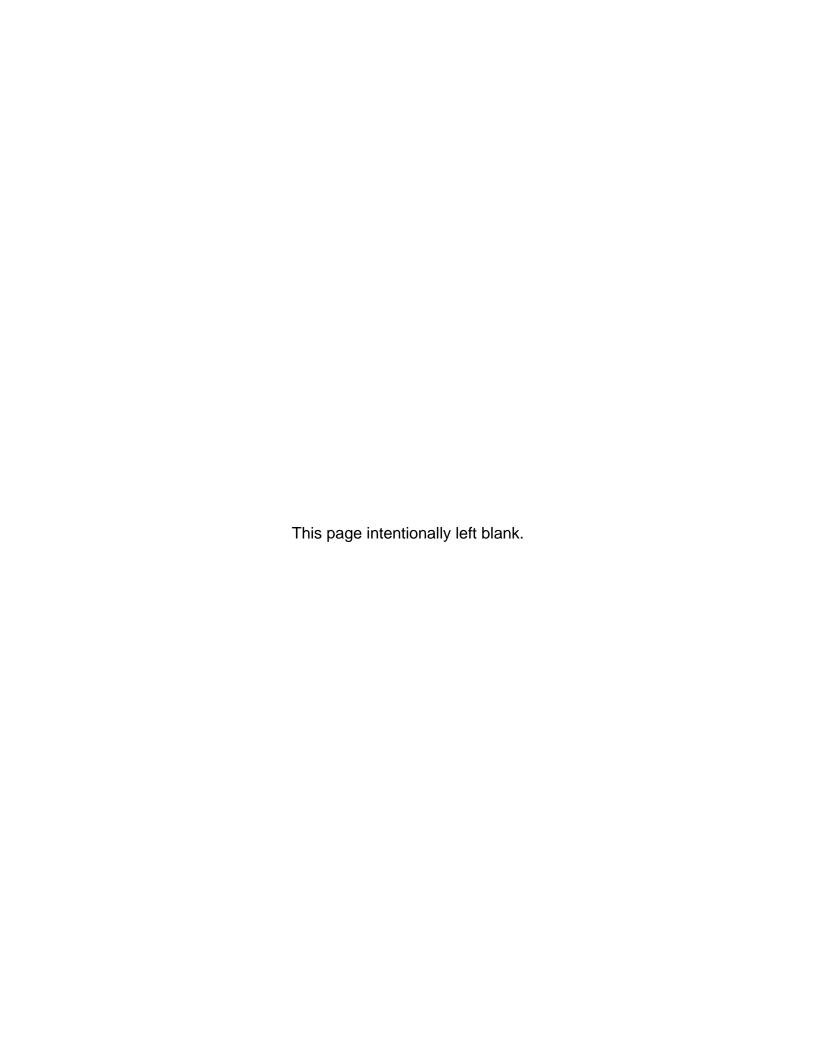
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

Allison M. Myers Town Recorder



TOWN OF FARRAGUT, TENNESSEE COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2013

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TOWN OF FARRAGUT, TENNESSEE COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2013

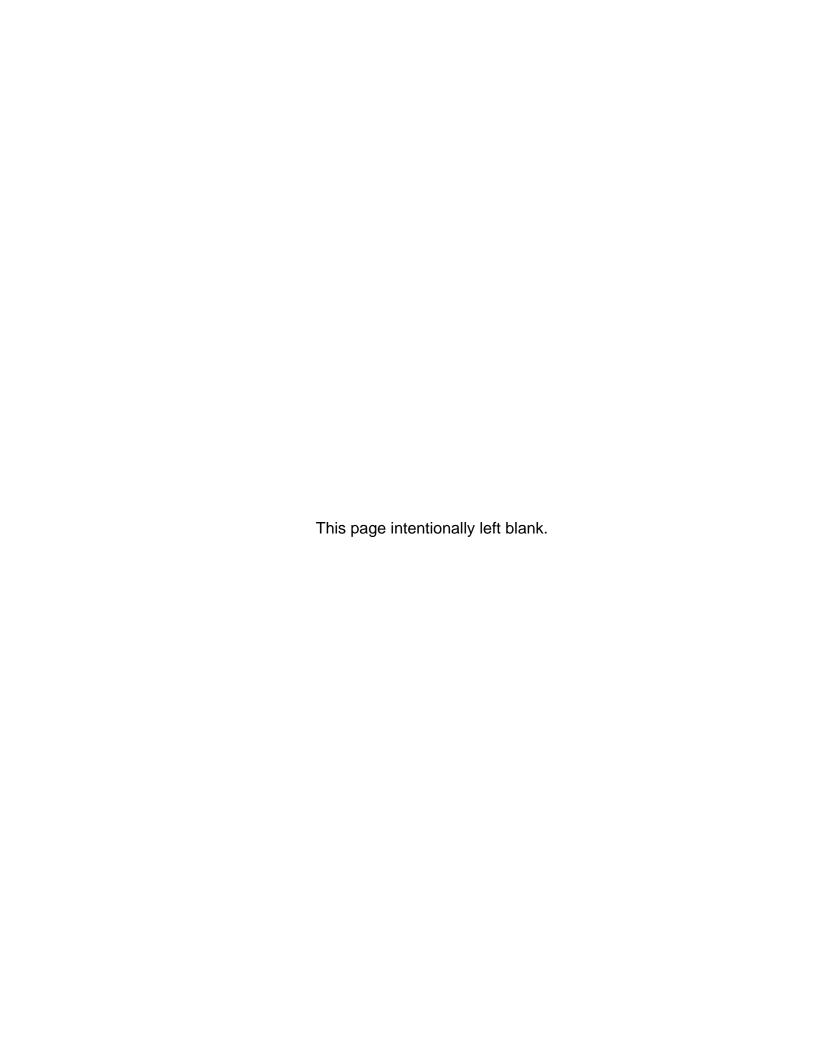
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SECTION ONE

INTRODUCTORY SECTION

June 30, 2013



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 4, 2013

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, 2013, 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 33 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.

Major Initiatives

The major initiatives for Fiscal Year 2013 were the construction of the improvement to 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 \$786,859.

Park projects for Fiscal Year 2013 included the addition of LED parking lot lights at Mayor Bob Leonard Park, a 20 X 30 shade structure at McFee Park and planning for the artificial turf field and ADA access at the current location of Mayor Bob Leonard Park multi-purpose filed #2. The Town has been awarded a \$250,000 Local Parks and Recreation Fund grant for the turf field.

Equipment purchases for Fiscal Year 2013 included the purchase of a 2013 F150 half-ton pickup truck. The truck was purchased at a cost of \$20,098 and was financed with current funds.

Current projects for Fiscal Year 2014 include the construction of the Old Stage/Watt Road extension and the completion of improvements to the intersection of Everett Road and Kingston Pike. Road resurfacing and sidewalk construction are also planned.

Equipment to purchase in Fiscal Year 2014 includes the replacement of a 2004 New Holland tractor and a 2006 John Deere Gator. Park plans for Fiscal Year 2014 include the installation of an artificial turf field and ADA access at Mayor Bob Leonard Park and softball field fencing replacement at Major Bob Leonard and Anchor 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 complied 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, 2013, provide no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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 9 percent. Local Taxes increased by 14 percent; License and Permit revenues increased by 2 percent. Intergovernmental revenue, made up primarily of state taxes shared on a per capita basis with local governments increased by 7 percent. Fines, forfeitures, and costs decreased by 39 percent due primarily to a decrease in automated traffic enforcement fees. Interest on investments increased by 22 percent due to increased investments. Other revenues decreased by 25 percent due primarily to a decrease in payments from developers.

Expenditures decreased by 3 percent from the previous year due to decreases in Public Works and Capital Outlay. General Government expenditures increased by 22 percent due to additional school support in the amount of \$722,333.

Fund Balance

As a result of this year's operations, the ending fund balance for all governmental fund types was \$16,805,249. Of this total, the unassigned fund balance of the General Fund was \$2,052,110. The administrative policy is to maintain a minimum reserve in the General Fund equal to thirty percent of the current annual operating budget of \$6,198,802, or \$1,859,641. Therefore, \$192,469 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, 2013 -- \$44,267.

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, 2013 -- \$519,336.
- Beautification Fund: Established for the purpose of landscaping, beautification improvements on town property or rights-of-way, and removal of visual obstructions. Balance on June 30, 2013 -- \$902.
- 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, 2013 \$8,084,994.

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, 2013 -- \$172,593.

Debt Administration

A Debt Service Fund was previously established for repayment of outstanding debt. Revenue from bonds and notes was used for road construction, land acquisition, and construction of the town hall. The Town of Farragut received an A rating from Moody's Investors Service in 1990, the only time bonds were issued by the Town.

No new debt was issued in Fiscal Year 2013 and all outstanding debt was paid during Fiscal Year 2002 leaving the Town debt-free at the end of Fiscal Year 2013. All capital projects planned for the near future will be paid from current funds. Accordingly, no Debt Service Fund is currently maintained by the Town.

The following ratios of net bonded debt to assessed and actual valuation and the amount of bonded debt per capita are useful indicators of the Town's debt position for municipal management, citizens, and investors.

Net Bonded Debt <u>Per Capita</u>		Bon	Ratio of Net Bonded Debt to Assessed Value		Ratio of Net Bonded Debt to <u>Appraised Value</u>			
\$	0.00	\$	0.00	\$	0.00			

A debt policy has established a set of parameters by which debt obligations will be undertaken by the Town. Any debt obligation must be approved by the State Comptroller's Office before the debt is incurred.

Cash Management

Cash temporarily idle during the year was invested in the State of Tennessee Local Government Investment Pool. The administration's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized.

Retirement and Deferred Compensation Plans

The Town provides a defined-contribution retirement plan and a deferred compensation plan for its employees. Great West Retirement Services administers both. In April 2011, the Board of Mayor and Aldermen approved a retirement plan that includes employee participation in the Social Security System as well as a matching amount, up to four (4) percent, of the employee's salary into a 401 program. The system was implemented in Fiscal Year 2012. The 457 deferred compensation plan is funded entirely by voluntary employee contributions.

Risk Management

The Town follows sound risk management procedures. The infrastructure and facilities have been constructed with a keen regard for safety and limitations of municipal liability. New streets have been designed and reviewed by competent staff and consulting professional engineers. Contracts are reviewed by the Town Attorney who services the Town in various disciplines. Further, the Town's internal systems and procedures have been developed in accordance with the highest risk management standards and principles.

Funds are appropriated to fund both insurance premiums and expected self-insured losses. Replacement cost coverage for real property, subject to a \$1,000 deductible, is maintained through the Tennessee Municipal League Risk Management Pool. Liability coverage, within municipal tort liability limits set by statutes and subject to \$5,000 per claim and \$20,000 aggregate deductible, is obtained through the Tennessee Municipal League Risk Management Pool. The Town is responsible for losses in excess of \$1 million and certain errors and omissions exposures not limited by law.

Employee accident prevention training has been implemented to minimize accident-related losses. Also, the town works closely with the insurance carrier to reduce potential losses.

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 developing 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 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 Financial Plan (Continued)

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 fixed assets used in the performance of general governmental functions as well as infrastructure (primarily roads). As of June 30, 2013, the Capital Assets of the Town totaled 30.0 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 \$822,952 for Fiscal Year 2013.

Independent Audit

State statues 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.

Awards

The Government Finance Officers Association of the United States and Canada (FGOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Farragut for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-first 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,

Allison M. Myers

Town Recorder/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

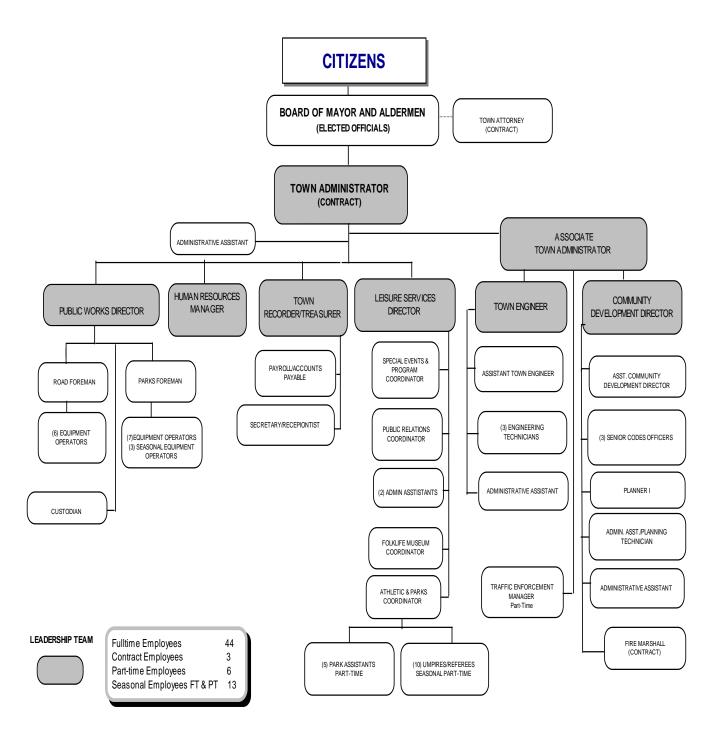
City of Maryville Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

ORGANIZATION CHART June 30, 2013



TOWN OFFICIALS June 30, 2013

<u>MAYOR</u>

Ralph McGill

VICE-MAYOR

Mary Dorothy LaMarche

ALDERMEN

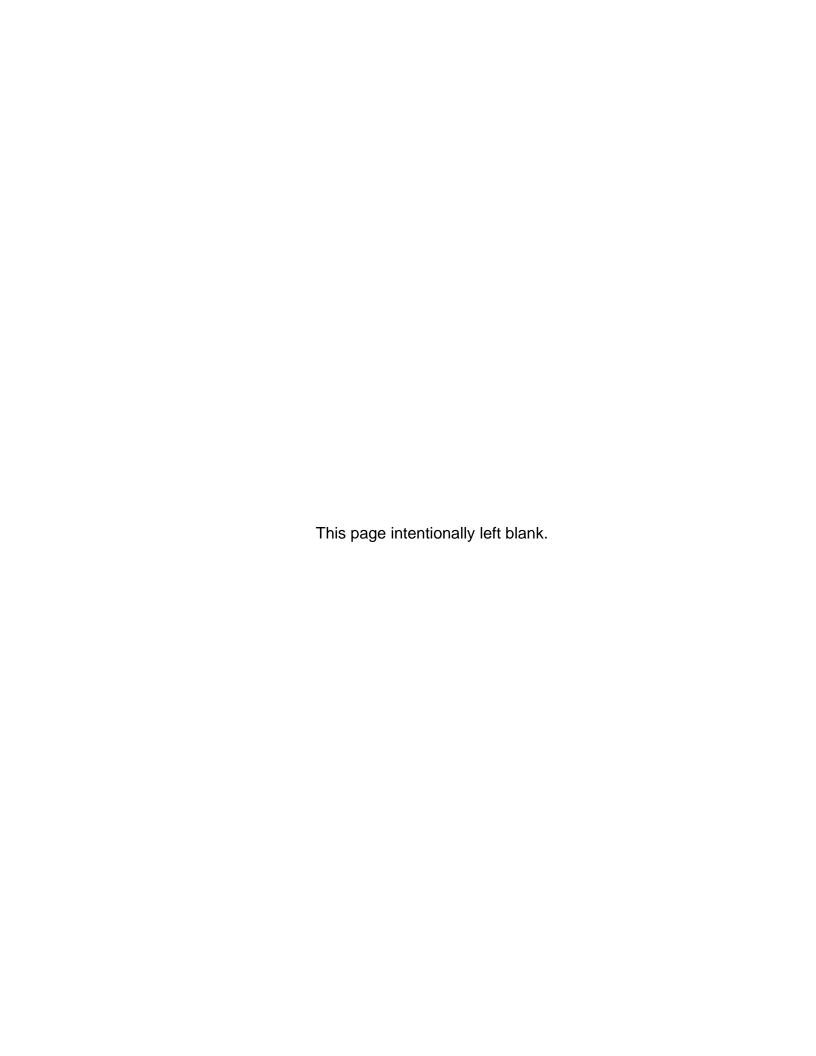
Jeff Elliott Robert N. Markli Ron Honken

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

SECTION TWO

FINANCIAL SECTION

June 30, 2013





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, 2013, 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*, listed 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, 2013, and the respective changes in financial position thereof 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, 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.

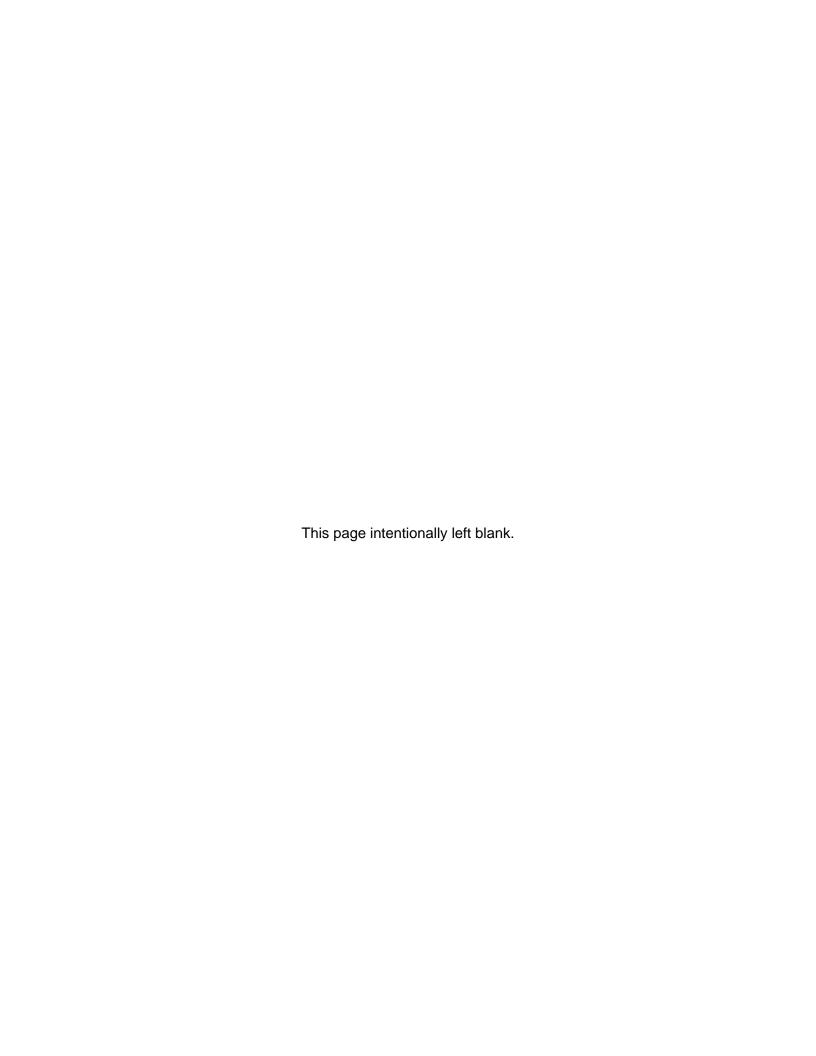
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 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 4, 2013, 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 4, 2013



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, 2013. 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, 2013 by \$46.7 million (net position). Of this amount, \$16.1 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2013, the Town's governmental funds reported combined ending fund balance of \$16.8 million. Approximately 12% of this total amount (\$2.1 million) is unassigned fund balance available for spending at the government's discretion.
- ♦ At June 30, 2013, total unrestricted fund balance for the general fund was \$7.1 million. The unassigned portion of unrestricted fund balance is \$2.1 million, which is 32% of total general fund expenditures of \$6.3 million.
- ♦ Other than compensated absences in the amount of \$170,642, the Town has no outstanding long-term debt.

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>	June 30, 2013	June 30, 2012
Current assets Capital assets, net Total Assets	\$17,731,330 30,051,713 47,783,043	\$14,667,260 29,498,811 44,166,071
<u>Liabilities</u>		
Compensated Absences Other liabilities Total Liabilities	170,642 <u>926,081</u> 1,096,723	180,355 172,813 353,168
Net Position		
Invested in capital assets, Net of related debt Restricted Unrestricted Total Net Position	30,051,713 581,804 <u>16,052,803</u> \$46,686,320	29,498,811 150,527 <u>14,163,565</u> \$43,812,903

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 \$46.7 million at June 30, 2013.

The largest portion of the Town's net position (64.4%) reflects its investment of \$30.0 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 no related outstanding debt used to acquire these assets.

An additional portion of the Town's net position, \$0.6 million (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$16.1 million (34.4%) 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 \$2.9 million during the current fiscal year as shown below:

Changes in Net Position Governmental Activities

<u>Revenues</u>	June 30, 2013	June 30, 2012
Program Revenues: Charges for services Operating grants and contributions Capital grants and contributions	\$ 626,242 531,143 191,295	\$ 654,938 533,521 163,772
General Revenues: Sales taxes State income taxes Wholesale beer and liquor tax Miscellaneous taxes Unrestricted investment earnings Gain on deletion of capital assets Other Total Revenues	6,307,686 528,368 1,010,082 443,257 18,035 5,110 520,981 10,182,199	5,622,173 387,587 951,067 435,045 14,756 - 587,693 9,350,552
Expenses General government Public works Total Expenses	5,134,912 2,173,870 7,308,782	4,238,269 2,872,183 7,110,452
Increase in net position	2,873,417	2,240,100
Net position at beginning of year	43,812,903	41,572,803
Net position at end of year	<u>\$46,686,320</u>	<u>\$43,812,903</u>

Of the \$2.9 million increase in net position, \$0.6 million is a result of a net increase in net capital assets while \$2.3 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 \$16.8 million, an increase of \$2.3 million over the prior year. Approximately \$2.1 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 \$10.2 million in the fiscal year ended June 30, 2013, which represents an increase of 9% over the fiscal year ended June 30, 2012. Expenditures for governmental functions, totaling \$7.9 million, decreased by approximately 3% from the fiscal year ended June 30, 2012. In the fiscal year ended June 30, 2013, revenues for governmental functions exceeded expenditures by \$2.3 million or 22.7% 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 \$7.1 million of which \$5.08 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 32.3% of total general fund expenditures of \$6.3 million, while total fund balance represents 112% of that same amount.

In the General Fund, local taxes increased by \$709 thousand due to increased collections from merchants and wholesalers; licenses and permits increased by \$4 thousand due primarily to an increase in the issuance of building permits and sign permits; intergovernmental revenue (state-shared taxes) increased by \$184 thousand due primarily to an increase in sales tax and income tax collected by the state; and other revenue decreased by \$26 thousand due primarily to decreases of \$30 thousand in automated enforcement traffic fees. Regarding General Fund expenditures, general government expenditures increased by \$877 thousand over fiscal year 2012 due primarily to increases in salaries and related benefits, and estimated amounts due to Knox County Schools, while public works expenditures decreased by \$273 thousand from Fiscal Year 2012 due primarily to decreases in salaries and related benefits and decreases in repairs and maintenance.

In the Capital Projects Fund, assigned fund balance was \$8.08 million at the end of the current fiscal year, an increase of \$2.16 million over the prior year.

In the Capital Projects Fund, revenues decreased by \$53 thousand due to a decrease in payments from developers. Expenditures decreased by \$410 thousand from Fiscal Year 2012 due primarily to less monies being expended for property improvements.

In the remaining non-major funds, fund balance was \$1.59 million at the end of the current fiscal year, an increase of \$0.78 million from the prior year. Expenditures decreased by \$473 thousand from Fiscal Year 2012 due to decreased spending for both public works and capital outlay, whereas revenue decreased by \$20 thousand from the prior fiscal year due to a decrease in the sale of capital assets. 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 \$1.69 million in the General Fund. This is due primarily to increases in local taxes, licenses and permits, and intergovernmental revenue.

Actual expenditures were below budgetary estimates by \$275 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, 2013 amount to \$30.1 million (net of accumulated depreciation), an increase of \$0.6 million over the June 30, 2012 total. Capital assets include land, buildings, infrastructure, improvements, furniture, fixtures, and equipment, transportation equipment, the Admiral Farragut Collection, and construction in progress. The table on the following page reflects the capital assets at the end of both the current and prior fiscal years:

Capital Assets, Net of Depreciation Governmental Activities

	<u>Ju</u>	ne 30, 2013	_	June 30, 2012
Land	\$	3,767,721	\$	3,667,721
Buildings		2,921,830		2,921,830
Infrastructure		21,715,899		21,666,639
Improvements		5,360,785		1,865,906
Furniture, fixtures, and equipment		1,840,574		1,756,083
Transportation equipment		570,389		565,709
Admiral Farragut Collection		81,359		81,359
Construction in progress		3,177,006	_	5,549,880
Total Capital Assets		39,435,563		38,075,127
Less: Accumulated Depreciation		(9,383,850)	_	(8,576,316)
Capital Assets, net of depreciation	\$	30,051,713	<u>\$</u>	29,498,811

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

- Completion of various drainage improvements
- Acquisition of various equipment for use in governmental activities.
- Completion of McFee Park (phase 2).
- Right-of-way acquisitions for several road projects.

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 no long-term obligations with the exception of compensated absences in the amount of approximately \$170 thousand.

Outstanding Long-term Obligations Governmental Activities

June 30, 2013 June 30, 2012

Compensated absences <u>\$ 170,642</u> <u>\$ 180,355</u>

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

OTHER MATTERS

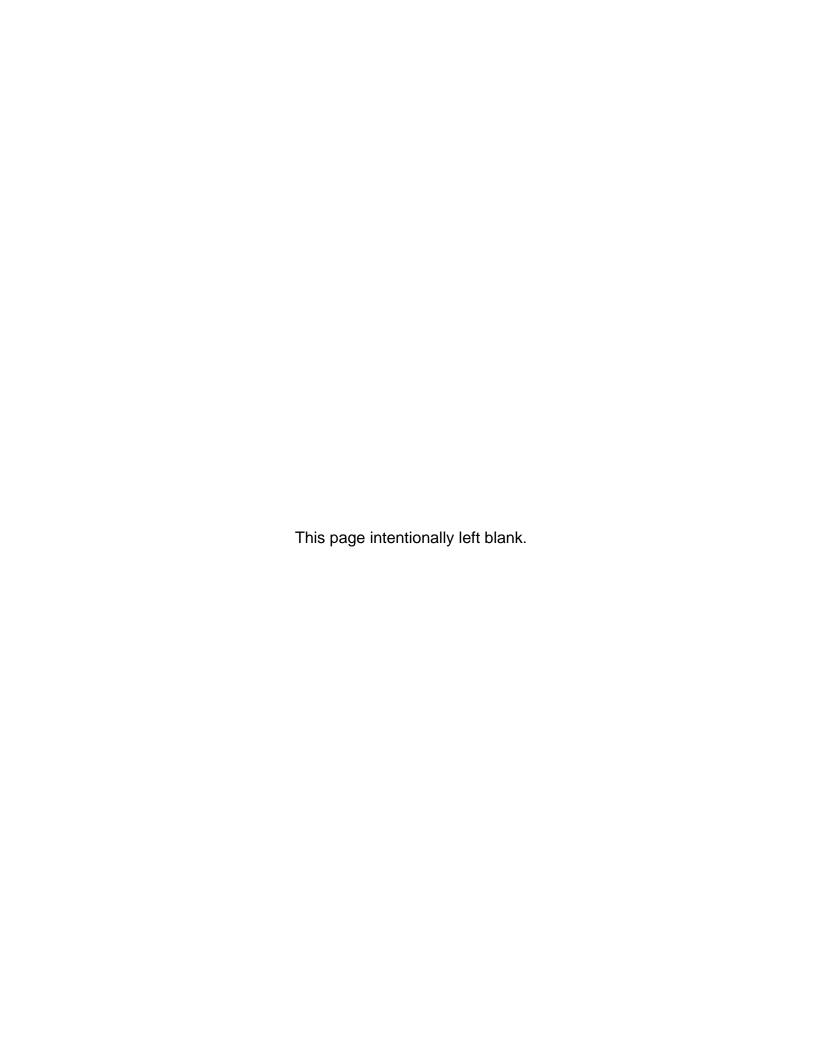
The preliminary budget for the Town of Farragut for the fiscal year beginning July 1, 2013 and ending June 30, 2014 totals \$13.6 million, a decrease of \$0.9 million from last year's final budget of \$14.5 million. The General and Special Revenue Funds have budgeted expenditures of \$7.1 million, while the Capital Projects Funds have budgeted expenditures of \$6.5 million.

The fiscal 2014 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



GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2013



TOWN OF FARRAGUT, TENNESSEE STATEMENT OF NET POSITION June 30, 2013 and 2012

	Governmental Activities			
ASSETS	<u>2013</u>	<u>2012</u>		
Cash on hand and in bank Investments Accounts receivable Due from other governments Prepaids Capital assets:	\$ 1,673,763 14,845,355 89,271 1,120,285 2,656	\$ 809,338 12,836,782 87,768 932,716 656		
Non-depreciable assets: Land Admiral David Farragut Collection Construction—in—Progress Depreciable assets (net of accumulated depreciation):	3,767,721 81,359 3,177,006	3,667,721 81,359 5,549,880		
Buildings Improvements Furniture, fixtures, and equipment Transportation equipment Infrastructure Total Assets	1,747,229 4,723,743 991,491 169,943 15,393,221 47,783,043	1,808,994 1,373,382 996,129 210,726 15,810,620 44,166,071		
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>			
LIABILITIES Accounts payable Accrued wages and benefits Due to other governments Funds held for others Compensated Absences: Due within one year Due in more than one year Total Liabilities	86,943 107,171 722,333 9,634 170,642 	58,789 104,390 - 9,634 173,682 6,673 353,168		
DEFERRED INFLOWS OF RESOURCES	_	_		
NET POSITION Invested in capital assets Restricted for: State Street Aid Projects Unrestricted position	30,051,713 581,804 16,052,803	29,498,811 150,527 14,163,565		
Total Net Position	<u>\$ 46,686,320</u>	<u>\$ 43,812,903</u>		

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE STATEMENT OF ACTIVITIES

Governmental Activities

For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

		Program Revenues				Net (Expens	e) Re	evenue
			Operating	Capital	and Changes in			s in
		Charges for	Grants and	Grants and		Net P	ositic	
Functions/Programs	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>		<u>2013</u>		<u>2012</u>
General Government Public Works	\$ 5,134,912	\$ 626,242	\$ - 521 142	\$ -	\$	(4,508,670)	\$	(3,583,331)
Public Works	2,173,870		<u>531,143</u>	<u>191,295</u>		(1,451,432)		<u>(2,174,890</u>)
Total Government	\$ 7,308,782	\$ 626,242	<u>\$ 531,143</u>	<u>\$ 191,295</u>	\$	(5,960,102)	\$	(5,758,221)
General Revenue	es (Unrestricted):							
						6,307,686		5,622,173
						528,368		387,587
Wholesale beer and liquor tax				1,010,082		951,067		
TVA replacement tax				235,785		238,882		
Mixed drink tax				153,119		142,300		
						54,353		53,863
Cable TV franchise fee				273,845		266,476		
						18,035		14,756
Miscellaneous.						247,136		321,217
						5,110		-
Total General Rev	venues					8,833,519		7,998,321
						2,873,417		2,240,100
Net Position – Be	ginning					43,812,903	_	41,572,803
Net Position – En	ding				\$	46,686,320	\$	43,812,903

FUND FINANCIAL STATEMENTS

June 30, 2013



BALANCE SHEET Governmental Funds June 30, 2013 and 2012

ASSETS AND DEFERRED		Capital	Other Governmental	Governm	otal ental Funds
OUTFLOWS OF RESOURCES	<u>General</u>	<u>Projects</u>	<u>Funds</u>	<u>2013</u>	<u>2012</u>
Assets: Cash in hand and in bank	\$ 1,673,763	\$ -	\$ -	\$ 1,673,763	\$ 809,338
Investments	5,217,494	8,085,157	1,542,704	14,845,355	12,836,782
Accounts receivable	89,271	-	-	89,271	87,768
Due from other governments	1,073,394	-	46,891	1,120,285	932,716
Prepaids Total Assets	<u>2,656</u>	0.005.457	4 500 505	<u>2,656</u>	656
Total Assets	8,056,578	8,085,157	<u>1,589,595</u>	<u>17,731,330</u>	14,667,260
Deferred Outflows of Resources	-				-
Total Assets and Deferred					
Outflows of Resources	<u>\$ 8,056,578</u>	\$ 8,085,157	<u>\$ 1,589,595</u>	<u>\$ 17,731,330</u>	<u>\$ 14,667,260</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 85,081	\$ 163	\$ 1,699	\$ 86,943	\$ 58,789
Accrued wages and benefits	107,171	-	-	107,171	104,390
Due to other governments	722,333	-	-	722,333	-
Funds held for others	9,634			9,634	9,634
Total Liabilities	924,219	<u> </u>	1,699	926,081	<u>172,813</u>
Deferred Inflows of Resources	-				
Fund Balances:					
Nonspendable	2,656	-	-	2,656	656
Restricted	-	-	581,805	581,805	150,527
Assigned	5,077,593	8,084,994	1,006,091	14,168,678	9,426,076
Unassigned	2,052,110			2,052,110	4,917,188
Total Fund Balances	7,132,359	8,084,994	1,587,896	16,805,249	14,494,447
Total Liabilities, Deferred Inflows of Resources, and					
Fund Balances	<u>\$ 8,056,578</u>	<u>\$ 8,085,157</u>	<u>\$ 1,589,595</u>	\$ 17,731,330	<u>\$ 14,667,260</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEERECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Fund Balance – Total Governmental Funds	\$ 16,805,249	\$ 14,494,447
Amounts to be reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	30,051,713	29,498,811
(2) Long-term liabilities (compensated absences) are not due and payable in the current period and, therefore, are not reported in the governmental funds	(170,642)	(180,355)
Net Position of Governmental Activities	\$ 46,686,320	<u>\$ 43,812,903</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEESTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE Governmental Funds

For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

		Other		Total		
		Capital	Governmental		ental Funds	
	<u>General</u>	<u>Projects</u>	<u>Funds</u>	<u>2013</u>	<u>2012</u>	
Revenues:						
Taxes:						
Sales taxes	\$ 4,884,105	\$ -	\$ -	\$ 4,884,105	\$ 4,233,718	
Other taxes	1,010,082	-	-	1,010,082	951,067	
Licenses, permits and fees	657,294	-	-	657,294	645,118	
Intergovernmental:						
State taxes	2,395,206	-	531,143	2,926,349	2,744,608	
State grant	-	191,295	-	191,295	163,772	
Charges for services	111,564	-	-	111,564	94,337	
Fines, forfeitures, and costs	45,822	-	-	45,822	75,023	
Investment income	7,427	9,101	1,507	18,035	14,756	
Miscellaneous revenue	95,043	237,500	<u>5,110</u>	<u>337,653</u>	449,844	
Total Revenues	9,206,543	437,896	537,760	10,182,199	9,372,243	
Expenditures:						
Current:						
General government	4,862,891	-	-	4,862,891	3,991,982	
Public works	1,491,062	-	99,865	1,590,927	2,281,535	
Capital Outlay		1,397,481	20,098	1,417,579	1,882,339	
Total Expenditures	6,353,953	1,397,481	119,963	7,871,397	8,155,856	
Excess (Deficiency) of Revenues						
Over Expenditures						
Before Other Financing						
Sources (Uses)	2,852,590	<u>(959,585</u>)	417,797	2,310,802	1,216,387	
Other Financing Sources (Uses):						
Transfers In	11,305	3,122,868	370,000	3,504,173	1,770,000	
Transfers Out	(3,492,868)		(11,305)	(3,504,173)	(1,770,000)	
Total Other Financing						
Sources (Uses)	(3,481,563)	3,122,868	358,695	_	_	
200.000 (2000)	(0) 10 1,000	<u> </u>				
Net Change in Fund Balance	(628,973)	2,163,283	776,492	2,310,802	1,216,387	
Fund Balance – July 1 st	7,761,332	5,921,711	811,404	14,494,447	13,278,060	
Fund Balance – June 30 th	\$ 7,132,359	\$ 8,084,994	<u>\$ 1,587,896</u>	<u>\$ 16,805,249</u>	<u>\$ 14,494,447</u>	

See accompanying independent auditors' report and notes.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
Net change in fund balance – total governmental funds	\$ 2,310,802	\$ 1,216,387
Amounts reported for the governmental activities in the statement of activities are different because:		
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	9,713	(31,459)
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.	552,902	1,081,467
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.	(5,110)	(21,691)
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	 <u>5,110</u>	 (4,604)
Changes in net position of governmental activities	\$ 2,873,417	\$ 2,240,100

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL For the Fiscal Year Ended June 30, 2013

With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals <u>2012</u>
REVENUES:					
Local Taxes: Local sales tax	\$3,925,000	\$3,925,000	\$4,884,105	\$ 959,105	\$ 4,233,718
Wholesale beer tax	300,000	300,000	601,452	301,452	611,644
Wholesale liquor tax	250,000	250,000	408,630	<u>158,630</u>	339,423
Total Local Taxes	4,475,000	4,475,000	5,894,187	1,419,187	5,184,785
Licenses and Permits	<u>151,200</u>	<u>151,200</u>	383,449	232,249	378,642
Intergovernmental:					
State sales tax	1,336,703	1,336,703	1,423,581	86,878	1,388,455
State income tax	380,000	380,000	528,368	148,368	387,587
State beer taxStreet transportation and	10,500	10,500	10,222	(278)	10,146
street aid	42,300	42,300	42,368	68	42,443
TVA replacement tax	228,800	228,800	235,785	6,985	238,882
Mixed drink tax	14,000	14,000	153,119	139,119	142,300
Telecommunications	,	•	•	,	•
sales tax	1,140	1,140	1,763	623	1,274
Total Intergovernmental	2,013,443	2,013,443	2,395,206	381,763	2,211,087
Interest Income	5,000	5,000	7,427	2,427	7,280
Other:					
Park and recreation	85,500	85,500	111,564	26,064	110,747
Fines and costs	46,851	46,851	45,822	(1,029)	75,023
Cable TV franchise fee	130,000	130,000	273,845	143,845	266,476
Museum revenue	- 	- 	7,357	7,357	13,001
Solar panel rebate Miscellaneous	525,000 2,450	525,000 2,450	352 9,284	(524,648) 6,834	- 9,351
Rental	85,389	85,389	78,050	(7,339)	77,525
				,	
Total Other	<u>875,190</u>	<u>875,190</u>	<u>526,274</u>	(348,916)	<u>552,123</u>
Total Revenues	7,519,833	7,519,833	9,206,543	1,686,710	8,333,917
EXPENDITURES: General Government: Legislative:					
Legal notices	5,000	5,000	4,923	77	3,859
Travel and training	33,900	33,900	33,053	847	28,256

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013

With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals 2012
EXPENDITURES (Continued): General Government (Continued): Legislative (Continued)					
Dues and subscriptions	9,350	9,350	9,340	10	8,899
Printing and supplies	500	500	1,195	(695)	137
Education programs	10,000	10,000	3,827	6,173	-
Meeting expenses	3,000	3,000	2,066	934	985
Total Legislative	61,750	61,750	54,404	7,346	42,136
Town Court:					
Salaries	7,400	7,400	2,450	4,950	2,625
Traffic enforcement program	51,480	51,480	43,470	8,010	42,857
Payroll taxes	4,321	4,321	3,513	808	3,470
Other employee benefits	2,020	2,020	2,020	-	1,960
Dues and subscriptions	1,000	1,000	477	523	481
Supplies	500	500	369	<u>131</u>	
Total Town Court	66,721	66,721	52,299	14,422	51,393
Town Administration:					
Salaries	415,734	415,734	422,050	(6,316)	398,336
Payroll taxes	18,904	18,904	19,320	(416)	10,176
Health insurance	84,576	84,576	68,942	15,634	85,116
Retirement	34,269	34,269	34,418	(149)	73,394
Other employee benefits	19,589	19,589	7,166	12,423	4,878
Dues and subscriptions	6,065	6,065	5,850	215	4,010
Supplies	2,300	2,300	994	1,306	1,953
Printing	8,200	8,200	2,913	5,287	2,116
Travel and training	23,876	23,876	22,461	1,415	13,688
Surety bonds	1,600	1,600	763	837	1,269
Accounting and auditing	13,500	13,500	12,600	900	12,670
Professional fees	20,000	20,000	2,348	17,652	13,413
Bank charges	13,200	13,200	14,863	(1,663)	9,377
Books/Educational materials	2,100	2,100	1,108	992	957
Auto allowance	7,200	7,200	5,400	1,800	4,860
Sundry	-				298
Total Town Administration	671,113	671,113	621,196	49,917	636,511

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals 2012
EXPENDITURES (Continued):					
General Government (Continued):					
Information Technologies:					
Salaries	41,884	41,884	24,268	17,616	-
Payroll taxes	3,204	3,204	1,822	1,382	-
Health insurance	18,192	18,192	15,656	2,536	-
Retirement	1,675	1,675	953	722	-
Other employee benefits	724	724	629	95 (4.75)	-
Travel	-	11 500	175	(175)	40.044
Audio visual maintenance	11,500	11,500	4,098 17,482	7,402	16,844 49,062
GIS system	41,000	41,000 87,020	•	23,518	•
Data processing Website maintenance	87,020 15,000	15,000	108,272 12,956	(21,252) 2,044	84,546 14,058
Tyler code maintenance	12,000	12,000	12,930	2,044	11,100
Laserfiche maintenance	5,000	5,000	6,420	(1,420)	4,800
Municode maintenance	6,000	6,000	3,541	2,459	5,755
Equipment	35,000	35,000	2,488	32,512	5,755
Computer equipment	10,000	10,000	11,576	(1,576)	_
Park Wi-fi	15,000 15,000	15,000 15,000		15,000	
Tatal lafarrantian					
Total Information	202 100	202 100	222 226	00 062	106 165
Technologies	303,199	303,199	222,336	80,863	<u>186,165</u>
Community Development:					
Salaries	396,202	396,202	411,866	(15,664)	401,957
Payroll taxes	27,544	27,544	28,824	(1,280)	13,509
Health insurance	97,948	97,948	97,371	577	98,940
Retirement	34,172	34,172	35,818	(1,646)	179,583
Other employee benefits	29,531	29,531	13,421	16,110	12,152
Legal notices	2,000	2,000	394	1,606	2,040
Dues and subscriptions	2,000	2,000	1,835	165	1,825
Professional services	232,200	232,200	143,649	88,551	121,837
Supplies	1,000	1,000	222	778	997
Travel and training	15,200	15,200	6,470	8,730	5,498
Gas, oil, fuel	4,200	4,200	3,621	579	3,857
Employee auto	3,600	3,600	3,462	138	3,337
Printing Books/Educational	3,000	3,000	2,468	532	2,354
Materials	9,000	9,000	8,232	768	5,181

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013

With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals <u>2012</u>
EXPENDITURES (Continued): General Government (Continued): Community Development (Continued):					
Equipment	1,000	1,000	894	106	_
Uniforms	2,000	2,000	528	<u> 1,472</u>	315
Total Community					
Total Community Development	860,597	860,597	759,075	101 522	853,382
Development	000,597	<u> </u>	<u> 759,075</u>	<u>101,522</u>	000,302
Engineering:					
Salaries	348,746	348,746	357,052	(8,306)	356,117
Payroll taxes	24,219	24,219	25,544	(1,325)	11,869
Health insurance	85,347	85,347	84,698	649	85,982
Retirement	24,946	24,946	27,708	(2,762)	108,843
Other employee benefits	26,200	26,200	16,808	9,392	8,249
Dues and subscriptions	2,380	2,380	1,435	945	1,324
Professional services	-	-	-	-	525
Supplies and printing	2,400	2,400	1,341	1,059	1,255
Traffic calming	25,000	25,000	1,258	23,742	, -
Traffic signal maintenance	28,000	28,000	36,547	(8,547)	31,946
Traffic signal timing	25,000	25,000	7,305	17,695	520
Clothing and uniforms	2,080	2,080	2,172	(92)	694
Travel and training	9,000	9,000	6,185	2,815	5,636
Gas, oil, fuel	4,500	4,500	3,058	1,442	3,597
NPDES – Storm water	34,560	34,560	23,027	11,533	27,203
Equipment/software	2,500	2,500	1,007	1,493	289
Auto allowance	3,600	3,600	3,462	138	3,476
Total Engineering	648,478	648,478	598,607	<u>49,871</u>	647,525
		· <u> </u>			
General Government Buildings:					
Postage	6,500	6,500	5,362	1,138	6,466
Security	2,000	2,000	825	1,175	765
Utilities	65,000	65,000	62,795	2,205	65,690
Telephone	40,720	40,720	27,179	13,541	30,739
Repair and maintenance -					
Office equipment	5,200	5,200	2,164	3,036	1,297
Building	60,000	60,000	28,983	31,017	41,313
Printing	15,000	15,000	-	15,000	-

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive <u>(Negative</u>)	Totals <u>2012</u>
EXPENDITURES (Continued): General Government (Continued): General Government Buildings (Continued):					
Office supplies	18,000	18,000	17,741	259	16,477
First aid services	1,000	1,000	258	742	510
Equipment Computer equipment/	62,500	62,500	41,178	21,322	445
software	-	40.000	40.500	4 40 4	11,864
Equipment rental	<u> 18,000</u>	<u>18,000</u>	<u>13,596</u>	<u>4,404</u>	<u>14,883</u>
Total General					
Government Buildings	293,920	293,920	200,081	93,839	190,449
Leisure Services:					
Salaries	392,927	392,927	377,170	15,757	364,641
Payroll taxes	30,059	30,059	28,605	1,454	15,679
Health insurance	115,652	115,652	111,528	4,124	115,159
Retirement	18,174	18,174	11,868	6,306	78,083
Other employee benefits	19,880	19,880	7,378	12,502	6,240
Dues and subscriptions	2,440	2,440	2,440	12,502	1,780
Publication of annual report	20,000	20,000	18,069	1,931	18,755
Community relations	6,250	6,250	1,493	4,757	2,571
Event decorations	19,000	19,000	14,779	4,221	18,334
Community programs	30,150	30,150	26,865	3,285	22,267
Supplies	12,500	12,500	5,974	6,526	3,377
Utilities	80,000	80,000	61,940	18,060	58,753
Professional services	40,000	40,000	3,300	36,700	50,755
Travel and training	10,000	10,000	5,115	4,885	8,011
Gas, oil, fuel	6,000	6,000	5,453	-,565 547	5,840
Auto Allowance	3,600	3,600	3,462	138	3,199
Farragut Folklife Museum	26,000	26,000	24,604	1,396	47,347
Volunteer program	13,000	13,000	12,028	972	7,627
Other programs	5,000	5,000	4,606	394	6,618
Advertising/printing	22,000	22,000	19,871	2,129	15,222
Books/Educational materials.	250	250	-	250	25
Equipment/Software	54,750	54,750	38,920	15,830	19,019
Uniforms	2,000	2,000	1,178	822	<u>875</u>
Total Leisure Services	929,632	929,632	786,646	142,986	819,422
	020,002	020,002	100,010	1.12,000	0.0,722

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals <u>2012</u>
EXPENDITURES (Continued):					
General Government (Continued):					
Human Resources:					
Salaries	61,103	61,103	62,755	(1,652)	63,368
Payroll taxes	4,674	4,674	5,260	(586)	2,118
Health insurance	12,313	12,313	8,182	4,131	9,877
Retirement	2,444	2,444	3,860	(1,416)	3,829
Other employee benefits	2,934	2,934	864	2,070	238
Employee recognition	18,000	18,000	14,865	3,135	17,408
Travel and Training	3,250	3,250	2,985	265	2,563
Dues and Subscriptions	550	550	460	90	330
Printing	4,000	4,000	3,999	1	776
Employee Assistance	3,150	3,150	2,862	288	1,759
HRA Benefits	15,000	15,000	27,177	(12,177)	-
Wellness	11,500	11,500	6,996	4,504	2,915
Professional services	<u> 15,000</u>	<u> 15,000</u>	<u>16,190</u>	<u>(1,190</u>)	<u> 17,705</u>
Total Human Resources	153,918	<u> 153,918</u>	<u>156,455</u>	(2,537)	122,886
Economic Development:					
Advertising and printing	8,000	8,000	2,418	5,582	12,129
Professional services	84,000	84,000	77,750	6,250	59,000
Activities and events	23,000	23,000	13,000	10,000	18,000
Travel and training	4,000	4,000	<u>2,115</u>	1,885	3,861
Total Economic					
Development	119,000	119,000	95,283	23,717	92,990
Development	<u> 119,000</u>	119,000	95,265	25,111	92,990
Non-departmental:					
Legal	175,000	175,000	137,290	37,710	161,496
Property insurance	37,890	37,890	37,890	-	9,859
Liability insurance	54,000	54,000	53,721	279	50,847
Insurance claims	8,000	8,000	439	7,561	3,761
Community support	27,500	27,500	27,500	-	19,000
Park & Ride	55,200	55,200	32,980	22,220	54,160
School support	110,000	110,000	832,333	(722,333)	50,000
Retirement	330,000	<u>365,000</u>	<u>194,356</u>	<u>170,644</u>	
Total Non-departmental	797,590	832,590	<u>1,316,509</u>	(483,919)	349,123
Total General					
Government	<u>4,905,918</u>	<u>4,940,918</u>	4,862,891	78,027	3,991,982

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013

With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals <u>2012</u>
EXPENDITURES (Continued):					
Public Works:					
Salaries	764,096	764,096	727,058	37,038	727,077
Payroll taxes	48,411	48,411	44,570	3,841	22,635
Health insurance	315,961	315,961	303,578	12,383	309,972
Retirement	61,468	61,468	47,972	13,496	246,843
Other employee benefits	68,980	68,980	31,840	37,140	33,591
Dues and subscriptions	750	750	1,041	(291)	578
Utilities	9,800	9,800	8,979	821	7,329
Traffic signals	6,000	6,000	5,900	100	5,565
Street lights	74,000	74,000	69,729	4,271	68,112
Repairs and maintenance -					
Motor vehicles	38,000	38,000	41,392	(3,392)	107,616
Building	8,450	8,450	8,725	(275)	7,903
Other maintenance	53,000	53,000	43,841	9,159	51,662
Travel and training	10,500	10,500	5,715	4,785	10,349
Mowing and street sweeping	23,000	23,000	20,936	2,064	19,475
Refuse hauling	10,000	10,000	9,825	175	6,255
Equipment rental	3,000	3,000	1,954	1,046	2,748
Supplies	8,640	8,640	4,759	3,881	4,360
Radio communications	-	_	-	-	2,438
Gas, oil, diesel	50,000	50,000	52,069	(2,069)	54,130
Signs	17,000	17,000	15,448	1,552	5,000
Cement and concrete	2,000	2,000	1,322	678	667
Crushed stone and sand	2,500	2,500	_	2,500	481
Snow removal supplies	15,000	15,000	5,662	9,338	3,909
Machinery and equipment	19,000	19,000	14,520	4,480	8,501
Uniforms	18,500	18,500	17,057	1,443	17,621
Drainage projects	20,000	20,000	8,705	11,295	14,044
Sidewalk construction	20,000	20,000	2,965	17,035	16,953
Boundary entrance signs	20,000	20,000	(4,500)	24,500	7,875
Total Public Works	1,688,056	1,688,056	1,491,062	<u>196,994</u>	<u>1,763,689</u>
Total Expenditures	6,593,974	6,628,974	6,353,953	275,021	<u>5,755,671</u>
Excess of Revenues					
Over Expenditures	925,859	<u>890,859</u>	2,852,590	<u>1,961,731</u>	<u>2,578,246</u>

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals 2012
OTHER FINANCING SOURCES (USES): Operating transfers in Operating transfers out	11,305 <u>(3,492,868</u>)	11,305 <u>(3,492,868</u>)	11,305 <u>(3,492,868</u>)		- (1,770,000)
Total Other Financing Sources (Uses)	(3,481,563)	(3,481,563)	(3,481,563)	-	(1,770,000)
NET CHANGE IN FUND BALANCE	(2,555,704)	(2,590,704)	(628,973)	1,961,731	808,246
FUND BALANCE – July 1st	7,761,332	7,761,332	7,761,332	<u>-</u>	6,953,086
FUND BALANCE - June 30th	\$ 5,205,628	<u>\$ 5,170,628</u>	<u>\$ 7,132,359</u>	<u>\$ 1,961,731</u>	<u>\$ 7,761,332</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2013



June 30, 2013

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.

June 30, 2013

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.

NOTES TO FINANCIAL STATEMENTS June 30, 2013

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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

June 30, 2013

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, 2013 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013 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.

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.

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,

June 30, 2013

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.

NOTES TO FINANCIAL STATEMENTS June 30, 2013

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

NOTES TO FINANCIAL STATEMENTS June 30, 2013

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, 2013, the balance of the arrangement was \$281,581.

(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.

June 30, 2013

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

	Total Governmental <u>Funds</u>	Long-term Assets, <u>Liabilities</u> (1) (2)	Statement of Net Position
ASSETS			
Cash on hand and in bank	\$ 1,673,763	\$ -	\$ 1,673,763
Investments	14,845,355	-	14,845,355
Accounts receivable	89,271	-	89,271
Due from other governments	1,120,285	-	1,120,285
Prepaids	2,656	-	2,656
Capital assets, Net	_	30,051,713	30,051,713
Total Assets	<u>\$ 17,731,330</u>	\$ 30,051,713	\$47,783,043

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

Balance Sheet/Statement of Net Position (Continued)

	Total Governmental <u>Funds</u>	Long-term Assets, <u>Liabilities</u> (1) (2)	Statement of Net Position
LIABILITIES AND NET POSITION Accounts payable Accrued wages and benefits Due to other governments Funds held for others	\$ 86,943	\$ -	\$ 86,943
	107,171	-	107,171
	722,333	-	722,333
	9,634	-	9,634
Compensated absences	926,081	<u>170,642</u>	<u>170,642</u>
Total Liabilities		170,642	1,096,723
Fund Balance/Net Position Total Liabilities and Fund Balance/Net Position	<u>16,805,249</u>	<u>29,881,071</u>	<u>46,686,320</u>
	\$ 17,731,330	\$ 30,051,713	\$47,783.043

(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	\$ 39,435,563
Accumulated depreciation	<u>(9,383,850</u>)
·	\$ 30.051.713

(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 \$ 170,642

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 <u>Funds</u>	Capital- Related <u>Items</u> (1) (2)	Long-term Debt Transactions (3)	Reclassi- fications	Statement of Activities
REVENUES Taxes:					
Sales taxes	\$ 4,884,105	\$ -	\$ -	\$ -	\$ 4,884,105
Other taxes	1,010,082	-	-	-	1,010,082
Licenses, permits					
and fees	657,294	-	-	-	657,294
Intergovernmental: State taxes	2,926,349	_	_	_	2,926,349
State grant	191,295	_	_	_	191,295
Charges for services	111,564	-	-	-	111,564
Fines, forfeitures					
and costs	45,822	-	-	-	45,822
Investment income Miscellaneous	18,035	-	-	-	18,035
revenue	337,653	_	_	_	337,653
Total Revenues	10,182,199				10,182,199
EXPENDITURES/ EXPENSES					
Current:					
General			(0 = (0)		
Government Public Works	4,862,891 1,590,927	281,734 541,218	(9,713)	- 41,725	5,134,912 2,173,870
Capital Outlay	1,417,579	(1,375,854)	<u> </u>	<u>(41,725)</u>	
			(0.712)	,	7 200 702
Total Expenditures	7,871,397	(552,902)	<u>(9,713</u>)	<u>-</u>	7,308,782
Net Change for the Year	<u>\$ 2,310,802</u>	<u>\$ 552,902</u>	<u>\$ 9,713</u>	<u>\$ -</u>	<u>\$ 2,873,417</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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
 \$ 1,375,854

 Depreciation expense
 (822,952)

 Difference
 \$ 552,902

(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) \$ Proceeds \$ 5,110
Difference \$ (5,110)

(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 \$ 9,713

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.

NOTE 3 – CASH AND INVESTMENTS:

Total Cash and Investments of \$16,519,118 at June 30, 2013, are classified as follows:

Туре	<u>Amount</u>		
Petty CashLocal financial institutionsState of Tennessee Local Government	\$ 588 1,673,175		
Investment Pool	<u> 14,845,355</u>		
Total Cash and Investments	<u>\$16,519,118</u>		

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 (Continued):

Taxes collected and held by the State of Tennessee at June 30, 2013, 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, 2013, was \$1,073,395.

NOTE 5 - CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2013 is as follows:

Summary of Changes in Capital Asset Activity

	Balance July 1, <u>2012</u> <u>Additions</u>			Balance June 30, <u>2013</u>
Governmental Activities: Non-depreciable Assets:				
Land	\$ 3,667,721	\$ 100,000	\$ -	\$ 3,767,721
Admiral Farragut Collection	81,359	-	-	81,359
Construction-in-progress	5,549,880	1,266,545	3,639,419	3,177,006
Total Non-depreciable Assets	9,298,960	<u>1,366,545</u>	3,639,419	7,026,086
Depreciable Assets:				
Buildings	2,921,830	-	-	2,921,830
Improvements	1,865,906	3,494,879	-	5,360,785
Furniture, fixtures, and				
_equipment	1,756,083	84,491	-	1,840,574
Transportation equipment	565,709	20,098	15,418	570,389
Infrastructure	21,666,639	49,260	45.440	21,715,899
Total Depreciable Assets	<u>28,776,167</u>	3,648,728	<u>15,418</u>	32,409,477
Accumulated Depreciation:				
Buildings	1,112,836	61,765	-	1,174,601
Improvements	492,524	144,518	-	637,042
Furniture, fixtures, and				
_equipment	759,954	89,129		849,083
Transportation equipment	354,983	60,881	15,418	400,446
Infrastructure	<u>5,856,019</u>	<u>466,659</u>	- 45.440	6,322,678
Total Accumulated Depreciation	<u>8,576,316</u>	<u>822,952</u>	<u>15,418</u>	9,383,850
Net Depreciable Assets	20,199,851	2,825,776		23,025,627
Governmental Activities				
Capital Assets, Net	<u>\$29,498,811</u>	<u>\$ 4,192,321</u>	<u>\$3,639,419</u>	<u>\$30,051,713</u>

NOTE 5 - CAPITAL ASSETS (Continued):

Capital assets are categorized by function as follows:

General Government	\$ 5,293,734
Public Works	26,177,426
Parks and Recreation	7,964,403
Total Capital Assets	\$ 39,435,563

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

General Government	\$ 281,734
Public Works	 541,218
Total Depreciation Expense-	
Governmental Activities	\$ 822.952

NOTE 6 – LONG-TERM DEBT:

Following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2013:

Balance		Additions Retiremen		Balance	Amounts	
July 1,				June 30,	Due Within	
<u>2012</u>				<u>2013</u>	One (1) Year	
Compensated absences	<u>\$ 180,355</u>	<u>\$ 183,080</u>	<u>\$ 192,793</u>	<u>\$ 170,642</u>	<u>\$ 170,642</u>	

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, 2013 consist of the following:

	Major Governmental Funds General Capital Projects Fund Fund		General Capital Projects Governmenta		nmental			
Nonspendable: Prepaid expense	\$	2,656	\$	-	\$	-	\$	2,656
Restricted To: State Street Aid		-		-		581,805		581,805

NOTE 7 - FUND BALANCES (Continued):

Fund balances at June 30, 2013 consist of the following (Continued):

	Major Govern	nmental Funds	Non-Major	
	General	Capital Projects	Governmental	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Assigned To:				
Balance June 30, 2014 Budget	4,796,012	-	-	4,796,012
Stabilization arrangement	281,581	-	-	281,581
Capital projects	-	8,084,994	-	8,084,994
Equipment & vehicle				
replacement	-	-	519,336	519,336
Beautification projects	-	-	902	902
Everett road project	-	-	44,267	44,267
State Street Aid	-	-	441,586	441,586
Unassigned	2,052,110			2,052,110
Totals	<u>\$ 7,132,359</u>	<u>\$ 8,084,994</u>	<u>\$ 1,587,896</u>	<u>\$ 16,805,249</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.

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:

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

NOTE 8 - PENSION PLANS (Continued):

<u>Defined Contribution Plan (Continued):</u>

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:

Years of <u>Service</u>	Contribution <u>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 \$162,597. In addition, the Board of Mayor and Aldermen authorized a one-time contribution to the Plan of \$524,465, of which \$194,356 was funded in the current fiscal year.

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.
- 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 a five (5) year period in August 2008. Two (2) additional extensions of five (5) years each are available. Monthly payments are \$2,512 for the remaining term of the lease, such amount including sublease income from four (4) colocated 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 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.

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

Future aggregate minimum lease payments receivable is as follows:

Fiscal Year Ending <u>June 30,</u>	
2014	\$ 37,654
2015	34,004
2016	18.029

NOTE 11 – INTERFUND TRANSFERS:

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following:

Transfers From:	General <u>Fund</u>		Non Major Governmental <u>Fund</u>	
Transfers To: Major Governmental Funds: Capital Project Fund General Fund	\$	3,122,868 -	\$ - 11,305	
Non-major Governmental Funds: State Street Aid Fund Equipment Replacement Fund		220,000 150,000	 - -	
Total Transfers	<u>\$</u>	3,492,868	\$ 11,305	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unassigned revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Town's transfers occur on a routine basis.

NOTE 12 - LITIGATION:

The Town of Farragut, Tennessee was involved in the following litigation as of the date of this report:

(1) <u>Plaintiff v. Town of Farragut</u>. Homeowners allege flooding damage as a result of inadequate and improperly-placed storm drainage facilities installed by the Town. The Town denied liability and the case was vigorously defended by the Town's insurer, the Tennessee Municipal League Insurance Pool. The Town prevailed and obtained a dismissal on October 25, 2013.

TOWN OF FARRAGUT, TENNESSEE NOTES TO FINANCIAL STATEMENTS June 30, 2013

NOTE 12 – LITIGATION (Continued):

(2) <u>Plaintiff v. Town of Farragut</u>. This lawsuit was served on the Town on November 6, 2013. A full review of plaintiffs' claims has not been completed. Although it is only in the initial stage, it is expected that the claims made against the Town will be vigorously defended.

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:

Cional Vany Ending

June 30,	
2014	\$ 37,000
2015	30,000
2016	23.000

NOTE 14 – SUBSEQUENT EVENT:

Subsequent to year end it was discovered that Tennessee Code Annotated 57-4-306 addresses how the revenues from the mixed drink tax should be disbursed. Many municipalities, including the Town, were unaware that the code required that a portion of the tax be shared with the school system(s) in the county in which the municipality resides.

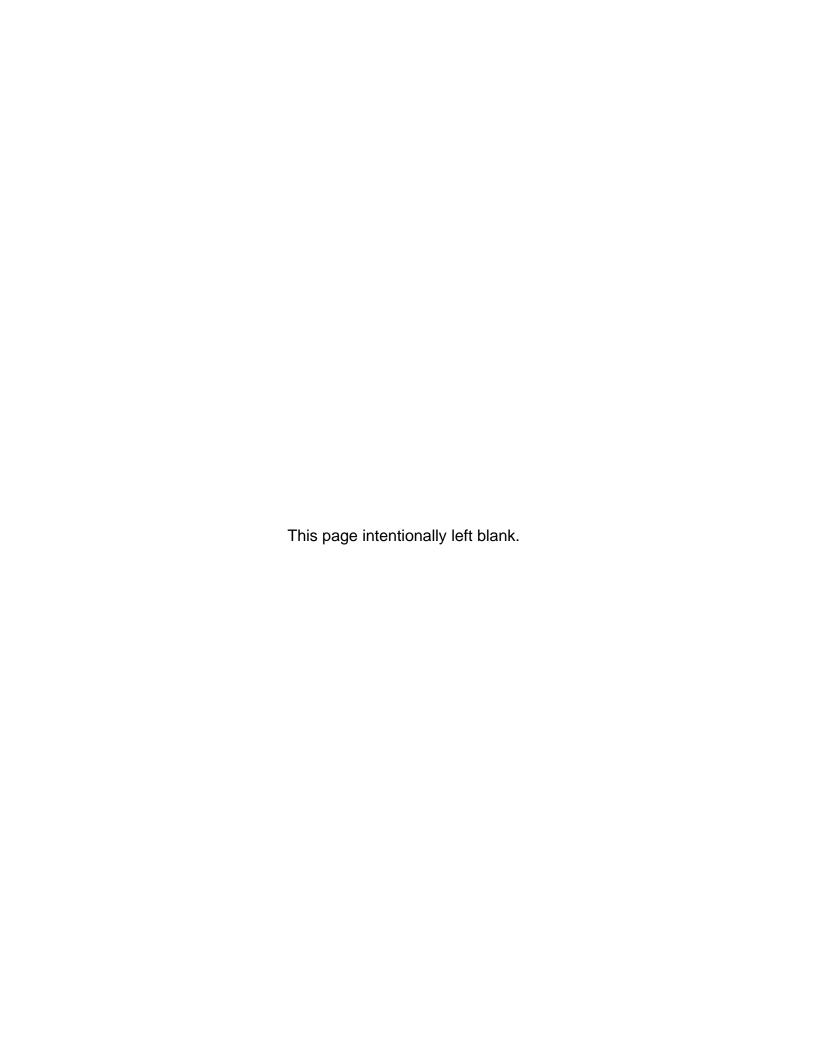
Town officials are in discussions with representatives of the Knox County School system to effectively determine the amount of the liability of the Town. Such discussions are including whether any statute of limitations may be imposed on the amounts owed as well as any credits the Town might be entitled to for funding already provided to the individual schools that service students who reside within the Town.

Initially, the Town has calculated an estimated liability of \$722,333 which has been reflected in the financial statements at June 30, 2013. This amount is subject to further adjustments as discussions continue.

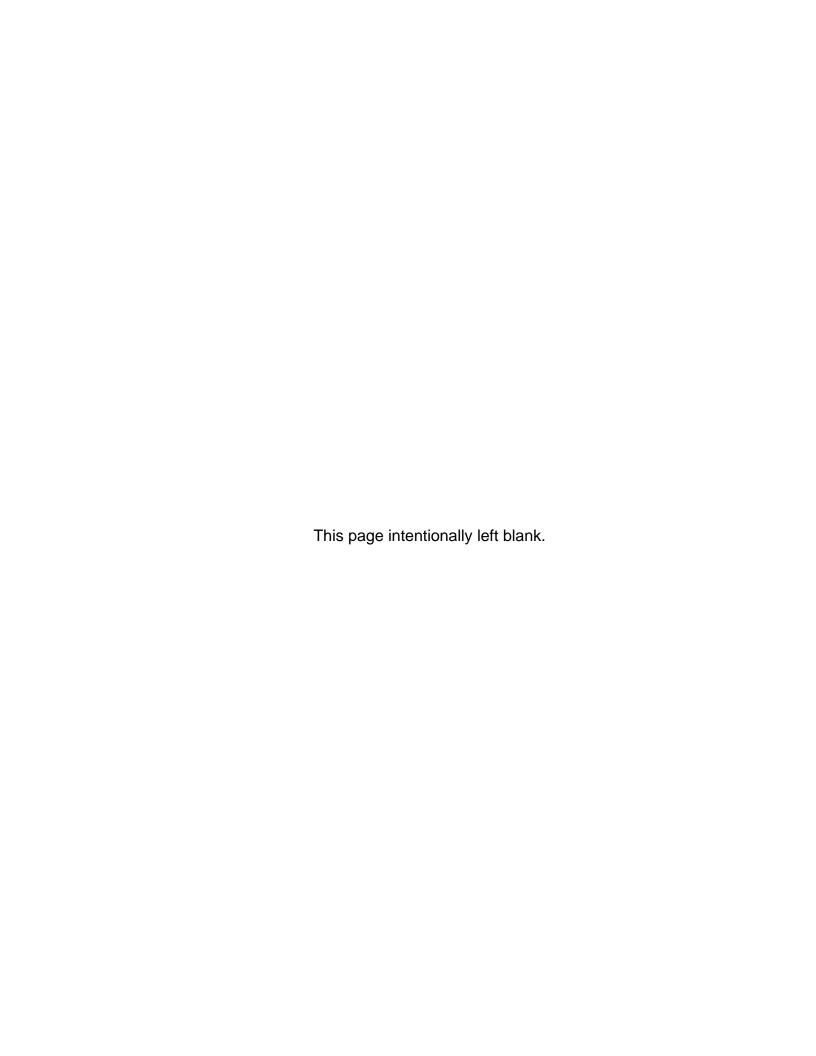
The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 4, 2013, which is the date on which the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

June 30, 2013



TOWN OF FARRAGUT, TENNESSEE COMBINING FUND FINANCIAL STATEMENTS June 30, 2013



TOWN OF FARRAGUT, TENNESSEE NON – MAJOR GOVERNMENTAL FUNDS June 30, 2013

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.

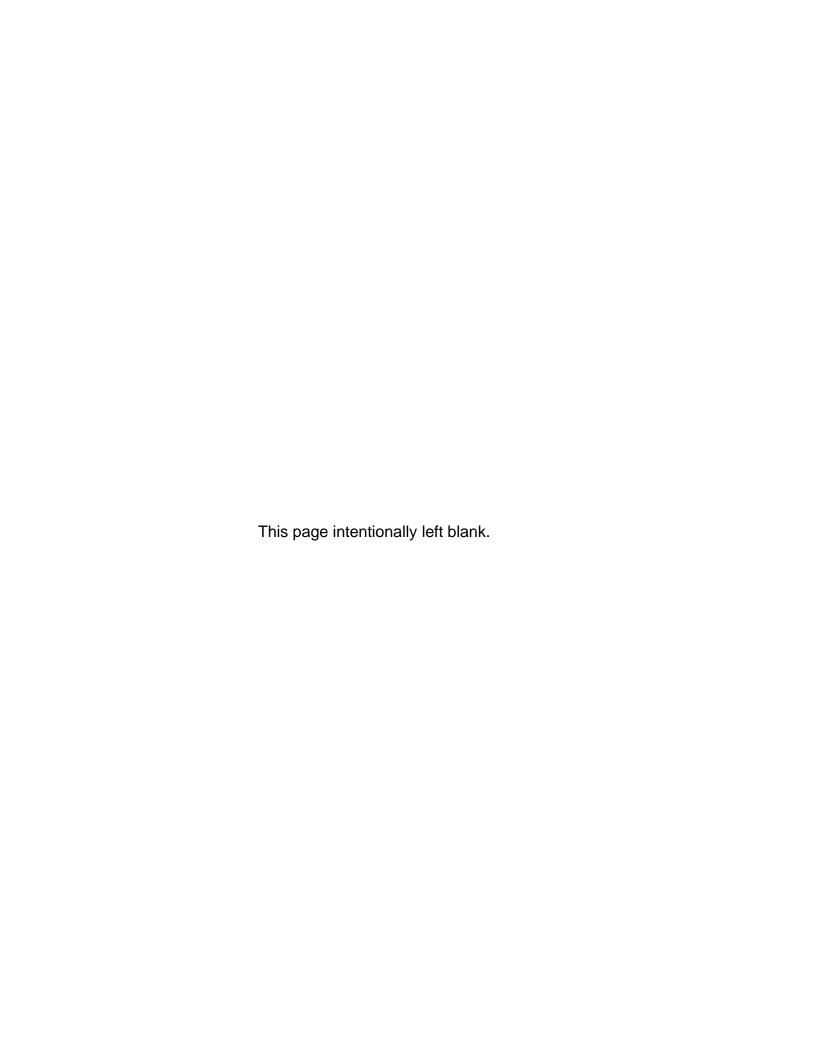
CAPITAL PROJECTS FUNDS

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.



TOWN OF FARRAGUT, TENNESSEE COMBINING BALANCE SHEET Non-major Governmental Funds June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Special		Capital Pro	ojects Funds			
<u>ASSETS</u>	Revenue Fund State Street Aid	Equipment Replace- <u>ment</u>	Beauti- fication	Everett <u>Road</u>	<u>Total</u>	Total No <u>Governmer</u> 2013	
Investments Due from other	\$ 978,199	\$ 519,336	\$ 902	\$ 44,267	\$ 564,505	\$1,542,704	\$ 765,087
governments	46,891					46,891	46,317
Total Assets	\$ 1,025,090	<u>\$ 519,336</u>	<u>\$ 902</u>	<u>\$ 44,267</u>	<u>\$ 564,505</u>	<u>\$1,589,595</u>	<u>\$ 811,404</u>
<u>LIABILITIES AND</u> <u>FUND BALANCE</u>							
LIABILITIES: Accounts payable	<u>\$ 1,699</u>	<u>\$</u> _	<u>\$</u> -	<u>\$</u> _	<u>\$</u> _	<u>\$ 1,699</u>	<u> </u>
FUND BALANCE: Restricted Assigned	581,805 441,586	- 519,336	902	- 44,267	- <u>564,505</u>	581,805 1,006,091	150,527 660,877
Total Fund Balance	1,023,391	519,336	902	44,267	<u>564,505</u>	<u>1,587,896</u>	<u>811,404</u>
Total Liabilities and Fund Balance	<u>\$ 1,025,090</u>	<u>\$ 519,336</u>	<u>\$ 902</u>	<u>\$ 44,267</u>	<u>\$ 564,505</u>	<u>\$1,589,595</u>	<u>\$ 811,404</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEECOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE Non-major Governmental Funds For the Fiscal Year Ended June 30, 2013

With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Special	Capital Projects Funds					
	Revenue Fund State Street Aid	Equipment Replace- <u>ment</u>	Beauti- fication	Everett <u>Road</u>	<u>Total</u>		lon-Major <u>ental Funds</u> <u>2012</u>
Revenues: State Shared Revenue Investment income Other income	\$ 531,143 832 ——————————————————————————————————	\$ - 606 5,110	\$ - 10 -	\$ - 59 	\$ - 675 5,110	\$ 531,143 1,507 5,110	\$ 533,521 725 23,557
Total Revenues	<u>531,975</u>	<u>5,716</u>	10	59	<u>5,785</u>	537,760	<u>557,803</u>
Expenditures: Public Works Capital Outlay	99,865 	20,098			20,098	99,865 20,098	517,846 <u>75,252</u>
Total Expenditures	99,865	20,098			20,098	119,963	593,098
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	432,110	(14,382)	10	59	(14,313)	417,797	(35,295)
Other Financing Sources (Uses) Transfers In Transfers Out	220,000 	150,000 	(11,30 <u>5</u>)		150,000 (11,305)	370,000 (11,305)	270,000
Net Change in Fund Balance	652,110	135,618	(11,295)	59	124,382	776,492	234,705
Fund Balance – July 1st	371,281	383,718	12,197	44,208	440,123	811,404	576,699
Fund Balance – June 30 th	\$ 1,023,391	<u>\$ 519,336</u>	\$ 902	<u>\$ 44,267</u>	<u>\$ 564,505</u>	<u>\$1,587,896</u>	<u>\$ 811,404</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, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget- Positive (Negative)	Total 2012
REVENUES: State of Tennessee -				
Gasoline tax apportionment Interest earned	\$ 551,000 500	\$ 531,143 <u>832</u>	\$ (19,857) <u>332</u>	\$ 533,521 <u>296</u>
Total Revenue	551,500	<u>531,975</u>	(19,525)	533,817
EXPENDITURES: Public Works: Street repairs and				
maintenance	65,000	58,584	6,416	44,730
Resurface program	500,000	23,598	476,402	448,358
Centerline	30,000	10,047	19,953	11,096
Guardrails	55,000	4,800	50,200	12,100
Sidewalk maintenance	50,000	2,836	<u>47,164</u>	1,562
Total Expenditures	700,000	99,865	600,135	517,846
Excess (Deficiency) of Revenues Over Expenditures Before Other				
Financing Sources	(148,500)	432,110	580,610	15,971
OTHER FINANCING SOURCES: Operating Transfers In	120,000	220,000	100,000	120,000
NET CHANGE IN FUND BALANCE	(28,500)	652,110	680,610	135,971
FUND BALANCE – July 1 st	371,281	371,281	<u> </u>	235,310
FUND BALANCE – June 30 th	<u>\$ 342,781</u>	<u>\$ 1,023,391</u>	<u>\$ 680,610</u>	<u>\$ 371,281</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, 2013 With Comparative Totals for the Year Ended June 30, 2012

	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals 2012
REVENUES:					
Interest earned	\$ 9,000	\$ 9,000	\$ 9,101	\$ 101	\$ 6,751
State grant	3,246,560	3,496,560	191,295	(3,305,265)	163,772
Contractor forfeitures	10,000	10,000	237,500	227,500	310,000
Total Revenues	3,265,560	3,515,560	437,896	(3,077,664)	480,523
EXPENDITURES					
Capital Outlay:					
Highways and streets	4,146,150	4,356,150	885,768	3,470,382	435,279
Sidewalks	610,000	710,000	5,000	705,000	10,640
Property improvements	585,800	1,035,800	280,776	755,024	1,318,168
Land acquisition	900,000	1,000,000	100,000	900,000	-
Equipment	30,000	30,000	28,536	1,464	-
Developer refunds			97,401	(97,401)	43,000
Total Expenditures	6,271,950	7,131,950	1,397,481	5,734,469	1,807,087
Excess (Deficiency) of Revenues					
Over Expenditures Before Other Financing Sources	(3,006,390)	(3,616,390)	(959,585)	2,656,805	(1,326,564)
Other I mancing Sources	(5,000,590)	(3,010,390)	(939,363)	2,030,003	(1,320,304)
OTHER FINANCING SOURCES:					
Operating transfer in	3,122,868	3,122,868	3,122,868		<u>1,500,000</u>
NET CHANGE IN FUND					
BALANCE	116,478	(493,522)	2,163,283	2,658,805	173,436
ot.	,	, ,		, ,	,
FUND BALANCE – July 1 st	<u>5,921,711</u>	<u>5,921,711</u>	<u>5,921,711</u>		<u>5,748,275</u>
FUND BALANCE – June 30 th	<u>\$ 6,038,189</u>	<u>\$ 5,428,189</u>	\$ 8,084,994	<u>\$ 2,656,805</u>	<u>\$ 5,921,711</u>

CAPITAL PROJECTS FUNDS – EQUIPMENT REPLACEMENT SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals <u>2012</u>
REVENUES: Interest earned Sale of capital assets	\$ 300	\$ 606 5,110	\$ 306 5,110	\$ 359 <u>23,557</u>
Total Revenues	300	5,716	5,416	23,916
EXPENDITURES: Capital Outlay: Equipment	24,000	20,098	3,902	75,252
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(23,700)	(14,382)	9,318	(51,336)
OTHER FINANCING SOURCES: Operating transfer in	150,000	<u> 150,000</u>		150,000
NET CHANGE IN FUND BALANCE	126,300	135,618	9,318	98,664
FUND BALANCE – July 1 st	383,718	383,718	-	285,054
FUND BALANCE – June 30 th	<u>\$ 510,018</u>	<u>\$ 519,336</u>	<u>\$ 9,318</u>	<u>\$ 383,718</u>

See accompanying independent auditors' report.

CAPITAL PROJECTS FUNDS – BEAUTIFICATION SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL For the Fiscal Year Ended June 30, 2013

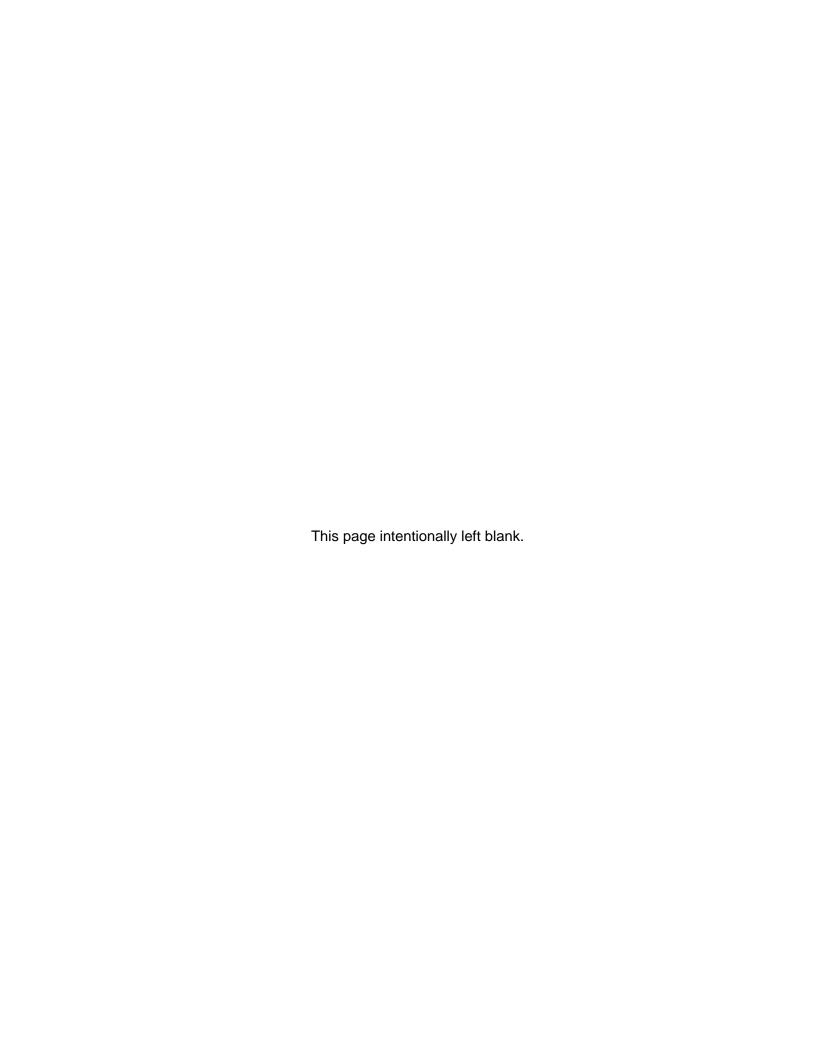
With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original Actual and Final Amounts Budget (Budgetary Amounts Basis)		Variance with Final Budget - Positive (Negative)		
REVENUES:					
Interest earned	\$ -	\$ 10	\$ 10	\$ 15	
EXPENDITURES: Capital Outlay: Beautification Projects	<u>-</u>	=	<u>-</u>		
Excess (Deficit) of Revenues Over Expenditures Before Other Financing Sources (Uses)	-	10	10	15	
OTHER FINANCING SOURCES (USES):					
Operating transfer out	(11,305)	<u>(11,305</u>)			
NET CHANGE IN FUND BALANCE	(11,305)	(11,295)	10	15	
FUND BALANCE – July 1 st	12,197	12,197		12,182	
FUND BALANCE – June 30 th	<u>\$ 892</u>	<u>\$ 902</u>	<u>\$ 10</u>	<u>\$ 12,197</u>	

See accompanying independent auditors' report.

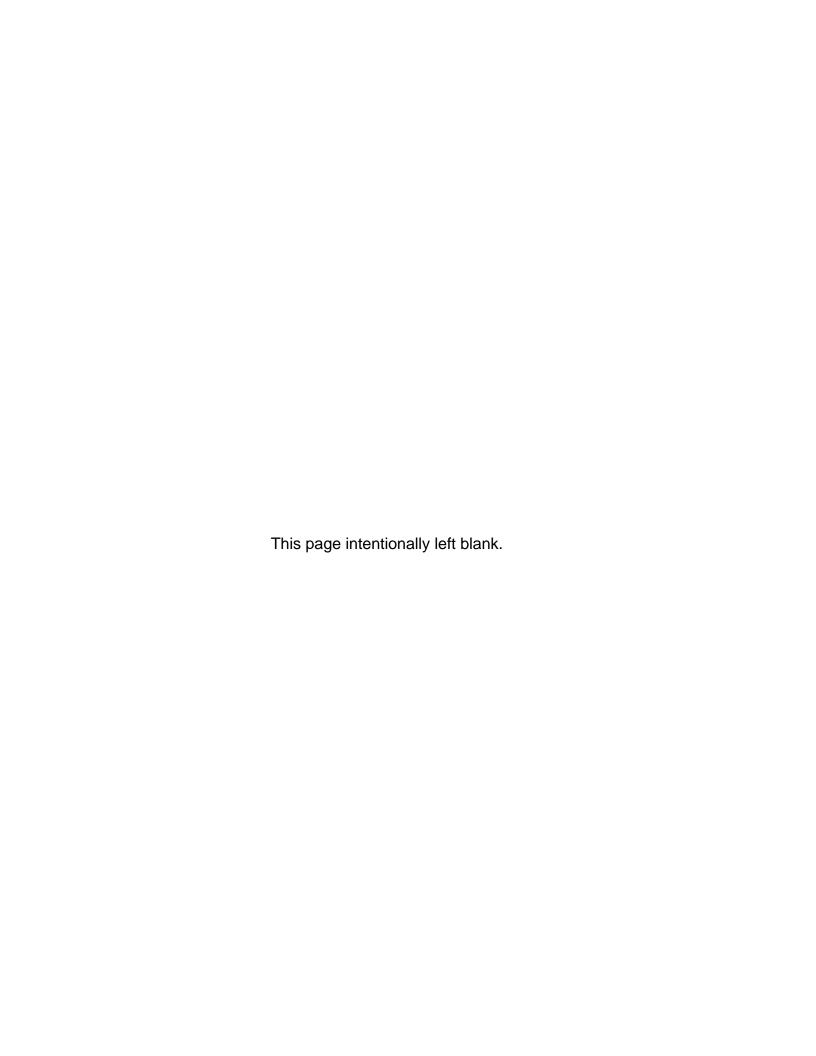
CAPITAL PROJECTS FUNDS – EVERETT ROAD SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE– BUDGET AND ACTUAL For the Fiscal Year Ended June 30, 2013 With Comparative Totals for the Fiscal Year Ended June 30, 2012

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (Negative)	Totals <u>2012</u>
REVENUES: Interest earned	\$ -	\$ 59	\$ 59	\$ 55
EXPENDITURES			<u>-</u>	
NET CHANGE IN FUND BALANCE	-	59	59	55
FUND BALANCE – July 1 st	44,208	44,208	_	44,153
FUND BALANCE – June 30 th	<u>\$ 44,208</u>	<u>\$ 44,267</u>	<u>\$ 59</u>	<u>\$ 44,208</u>



CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES

June 30, 2013



CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Schedule of Changes by Function and Activity For the Fiscal Year Ended June 30, 2013

<u>Program</u>	Balance July 1, 2012	<u>Additions</u>	Retirements	Balance June 30, 2013
General Government Public Works Parks and Recreation	\$ 5,220,577 28,392,060 4,462,490	\$ 73,157 1,440,203 3,501,913	\$ - 3,654,837 -	\$ 5,293,734 26,177,426 7,964,403
Total	\$ 38,075,127	\$ 5,015,273	\$ 3,654,837	\$ 39,435,563

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEECAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

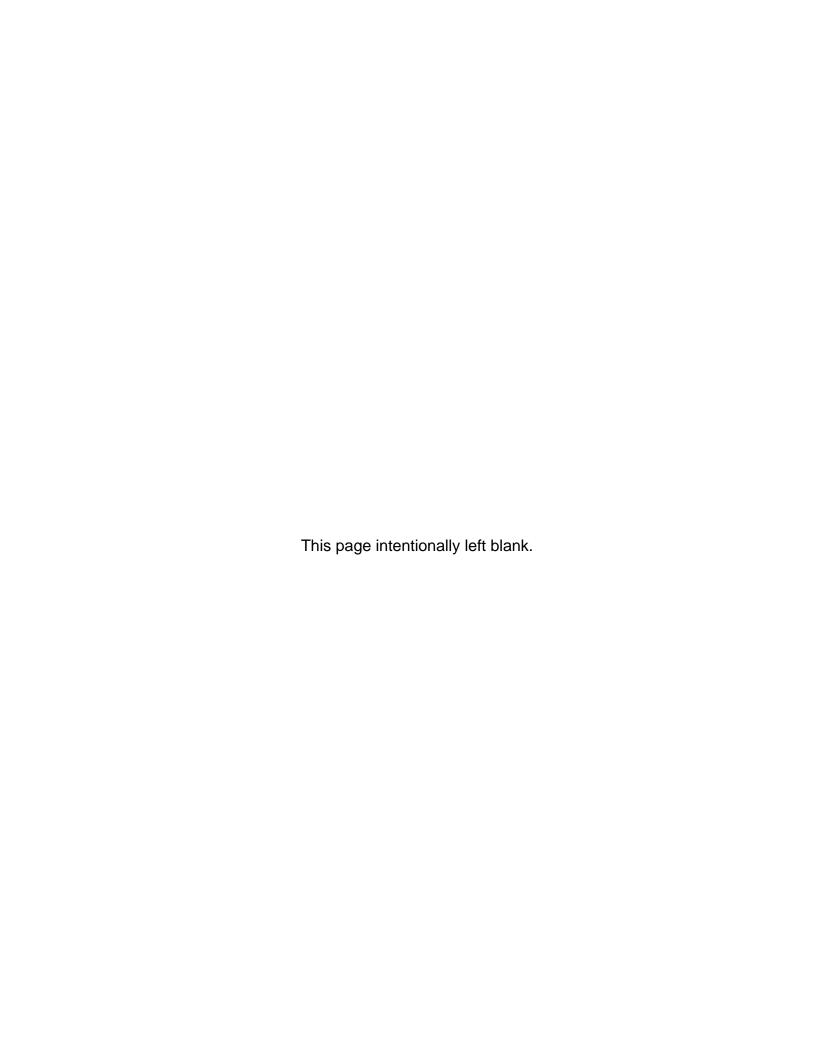
Schedule by Function and Activity June 30, 2013

					Furniture,		Admiral		
					Fixtures, and	Transportation	Farragut	Construction	
<u>Program</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Infrastructure</u>	<u>Equipment</u>	<u>Equipment</u>	Collection	In Progress	<u>Total</u>
General Government Public Works Parks and Recreation	\$ 2,050,457 291,905 1,425,359	\$ 2,574,526 92,920 254,384	\$ - - 5,360,785	\$ - 21,715,899 	\$ 360,034 556,665 923,875	\$ 227,358 343,031	\$ 81,359 - -	\$ - 3,177,006 -	\$ 5,293,734 26,177,426 7,964,403
Subtotal	3,767,721	2,921,830	5,360,785	21,715,899	1,840,574	570,389	81,359	3,177,006	39,435,563
Less: Accumulated Depreciation	-	<u>1,174,601</u>	637,042	6,322,678	849,083	400,446		-	9,383,850
Total Governmental Funds – Capital Assets	<u>\$3,767,721</u>	<u>\$1,747,229</u>	<u>\$ 4,723,743</u>	<u>\$15,393,221</u>	<u>\$ 991,491</u>	<u>\$ 169,943</u>	\$ 81,35 <u>9</u>	<u>\$3,177,006</u>	\$30,051,713

See accompanying independent auditors' report.

MISCELLANEOUS SCHEDULES

June 30, 2013



TOWN OF FARRAGUT, TENNESSEESCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS June 30, 2013

<u>Description</u>	Interest <u>Rate</u>	Maturity <u>Date</u>	Book Value June 30, <u>2013</u>
Cash:			
Cash on hand			\$ 588
Cash in checking:			
BB&T	N/A	N/A	1,583,218
BB&T	N/A	N/A	8,028
BB&T	N/A	N/A	79,094
BB&T	N/A	N/A	2,835
Total Cash Investments: Local Government Investment Po			1,673,763
State of Tennessee	Variable	-	172,593
State of Tennessee	Variable	-	17,726
State of Tennessee	Variable	-	514,226
State of Tennessee	Variable	-	5,293,192
State of Tennessee	Variable	-	910,503
State of Tennessee	Variable	-	44,267
State of Tennessee	Variable	-	7,892,848
Total Investments			14,845,355
Total Cash & Investr	ments		<u>\$ 16,519,118</u>

TOWN OF FARRAGUT, TENNESSEE SCHEDULE OF INTERFUND TRANSFERS June 30, 2013

	TRANSFE	RS FROM:
TRANSFERS TO:	General <u>Fund</u>	Beautification Fund
Capital Projects Fund Transfer made to provide funds for capital projects	\$ 3,122,868	\$ -
Equipment Replacement Fund Transfer made to provide funds for equipment replacement	150,000	-
State Street Aid Transfer made to provide funds for street and highway improvements	220,000	-
General Fund Transfer made to provide funds for beautification equipment	_	<u>11,305</u>
Total	\$ 3,492,868	<u>\$ 11,305</u>

SCHEDULE OF PRINCIPAL OFFICIALS AND SURETY BONDS June 30, 2013

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, 2013

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 -	Compre	n - 00 deductible; ehensive - 00 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:		
•	¢	150,000
Employee Dishonesty	\$	•
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
	Ψ	300,000
Surety Bonds:		
Town Administrator	\$	250,000
Town Recorder	\$	250,000

TOWN OF FARRAGUT, TENNESSEE SCHEDULE OF STATE FINANCIAL ASSISTANCE June 30, 2013

Program <u>Name</u>	Grant/Contract <u>Number</u>	Grantor Agency	Receivable Balance <u>7-1-12</u>	Cash <u>Receipts</u>	<u>Expenditures</u>	Receivable Balance <u>6-30-13</u>
Surface Transportation Program	47LPLM-F3-006	Tennessee Department of Transportation	<u>\$</u>	<u>\$ 191,295</u>	<u>\$ 191,295</u>	<u>\$</u>

STATISTICAL SECTION June 30, 2013

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

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.

SCHEDULE 1

NET POSITION BY COMPONENT

(Prepared Using the Accrual Basis of Accounting)
LAST NINE FISCAL YEARS*

	<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: Invested in capital assets, net of									
related debt	\$ 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	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	16,052,803	14,163,565	12,994,311	4,602,442	2,353,387	2,621,607	2,894,905	2,321,242	1,992,424
Total Governmental Activities									
Net Position	\$ 46,686,320	<u>\$ 43,812,903</u>	\$ 41,572,803	\$ 38,630,719	\$ 36,017,671	\$ 34,332,673	\$ 31,711,360	\$ 28,822,482	\$ 26,816,333

^{*} The requirements for this schedule are effective prospectively. Thus, the schedule will be expanded for each year to accumulate ten years of data.

TOWN OF FARRAGUT, TENNESSEE SCHEDULE 2

CHANGES IN NET POSITION (Prepared Using the Accrual Basis of Accounting) LAST NINE FISCAL YEARS*

	<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 Public Works Total Governmental Activities Expenses	\$ 5,134,912 2,173,870 7,308,782	\$ 4,238,269 2,872,183 7,110,452	\$ 3,549,541 2,489,934 6,039,475	\$ 3,907,825 2,134,258 6,042,083	\$ 3,721,048 2,465,461 6,186,509	\$ 3,412,959 2,298,025 5,710,984	\$ 2,928,152 1,755,991 4,684,143	\$ 2,510,363 1,790,451 4,300,814	\$ 2,310,100 1,858,499 4,168,599
PROGRAM REVENUES: Governmental Activities: Charges for Services: General Government	000 240	054.000	500 200	500 404	F72.0F0	005 004	C20 042	500 445	204 000
Operating Grants and Contributions	626,242 531,143	654,938 533,521	596,398 537,377	599,404 524,055	573,850 518,329	885,924 559,114	628,812 555,502	506,415 497,426	381,988 502,474
Capital Grants and Contributions	191,295	163,772	228,541	208,621	310,329	559,114	182,019	90,000	151,941
Total Governmental Activities Program	191,293	103,772	220,541	200,021		-	102,019	90,000	151,941
Revenues	1,348,680	1,352,231	<u>1,362,316</u>	1,332,080	1,092,179	1,445,038	1,366,333	1,093,841	1,036,403
Net (Expense) Revenue for Governmental Activities	(5,960,102)	(5,758,221)	(4,677,159)	(4,710,003)	(5,094,330)	(4,265,946)	(3,317,810)	(3,206,973)	(3,132,196)

(Continued)

TOWN OF FARRAGUT, TENNESSEE SCHEDULE 2

CHANGES IN NET POSITION (Continued) (Prepared Using the Accrual Basis of Accounting) LAST NINE FISCAL YEARS*

	<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	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 Wholesale beer and	528,368	387,587	428,740	320,215	685,897	574,002	361,674	189,265	209,896
liquor tax	1,010,082	951,067	867,874	832,555	828,671	782,059	660,616	618,742	588,929
TVA replacement tax	235,785	238,882	221,892	216,897	189,079	183,043	163,620	128,817	125,492
Mixed drink tax	153,119	142,300	133,183	132,964	160,932	111,568	155,332	170,244	153,591
Miscellaneous taxes	54,353	53,863	53,937	53,820	55,044	56,343	57,325	51,408	51,537
Cable TV franchise fee	273,845	266,476	261,234	252,047	250,783	230,869	212,004	199,068	188,784
Contributions	-	-	-	-	-	-	-	15,000	-
Interest earned	18,035	14,756	22,540	34,618	161,619	422,621	507,195	337,036	145,621
Miscellaneous	247,136	321,217	418,946	461,342	9,109	118,597	2,786	10,440	29,937
Gain on deletion of									
capital assets	5,110		94	<u> 15,816</u>	8,478	11,500	10,531		
Total Governmental									
Activities	8,833,519	7,998,321	7,619,243	7,323,051	6,779,328	6,887,259	6,206,688	5,213,122	4,642,540
Change in Net Position of Governmental									
Activities	\$ 2,873,417	\$ 2,240,100	\$ 2,942,084	<u>\$ 2,613,048</u>	<u>\$ 1,684,998</u>	<u>\$ 2,621,313</u>	<u>\$ 2,888,878</u>	\$ 2,006,149	<u>\$ 1,510,344</u>

^{*} The requirements for this schedule are effective prospectively. Thus, the schedule will be expanded each year to accumulate ten years of data.

SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS (Prepared Using the Accrual Basis of Accounting) LAST TEN FISCAL YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	2009	2008	2007	<u>2006</u>	<u>2005</u>	2004
GASB 54: GENERAL FUND: Nonspendable Assigned Unassigned Total General Fund	\$ 2,656 5,077,593 2,052,110 \$ 7,132,359	\$ 656 2,843,488 4,917,188 \$ 7,761,332	\$ - 2,473,835 4,479,251 \$ 6,953,086							
ALL OTHER GOVERNMENTAL FUNDS: Restricted Assigned Total All Other Governmental Funds	\$ 581,805 9,091,085 \$ 9,672,890	\$ 150,527 6,582,588 \$ 6,733,115	\$ 134,853 6,190,121 \$ 6,324,974							
PRE GASB 54: GENERAL FUND Reserved Unreserved - Designated: Compensated Absences Other Employee Benefits Insurance Needs Capital Projects Unreserved - Undesignated				\$ 50,000 118,210 - 524,530 809,000 4,066,978	\$ - 58,780 59,011 522,670 - 1,771,706	\$ - 52,688 63,222 514,327 - 2,044,058	\$ - 50,818 60,453 493,742 - 2,340,710	\$ - 42,080 63,508 468,526 - 1,789,208	\$ - 38,266 63,129 449,918 - 1,479,376	\$ - 47,910 51,446 440,735 - 1,484,187
Total General Fund ALL OTHER GOVERNMENTAL FUNDS Reserved Unreserved - Designated: Debt Service Fund Capital Projects Funds Unreserved - Undesignated: Special Revenue Fund Debt Service				\$ 5,568,718 \$ - 23 6,195,048 187,561	\$ 2,412,167 \$ - 83,586 7,629,118 108,159	\$ 2,674,295 \$ - 82,252 7,983,585 288,404	\$ 2,945,723 \$ - 78,960 7,255,938 493,728	\$ 2,363,322 \$ - 74,927 6,629,808 408,787	\$2,030,689 \$ - 71,952 5,732,112 427,906	\$2,024,278 \$ - 70,483 4,796,483 423,538
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>	<u>\$5,290,504</u>

SCHEDULE 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

(Prepared Using the Accrual Basis of Accounting) LAST TEN FISCAL YEARS

	<u>2013</u>	2012	<u>2011</u>	<u>2010</u>	2009	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES:										
Taxes	\$ 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	\$ 2,502,175
Licenses, permits and fees	657,294	645,118	493,385	511,733	656,316	951,385	710,689	572,102	461,670	543,151
Intergovernmental	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	2,346,965
Charges for services	111,564	94,337	93,340	81,483	92,589	80,771	60,408	51,732	55,518	51,777
Fines, forfeitures and costs	45,822	75,023	173,352	174,821	1,816	5,674	1,156	1,143	2,273	971
Interest earned	18,035	14,756	22,540	34,618	161,619	422,621	507,195	337,036	145,621	77,439
Miscellaneous	337,653	449,844	516,501	544,756	83,021	197,560	71,349	90,946	81,248	119,048
Total Revenues	10,182,199	9,372,243	8,981,465	8,639,315	7,863,029	8,320,797	7,562,490	6,291,963	5,678,943	5,641,526
EVDENDITUDEC:										
EXPENDITURES:	4 000 004	0.004.000	0.000.400	0.000.007	0.500.500	0.004.040	0.700.040	0.000.575	0.404.000	4.074.000
General government	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	1,974,802
Public Works	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	1,228,601
Capital Outlay	1,417,579	1,882,339	2,361,182	1,783,334	3,441,321	3,130,482	2,207,277	1,408,630	1,347,615	2,803,931
Total Expenditures	<u>7,871,397</u>	<u>8,155,856</u>	<u>7,654,755</u>	6,920,995	<u>8,658,535</u>	8,066,610	6,264,985	5,077,778	4,731,066	6,007,334
NET CHANGE IN FUND										
BALANCE	\$ 2,310,802	<u>\$ 1,216,387</u>	<u>\$ 1,326,710</u>	\$1,718,320	<u>\$ (795,506)</u>	\$ 254,187	<u>\$ 1,297,505</u>	<u>\$ 1,214,185</u>	<u>\$ 947,877</u>	<u>\$ (365,808)</u>

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

SCHEDULE 5

LARGEST REMITTERS OF SALES TAX REVENUE AND APPLICABLE RATES

For the Fiscal Year Ended June 30, 2013

<u>Remitter</u>	<u>\</u>	<u>/alue</u>	Percentage of Total Revenue	Local Option Sales Tax Rate	<u>Rank</u>
Knox County, Tennessee	\$	99.7%	99.7%	2.25%	1
Loudon County, Tennessee		<u>.3</u> %	<u></u> %	2.25%	2
	<u>\$</u>	<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

		Fisca	l Year 2004		Fiscal Year 2013			
	Number of Filers	Percentage of Total	Tax <u>Liability</u>	Percentage of Total	Number of Filers	Percentage of Total	Tax <u>Liability</u>	Percentage of Total
Retail trade	221	60.89%	\$ 2,807,974	82.29%	295	56.62%	\$ 6,997,472	86.20%
Services	103	28.37%	445,270	13.05%	142	27.26%	643,309	7.92%
Manufacturing	5	1.38%	84	0.00%	19	3.65%	18,718	0.23%
Wholesale Trade	22	6.06%	63,895	1.87%	34	6.53%	88,308	1.09%
Construction	6	1.65%	6,163	0.18%	4	0.77%	4,260	0.05%
Finance, Insurance, Real Estate	-	0.00%	-	0.00%	6	1.15%	1,047	0.01%
Transportation and Utilities	6	1.65%	88,937	2.61%	4	0.77%	227,416	2.80%
Agriculture	-	0.00%	-	0.00%	6	1.15%	13,888	0.17%
Other, Non Classified	-	<u>0.00</u> %	<u> </u>	<u>0.00</u> %	<u>11</u>	<u>2.10</u> %	123,976	<u>1.53</u> %
Total	<u>363</u>	<u>100.00</u> %	\$ 3,412,323	<u>100.00</u> %	<u>521</u>	<u>100.00</u> %	\$ 8,118,394	<u>100.00</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.
- 3. Does not include Farragut's share of county clerk or out-of-state taxpayer amounts.
- 4. Due to too few taxpayers in the category, the Finance, Insurance, and Real Estate category has been left blank intentionally for 2004..

SCHEDULE 7

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN CALENDAR YEARS

Calendar Year	Residential Property	Commercial Property	Agriculture Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Actual Value	Total Direct Tax <u>Rate</u>
							
2003	\$ -	\$ -	\$ -	\$ -	\$ 425,906,890	\$ 1,587,680,800	\$ -
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	-

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.

SCHEDULE 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

(Rate per \$100 of Assessed Value)
LAST TEN CALENDAR YEARS

<u>Tax Year</u>	Total Direct <u>Tax Rate</u>	Overlapping Tax Rate - Knox County
2004	\$	\$ 2.69
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

Source: Knox County, Tennessee

Note: The Town of Farragut does not have a property tax. Thus, there

is no direct tax rate.

SCHEDULE 9

PRINCIPAL PROPERTY TAXPAYERS

CALENDAR YEAR 2013 AND TEN YEARS AGO (2004)

		2013			2004		
			Percentage of Total Town			Percentage of Total Town	
	Taxable		Taxable	Taxable		Taxable	
	Assessed		Assessed	Assessed		Assessed	
<u>Taxpayer</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>	
Hart TC IV, LLC	\$ 11,095,320	1	1.37%	\$ -	-	-	
11400 POP I Private Investment	7,761,320	2	0.96%	-	-	-	
Costco Wholesale Corporation	5,781,320	3	0.71%	-	-	-	
NHC Healthcare/Farragut L	5,347,120	4	0.66%	8,620,500	2	1.65%	
LB Knoxville/Lansborough	5,262,240	5	0.65%	8,995,200	1	1.73%	
Metro Knoxville HMA, LLC	5,249,920	6	0.65%	-	-	-	
11400 POP I Private Investments	5,192,880	7	0.64%	-	-	-	
Turkey Creek Land Partner	4,237,560	8	0.52%	5,199,300	4	0.99%	
Moser-Biddle Corp.	3,732,800	9	0.46%	-	-	-	
Farragut Land Partners	3,588,360	10	0.44%	4,874,400	5	0.93%	
Coolsports, LLC	-		-	3,003,800	10	0.57%	
Kohl's Retail Center	-		-	5,462,300	3	1.04%	
J.N.D. Realty (Bi-Lo)	-		-	4,713,900	6	0.90%	
White Realty, Inc. (Steinmart)	-		-	3,616,900	8	0.69%	
White Realty, Inc. (Fresh Market)	-		-	3,558,400	9	0.68%	
Medical Development	_		-	4,400,000	7	<u>0.84</u> %	
	<u>\$ 57,248,840</u>		<u>7.06</u> %	<u>\$ 52,444,700</u>		<u>10.02</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.

SCHEDULE 10 PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

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

SCHEDULE 11

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal		G	overnme	ntal Activ					
Year	Ge	neral	Cap	oital			Percentage		
Ended	Obli	gation	Out	tlay			of Personal		
<u>June 30</u>	<u>Bc</u>	Bonds Notes		<u>Tot</u>	<u>al</u>	<u>Income</u>	Per Capita		
2004	¢		¢		\$	_		\$	
	\$	-	\$	-	Ψ	_	-	Φ	-
2005		-		-		-	-		-
2006		-		-		-	-		-
2007		-		-		-	-		-
2008		-		-		-	-		-
2009		-		-		-	-		-
2010		-		-		-	-		-
2011		-		-		-	-		-
2012		-		-		-	-		-
2013		-		-		-	-		-

Information is not available for personal income.

SCHEDULE 12

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Oblig	neral Jation Inds	Percentage Of Actual Taxable Value of Property	Per <u>Capita</u>
2004	\$	-	-	\$ _
2005		-	-	-
2006		-	-	-
2007		-	-	-
2008		-	-	-
2009		-	-	-
2010		-	-	-
2011		-	-	-
2012		-	-	-
2013		-	-	-

SCHEDULE 13 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF JUNE 30, 2013

Governmental Unit	Debt <u>Outstanding</u>	Estimated Percentage <u>Applicable</u>	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Town of Farragut – direct debt	\$ -	100.0%	\$ -
Knox County, Tennessee Overlapping Debt	631,616,000	7.8%	49,266,048
Total Direct and Overlapping Debt			<u>\$ 49,266,048</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

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.

SCHEDULE 15 PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS

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

SCHEDULE 16

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS

<u>Year</u>	(1) <u>Population</u>	Personal Income	Per Capita Income	Median <u>Age</u>	(2) Public School <u>Enrollment</u>	(2) Private School Enrollment	(2) Unemployment <u>Rate</u>
2003	18,982 (3)		-	-	5,424	812	2.4%
2004	18,982 (4)		-	-	5,582	877	2.5%
2005	19,717 (4)		-	-	5,446	967	5.2%
2006	19,717 (4)		-	-	5,592	986	4.1% (5)
2007	19,717 (4)		-	-	5,254	869	5.4% (5)
2008	19,717 (4)		-	-	5,236	875	5.7% (5)
2009	19,717 (4)		-	-	5,125	1,048	7.6% (5)
2010	20,676 (6)		-	-	5,196	897	7.6% (5)
2011	20,676 (6)		-	-	5,345	915	5.9% (5)
2012	20,676 (6)		-	-	5,077	920	7.0% (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

SCHEDULE 17 PRINCIPAL EMPLOYERS CURRENT YEAR AND TEN YEARS AGO

		2013		2004				
			Percentage			Percentage		
			of Town			of Town		
<u>Employer</u>	Employees	<u>Rank</u>	Employment	Employees	<u>Rank</u>	Employment		
Tennova Health West/Women	655	1		400	2			
Knox County Schools	468	2		483	1			
Kroger	263	3		90	7			
NHC Healthcare	225	4		155	3			
Ingles Food Store	155	5		-	-			
Costco	153	6		-	-			
Publix	146	7		-	-			
Cracker Barrel	112	8		-	-			
JC Penney Department Store	100	9		-	-			
Kohl's Department Store	95	10		102	6			
Farragut Health Care	-	-		150	4			
Fox Den Country Club	-	-		125	5			
Aubreys	-	-		80	8			
Bi-Lo Food Store	-	-		75	9			
Edison Park	-	-		50	10			
Total	2,372			<u>1,710</u>				

Source: Town of Farragut, June 30, 2004 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.

SCHEDULE 18

TOWN EMPLOYMENT (INCLUDING PART-TIME) BY FUNCTION/PROGRAM LAST TEN YEARS

		Employees as of June 30,										
	<u>2004</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>		
FUNCTION/PROGRAM												
Administration	5	5	6	6	6	6	7	8	10*	10*		
Community Development	7	8	8	8	8	8	8	7	7	7		
Engineering	6	6	6	7	6	6	6	6	6	6		
Public Works	15	17	15	15	17	17	17	17	23*	24*		
Leisure Services	10	10	12	23	20	22	<u>12</u> *	22*	22*	22*		
Total	<u>43</u>	<u>46</u>	<u>47</u>	<u>59</u>	<u>57</u>	<u>59</u>	<u>50</u>	60	<u>68</u>	<u>69</u>		

Source: Town personnel records

^{*} including part-time and seasonal

SCHEDULE 19 OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year										
	2004	<u>2005</u>	<u>2006</u>	2007	2008	2009	<u>2010</u>	<u>2011</u>	<u>2012</u>	2013	
FUNCTION/PROGRAM											
Public Works/Engineering											
Street Resurfacing (miles)	3.70	3.53	5.00	3.89	4.90	3.15	2.00	2.82	3.39	4.13	
Right-of-Way Mowing (miles)	-	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*	17	22	32	70	23	26	28	27	44	38	
Community Room Rentals	29	25	51	48	41	20	34	41	26	26	
Park Shelter Rentals	132	151	163	118	167	147	122	175	357	440	
Building Department											
New Residential Permits	200	137	121	151	85	42	52	44	63	98	
Residential; Addition Permits	102	88	96	79	100	89	94	92	87	34	
Commercial Structure Permits	16	7	32	45	59	33	16	15	23	19	
Commercial Addition Permits	26	18	16	26	32	37	27	14	20	4	
Accessory Structure Permits	16	26	23	29	41	28	33	41	38	23	

Source: Various Town Departments

^{*}Fall 2011 - Spring 2013

SCHEDULE 20

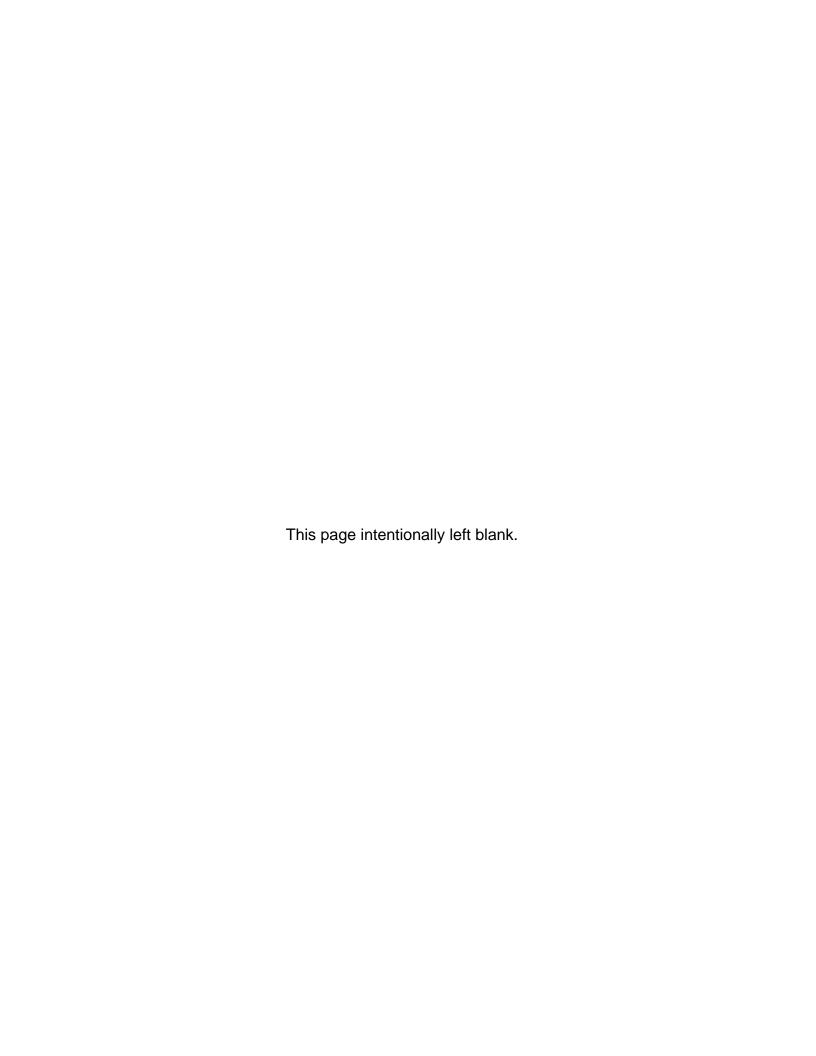
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	2013
FUNCTION/PROGRAM										
Public Works/Engineering Streets Maintained (miles) Vehicle Fleet	- 16	140.10 16	140.10 16	140.10 17	140.68 18	140.68 20	140.68 20	140.68 20	140.68 20	140.68 20
Parks and Recreation										
Park Acreage	115.96	115.96	115.96	115.96	115.96	132.76	132.76	142.24	142.24	142.24
Playgrounds Baseball/Softball/Soccer/	2	2	2	2	2	2	2	3	3	3
Volleyball fields	11	11	11	11	15	17	17	17	17	17
Picnic areas & Covered shelters	6	7	7	7	7	7	7	9	9	9
Bronze Sculptures	5	5	5	5	5	5	5	9	9	9

Source: Inventory schedules and various town departments.

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, 2013



Ingram Overholt Bean, P.C. Also Marilyn Lane Alcoa, Tennessee 37701

Joe S. Ingram, CPA (1948 – 2011) Lonas D. Overholt, CPA Robert L. Bean, CPA Telephone 865-984-1040 Facsimile 865-982-1665

December 4, 2013

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, 2013, 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 4, 2013.

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 4, 2013

TOWN OF FARRAGUT, TENNESSEE SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Fiscal Year Ended June 30, 2013

Findings of Compliance and Other Matters

None.