

TOWN OF FARRAGUT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

Allison M. Myers
Town Recorder

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
SECTION ONE – INTRODUCTORY SECTION:	
Transmittal Letter	1 – 7
Certificate of Achievement for Excellence in Financial Reporting.....	8
Organization Chart.....	9
Town Officials	10
SECTION TWO – FINANCIAL SECTION:	
Independent Auditors' Report	11 – 13
Management's Discussion and Analysis (required supplementary information)	14– 20
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds	23
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position – Governmental Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance to the Statement of Activities	26
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	27 – 34
Notes to Financial Statements	35 – 62
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	63
Schedule of Contributions.....	64
Notes to Required Supplementary Information Presented on pages 63-64	65
Other Supplementary Information:	
Combining Fund Financial Statements:	
Non-Major Governmental Funds:	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures, and Changes In Fund Balance.....	67
Special Revenue Fund – State Street Aid Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.....	68
Capital Projects.....	69
Equipment Replacement.....	70

(Continued)

TOWN OF FARRAGUT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS (Continued)

	<u>Page</u>
SECTION TWO – FINANCIAL SECTION (Continued):	
Capital Assets Used in the Operation of Governmental Activities:	
Schedule of Changes by Function and Activity	71
Schedule by Function and Activity	72
Miscellaneous Schedules:	
Schedule of Cash and Investments – All Funds	73
Schedule of Interfund Transfers.....	74
Schedule of Principal Officials and Surety Bonds.....	75
Schedule of Insurance in Force	76
Schedule of Federal and State Financial Assistance.....	77
SECTION THREE – STATISTICAL INFORMATION:	
Schedule 1 – Net Position by Component	78
Schedule 2 – Changes in Net Position	79 – 80
Schedule 3 – Fund Balances, Governmental Funds	81
Schedule 4 – Changes in Fund Balances, Governmental Funds	82
Schedule 5 – Largest Remitters of Sales Tax Revenue	83
Schedule 6 – Local Sales Tax Revenue by Industry	84
Schedule 7 – Assessed Value and Actual Value of Taxable Property.....	85
Schedule 8 – Direct and Overlapping Property Tax Rates	86
Schedule 9 – Principal Property Taxpayers.....	87
Schedule 10 – Property Tax Levies and Collections	88
Schedule 11 – Ratios of Outstanding Debt by Type	89
Schedule 12 – Ratios of General Bonded Debt Outstanding.....	90
Schedule 13 – Direct and Overlapping Governmental Activities Debt.....	91
Schedule 14 – Legal Debt Margin Information.....	92
Schedule 15 – Pledged Revenue Coverage.....	93
Schedule 16 – Demographic and Economic Statistics	94
Schedule 17 – Principal Employers	95
Schedule 18 – Town Employment (Including Part-time) by Function/Program.....	96
Schedule 19 – Operating Indicators by Function/Program	97
Schedule 20 – Capital Asset Statistics by Function/Program	98
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	
	99 – 100
Schedule of Findings and Questioned Costs	101
Disposition of Prior Year Findings.....	102

TOWN OF FARRAGUT, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

June 30, 2017

This page intentionally left blank.



November 22, 2017

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, 2017, 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 37 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 865 single-family housing starts in the past ten years.

(Continued)

Major Initiatives

The major initiatives for Fiscal Year 2017 were the continuing construction of the Everett Road widening project and preparation for construction on the Kingston Pike Greenway.

Road/street resurfacing and sidewalk construction continues to be a priority. Resurfacing and maintenance costs for roads, streets, and sidewalks were \$379,237.

Park projects for Fiscal Year 2017 included playground improvements at Mayor Bob Leonard Park and the completion of the splash pad at McFee Park.

Equipment purchases for Fiscal Year 2017 included the purchase of playground equipment, a John Deere mower, and a 2017 International dump truck. Equipment and vehicle purchases totaled \$183,690 and were financed with current funds.

Current projects for Fiscal Year 2018 include the continued construction of Everett Road, improvements to the Watt Road/Kingston Pike intersection, construction of the Kingston Pike Greenway, and improvements to the Campbell Station Inn site. Road resurfacing and sidewalk construction are also planned.

Equipment to purchase in Fiscal Year 2018 includes the replacement of a 2003 Backhoe and additional pick-up truck. Park plans for Fiscal Year 2018 include installation of synthetic turf on field #2, and renovation of the restroom building at Mayor Bob Leonard Park and McFee Park expansion plans.

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

Financial Information

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

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

As a part of the Town's audit, described earlier, the auditors considered the Town's internal control structure in order to determine the auditing procedures necessary, including that portion related to federal and state financial assistance programs, as well as to determine that the Town has complied with applicable laws and regulations. The results of the Town's audit for the fiscal year ended June 30, 2017, provide no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

(Continued)

Financial Information (Continued)

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

General Government Functions

Revenue increased over the previous year's revenue by 4 percent. Local Taxes decreased by 1 percent due to the delay in receiving sales tax monies that were paid, in error, to Knox County. The discrepancy will be reflected in the FY18 sales tax revenue. License and Permit revenues increased by 14 percent. Intergovernmental revenue, made up primarily of state taxes shared on a per capita basis with local governments, increased by 22 percent due to additional grant revenue and additional state-shared taxes. Fines, forfeitures, and costs decreased by 13 percent, whereas interest on investments increased by 133 percent. Other revenues decreased by 70 percent due primarily to a decrease in utility relocation assistance.

Expenditures decreased by 19 percent from the previous year due primarily to decreases in Capital Outlay and Public Works.

Fund Balance

As a result of this year's operations, the ending fund balance for all governmental fund types was \$29,128,278. Of this total, the unassigned fund balance of the General Fund was \$13,611,782. The administrative policy is to maintain a minimum reserve in the General Fund equal to thirty percent of the current annual operating budget of \$6,994,579, or \$2,098,374. Therefore, \$11,513,408 was available for appropriation in future fiscal years.

Capital Improvements

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

Other Funds and Designations

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

Equipment Fund: Established to provide replacement of equipment or vehicles. Goal is to have adequate funds to finance the ten-year projected replacement schedule. Balance on June 30, 2017 is \$751,978.

(Continued)

Other Funds and Designations (Continued)

Capital Projects Fund: Established for major capital improvements such as construction and reconstruction of roads, installation of sidewalks, and development of recreational facilities. Goal – maintain a balance necessary to fund scheduled projects. Balance on June 30, 2017 is \$12,462,975.

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, 2017 is \$99,901.

Long-Range Financial Plan

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

The 2017-2018 budget was developed in context of long-term financial plans. The plans anticipate funding needs and available revenues and forecast methods for matching future revenues and expenses. Plans have been developed for all the Town's major operating funds: General, State Street Aid, and Capital Investment Program. The State Street Aid and General Fund plan presents the fund over seven fiscal years: three previous years, the adopted budget for FY18, and three projected years. The Capital Investment Program plan presents the fund over five fiscal years: the adopted budget for FY18 and four projected years. There are several benefits to these plans. First, the plans give future Boards a valuable perspective when considering budgets within each plan's five-year horizon. Second, the plans impart a measure of discipline on Town staff. The plans establish funding ceilings on recurring operating expenditures. Finally, the plans help the Town in absorbing the impact of economic booms and busts. The Town of Farragut is particularly susceptible to economic fluctuations due to its reliance on local sales tax.

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

- The Town is optimistic regarding its FY18 sales tax collections based on the past twelve months of collections.
- The projected years of 2019 through 2022 assume conservative 2 percent annual increases.

(Continued)

Long-Range Financial Plan (Continued)

- All other revenues during the planning horizon are expected to increase a conservative 2 percent per year as well.
- Approximately 63 percent of the General Fund's expenditures are associated with employee compensation. The Board of Mayor and Aldermen approved a 2 percent merit increase for FY18.
- The General Fund makes contributions to the Town's Capital Investment, Equipment Replacement and the State Street Aid funds. The total transfers to the funds for FY18 is \$4,350,000.
- All operating expenditures for fiscal years 2018 through 2021 are adjusted for a 4 percent inflationary increase.
- For fiscal years 2018 through 2021, revenues are projected to exceed expenditures by an average of \$1.5 million per year.
- The Town has prepared a long-term approach that allows organization to reduce the fund balance to a level of 30 percent of the operating expenditures, if needed. This allows the Town to maintain compliance with its fund balance policy and evaluate the Town's financial burden for non-reoccurring and capital expenditures.
- All long-term schedules can be found in the Fiscal Year 2018 budget document.

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

Capital Assets

The Capital Assets of the Town include those assets used in the performance of general governmental functions as well as infrastructure (primarily roads). As of June 30, 2017, the Capital Assets of the Town totaled 36.0 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 \$1,029,726 for Fiscal Year 2017.

Independent Audit

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

(Continued)

Long-Range Financial Plan (Continued)

Awards

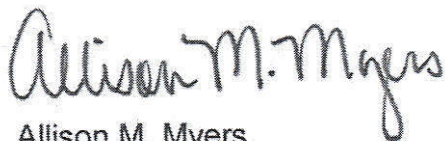
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Farragut for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twenty-fifth consecutive 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

TOWN OF FARRAGUT, TENNESSEE
CERTIFICATE OF ACHIEVEMENT
June 30, 2017



Government Finance Officers Association

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

Presented to

**Town of Farragut
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

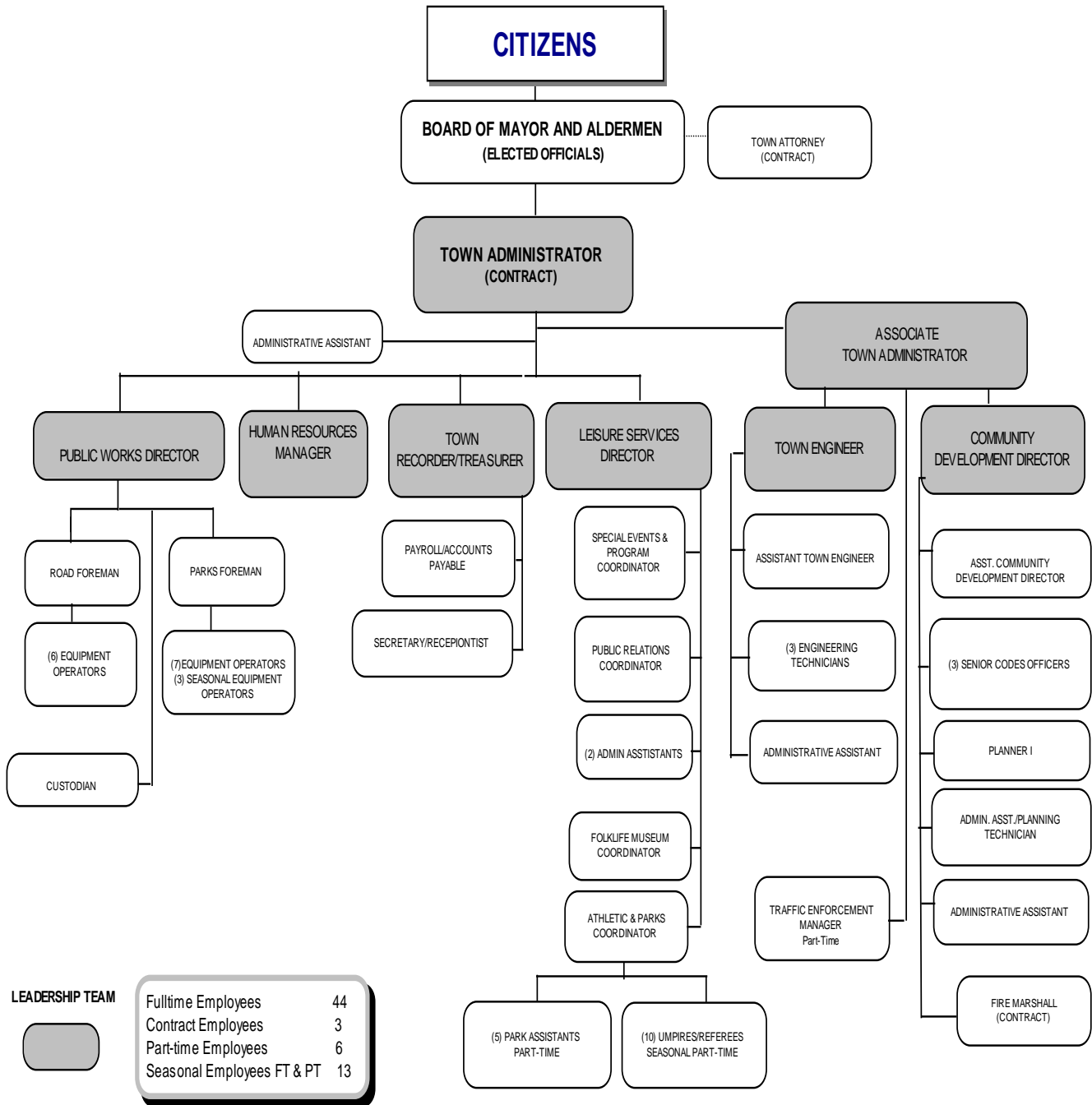


Executive Director/CEO

TOWN OF FARRAGUT, TENNESSEE

ORGANIZATION CHART

June 30, 2017



TOWN OF FARRAGUT, TENNESSEE
TOWN OFFICIALS
June 30, 2017

MAYOR

Ralph McGill

VICE-MAYOR

Ron Pinchok

ALDERMEN

Robert N. Markli
Louise Povlin
Ron Williams

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

TOWN OF FARRAGUT, TENNESSEE

SECTION TWO

FINANCIAL SECTION

June 30, 2017

This page intentionally left blank.



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Farragut as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison information for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 – 20 and required supplementary schedules on pages 63 – 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farragut, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules of nonmajor governmental funds and the capital projects funds, capital assets used in the operation of governmental funds, miscellaneous schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, on our consideration of the Town of Farragut, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Farragut, Tennessee's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
November 22, 2017

This page intentionally left blank.



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, 2017. 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, 2017 by \$65.0 million (net position). Of this amount, \$28.4 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2017, the Town's governmental funds reported combined ending fund balance of \$29.1 million. Approximately 47% of this total amount (\$13.6 million) is unassigned fund balance available for spending at the government's discretion.
- ◆ At June 30, 2017, total unrestricted fund balance for the general fund was \$14.5 million. The unassigned portion of unrestricted fund balance is \$13.6 million, which is 231% of total general fund expenditures of \$5.9 million.
- ◆ Other than compensated absences in the amount of \$175,830, 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>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current assets	\$ 29,304,137	\$ 25,389,496
Capital assets, net	<u>36,025,657</u>	<u>34,683,541</u>
Total Assets	<u>65,329,794</u>	<u>60,073,037</u>
<u>Deferred Outflows of Resources</u>	<u>14,275</u>	<u>9,099</u>
<u>Liabilities</u>		
Compensated Absences	175,830	177,313
Notes payable	-	250,000
Other liabilities	<u>154,281</u>	<u>630,247</u>
Total Liabilities	<u>330,111</u>	<u>1,057,560</u>
<u>Net Position</u>		
Net investment in capital assets	36,025,657	34,433,541
Restricted	570,136	304,362
Unrestricted	<u>28,418,165</u>	<u>24,286,673</u>
Total Net Position	<u>\$ 65,013,958</u>	<u>\$ 59,024,576</u>

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources exceeded liabilities by \$65.0 million at June 30, 2017.

The largest portion of the Town's net position (55.4%) reflects its investment of \$36.0 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.

An additional portion of the Town's net position, \$0.6 million (0.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$28.4 million (43.7%) 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 \$6.0 million during the current fiscal year as shown below:

	Changes in Net Position Governmental Activities	
<u>Revenues</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Program Revenues:		
Charges for services	\$ 942,624	\$ 853,113
Operating grants and contributions	624,491	566,655
Capital grants and contributions	283,951	461,919
General Revenues:		
Sales taxes	7,947,811	7,865,155
State income taxes	1,143,490	926,868
Wholesale beer and liquor tax	1,182,804	1,152,215
Miscellaneous taxes	539,422	441,486
Unrestricted investment earnings	104,581	44,880
Gain on deletion of capital assets	56,092	17,988
Other	408,659	401,519
Total Revenues	<u>13,233,925</u>	<u>12,731,798</u>
<u>Expenses</u>		
General government	4,600,409	4,476,319
Public works	2,640,384	2,961,762
Debt service	3,750	7,500
Total Expenses	<u>7,244,543</u>	<u>7,445,581</u>
Increase in net position	5,989,382	5,286,217
Net position at beginning of year	<u>59,024,576</u>	<u>53,738,359</u>
Net position at end of year	<u>\$65,013,958</u>	<u>\$59,024,576</u>

Of the \$6.0 million increase in net position, \$1.4 million is a result of a net increase in net capital assets, and \$4.6 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.

FUND STATEMENTS FINANCIAL ANALYSIS (Continued)

Governmental Funds (Continued)

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$29.1 million, an increase of \$4.3 million over the prior year. Approximately \$13.6 million of this total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is either nonspendable, restricted, or assigned to indicate that it is not available for new spending because it represents prepayments or it has already been restricted or assigned under the Town's tentative plans.

Revenues for governmental functions overall totaled approximately \$13.2 million in the fiscal year ended June 30, 2017, which represents an increase of 4% over the fiscal year ended June 30, 2016. Expenditures for governmental functions, totaling \$8.9 million, decreased by approximately 19% from the fiscal year ended June 30, 2016. In the fiscal year ended June 30, 2017, revenues for governmental functions exceeded expenditures by \$4.4 million or 33.1% of revenues.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance of the General Fund was \$14.5 million of which \$0.81 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 229% of total general fund expenditures of \$5.9 million, while total fund balance represents 243% of that same amount.

In the General Fund, local taxes decreased by \$88 thousand due to decreased collections from merchants and wholesalers; licenses and permits increased by \$94 thousand due primarily to increases in the issuance of building permits; intergovernmental revenue (state-shared taxes) increased by \$546 thousand due primarily to an increase in sales tax and income tax collected by the state; and other revenue decreased by \$10 thousand due primarily to a decrease in rental revenue. Interest income increased by \$28 thousand because of both higher interest rates and an increase in investments. Regarding General Fund expenditures, general government expenditures increased by \$100 thousand over fiscal year 2016 due primarily to increases in information technology and leisure services expenditures, while public works expenditures increased by \$29 thousand over Fiscal Year 2016 due primarily to increases in equipment and event decorations expenditures.

In the Capital Projects Fund, assigned fund balance was \$12.46 million at the end of the current fiscal year, an increase of \$1.13 million over the prior year.

In the Capital Projects Fund, revenues decreased by \$163 thousand due to a decrease in utility relocation assistance payments which was significantly offset by increases in investment earnings, federal and state grants, and road development fees. Expenditures decreased by \$1.8 million from Fiscal Year 2016 due primarily to less expenditures for park improvements and road construction.

In the remaining non-major funds, fund balance was \$2.19 million at the end of the current fiscal year, an increase of \$0.45 million over the prior year. Expenditures decreased by \$415 thousand from Fiscal Year 2016 due to decreased spending for capital outlay and public works, whereas revenue increased by \$70 thousand over the prior fiscal year due to an increase in intergovernmental revenue and equipment sales. The fund balance increase was the result of revenues and other financing sources exceeding expenditures.

FUND STATEMENTS FINANCIAL ANALYSIS (Continued)

Budget Highlights – General Fund

During the year, actual revenues exceeded budgetary estimates by \$2.10 million in the General Fund. This is due primarily to higher-than-anticipated local and state sales taxes, wholesale liquor taxes, state income taxes, and cable television franchise fees.

Actual expenditures were below budgetary estimates by \$0.84 million in the General Fund. This was primarily due to the Town's budget-adherence efforts and lower-than-anticipated expenditures for professional fees, salaries and health insurance, payments to Knox County Schools, and economic development partnerships.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2017 amount to \$36.0 million (net of accumulated depreciation), an increase of \$1.30 million over the June 30, 2016 total. Capital assets include land, buildings, infrastructure, improvements, furniture, fixtures, and equipment, transportation equipment, the Admiral Farragut Collection, and construction in progress. The following table reflects the capital assets at the end of both the current and prior fiscal years:

Capital Assets, Net of Depreciation Governmental Activities

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Land	\$ 3,918,111	\$ 3,918,111
Buildings	3,091,501	3,035,029
Infrastructure	24,479,672	24,161,664
Improvements	7,663,769	7,113,527
Furniture, fixtures, and equipment	2,300,452	2,129,602
Transportation equipment	504,962	636,022
Admiral Farragut Collection	109,978	109,978
Construction in progress	<u>7,021,370</u>	<u>5,751,948</u>
Total Capital Assets	49,089,815	46,855,881
Less: Accumulated Depreciation	<u>(13,064,158)</u>	<u>(12,172,340)</u>
Capital Assets, net of depreciation	<u>\$ 36,025,657</u>	<u>\$ 34,683,541</u>

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

- Mayor Bob Leonard Playground improvements
- Acquisition of various equipment and vehicles for use in governmental activities.
- Campbell Station Inn improvements.
- Completion of splash pad at McFee Park.
- Construction on the Watt Road/Kingston Pike intersection project.
- Traffic signal enhancements.
- Construction on the Everett Road project.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt Administration

At the end of the current fiscal year, the Town had compensated absences in the amount of approximately \$175,830.

Outstanding Long-term Obligations Governmental Activities

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Capital Outlay Note, Series 2013	\$ -	\$ 250,000
Compensated absences	<u>175,830</u>	<u>177,313</u>
	<u>\$ 175,830</u>	<u>\$ 427,313</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, 2017 and ending June 30, 2018 totals \$16.2 million, an increase of \$0.5 million over last year's final budget of \$15.7 million. The General and Special Revenue Funds have budgeted expenditures of \$8.0 million, while the Capital Projects Funds have budgeted expenditures of \$8.2 million.

The fiscal 2018 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

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
GOVERNMENT-WIDE FINANCIAL STATEMENTS
June 30, 2017

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017
With Comparative Totals as of June 30, 2016

ASSETS	Governmental Activities	
	2017	2016
Cash on hand and in bank	\$ 5,887,587	\$ 4,935,315
Investments	22,177,530	19,072,986
Accounts receivable	142,841	117,365
Due from other governments	1,017,065	1,257,596
Prepaid expenses	57,036	-
Other	500	-
Net pension asset	21,578	6,234
Capital assets:		
Non-depreciable assets:		
Land	3,918,111	3,918,111
Admiral David Farragut Collection	109,978	109,978
Construction-in-Progress	7,021,370	5,751,948
Depreciable assets (net of accumulated depreciation):		
Buildings	1,663,497	1,673,461
Improvements	5,988,985	5,733,988
Furniture, fixtures, and equipment	1,158,091	1,084,633
Transportation equipment	90,359	119,073
Infrastructure	16,075,266	16,292,349
Total Assets	65,329,794	60,073,037
 DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	14,275	9,099
 LIABILITIES		
Accounts payable	49,127	195,086
Accrued wages and benefits	72,962	48,961
Due to other governments	22,558	376,566
Funds held for others	9,634	9,634
Compensated absences:		
Payable within one year	175,830	177,313
Payable after one year	-	-
Notes payable:		
Portion due within one year	-	250,000
Portion due after one year	-	-
Total Liabilities	330,111	1,057,560
 DEFERRED INFLOWS OF RESOURCES	-	-
 NET POSITION		
Net investment in capital assets	36,025,657	34,433,541
Restricted for:		
State Street Aid Projects	534,283	289,029
Pension	35,853	15,333
Unrestricted position	28,418,165	24,286,673
Total Net Position	\$ 65,013,958	\$ 59,024,576

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF ACTIVITIES
Governmental Activities
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2017</u>	<u>2016</u>
General Government	\$ 4,600,409	\$ 861,180	\$ -	\$ 29,450	\$ (3,709,779)	\$ (3,686,860)
Public Works	2,640,384	81,444	624,491	254,501	(1,679,948)	(1,869,534)
Debt Service:						
Interest on long-term debt	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,750)</u>	<u>(7,500)</u>
Total Government	<u>\$ 7,244,543</u>	<u>\$ 942,624</u>	<u>\$ 624,491</u>	<u>\$ 283,951</u>	<u>\$ (5,393,477)</u>	<u>\$ (5,563,894)</u>
General Revenues (Unrestricted):						
Sales tax					7,947,811	7,865,155
State income tax					1,143,490	926,868
Wholesale beer and liquor tax					1,182,804	1,152,215
TVA replacement tax					255,852	242,633
Mixed drink tax					225,260	144,957
Miscellaneous taxes					58,310	53,896
Cable TV franchise fee					384,840	375,114
Interest earned					104,581	44,880
Miscellaneous					23,819	26,405
Gain on deletion of capital assets					<u>56,092</u>	<u>17,988</u>
Total General Revenues					<u>11,382,859</u>	<u>10,850,111</u>
Change in Net Position					5,989,382	5,286,217
Net Position – Beginning					<u>59,024,576</u>	<u>53,738,359</u>
Net Position – Ending					<u>\$ 65,013,958</u>	<u>\$ 59,024,576</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE

FUND FINANCIAL STATEMENTS

June 30, 2017

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2017
With Comparative Totals as of June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
				<u>2017</u>	<u>2016</u>
Assets:					
Cash in hand and in bank	\$ 5,887,587	\$ -	\$ -	\$ 5,887,587	\$ 4,935,315
Investments	7,717,673	12,322,440	2,137,417	22,177,530	19,072,986
Accounts receivable	142,841	-	-	142,841	117,365
Due from other governments	964,445	-	52,620	1,017,065	1,257,596
Due from other funds	-	171,306	-	171,306	89,862
Prepaid expenses	57,036	-	-	57,036	-
Other assets	500	-	-	500	-
Total Assets	<u>14,770,082</u>	<u>12,493,746</u>	<u>2,190,037</u>	<u>29,453,865</u>	<u>25,473,124</u>
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 14,770,082</u>	<u>\$ 12,493,746</u>	<u>\$ 2,190,037</u>	<u>\$ 29,453,865</u>	<u>\$ 25,473,124</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 18,356	\$ 30,771	\$ -	\$ 49,127	\$ 195,086
Accrued wages and benefits	72,962	-	-	72,962	48,961
Due to other governments	22,558	-	-	22,558	376,566
Due to other funds	171,306	-	-	171,306	89,862
Funds held for others	9,634	-	-	9,634	9,634
Total Liabilities	<u>294,816</u>	<u>30,771</u>	<u>-</u>	<u>325,587</u>	<u>720,109</u>
Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	57,036	-	-	57,036	-
Restricted	-	-	534,283	534,283	289,029
Assigned	806,448	12,462,975	1,655,754	14,925,177	15,444,293
Unassigned	<u>13,611,782</u>	<u>-</u>	<u>-</u>	<u>13,611,782</u>	<u>9,019,693</u>
Total Fund Balances	<u>14,475,266</u>	<u>12,462,975</u>	<u>2,190,037</u>	<u>29,128,278</u>	<u>24,753,015</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,770,082</u>	<u>\$ 12,493,746</u>	<u>\$ 2,190,037</u>	<u>\$ 29,453,865</u>	<u>\$ 25,473,124</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2017
With Comparative Totals as of June 30, 2016

	<u>2017</u>	<u>2016</u>
Fund Balance – Total Governmental Funds	\$ 29,128,278	\$ 24,753,015
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement of net position are different because:</p>		
1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	36,025,657	34,683,541
(2) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.....	(175,830)	(427,313)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Deferred outflows related to pensions \$ 14,275		
Less: Deferred inflows related to pensions _____ -	14,275	9,099
(4) Net pension asset is not a current financial resource and, therefore, is not reported in the governmental funds	_____ 21,578	_____ 6,234
Net Position of Governmental Activities	<u>\$ 65,013,958</u>	<u>\$ 59,024,576</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Governmental Funds
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
				<u>2017</u>	<u>2016</u>
Revenues:					
Local Taxes:					
Local option sales tax	\$ 6,082,516	\$ -	\$ -	\$ 6,082,516	\$ 6,201,560
Other taxes	1,182,804	-	-	1,182,804	1,152,215
Licenses, permits and fees	892,738	81,444	-	974,182	852,894
Intergovernmental:					
State taxes	3,548,207	-	624,491	4,172,698	3,598,604
State grant	29,450	50	-	29,500	42,950
Federal grants	-	254,451	-	254,451	-
Charges for services	175,778	-	-	175,778	156,516
Fines, forfeitures, and costs	77,912	-	-	77,912	89,487
Investment income	43,617	52,260	8,704	104,581	44,880
Miscellaneous revenue	<u>123,411</u>	<u>-</u>	<u>62,084</u>	<u>185,495</u>	<u>624,906</u>
Total Revenues	<u>12,156,433</u>	<u>388,205</u>	<u>695,279</u>	<u>13,239,917</u>	<u>12,764,012</u>
Expenditures:					
Current:					
General government	4,289,532	-	-	4,289,532	4,189,530
Public works	1,656,697	-	379,237	2,035,934	2,354,518
Capital Outlay	-	2,174,878	110,560	2,285,438	4,165,960
Debt Service	<u>-</u>	<u>253,750</u>	<u>-</u>	<u>253,750</u>	<u>257,500</u>
Total Expenditures	<u>5,946,229</u>	<u>2,428,628</u>	<u>489,797</u>	<u>8,864,654</u>	<u>10,967,508</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>6,210,204</u>	<u>(2,040,423)</u>	<u>205,482</u>	<u>4,375,263</u>	<u>1,796,504</u>
Other Financing Sources (Uses):					
Transfers In	-	3,168,963	243,253	3,412,216	3,270,000
Transfers Out	<u>(3,412,216)</u>	<u>-</u>	<u>-</u>	<u>(3,412,216)</u>	<u>(3,270,000)</u>
Total Other Financing Sources (Uses)	<u>(3,412,216)</u>	<u>3,168,963</u>	<u>243,253</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,797,988	1,128,540	448,735	4,375,263	1,796,504
Fund Balance – July 1st	<u>11,677,278</u>	<u>11,334,435</u>	<u>1,741,302</u>	<u>24,753,015</u>	<u>22,956,511</u>
Fund Balance – June 30th	<u>\$ 14,475,266</u>	<u>\$ 12,462,975</u>	<u>\$ 2,190,037</u>	<u>\$ 29,128,278</u>	<u>\$ 24,753,015</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Net change in fund balance – total governmental funds	\$ 4,375,263	\$ 1,796,504
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p> <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in accrual for compensated absences \$ 1,483		
Change in net pension liability/asset 15,344		
Change in deferred outflows related to pensions <u>5,176</u>	22,003	(9,919)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.....	1,348,108	3,281,846
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.....	(62,084)	(50,202)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. However, in the statement of activities, gains and losses are recorded for disposals. This is the amount of net gain (loss) on the disposal of capital assets in the current period	56,092	17,988
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which the retirement of long-term debt exceeded debt proceeds in the current period.	<u>250,000</u>	<u>250,000</u>
Changes in net position of governmental activities	<u>\$ 5,989,382</u>	<u>\$ 5,286,217</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2016</u>
REVENUES:				
Local Taxes:				
Local option sales tax	\$ 5,650,000	\$ 6,082,516	\$ 432,516	\$ 6,201,560
Wholesale beer tax	560,000	593,344	33,344	600,437
Wholesale liquor tax.....	<u>400,000</u>	<u>589,460</u>	<u>189,460</u>	<u>551,778</u>
Total Local Taxes.....	<u>6,610,000</u>	<u>7,265,320</u>	<u>655,320</u>	<u>7,353,775</u>
Licenses and Permits.....	<u>263,500</u>	<u>507,898</u>	<u>244,398</u>	<u>414,126</u>
Intergovernmental:				
State sales tax	1,830,600	1,865,295	34,695	1,663,595
State income tax	375,000	1,143,490	768,490	926,868
State beer tax	11,300	10,949	(351)	10,096
Street transportation and street aid	46,330	45,490	(840)	42,064
TVA replacement tax	265,550	255,852	(9,698)	242,633
Mixed drink tax.....	130,000	225,260	95,260	144,957
Grant.....	-	29,450	29,450	-
Telecommunications sales tax.....	<u>1,400</u>	<u>1,871</u>	<u>471</u>	<u>1,736</u>
Total Intergovernmental....	<u>2,660,180</u>	<u>3,577,657</u>	<u>917,477</u>	<u>3,031,949</u>
Interest Income	<u>6,000</u>	<u>43,617</u>	<u>37,617</u>	<u>15,977</u>
Other:				
Park and recreation	111,000	175,778	64,778	156,516
Fines and costs.....	40,200	77,912	37,712	89,487
Cable TV franchise fee	280,000	384,840	104,840	375,114
Museum revenue	-	11,012	11,012	9,244
Solar panel rebate	-	1,943	1,943	1,693
Miscellaneous	2,600	21,876	19,276	19,874
Rental	<u>82,882</u>	<u>88,580</u>	<u>5,698</u>	<u>120,086</u>
Total Other	<u>516,682</u>	<u>761,941</u>	<u>245,259</u>	<u>772,014</u>
Total Revenues.....	<u>10,056,362</u>	<u>12,156,433</u>	<u>2,100,071</u>	<u>11,587,841</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE– BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals <u>2016</u>
EXPENDITURES:				
General Government:				
Legislative:				
Legal notices	5,500	11,668	(6,168)	6,146
Travel and training.....	38,900	28,983	9,917	16,594
Dues and subscriptions	9,750	11,338	(1,588)	9,890
Printing and supplies.....	500	261	239	408
Education programs	4,500	4,208	292	3,237
Meeting expenses	<u>2,000</u>	<u>1,955</u>	<u>45</u>	<u>1,376</u>
Total Legislative	<u>61,150</u>	<u>58,413</u>	<u>2,737</u>	<u>37,651</u>
Town Court:				
Salaries	7,400	2,262	5,138	1,900
Traffic enforcement program.....	51,480	46,981	4,499	44,295
Payroll taxes.....	4,321	3,778	543	3,544
Other employee benefits	1,734	-	1,734	1,230
Dues and subscriptions.....	1,000	25	975	25
Supplies	<u>500</u>	<u>-</u>	<u>500</u>	<u>238</u>
Total Town Court.....	<u>66,435</u>	<u>53,046</u>	<u>13,389</u>	<u>51,232</u>
Town Administration:				
Salaries	467,018	457,306	9,712	462,917
Payroll taxes.....	19,471	18,904	567	21,444
Health insurance	68,813	72,796	(3,983)	67,070
Retirement.....	44,301	45,395	(1,094)	42,523
Other employee benefits	5,595	5,719	(124)	6,424
Dues and subscriptions.....	7,500	7,546	(46)	7,371
Supplies	2,300	1,862	438	399
Printing	8,600	6,638	1,962	5,066
Travel and training	22,050	14,624	7,426	17,115
Surety bonds	1,600	1,421	179	414
Accounting and auditing.....	13,500	13,900	(400)	13,500
Professional fees.....	25,000	12,965	12,035	9,090
Special census	-	-	-	40,897
Bank charges	16,200	10,388	5,812	10,117
Books/Educational materials.....	2,250	706	1,544	1,651

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals <u>2016</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Town Administration (Continued):				
Auto allowance	7,200	6,951	249	7,256
Sundry	<u>500</u>	<u>18</u>	<u>482</u>	<u>41</u>
Total Town Administration.....	<u>711,898</u>	<u>677,139</u>	<u>34,759</u>	<u>713,295</u>
Information Technologies:				
Salaries	45,000	35,595	9,405	6,899
Payroll taxes.....	4,208	2,719	1,489	524
Health insurance	15,273	13,700	1,573	1,833
Retirement.....	2,200	1,424	776	269
Other employee benefits.....	418	265	153	182
Professional services	-	-	-	51,295
Dues and subscriptions.....	50	-	50	-
Travel	1,700	1,318	382	4,967
Audio visual maintenance	7,500	3,146	4,354	3,414
GIS system.....	39,520	34,818	4,702	28,225
Data processing	104,573	93,871	10,702	98,359
Website maintenance	8,200	8,674	(474)	8,267
Tyler code maintenance.....	13,000	14,743	(1,743)	13,633
Laserfiche maintenance.....	9,155	4,777	4,378	4,777
Municode maintenance.....	18,000	4,635	13,365	1,285
Infrastructure upgrade.....	55,000	52,990	2,010	-
Computer equipment	35,600	18,338	17,262	16,633
Park Wi-fi.....	<u>9,000</u>	<u>8,983</u>	<u>17</u>	<u>-</u>
Total Information Technologies	<u>368,397</u>	<u>299,996</u>	<u>68,401</u>	<u>240,562</u>
Community Development:				
Salaries	422,204	417,248	4,956	408,174
Payroll taxes.....	27,741	28,195	(454)	28,024
Health insurance	100,465	101,053	(588)	99,770
Retirement.....	35,354	36,124	(770)	32,730
Other employee benefits.....	11,474	11,530	(56)	10,174
Legal notices.....	3,000	6,886	(3,886)	4,657
Dues and subscriptions.....	1,880	1,277	603	1,896
Professional services	98,150	66,315	31,835	62,832

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2016</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Community Development				
(Continued):				
Supplies	1,000	903	97	535
Travel and training	15,050	8,559	6,491	10,604
Gas, oil, fuel	4,000	2,886	1,114	2,180
Employee auto	3,600	3,614	(14)	3,628
Printing	5,500	4,665	835	3,866
Books/Educational				
Materials	6,700	6,862	(162)	4,725
Equipment	3,500	945	2,555	440
Uniforms	<u>5,000</u>	<u>2,367</u>	<u>2,633</u>	<u>2,024</u>
Total Community				
Development	<u>744,618</u>	<u>699,429</u>	<u>45,189</u>	<u>676,259</u>
Engineering:				
Salaries	391,721	381,334	10,387	378,001
Payroll taxes	25,765	29,326	(3,561)	28,705
Health insurance	81,308	81,661	(353)	77,419
Retirement	26,278	27,070	(792)	27,048
Other employee benefits	8,250	8,431	(181)	7,046
Dues and subscriptions	2,380	1,278	1,102	1,301
Professional services	50,000	8,799	41,201	58,298
Supplies and printing	1,200	817	383	651
Education program	1,000	-	1,000	-
Traffic signal maintenance	48,000	28,506	19,494	32,653
Traffic signal timing	8,000	1,919	6,081	1,035
Clothing and uniforms	3,200	1,770	1,430	2,186
Travel and training	8,500	1,492	7,008	1,734
Gas, oil, fuel	3,800	2,371	1,429	2,357
NPDES – Storm water	35,535	34,759	776	22,174
Equipment/software	5,000	339	4,661	1,402
Auto allowance	<u>3,600</u>	<u>3,476</u>	<u>124</u>	<u>3,628</u>
Total Engineering	<u>703,537</u>	<u>613,348</u>	<u>90,189</u>	<u>645,638</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	<u>Totals</u> <u>2016</u>
EXPENDITURES (Continued):				
General Government (Continued):				
General Government Buildings:				
Postage	6,500	3,926	2,574	3,559
Security	3,500	1,495	2,005	720
Utilities.....	68,000	52,668	15,332	53,840
Telephone	36,285	36,524	(239)	32,490
Repair and maintenance -				
Office equipment	2,500	-	2,500	297
Building	44,900	40,846	4,054	37,316
Radio communication.....	7,550	3,744	3,806	2,775
Office supplies.....	18,000	12,815	5,185	9,437
First aid services	1,000	580	420	248
Equipment.....	2,000	327	1,673	5,899
LED lighting.....	-	-	-	59,049
Equipment rental.....	<u>18,000</u>	<u>12,260</u>	<u>5,740</u>	<u>12,824</u>
Total General Government Buildings....	<u>208,235</u>	<u>165,185</u>	<u>43,050</u>	<u>218,454</u>
Leisure Services:				
Salaries	466,463	442,989	23,474	424,670
Payroll taxes.....	34,722	33,565	1,157	31,781
Health insurance	117,969	104,918	13,051	111,331
Retirement.....	25,319	22,893	2,426	22,178
Other employee benefits	5,944	6,079	(135)	4,938
Dues and subscriptions.....	3,000	2,500	500	2,035
Publication of annual report ...	17,600	16,892	708	15,918
Community relations	4,500	1,719	2,781	1,519
Event decorations	4,500	2,155	2,345	19,238
Education program.....	1,000	1,000	-	-
Community programs.....	30,000	23,178	6,822	27,786
Supplies	10,000	7,321	2,679	6,231
Utilities.....	85,000	113,661	(28,661)	76,338
Professional services	50,000	42,771	7,229	37,086
Travel and training	12,000	8,441	3,559	7,317
Gas, oil, fuel	5,500	2,937	2,563	2,872
Auto Allowance	3,600	3,614	(14)	3,489

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2016</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Leisure Services (Continued):				
Farragut Folklife Museum.	26,000	31,045	(5,045)	10,191
Volunteer program	14,000	7,524	6,476	13,309
Other programs	7,500	7,783	(283)	6,026
Advertising/printing.....	25,000	24,749	251	25,031
Educational materials.....	250	36	214	53
Equipment/Software.....	73,400	66,608	6,792	67,311
Uniforms.....	<u>1,500</u>	<u>628</u>	<u>872</u>	<u>1,307</u>
Total Leisure Services.....	<u>1,024,767</u>	<u>975,006</u>	<u>49,761</u>	<u>917,955</u>
Human Resources:				
Salaries	73,276	73,481	(205)	68,699
Payroll taxes.....	5,481	6,191	(710)	6,202
Health insurance	6,342	5,518	824	4,636
Retirement.....	4,299	4,409	(110)	4,509
Other employee benefits	986	1,019	(33)	1,002
Employee recognition.....	18,000	18,548	(548)	17,513
Travel and Training	3,650	2,987	663	2,375
Dues and Subscriptions	565	418	147	527
Printing	6,000	5,305	695	1,345
Employee Assistance.....	1,800	2,034	(234)	2,174
HRA Benefits.....	20,000	31,952	(11,952)	7,719
Wellness.....	7,500	4,420	3,080	2,007
Professional services	<u>12,700</u>	<u>20,170</u>	<u>(7,470)</u>	<u>17,913</u>
Total Human Resources	<u>160,599</u>	<u>176,452</u>	<u>(15,853)</u>	<u>136,621</u>
Economic Development:				
Advertising and printing.....	4,000	371	3,629	1,664
Professional services	110,000	95,500	14,500	74,100
Economic development partnership.....	41,500	11,104	30,396	43,084
Travel and training	<u>2,500</u>	<u>2,983</u>	<u>(483)</u>	<u>2,410</u>
Total Economic Development.....	<u>158,000</u>	<u>109,958</u>	<u>48,042</u>	<u>121,258</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Totals 2016</u>
EXPENDITURES (Continued):				
General Government (Continued):				
Non-departmental (Continued):				
Legal	110,000	109,616	384	115,966
Property insurance	50,000	32,637	17,363	50,000
Liability insurance.....	55,000	43,571	11,429	42,161
Insurance claims	8,000	10,721	(2,721)	2,000
Community support	38,385	39,385	(1,000)	35,000
Park & Ride	3,000	3,000	-	3,000
School support	110,000	110,000	-	110,000
Taxes shared with Knox				
County Schools.....	<u>436,943</u>	<u>112,630</u>	<u>324,313</u>	<u>72,478</u>
Total Non-departmental	<u>811,328</u>	<u>461,560</u>	<u>349,768</u>	<u>430,605</u>
Total General				
Government.....	<u>5,018,964</u>	<u>4,289,532</u>	<u>729,432</u>	<u>4,189,530</u>
Public Works:				
Salaries.....	865,382	827,709	37,673	852,731
Payroll taxes	53,330	55,444	(2,114)	55,681
Health insurance.....	337,148	328,489	8,659	319,955
Retirement	61,922	54,207	7,715	56,632
Other employee benefits.....	39,500	36,591	2,909	33,430
Education program	1,000	-	1,000	-
Dues and subscriptions	1,400	1,085	315	1,365
Utilities	11,000	10,809	191	8,772
Traffic signals.....	7,000	6,813	187	11,825
Street lights.....	70,000	70,106	(106)	62,382
Repairs and maintenance -				
Motor vehicles	43,000	45,833	(2,833)	39,743
Building.....	11,000	10,848	152	4,628
Other maintenance.....	55,000	45,319	9,681	52,222
Travel and training	10,000	8,153	1,847	8,475
Mowing and street sweeping ...	26,000	23,850	2,150	21,800
Refuse hauling.....	10,000	5,902	4,098	8,391
Equipment rental.....	3,000	4,497	(1,497)	2,631
Supplies	5,000	4,990	10	3,448

(Continued)

TOWN OF FARRAGUT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (<u>Negative</u>)	Totals <u>2016</u>
EXPENDITURES (Continued):				
Public Works:				
Gas, oil, diesel	50,000	30,553	19,447	31,136
Signs	19,000	18,641	359	16,117
Cement and concrete.....	1,000	319	681	515
Crushed stone and sand.....	2,000	288	1,712	868
Snow removal supplies	15,700	10,061	5,639	9,336
Machinery and equipment.....	15,500	14,302	1,198	4,145
Uniforms.....	15,000	13,681	1,319	13,147
Drainage projects.....	10,000	6,875	3,125	4,441
Sidewalk construction	6,500	315	6,185	4,228
Event decorations	16,000	15,774	226	-
Boundary maintenance	<u>5,300</u>	<u>5,243</u>	<u>57</u>	<u>-</u>
 Total Public Works	 <u>1,766,682</u>	 <u>1,656,697</u>	 <u>109,985</u>	 <u>1,628,044</u>
 Total Expenditures	 <u>6,785,646</u>	 <u>5,946,229</u>	 <u>839,417</u>	 <u>5,817,574</u>
 Excess of Revenues Over Expenditures.....	 3,270,716	 6,210,204	 2,939,488	 5,770,267
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(3,348,253)</u>	<u>(3,412,216)</u>	<u>(63,963)</u>	<u>(3,270,000)</u>
NET CHANGE IN FUND BALANCE				
	(77,537)	2,797,988	2,875,525	2,500,267
FUND BALANCE – July 1st	<u>11,677,278</u>	<u>11,677,278</u>	<u>-</u>	<u>9,177,011</u>
FUND BALANCE – June 30th.....	<u>\$11,599,741</u>	<u>\$14,475,266</u>	<u>\$ 2,875,525</u>	<u>\$11,677,278</u>

See accompanying independent auditors' report and notes.

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

(A) FINANCIAL REPORTING ENTITY:

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

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

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

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

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

The Town currently has no business-type activities.

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

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

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

(C) BASIS OF PRESENTATION:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(C) BASIS OF PRESENTATION (Continued):

The following categories are used by the Town:

Governmental Fund Types

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

Governmental Funds include the following fund types:

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

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

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

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

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

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

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

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017 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. The budgets were amended during the year as follows:

State Street Aid Fund expenditures increased by \$321,054

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017 there were no significant encumbrances in the major and non-major funds of the Town.

(G) USE OF ESTIMATES:

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

(H) CASH

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

(I) INVESTMENTS:

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(I) INVESTMENTS (Continued):

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

(J) COMPENSATED ABSENCES:

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

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

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

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

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

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

Seasonal, temporary or emergency employees will not accrue leave.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(J) COMPENSATED ABSENCES (Continued):

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

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

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

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(J) COMPENSATED ABSENCES (Continued):

c. Bereavement Leave (Continued)

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

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

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

(K) CAPITAL ASSETS:

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

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(K) CAPITAL ASSETS (Continued):

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

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

(L) LONG-TERM OBLIGATIONS:

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

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

(M) FUND BALANCE:

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(M) FUND BALANCE (Continued):

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

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

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

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

Maintaining a Financial Stabilization Account is a necessity for sound financial management and fiscal accountability. The Town's governing body has the authority to establish a Financial Stabilization Account. The Town has a stabilization arrangement under resolution 2011-05 for the purpose of providing funds for an urgent event that affects the safety of the general public. The minimum level for the Financial Stabilization Account is 5% of General Fund expenditures. The recognition of an urgent event must be established by the governing body or their designee, the Town Administrator. Amounts will be added to maintain the minimum level as established by the policy. At June 30, 2017, the balance of the arrangement was \$297,400.

(N) COMPARATIVE TOTAL DATA:

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

(O) PENSIONS:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

Balance Sheet/Statement of Net Position

	Total Governmental <u>Funds</u>	Long-term Assets, <u>Liabilities</u> (1) (2) (3) (4)	Statement of <u>Net Position</u>
ASSETS			
Cash on hand and in bank	\$ 5,887,587	\$ -	\$ 5,887,587
Investments	22,177,530	-	22,177,530
Accounts receivable	142,841	-	142,841
Due from other governments	1,017,065	-	1,017,065
Due from other funds	171,306	-	171,306
Prepaid expenses	57,036	-	57,036
Other	500	-	500
Net pension asset	-	21,578	21,578
Capital assets, Net	<u>-</u>	<u>36,025,657</u>	<u>36,025,657</u>
Total Assets	<u>29,453,865</u>	<u>36,047,235</u>	<u>65,501,100</u>
DEFERRED OUTFLOW OF RESOURCES			
	<u>-</u>	<u>14,275</u>	<u>14,275</u>
LIABILITIES AND NET POSITION			
Accounts payable	\$ 49,127	\$ -	\$ 49,127
Accrued wages and benefits	72,962	-	72,962
Due to other governments	22,558	-	22,558
Funds held for others	9,634	-	9,634
Due to other funds	171,306	-	171,306
Compensated absences	<u>-</u>	<u>175,830</u>	<u>175,830</u>
Total Liabilities	<u>325,587</u>	<u>175,830</u>	<u>501,417</u>
Fund Balance/Net Position	<u>\$ 29,128,278</u>	<u>\$ 35,885,680</u>	<u>\$ 65,013,958</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

Cost of Capital Assets	\$ 49,089,815
Accumulated depreciation	<u>(13,064,158)</u>
	<u>\$ 36,025,657</u>

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

Compensated Absences	<u>\$ 175,830</u>
----------------------	-------------------

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

Deferred outflows related to pensions	\$ 14,275
Deferred inflows related to pensions	<u>-</u>
	<u>\$ 14,275</u>

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

Net pension asset	<u>\$ 21,578</u>
-------------------	------------------

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

The effect of the differences is illustrated below.

	Total Governmental <u>Funds</u>	Capital- Related <u>Items</u> (1)	Long-term Debt <u>Transactions</u> (2) (3)	<u>Reclassi- fications</u>	Statement of <u>Activities</u>
REVENUES					
Taxes:					
Local option sales taxes	\$ 6,082,516	\$ -	\$ -	\$ -	\$ 6,082,516
Other taxes	1,182,804	-	-	-	1,182,804
Licenses, permits and fees	974,182	-	-	-	974,182
Intergovernmental:					
State taxes	4,172,698	-	-	-	4,172,698
State grant	29,500	-	-	-	29,500
Federal grants	254,451	-	-	-	254,451
Charges for services	175,778	-	-	-	175,778
Fines, forfeitures and costs	77,912	-	-	-	77,912
Investment income	104,581	-	-	-	104,581
Miscellaneous revenue	185,495	(62,084)	-	-	123,411
Gain on deletion of capital assets	-	56,092	-	-	56,092
Total Revenues	<u>13,239,917</u>	<u>(5,992)</u>	<u>-</u>	<u>-</u>	<u>13,233,925</u>
EXPENDITURES/ EXPENSES					
Current:					
General Government	4,289,532	425,276	(22,003)	(92,396)	4,600,409
Public Works	2,035,934	604,450	-	-	2,640,384
Debt Service:					
Principal retirement	250,000	-	(250,000)	-	-
Interest	3,750	-	-	-	3,750
Capital Outlay	<u>2,285,438</u>	<u>(2,377,834)</u>	<u>-</u>	<u>92,396</u>	<u>-</u>
Total Expenditures	<u>8,864,654</u>	<u>(1,348,108)</u>	<u>(272,003)</u>	<u>-</u>	<u>7,244,543</u>
Net Change for the Year	<u>\$ 4,375,263</u>	<u>\$ 1,342,116</u>	<u>\$ 272,003</u>	<u>\$ -</u>	<u>\$ 5,989,382</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

Capital expenditures	\$ 2,377,834
Depreciation expense	1,029,726
Difference	<u>\$ 1,348,108</u>

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

Deleted capital assets (net)	\$ 5,992
Proceeds	(62,084)
Difference	<u>\$ 56,092</u>

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

Change in accrual for compensated absences	\$ 1,483
Change in net pension liability/asset	15,344
Change in deferred outflows related to pension	5,176
	<u>\$ 22,003</u>

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

Principal payments made	<u>\$ 250,000</u>
-------------------------	-------------------

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – CASH AND INVESTMENTS:

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

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

Total Cash and Investments of \$28,065,117 at June 30, 2017, are classified as follows:

Type	Amount
Petty Cash	\$ 588
Local financial institutions	5,886,999
State of Tennessee Local Government Investment Pool.....	<u>22,177,530</u>
Total Cash and Investments.....	<u>\$28,065,117</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).

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS:

Taxes collected and held by the State of Tennessee at June 30, 2017, and remitted to the Town within sixty (60) days are reflected in the financial statements.

The amount due from the State of Tennessee directly and indirectly through Knox County, Tennessee, and Loudon County, Tennessee, at June 30, 2017, was \$964,445.

NOTE 5 – CAPITAL ASSETS:

A summary of Capital Asset Activity, for the government-wide financial statements, for the fiscal year ended June 30, 2017 is as follows:

Summary of Changes in Capital Asset Activity

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2017</u>
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 3,918,111	\$ -	\$ -	\$ 3,918,111
Admiral Farragut Collection	109,978	-	-	109,978
Construction-in-progress	<u>5,751,948</u>	<u>2,174,877</u>	<u>905,455</u>	<u>7,021,370</u>
Total Non-depreciable Assets	<u>9,780,037</u>	<u>2,174,877</u>	<u>905,455</u>	<u>11,049,459</u>
Depreciable Assets:				
Buildings	3,035,029	56,472	-	3,091,501
Improvements	7,113,527	550,242	-	7,663,769
Furniture, fixtures, and equipment	2,129,602	183,690	12,840	2,300,452
Transportation equipment	636,022	-	131,060	504,962
Infrastructure	<u>24,161,664</u>	<u>318,008</u>	<u>-</u>	<u>24,479,672</u>
Total Depreciable Assets	<u>37,075,844</u>	<u>1,108,412</u>	<u>143,900</u>	<u>38,040,356</u>
Accumulated Depreciation:				
Buildings	1,361,568	66,436	-	1,428,004
Improvements	1,379,539	295,245	-	1,674,784
Furniture, fixtures, and equipment	1,044,969	104,240	6,848	1,142,361
Transportation equipment	516,949	28,714	131,060	414,603
Infrastructure	<u>7,869,315</u>	<u>535,091</u>	<u>-</u>	<u>8,404,406</u>
Total Accumulated Depreciation	<u>12,172,340</u>	<u>1,029,726</u>	<u>137,908</u>	<u>13,064,158</u>
Net Depreciable Assets	<u>24,903,504</u>	<u>78,686</u>	<u>5,992</u>	<u>24,976,198</u>
Governmental Activities Capital Assets, Net	<u>\$34,683,541</u>	<u>\$ 2,253,563</u>	<u>\$ 911,447</u>	<u>\$36,025,657</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – CAPITAL ASSETS (Continued):

Capital assets are categorized by function as follows:

General Government	\$ 5,550,241
Public Works	33,226,738
Parks and Recreation	<u>10,312,836</u>
Total Capital Assets	<u>\$ 49,089,815</u>

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

General Government	\$ 425,276
Public Works	<u>604,450</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 1,029,726</u>

NOTE 6 – LONG-TERM DEBT:

Following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2017:

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2017</u>	Amounts Due Within <u>One (1) Year</u>
Capital Outlay Note, Series 2013	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -
Compensated absences	<u>177,313</u>	<u>204,051</u>	<u>205,534</u>	<u>175,830</u>	<u>175,830</u>
Long-term Liabilities	<u>\$ 427,313</u>	<u>\$ 204,051</u>	<u>\$ 455,534</u>	<u>\$ 175,830</u>	<u>\$ 175,830</u>

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

Because historically the retirement of Compensated Absences during the fiscal year exceeds the balance as of the beginning of each fiscal year, all of the fiscal year-end balance is shown as Due Within One (1) Year.

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.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – FUND BALANCES:

Fund balances at June 30, 2017 consist of the following:

	<u>Major Governmental Funds</u>		Non-Major Governmental <u>Funds</u>	<u>Totals</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>		
Nonspendable	\$ 57,036	\$ -	\$ -	\$ 57,036
Restricted To:				
State Street Aid	-	-	534,283	534,283
Assigned To:				
Balance June 30, 2018 Budget	775,259	-	-	775,259
Capital projects	-	12,462,975	-	12,462,975
Equipment & vehicle replacement	-	-	751,978	751,978
Stormwater	31,189	-	-	31,189
State Street Aid	-	-	903,776	903,776
Unassigned	<u>13,611,782</u>	-	-	<u>13,611,782</u>
Totals	<u>\$ 14,475,266</u>	<u>\$ 12,462,975</u>	<u>\$ 2,190,037</u>	<u>\$ 29,128,278</u>

NOTE 8 – PENSION PLANS:

Defined Benefit Plan:

Plan Description:

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

Benefits Provided:

The principal goal of the funding policy is to assure that future pension plan contributions and current plan assets should be sufficient to provide for all benefits expected to be paid to current active, inactive, and retired members, and their beneficiaries. Contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs. Members are eligible to retire with an unreduced benefit at the first month following the earlier of social security normal retirement age or the participant's sixty-seventh birthdate. An early retirement benefit is available that reduces the accrued benefit in accordance with the Social Security reduction formula, as determined by the U.S. Social Security Administration, except that no reduction shall apply after the participant reaches age sixty-five. All participants are vested in the Plan.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Benefits Provided (Continued):

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

Employees Covered by Benefit Terms:

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	3
Active employees	-
	<u>5</u>

The Plan is closed to new entrants.

Contributions:

Participants are excluded from making contributions to the Plan. The Town makes employer contributions at the rate set by the Board of Mayor and Aldermen as determined by an actuarial valuation. No contributions were made for the year ended June 30, 2017. The employer's actuarially determined contribution (ADC) is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Town's net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Actuarial Assumptions:

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Actuarial Assumptions (Continued):

inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Large Blend	7.7%	15%
Small/Mid Blend	7.7%	6%
Non US Equity – Developed	7.9%	6%
US Corporate Bonds – Core	4.9%	40%
US Corporate Bonds – High Yield	6.7%	5%
Non US Debt – Developed	3.5%	10%
US Treasurys	3.1%	10%
TIPS	3.8%	5%
Real Estate	6.3%	<u>3%</u>
		100%

Rate of Return:

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.76%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

Change in the Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
Balance at June 30, 2015	\$ 284,052	\$ 290,286	\$ (6,234)
Changes for the year:			
Interest	14,108	-	14,108
Differences between expected and actual experience	(26,036)	-	(26,036)
Contributions – employer	-	-	
Net investment income	-	5,065	(5,065)
Benefit payments, including refunds of employee contributions	(3,824)	(3,824)	-
Administrative expense	<u>-</u>	<u>(1,649)</u>	<u>1,649</u>
Net Changes	<u>(15,752)</u>	<u>(408)</u>	<u>(15,344)</u>
Balance at June 30, 2016	\$ 268,300	\$ 289,878	\$ (21,578)

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

The following presents the net pension liability (asset) of the Town calculated using the discount rate of 5.0 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current rate:

	1% Decrease <u>(4.0%)</u>	Current Discount Rate <u>(5.0%)</u>	1% Increase <u>(6.0%)</u>
The Town's net pension liability (asset)	\$ 26,859	\$ (21,578)	\$ (60,505)

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

Pension expense:

For the year ended June 30, 2017, The Town recognized negative pension expense of \$(20,520).

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – PENSION PLANS (Continued):

Defined Benefit Plan (Continued):

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

Deferred outflows of resources and deferred inflows of resources:

For the year ended June 30, 2017, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings of pension plan investments	<u>\$ 14,275</u>	<u>\$ -</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 4,138
2019	4,138
2020	4,137
2021	1,862
2022	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2017, there was no payable to the Pension Plan.

Defined Contribution Plan:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – PENSION PLANS (Continued):

Defined Contribution Plan (Continued):

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

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

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

Participants in this plan are immediately vested on all contributions.

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

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

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

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

Total pension expense under the two plans for the year was \$195,522.

Deferred Compensation Plan:

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

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – PENSION PLANS (Continued):

Deferred Compensation Plan (Continued):

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

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

NOTE 9 – RISK FINANCING ACTIVITIES:

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

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

NOTE 10 – LEASES IN FINANCIAL STATEMENTS OF LESSORS:

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

1. Lease with AT&T to lease real property used to locate a communication tower. The lease was modified on June 11, 2015 and expires on December 19, 2020. The lease calls for annual payments of \$15,000 with an adjustment equal to three percent (3%) of the annual rent on each December 19th. The lease can be renewed for one ten (10) year period on December 19, 2020. Annual lease payments at that date increase to \$30,000 and are adjusted by three percent (3%) of the annual rental on each December 19th. The lease currently calls for monthly payments of \$1,326.

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

2. Lease with Crown Castle to lease real property whereon a communications facility has been constructed. The lease commenced August 27, 2003, for a five (5)-year period and was renewed for five (5)-year periods in August 2008 and August 2013. One (1) additional extension of five (5) years is available. Monthly payments are \$2,859 for the remaining term of the lease, such amount including sublease income from four (4) co-located providers.

3. Lease with Crown Communications, Inc. to lease real property whereon a communications facility has been constructed. The lease commenced May 7, 2006, for a five (5)-year period and was renewed for five (5)-year periods in May 2011 and May 2016. One (1) additional extension of five (5) years is available. Annual payments are \$21,264 for the remaining term of the lease, such amount including sublease income from a co-located provider at an annual rental of \$7,302.

4. Lease with Knox County, Tennessee to lease space in the Town Hall to be used by the Knox County Clerk. The lease commenced November 1, 2015 for a five (5)-year period. Monthly payments during the lease range from \$1,100 to \$1,150.

5. Lease with an individual to lease space on the Russell Property. The lease is effective November 8, 2013 on a month-to-month basis. Monthly payments are \$1,500. The lease was cancelled during the year.

Future aggregate minimum lease payments receivable is as follows:

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

NOTE 11 – INTERFUND TRANSFERS:

Interfund transfers for the fiscal year ended June 30, 2017 consisted of the following:

Transfers From:	<u>General Fund</u>
Transfers To:	
Major Governmental Funds:	
Capital Project Fund	\$ 3,168,963
Non-major Governmental Funds:	
State Street Aid Fund	93,253
Equipment Replacement Fund	<u>150,000</u>
Total Transfers	<u>\$ 3,412,216</u>

(Continued)

TOWN OF FARRAGUT, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – INTERFUND TRANSFERS (Continued):

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

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

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

NOTE 12 - LITIGATION:

As of the date of this report, the Town is not involved in any litigation that management considers material.

NOTE 13 – COMMITMENTS:

The Town had no outstanding commitments at June 30, 2017:

NOTE 14 – SUBSEQUENT EVENT:

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 22, 2017, which is the date on which the financial statements were issued.

TOWN OF FARRAGUT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

This page intentionally left blank.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest	14,576	13,554	14,108
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(31,976)	1,270	(26,036)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,530)</u>	<u>(3,671)</u>	<u>(3,824)</u>
Net change in total pension liability	<u>(18,930)</u>	11,153	<u>(15,752)</u>
Total pension liability-beginning	<u>291,829</u>	<u>272,899</u>	<u>284,052</u>
Total pension liability-ending (a)	<u>\$ 272,899</u>	<u>\$ 284,052</u>	<u>\$ 268,300</u>
 Plan fiduciary net position			
Contributions – employer	\$ 150,000	\$ 100,000	\$ -
Contributions – employee	-	-	-
Net investment income	14,077	3,206	5,065
Benefit payments, including refunds of employee contributions	(1,530)	(3,671)	(3,824)
Administrative expense	<u>(1,290)</u>	<u>(5,270)</u>	<u>(1,649)</u>
Net change in plan fiduciary net position	161,257	94,265	(408)
Plan fiduciary net position – beginning	<u>34,764</u>	<u>196,021</u>	<u>290,286</u>
Plan fiduciary net position – ending (b)	<u>\$ 196,021</u>	<u>\$ 290,286</u>	<u>\$ 289,878</u>
 Net Pension Liability (asset)-ending (a) – (b)	<u>\$ 76,878</u>	<u>\$ (6,234)</u>	<u>\$ (21,578)</u>
 Plan fiduciary net position as a percentage of total pension liability	71.83%	102.19%	108.04%
 Covered-employee payroll	\$ N/A	\$ N/A	\$ N/A
 Net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A	N/A

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 14,346	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>150,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (135,654)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage covered – employee payroll	N/A	N/A	N/A	N/A

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

TOWN OF FARRAGUT, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 63-64
For the Fiscal Year Ended June 30, 2017

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Early age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	8 years as of July 1, 2014
Asset valuation	Market value of assets
Inflation	2.4 percent
Salary increases	N/A
Investment Rate of Return	5.0 percent, net of investment expense, including inflation
Retirement age	Age 65
Mortality	IRS 2015 Combined Static Mortality
Cost of Living Adjustments	3.0 percent

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
June 30, 2017

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
NON – MAJOR GOVERNMENTAL FUNDS
June 30, 2017

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 FUND

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.

TOWN OF FARRAGUT, TENNESSEE
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2017

With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>ASSETS</u>	<u>Special Revenue Fund State Street Aid</u>	<u>Capital Projects Fund Equipment Replacement</u>	<u>Total Non-Major Governmental Funds</u>	
			<u>2017</u>	<u>2018</u>
Investments	\$ 1,385,439	\$ 751,978	\$2,137,417	\$1,691,209
Due from other governments	<u>52,620</u>	<u>-</u>	<u>52,620</u>	<u>50,093</u>
Total Assets	<u>\$ 1,438,059</u>	<u>\$ 751,978</u>	<u>\$2,190,037</u>	<u>\$1,741,302</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:				
Restricted	534,283	-	534,283	289,029
Assigned	<u>903,776</u>	<u>751,978</u>	<u>1,655,754</u>	<u>1,452,273</u>
Total Fund Balance	<u>1,438,059</u>	<u>751,978</u>	<u>2,190,037</u>	<u>1,741,302</u>
Total Liabilities and Fund Balance	<u>\$ 1,438,059</u>	<u>\$ 751,978</u>	<u>\$2,190,037</u>	<u>\$1,741,302</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>	
	<u>State Street Aid</u>	<u>Equipment Replacement</u>	<u>2017</u>	<u>2016</u>
Revenues:				
State Shared Revenue	\$ 624,491	\$ -	\$ 624,491	\$ 566,655
Investment income	5,403	3,301	8,704	3,341
Other income	<u>-</u>	<u>62,084</u>	<u>62,084</u>	<u>55,040</u>
Total Revenues	<u>629,894</u>	<u>65,385</u>	<u>695,279</u>	<u>625,036</u>
Expenditures:				
Public Works	379,237	-	379,237	726,474
Capital Outlay	<u>-</u>	<u>110,560</u>	<u>110,560</u>	<u>178,215</u>
Total Expenditures	<u>379,237</u>	<u>110,560</u>	<u>489,797</u>	<u>904,689</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	250,657	(45,175)	205,482	(279,653)
Other Financing Sources (Uses)				
Transfers In	93,253	150,000	243,253	270,000
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance				
	343,910	104,825	448,735	(9,653)
Fund Balance – July 1 st	<u>1,094,149</u>	<u>647,153</u>	<u>1,741,302</u>	<u>1,750,955</u>
Fund Balance – June 30 th	<u>\$ 1,438,059</u>	<u>\$ 751,978</u>	<u>\$ 2,190,037</u>	<u>\$ 1,741,302</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
SPECIAL REVENUE FUND – STATE STREET AID
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Total 2016</u>
REVENUES:					
State of Tennessee -					
Gasoline tax apportionment ..	\$ 632,800	\$ 632,800	\$ 624,491	\$ (8,309)	\$ 566,655
Interest earned.....	<u>500</u>	<u>500</u>	<u>5,403</u>	<u>4,903</u>	<u>2,057</u>
Total Revenue	<u>633,300</u>	<u>633,300</u>	<u>629,894</u>	<u>(3,406)</u>	<u>568,712</u>
EXPENDITURES:					
Public Works:					
Street repairs and maintenance	65,000	65,000	38,475	26,525	67,023
Resurface program.....	500,000	821,054	299,447	521,607	636,946
Centerline	40,000	40,000	26,848	13,152	15,853
Guardrails	15,000	15,000	12,325	2,675	5,231
Sidewalk maintenance.....	50,000	50,000	2,142	47,858	1,421
Traffic calming	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>
Total Expenditures.....	<u>688,000</u>	<u>1,009,054</u>	<u>379,237</u>	<u>629,817</u>	<u>726,474</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources.....	(54,700)	(375,754)	250,657	626,411	(157,762)
OTHER FINANCING SOURCES:					
Operating Transfers In.....	<u>93,253</u>	<u>93,253</u>	<u>93,253</u>	<u>-</u>	<u>120,000</u>
NET CHANGE IN FUND BALANCE	38,553	(282,501)	343,910	626,411	(37,762)
FUND BALANCE – July 1st	<u>1,094,149</u>	<u>1,094,149</u>	<u>1,094,149</u>	<u>-</u>	<u>1,131,911</u>
FUND BALANCE – June 30th.....	<u>\$1,132,702</u>	<u>\$ 811,648</u>	<u>\$1,438,059</u>	<u>\$ 626,411</u>	<u>\$1,094,149</u>

See accompanying independent auditors' report.

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, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Totals 2016
REVENUES:				
Interest earned	\$ 9,000	\$ 52,260	\$ 43,260	\$ 25,562
Federal grant	320,000	254,451	(65,549)	-
State grants	500,000	50	(499,950)	42,950
Utility relocation assistance	-	-	-	418,969
Road development fees	<u>-</u>	<u>81,444</u>	<u>81,444</u>	<u>63,654</u>
Total Revenues	<u>829,000</u>	<u>388,205</u>	<u>(440,795)</u>	<u>551,135</u>
EXPENDITURES				
Capital Outlay:				
Highways and streets	4,913,726	1,558,673	3,355,053	2,689,787
Sidewalks	510,000	32,362	477,638	73,894
Park improvements	1,480,000	163,880	1,316,120	1,153,009
Land acquisition	500,000	-	500,000	-
Equipment shed	-	-	-	465
Russell House	-	45,182	(45,182)	15,154
Greenway improvements	-	-	-	2,594
Traffic signal enhancements	-	318,308	(318,308)	52,842
Other Improvements	<u>130,000</u>	<u>56,473</u>	<u>73,527</u>	<u>-</u>
Total Capital Outlay	<u>7,533,726</u>	<u>2,174,878</u>	<u>5,358,848</u>	<u>3,987,745</u>
Debt Service:				
Principal retirement	250,000	250,000	-	250,000
Interest	<u>3,750</u>	<u>3,750</u>	<u>-</u>	<u>7,500</u>
Total Debt Service	<u>253,750</u>	<u>253,750</u>	<u>-</u>	<u>257,500</u>
Total Expenditures	<u>7,787,476</u>	<u>2,428,628</u>	<u>5,358,848</u>	<u>4,245,245</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(6,958,476)	(2,040,423)	4,918,053	(3,694,110)
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>3,105,000</u>	<u>3,168,963</u>	<u>63,963</u>	<u>3,000,000</u>
NET CHANGE IN FUND BALANCE	(3,853,476)	1,128,540	4,982,016	(694,110)
FUND BALANCE – July 1 st	<u>11,334,435</u>	<u>11,334,435</u>	<u>-</u>	<u>12,028,545</u>
FUND BALANCE – June 30 th	<u>\$ 7,480,959</u>	<u>\$12,462,975</u>	<u>\$ 4,982,016</u>	<u>\$11,334,435</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL PROJECTS FUNDS – EQUIPMENT REPLACEMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Original and Final Budget <u>Amounts</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget - Positive (<u>Negative</u>)	Totals <u>2016</u>
REVENUES:				
Interest earned	\$ 350	\$ 3,301	\$ 2,951	\$ 1,284
Sale of capital assets	-	62,084	62,084	50,202
Miscellaneous revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,838</u>
Total Revenues	350	65,385	65,035	56,324
EXPENDITURES:				
Capital Outlay:				
Equipment	<u>119,000</u>	<u>110,560</u>	<u>8,440</u>	<u>178,215</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources.....	(118,650)	(45,175)	73,475	(121,891)
OTHER FINANCING SOURCES:				
Operating transfer in.....	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
NET CHANGE IN FUND BALANCE.....	31,350	104,825	73,475	28,109
FUND BALANCE – July 1st.....	<u>647,153</u>	<u>647,153</u>	<u>-</u>	<u>619,044</u>
FUND BALANCE – June 30th.....	<u>\$ 678,503</u>	<u>\$ 751,978</u>	<u>\$ 73,475</u>	<u>\$ 647,153</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE

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

June 30, 2017

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 Schedule of Changes by Function and Activity
 For the Fiscal Year Ended June 30, 2017

<u>Program</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
General Government	\$ 5,446,766	\$ 103,475	\$ -	\$ 5,550,241
Public Works	31,669,885	2,593,368	1,036,515	33,226,738
Parks and Recreation	<u>9,739,230</u>	<u>586,446</u>	<u>12,840</u>	<u>10,312,836</u>
Total.....	<u>\$ 46,855,881</u>	<u>\$ 3,283,289</u>	<u>\$ 1,049,355</u>	<u>\$ 49,089,815</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule by Function and Activity
June 30, 2017

<u>Program</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Infrastructure</u>	<u>Furniture, Fixtures, and Equipment</u>	<u>Transportation Equipment</u>	<u>Admiral Farragut Collection</u>	<u>Construction In Progress</u>	<u>Total</u>
General Government..	\$ 2,050,457	\$ 2,694,944	\$ -	\$ -	\$ 479,090	\$ 215,772	\$ 109,978	\$ -	\$ 5,550,241
Public Works.....	442,295	142,173	-	24,479,672	852,038	289,190	-	7,021,370	33,226,738
Parks and Recreation.	<u>1,425,359</u>	<u>254,384</u>	<u>7,663,769</u>	<u>-</u>	<u>969,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,312,836</u>
Subtotal.....	3,918,111	3,091,501	7,663,769	24,479,672	2,300,452	504,962	109,978	7,021,370	49,089,815
Less: Accumulated Depreciation	<u>-</u>	<u>1,428,004</u>	<u>1,674,784</u>	<u>8,404,406</u>	<u>1,142,361</u>	<u>414,603</u>	<u>-</u>	<u>-</u>	<u>13,064,158</u>
Total Governmental Funds – Capital Assets	<u>\$ 3,918,111</u>	<u>\$ 1,663,497</u>	<u>\$ 5,988,985</u>	<u>\$16,075,266</u>	<u>\$ 1,158,091</u>	<u>\$ 90,359</u>	<u>\$ 109,978</u>	<u>\$ 7,021,370</u>	<u>\$ 36,025,657</u>

See accompanying independent auditors' report.

TOWN OF FARRAGUT, TENNESSEE

MISCELLANEOUS SCHEDULES

June 30, 2017

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
June 30, 2017

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Book Value June 30, 2017</u>
Cash:			
Cash on hand			\$ 588
Cash in checking:			
BB&T	N/A	N/A	5,710,200
BB&T	N/A	N/A	2,635
BB&T	N/A	N/A	5,988
BB&T	N/A	N/A	<u>168,176</u>
 Total Cash			 <u>5,887,587</u>
Investments:			
Local Government Investment Pool:			
State of Tennessee	Variable	-	2
State of Tennessee	Variable	-	100,417
State of Tennessee	Variable	-	17,891
State of Tennessee	Variable	-	639,187
State of Tennessee	Variable	-	10,933,825
State of Tennessee	Variable	-	1,028,896
State of Tennessee	Variable	-	8
State of Tennessee	Variable	-	<u>9,457,304</u>
 Total Investments.....			 <u>22,177,530</u>
 Total Cash & Investments.....			 <u>\$ 28,065,117</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
 June 30, 2017

<u>TRANSFERS TO:</u>	<u>TRANSFERS FROM:</u>
	General Fund
Capital Projects Fund	
Transfer made to provide funds for capital projects	\$ 3,168,963
Equipment Replacement Fund	
Transfer made to provide funds for equipment replacement	150,000
State Street Aid	
Transfer made to provide funds for street and highway improvements	<u>93,253</u>
Total.....	<u>\$ 3,412,216</u>

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS AND SURETY BONDS
June 30, 2017

MAYOR

Ralph McGill

VICE-MAYOR

Ron Pinchok

ALDERMEN

Robert Markli
Louise Povlin
Ron Williams

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, 2017

General Liability and Auto Liability:

Liabilities Created By The Tennessee Governmental

Tort Liability Act:

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

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

Combined single limit	\$	700,000
-----------------------------	----	---------

Automobile Collision and Comprehensive Coverage -

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

Property and Crime:

Fire and Extended Coverage - 80% Co-insurance:

Office contents and building improvements	\$	18,278,522
Fine Arts	\$	700,000
Mobile equipment	\$	383,601
Valuable papers	\$	250,000
Data Processing	\$	250,000
Software	\$	100,000

Public Officials' Personal Errors and Omissions Liability:

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

Crime Coverage:

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

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

Workmen's Compensation and Employer's Liability:

Employer's Liability:

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

Surety Bonds:

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

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
June 30, 2017

<u>Program Name</u>	<u>CFDA Number</u>	<u>Grant/Contract Number</u>	<u>Grantor Agency</u>	Receivable Balance <u>7-1-16</u>	Cash Receipts	<u>Expenditures</u>	Receivable Balance <u>6-30-17</u>
<u>Federal Assistance</u>							
Surface Transportation Program	20.205	STP-M-4700(59)	U.S. Department of Transportation	\$ -	\$ 189,451	\$ 189,451	\$ -
Surface Transportation Program	20.205	STP-M-4700(58)	U.S. Department of Transportation	<u>-</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE				<u>-</u>	<u>254,451</u>	<u>254,451</u>	<u>-</u>
<u>State Assistance</u>							
Clean Tennessee Energy Program	N/A	N/A	Tennessee Department of Environment and Conservation	-	29,450	29,450	-
Local Parks and Recreation Fund	N/A	N/A	Tennessee Department of Environment and Conservation	<u>-</u>	<u>50</u>	<u>50</u>	<u>-</u>
TOTAL STATE ASSISTANCE				<u>-</u>	<u>29,500</u>	<u>29,500</u>	<u>-</u>
TOTAL FEDERAL AND STATE ASSISTANCE				<u>\$ -</u>	<u>\$ 283,951</u>	<u>\$ 283,951</u>	<u>\$ -</u>

This schedule prepared using the modified accrual basis of accounting.

TOWN OF FARRAGUT, TENNESSEE
STATISTICAL SECTION
June 30, 2017

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental										
Activities:										
Net investment in										
capital assets	\$ 36,025,657	\$ 34,433,541	\$ 30,933,909	\$ 30,882,597	\$ 30,051,713	\$ 29,498,811	\$ 28,443,639	\$ 26,836,668	\$ 25,927,007	\$23,439,077
Restricted	570,136	304,362	448,849	514,610	581,804	150,527	134,853	7,191,609	7,737,277	8,271,989
Unrestricted	<u>28,418,165</u>	<u>24,286,673</u>	<u>22,355,601</u>	<u>18,415,224</u>	<u>16,052,803</u>	<u>14,163,565</u>	<u>12,994,311</u>	<u>4,602,442</u>	<u>2,353,387</u>	<u>2,621,607</u>
Total Governmental										
Activities										
Net Position	<u>\$ 65,013,958</u>	<u>\$ 59,024,576</u>	<u>\$ 53,738,359</u>	<u>\$ 49,812,431</u>	<u>\$ 46,686,320</u>	<u>\$ 43,812,903</u>	<u>\$ 41,572,803</u>	<u>\$ 38,630,719</u>	<u>\$ 36,017,671</u>	<u>\$34,332,673</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
EXPENSES:										
Governmental Activities:										
General Government	\$ 4,600,409	\$ 4,476,319	\$ 4,438,200	\$ 4,879,958	\$ 5,134,912	\$ 4,238,269	\$ 3,549,541	\$ 3,907,825	\$ 3,721,048	\$ 3,412,959
Public Works	2,640,384	2,961,762	2,899,140	2,785,798	2,173,870	2,872,183	2,489,934	2,134,258	2,465,461	2,298,025
Debt Service	<u>3,750</u>	<u>7,500</u>	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Expenses	<u>7,244,543</u>	<u>7,445,581</u>	<u>7,348,590</u>	<u>7,665,756</u>	<u>7,308,782</u>	<u>7,110,452</u>	<u>6,039,475</u>	<u>6,042,083</u>	<u>6,186,509</u>	<u>5,710,984</u>
PROGRAM REVENUES:										
Governmental Activities:										
Charges for Services:										
General Government	861,180	789,459	665,447	709,444	626,242	654,938	596,398	599,404	573,850	885,924
Public Works	81,444	63,654	26,208	-	-	-	-	-	-	-
Operating Grants and Contributions	624,491	566,655	542,193	536,958	531,143	533,521	537,377	524,055	518,329	559,114
Capital Grants and Contributions	<u>283,951</u>	<u>461,919</u>	<u>315,176</u>	<u>250,000</u>	<u>191,295</u>	<u>163,772</u>	<u>228,541</u>	<u>208,621</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Program Revenues	<u>1,851,066</u>	<u>1,881,687</u>	<u>1,549,024</u>	<u>1,496,402</u>	<u>1,348,680</u>	<u>1,352,231</u>	<u>1,362,316</u>	<u>1,332,080</u>	<u>1,092,179</u>	<u>1,445,038</u>
Net (Expense) Revenue for Governmental Activities	<u>(5,393,477)</u>	<u>(5,563,894)</u>	<u>(5,799,566)</u>	<u>(6,169,354)</u>	<u>(5,960,102)</u>	<u>(5,758,221)</u>	<u>(4,677,159)</u>	<u>(4,710,003)</u>	<u>(5,094,330)</u>	<u>(4,265,946)</u>

(Continued)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental Activities										
Taxes:										
Sales tax	7,947,811	7,865,155	7,454,308	7,052,999	6,307,686	5,622,173	5,210,803	5,002,777	4,429,716	4,396,657
State income tax	1,143,490	926,868	427,423	413,993	528,368	387,587	428,740	320,215	685,897	574,002
Wholesale beer and liquor tax	1,182,804	1,152,215	1,104,047	1,055,711	1,010,082	951,067	867,874	832,555	828,671	782,059
TVA replacement tax	255,852	242,633	239,638	228,751	235,785	238,882	221,892	216,897	189,079	183,043
Mixed drink tax	225,260	144,957	140,997	136,421	153,119	142,300	133,183	132,964	160,932	111,568
Miscellaneous taxes	58,310	53,896	54,127	54,214	54,353	53,863	53,937	53,820	55,044	56,343
Cable TV franchise fee	384,840	375,114	351,364	332,819	273,845	266,476	261,234	252,047	250,783	230,869
Interest earned	104,581	44,880	16,106	14,802	18,035	14,756	22,540	34,618	161,619	422,621
Miscellaneous	23,819	26,405	44,549	4,298	247,136	321,217	418,946	461,342	9,109	118,597
Gain on deletion of capital assets	<u>56,092</u>	<u>17,988</u>	<u>-</u>	<u>1,457</u>	<u>5,110</u>	<u>-</u>	<u>94</u>	<u>15,816</u>	<u>8,478</u>	<u>11,500</u>
Total Governmental Activities	<u>11,382,859</u>	<u>10,850,111</u>	<u>9,832,559</u>	<u>9,295,465</u>	<u>8,833,519</u>	<u>7,998,321</u>	<u>7,619,243</u>	<u>7,323,051</u>	<u>6,779,328</u>	<u>6,887,259</u>
Change in Net Position of Governmental Activities	<u>\$ 5,989,382</u>	<u>\$ 5,286,217</u>	<u>\$ 4,032,993</u>	<u>\$ 3,126,111</u>	<u>\$ 2,873,417</u>	<u>\$2,240,100</u>	<u>\$ 2,942,084</u>	<u>\$ 2,613,048</u>	<u>\$ 1,684,998</u>	<u>\$ 2,621,313</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
FUND BALANCE UNDER										
GASB 54:										
GENERAL FUND:										
Nonspendable	\$ 57,0366	\$ -	\$ -	\$ -	\$ 2,656	\$ 656	\$ -			
Assigned	806,448	2,657,585	685,412	1,451,031	5,077,593	2,843,488	2,473,835			
Unassigned	<u>13,611,782</u>	<u>9,019,693</u>	<u>8,491,599</u>	<u>6,266,780</u>	<u>2,052,110</u>	<u>4,917,188</u>	<u>4,479,251</u>			
Total General Fund	<u>\$ 14,475,266</u>	<u>\$ 11,677,278</u>	<u>\$ 9,177,011</u>	<u>\$ 7,717,811</u>	<u>\$ 7,132,359</u>	<u>\$ 7,761,332</u>	<u>\$ 6,953,086</u>			
ALL OTHER										
GOVERNMENTAL FUNDS:										
Restricted	\$ 534,283	\$ 289,029	\$ 448,849	\$ 514,610	\$ 581,805	\$ 150,527	\$ 134,853			
Assigned	<u>15,731,625</u>	<u>12,786,708</u>	<u>13,330,651</u>	<u>10,853,990</u>	<u>9,091,085</u>	<u>6,582,588</u>	<u>6,190,121</u>			
Total All Other Governmental Funds	<u>\$ 16,265,708</u>	<u>\$ 13,075,737</u>	<u>\$ 13,779,500</u>	<u>\$ 11,368,600</u>	<u>\$ 9,672,890</u>	<u>\$ 6,733,115</u>	<u>\$ 6,324,974</u>			
FUND BALANCE PRIOR TO										
IMPLEMENTATION OF										
GASB 54:										
GENERAL FUND										
Reserved								\$ 50,000	\$ -	\$ -
Unreserved - Designated:										
Compensated Absences								118,210	58,780	52,688
Other Employee Benefits								-	59,011	63,222
Insurance Needs								524,530	522,670	514,327
Capital Projects								809,000	-	-
Unreserved - Undesignated								<u>4,066,978</u>	<u>1,771,706</u>	<u>2,044,058</u>
Total General Fund								<u>\$ 5,568,718</u>	<u>\$ 2,412,167</u>	<u>\$ 2,674,295</u>
ALL OTHER										
GOVERNMENTAL FUNDS										
Reserved								\$ -	\$ -	\$ -
Unreserved - Designated:										
Debt Service Fund								23	83,586	82,252
Capital Projects Funds								6,195,048	7,629,118	7,983,585
Unreserved - Undesignated:										
Special Revenue Fund								187,561	108,159	288,404
Debt Service								<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds								<u>\$ 6,382,632</u>	<u>\$ 7,820,863</u>	<u>\$ 8,354,241</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:										
Taxes	\$ 7,265,320	\$ 7,353,775	\$ 7,001,582	\$ 6,635,317	\$ 5,894,187	\$ 5,184,785	\$ 4,766,160	\$ 4,579,938	\$3,958,606	\$ 3,760,884
Licenses, permits and fees	974,182	852,984	735,126	749,380	657,294	645,118	493,385	511,733	656,316	951,385
Intergovernmental	4,456,649	3,641,554	2,971,151	3,093,730	3,117,644	2,908,380	2,916,187	2,711,966	2,909,062	2,901,902
Charges for services	175,778	156,516	134,724	138,411	111,564	94,337	93,340	81,483	92,589	80,771
Fines, forfeitures and costs	77,912	89,487	61,664	46,368	45,822	75,023	173,352	174,821	1,816	5,674
Interest earned	104,581	44,880	16,106	14,802	18,035	14,756	22,540	34,618	161,619	422,621
Miscellaneous	<u>185,495</u>	<u>624,906</u>	<u>431,043</u>	<u>115,503</u>	<u>337,653</u>	<u>449,844</u>	<u>516,501</u>	<u>544,756</u>	<u>83,021</u>	<u>197,560</u>
Total Revenues	<u>13,239,917</u>	<u>12,764,012</u>	<u>11,351,396</u>	<u>10,793,511</u>	<u>10,182,199</u>	<u>9,372,243</u>	<u>8,981,465</u>	<u>8,639,315</u>	<u>7,863,029</u>	<u>8,320,797</u>
EXPENDITURES:										
General Government	4,429,532	4,189,530	4,135,657	4,530,316	4,862,891	3,991,982	3,338,196	3,689,937	3,582,560	3,294,348
Public Works	2,035,934	2,354,518	2,201,801	2,214,328	1,590,927	2,281,535	1,955,377	1,447,724	1,634,654	1,641,780
Capital Outlay	2,285,438	4,165,960	882,588	2,517,705	1,417,579	1,882,339	2,361,182	1,783,334	3,441,321	3,130,482
Debt Service:										
Principal	250,000	250,000	250,000	-	-	-	-	-	-	-
Interest	<u>3,750</u>	<u>7,500</u>	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>8,864,654</u>	<u>10,967,508</u>	<u>7,481,296</u>	<u>9,262,349</u>	<u>7,871,397</u>	<u>8,155,856</u>	<u>7,654,755</u>	<u>6,920,995</u>	<u>8,658,535</u>	<u>8,066,610</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,375,263</u>	<u>\$ 1,796,504</u>	<u>\$ 3,870,100</u>	<u>\$ 1,531,162</u>	<u>\$ 2,310,802</u>	<u>\$ 1,216,387</u>	<u>\$ 1,326,710</u>	<u>\$ 1,718,320</u>	<u>\$ (795,506)</u>	<u>\$ 254,187</u>
Debt Service as a percentage of noncapital expenditures	3.9%	3.9%	4.0%	-	-	-	-	-	-	-

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 5
LARGEST REMITTERS OF SALES TAX REVENUE
AND APPLICABLE RATES
For the Fiscal Year Ended June 30, 2017

<u>Remitter</u>	<u>Value</u>	<u>Percentage of Total Revenue</u>	<u>Local Option Sales Tax Rate</u>	<u>Rank</u>
Knox County, Tennessee	\$ 6,059,085	99.6%	2.25%	1
Loudon County, Tennessee	<u>23,431</u>	<u>.4%</u>	2.25%	2
	<u>\$ 6,082,516</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, 2008 and 2017

	Fiscal Year 2008				Fiscal Year 2017			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail trade	283	59.08%	\$ 3,985,756	84.45%	277	52.18%	\$ 9,166,765	87.46%
Services	132	27.56%	509,651	10.80%	141	26.55%	728,464	6.95%
Manufacturing	16	3.34%	5,477	0.12%	21	3.95%	8,673	0.08%
Wholesale Trade	31	6.47%	82,346	1.74%	37	6.97%	168,164	1.60%
Construction	4	0.84%	8,457	0.18%	7	1.32%	1,917	0.02%
Finance, Insurance, Real Estate	-	-	-	-	6	1.13%	329	0.01%
Transportation and Utilities	5	1.04%	113,828	2.41%	4	0.75%	114,823	1.10%
Agriculture	5	1.04%	13,993	0.30%	5	0.94%	13,023	0.12%
Other, Non Classified	<u>3</u>	<u>0.63%</u>	<u>187</u>	<u>-</u>	<u>33</u>	<u>6.21%</u>	<u>278,913</u>	<u>2.66%</u>
Total	<u>479</u>	<u>100.00%</u>	<u>\$ 4,719,695</u>	<u>100.00%</u>	<u>531</u>	<u>100.00%</u>	<u>\$10,481,071</u>	<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. Thus, amounts presented above do not match to amounts reflected within the financial report.
 3. Changes in local telecommunications sourcing rules in 2003 reduced the number of taxpayers reporting in Transportation and Utilities.
 4. Does not include Farragut's share of county clerk or out-of-state taxpayer amounts.

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

<u>Calendar Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Agriculture Property</u>	<u>Less: Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Actual Value</u>	<u>Total Direct Tax Rate</u>
2007	\$499,656,700	\$105,436,200	\$2,191,450	\$ -	\$ 607,284,350	\$%2,281,310,800	\$ -
2008	580,675,025	144,954,240	2,886,200	-	728,515,465	2,708,836,800	-
2009	586,048,175	153,458,680	2,243,625	-	741,750,480	2,761,175,200	-
2010	589,962,300	154,774,240	3,116,600	-	747,853,140	2,784,846,700	-
2011	614,495,575	166,017,640	2,993,450	-	783,506,665	2,904,687,960	-
2012	636,052,150	184,186,616	3,458,125	-	823,696,891	3,039,491,609	-
2013	638,166,669	186,706,975	3,286,240	-	828,159,884	3,039,491,609	-
2014	(1)	(1)	(1)	-	839,610,438	3,166,204,554	-
2015	659,245,220	189,280,533	4,684,500	-	853,210,253	3,149,071,533	-
2016	691,984,225	246,137,530	7,206,875	-	945,328,630	3,466,903,000	-

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.

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

<u>Tax Year</u>	<u>Total Direct Tax Rate</u>	<u>Overlapping Tax Rate - Knox County</u>
2008	\$	\$ 2.69
2009		2.69
2010		2.36
2011		2.36
2012		2.36
2013		2.36
2014		2.32
2015		2.32
2016		2.32
2017		2.12

Source: Knox County, Tennessee

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

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 9
PRINCIPAL PROPERTY TAXPAYERS
CALENDAR YEAR 2017 AND TEN YEARS AGO (2008)

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Metro Knoxville HMA, LLC	\$ 22,107,320	1	2.34%	\$ -		
Hart TC IV, LLC	11,433,000	2	1.21%	-		
Parkside Plaza Office Spe LLC	8,104,640	3	0.86%	-		
LB Knoxville/Lansborough	7,663,360	4	0.81%	-		
Knoxville Tennessee Turkey Creek	7,234,360	5	0.77%	7,907,000	2	1.30%
Costco Wholesale Corporation	5,725,960	6	0.61%	8,271,700	1	1.37%
NHC Healthcare/Farragut L	5,720,480	7	0.61%	-	-	0.00%
11400 POP II Private Investment Group	5,173,880	8	0.55%	-	-	0.00%
Jensen Investments, LLC	4,852,320	9	0.51%	-	-	0.00%
Ingles Acquisition, LLC	4,780,120	10	0.51%	-	-	0.00%
Kohl's Retail Center				4,179,200	3	0.69%
J.N.D. Realty (Bi-Lo)				3,832,000	4	0.63%
White Realty, Inc. (Fresh Market)				3,344,000	5	0.55%
White Realty, Inc. (Steinmart)				3,242,100	6	0.53%
St. Mary's Hospital				3,239,100	7	0.53%
Farragut Towne Square				2,708,000	8	0.45%
Brooklawn Center (Kroger)				2,627,900	9	0.43%
Brooklawn Center (K-Mart)				2,370,500	10	0.39%
	<u>\$ 82,795,440</u>		<u>8.76%</u>	<u>\$ 41,721,500</u>		<u>6.87%</u>

Source: Knox County Property Assessor, Comprehensive Financial Report June 30, 2008

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

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

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

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

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

Fiscal Year Ended <u>June 30</u>	<u>Governmental Activities</u>			Percentage of Personal <u>Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Capital Outlay Notes</u>	<u>Total</u>		
2008	\$ -	\$ -	\$ -	-	\$ -
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	750,000	750,000	-	-
2015	-	500,000	500,000	-	-
2016	-	250,000	250,000	-	-
2017	-	-	-	-	-

Information is not available for personal income.

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

Fiscal Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	Percentage Of Actual Taxable Value <u>of Property</u>	Per <u>Capita</u>
2008	\$ -	-	\$ -
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE 13
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with General Government Revenue			
Town of Farragut – direct debt	\$ -	100.0%	\$ -
Debt Repaid with Property Taxes			
Knox County, Tennessee Overlapping Debt	716,255,000	7.6%	<u>54,435,380</u>
Total Direct and Overlapping Debt			<u>\$ 54,435,380</u>

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

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

Source: Knox County, Tennessee government

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

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

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

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

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

<u>Year</u>	<u>(1)</u> <u>Population</u>	<u>Personal</u> <u>Income</u>	<u>Per Capita</u> <u>Income</u>	<u>Median</u> <u>Age</u>	<u>Public</u> <u>School</u> <u>Enrollment</u>	<u>Private</u> <u>School</u> <u>Enrollment</u>	<u>Unemployment</u> <u>Rate</u>
2008	19,717 (2)	-	-	-	5,254	869	5.4% (4)
2009	19,717 (2)	-	-	-	5,236	875	5.7% (4)
2010	19,717 (2)	-	-	-	5,125	1,048	7.6% (4)
2011	20,676 (5)	-	-	-	5,196	897	7.6% (4)
2012	20,676 (5)	-	-	-	5,345	915	5.9% (4)
2013	20,676 (5)	-	-	-	5,077	920	7.0% (4)
2014	20,676 (5)	-	-	-	6,990	963	6.4% (4)
2015	20,676 (5)	-	-	-	7,147	1,194	4.8% (4)
2016	22,676 (3)	-	-	-	7,312	1,235	4.3% (4)
2017	22,676 (3)	-	-	-	5,400 (6)	1,182	2.7% (4)

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

No information is available on personal income

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

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Town Employment</u>
Tennova Health West/Women	948	1		610	1	
Knox County Schools	555	2		475	2	
Kroger	261	4		220	3	
NHC Healthcare	263	3		200	5	
Costco	191	6		-		
Ingles Food Store	189	7		200	4	
Summitt View	198	5		-		
Kohl's Department Store	114	8		120	6	
J C Penny Department Store	102	9		-		
Publix	98	10		-		
Fox Den Country Club	-			81	9	
Wild Wing Cafe	-			90	8	
Aubrey's Restaurant	-			75	10	
Food City	-			95	7	
Best Buy	<u>98</u>	10		<u>-</u>		
Total	<u>3,017</u>			<u>2,166</u>		

Source: Town of Farragut, June 30, 2008 Comprehensive Financial Report

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

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

	Employees as of June 30,									
<u>FUNCTION/PROGRAM</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Administration	6	6	7	8	10*	10*	10 *	10 *	10 *	10 *
*Community Development	8	8	8	7	7	7	7	7	7	7
Engineering	6	6	6	6	6	6	6 *	6	6	6
Public Works	17	17	17	17	23*	24*	24 *	24 *	26 *	26 *
Leisure Services	<u>20</u>	<u>22</u>	<u>12*</u>	<u>22*</u>	<u>22*</u>	<u>22*</u>	<u>22 *</u>	<u>22 *</u>	<u>25 *</u>	<u>25 *</u>
Total	<u><u>57</u></u>	<u><u>59</u></u>	<u><u>50</u></u>	<u><u>60</u></u>	<u><u>68</u></u>	<u><u>69</u></u>	<u><u>69</u></u>	<u><u>69</u></u>	<u><u>74</u></u>	<u><u>74</u></u>

Source: Town personnel records

* including part-time and seasonal

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>FUNCTION/PROGRAM</u>										
Public Works/Engineering										
Street Resurfacing (miles)	4.90	3.15	2.00	2.82	3.39	4.13	2.79	3.56	3.69	3.72
Right-of-Way Mowing (miles)	31.12	31.12	31.12	31.12	31.12	31.12	31.12	31.92	31.92	31.92
Parks and Recreation										
Athletic Field User Groups	23	26	28	27	44	38	62	63	65	65
Community Room Rentals	41	20	34	41	26	26	27	21	30	26
Park Shelter Rentals	167	147	122	175	357	440	504	519	586	672
Building Department										
New Residential Permits	85	42	52	44	63	98	100	110	112	159
Residential; Addition Permits	100	89	94	92	87	34	43	34	52	64
Commercial Structure Permits	59	33	16	15	23	19	24	5	6	5
Commercial Addition Permits	32	37	27	14	20	4	28	41	37	34
Accessory Structure Permits	41	28	33	41	38	23	19	26	18	28

Source: Various Town Departments

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

<u>FUNCTION/PROGRAM</u>	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public Works/Engineering										
Streets Maintained (miles)	140.68	140.68	140.68	140.68	140.68	140.68	140.68	140.68	142.00	142.00
Vehicle Fleet	18	20	20	20	20	20	20	21	21	22
Parks and Recreation										
Park Acreage	115.96	132.76	132.76	142.24	142.24	142.24	142.24	142.24	142.24	142.24
Playgrounds	2	2	2	3	3	3	3	3	3	3
Baseball/Softball/Soccer/ Volleyball fields	15	17	17	17	17	17	17	17	17	17
Picnic areas & Covered shelters	7	7	7	9	9	9	9	9	9	9
Bronze Sculptures	5	5	5	9	9	9	9	9	9	9

Source: Inventory schedules and various Town departments.

This page intentionally left blank.

TOWN OF FARRAGUT, TENNESSEE

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

June 30, 2017

This page intentionally left blank.



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

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

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

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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Farragut, Tennessee's basic financial statements, and have issued our report thereon dated November 22, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Farragut, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ingram, Overholt & Bean, P.C .

Alcoa, Tennessee
November 22, 2017

TOWN OF FARRAGUT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

Findings of Compliance and Other Matters

None.

TOWN OF FARRAGUT, TENNESSEE
DISPOSITION OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2017

There were no prior year findings.