

# **City of Fairview, Tennessee**

Annual Financial Report  
For the Year Ended June 30, 2021

**City of Fairview, Tennessee**  
**Financial Statements**  
For the Years Ended June 30, 2021

**Contents**

**Introductory Section**

Directory of Officials (Unaudited)	i
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**Financial Section**

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet, Governmental Funds	13
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance, all Governmental Fund Types	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, General Fund	17
Notes to the Financial Statements	20
Required Supplementary Information (Unaudited)	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	40
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS	41
Schedule of Changes in Net OPEB Liability and Related Ratios	42
Supplementary Information	
Combining Balance Sheet, Nonmajor Governmental Funds	43
Schedules of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds	44
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, Nonmajor Governmental Funds	
Drug Fund	45
State Street Aid Fund	46

**City of Fairview, Tennessee**  
Financial Statements  
For the Years Ended June 30, 2021

**Contents**

Supplementary Information	
Schedule of Changes in Property Taxes Receivable	47
Schedule of Changes in Long-term Debt by Individual Issue	48
Schedule of Debt Service Requirements, General Obligation Debt	49
Schedule of Expenditures of Federal Awards and State Financial Assistance	50
Other Supplementary Information (Unaudited)	
Schedule of Property Tax Rates and Assessments	51
<b>Internal Control and Compliance Section</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52
Schedule of Findings and Recommendations	54
Schedule of Prior Year Findings and Questioned Costs	55

## Introductory Section

**City of Fairview, Tennessee**  
Directory of Officials (Unaudited)  
June 30, 2021

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<b>Name</b>	<b>Title</b>
Debby Rainey	Mayor
Lisa Anderson	Vice Mayor
Brandon Butler	Commissioner
Scott Lucas	Commissioner
Rod Dawson	Commissioner
Scott Collins	City Manager
Brandy Johnson	City Recorder
Tom Daugherty	Finance Director, CMFO Designee

Financial Section



## Independent Auditor's Report

Mayor and Commissioners  
City of Fairview, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairview, Tennessee, (the City) as of and for the year ended June 30, 2021, 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 entity'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 City as of June 30, 2021, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, and the schedules of net pension and total OPEB liability (asset) and related ratios and schedule of contributions on pages 40-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules and other schedules on pages 43-50, including the schedule of expenditures of federal and state financial assistance, and other supplementary information on page 51 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules and other schedules on pages 43-50, including the schedule of expenditures of federal awards and state financial assistance, 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 statements and schedules and other schedules on pages 43-50, including the schedule of expenditures of federal awards and state financial assistance, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other supplementary information on page 51 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
December 7, 2021

**City of Fairview, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2021

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**Management's Discussion and Analysis (Unaudited)**

As management of the City of Fairview, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. The analysis focuses on significant financial position, budget changes, and variances from the budget and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

**Financial Highlights:**

**Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the City of Fairview's basic financial statements. The City's basic financial statements comprise three components: (1) government -wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The Government -wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Overall increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fairview include general government, public safety, highways and streets, codes, financial administration and parks and recreation. The government - wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The City of Fairview, Tennessee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are of one category, governmental funds, there are no proprietary funds.

**City of Fairview, Tennessee**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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**Overview of the Financial Statements:**

Governmental Funds. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government - wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near - term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near - term financing requirements

Because the focus of governmental funds is narrower than that of the government - wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government - wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fairview, Tennessee adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 12-19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government - wide and fund financial statements. The notes to the financial statements can be found on pages 20-39 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 4-46 of this report.

**Financial Analysis of the Financial Statements**

Government - wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fairview, assets exceeded liabilities by \$18,132,968 at the close of the most recent fiscal year as compared to \$18,001,013 at the close of the prior fiscal year. By far the largest portion of the City's net position (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Fairview, Tennessee**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

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**Financial Analysis of the Financial Statements**

Government - wide Financial Analysis

**Condensed Comparative Data  
Statement of Net Position**

	<b>Governmental activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current and other assets	\$ 7,043,063	\$ 5,753,219
Capital assets	<u>16,400,677</u>	<u>17,822,228</u>
Total assets	23,443,740	23,575,447
<b>Deferred outflows of resources</b>	799,943	649,198
<b>Liabilities</b>		
Other liabilities	275,433	237,268
Long-term liabilities	<u>3,775,953</u>	<u>3,874,916</u>
Total liabilities	4,051,386	4,148,184
<b>Deferred inflows of resources</b>	2,059,329	2,075,448
<b>Net position</b>		
Net investment in capital assets	13,458,868	14,491,834
Restricted	207,450	514,222
Unrestricted	<u>4,466,650</u>	<u>2,994,957</u>
Total net position	\$ 18,132,968	\$ 18,001,013

An additional portion of the City's net position (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$4,466,650 as compared to \$2,994,957 in 2020 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position.

The government's net position increased by \$131,956 during the current fiscal year as compared to an increase of \$336,134 during the prior fiscal year, this net income is prior to the June 30, 2020 prior period adjustment made during FY 2021.

**City of Fairview, Tennessee**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Financial Analysis of the Financial Statements**

Government - wide Financial Analysis

**Condensed Comparative Data  
Change in Net Position**

	<b>Governmental activities</b>	
	<b>2021</b>	<b>2020</b>
Program revenues		
Charges for services	\$ 887,477	\$ 1,012,708
Operating grants and contributions	277,928	60,690
Capital grants and contributions	378,635	21,692
General revenues		
Property Taxes	2,073,208	1,993,010
Sales Taxes	2,511,728	2,169,115
Other Taxes	2,009,542	1,849,629
Other	<u>69,209</u>	<u>59,664</u>
Total revenues	<u>8,207,727</u>	<u>7,166,508</u>
Expenses		
General government	1,660,717	1,784,337
Public safety	5,092,050	3,467,798
Public works	531,503	974,658
Board of Commissioners	44,600	29,777
Financial administration	123,647	119,353
Parks and recreation	1,698	(39,303)
Planning and zoning	346,528	257,169
City court	191,743	152,447
Interest	<u>83,285</u>	<u>84,138</u>
Total expenses	<u>8,075,771</u>	<u>6,830,374</u>
Increase (decrease) in net position	131,953	336,134
Net position, beginning	19,814,205	19,478,072
Prior period adjustment	<u>(1,813,193)</u>	<u>(1,813,193)</u>
Net position, ending	<b><u>\$18,132,968</u></b>	<b><u>\$18,001,013</u></b>

**Governmental Activities:**

The most significant increase in actual continued revenue sources was derived from capital grants and contributions which increased by approximately \$356,943 in fiscal year 2021.

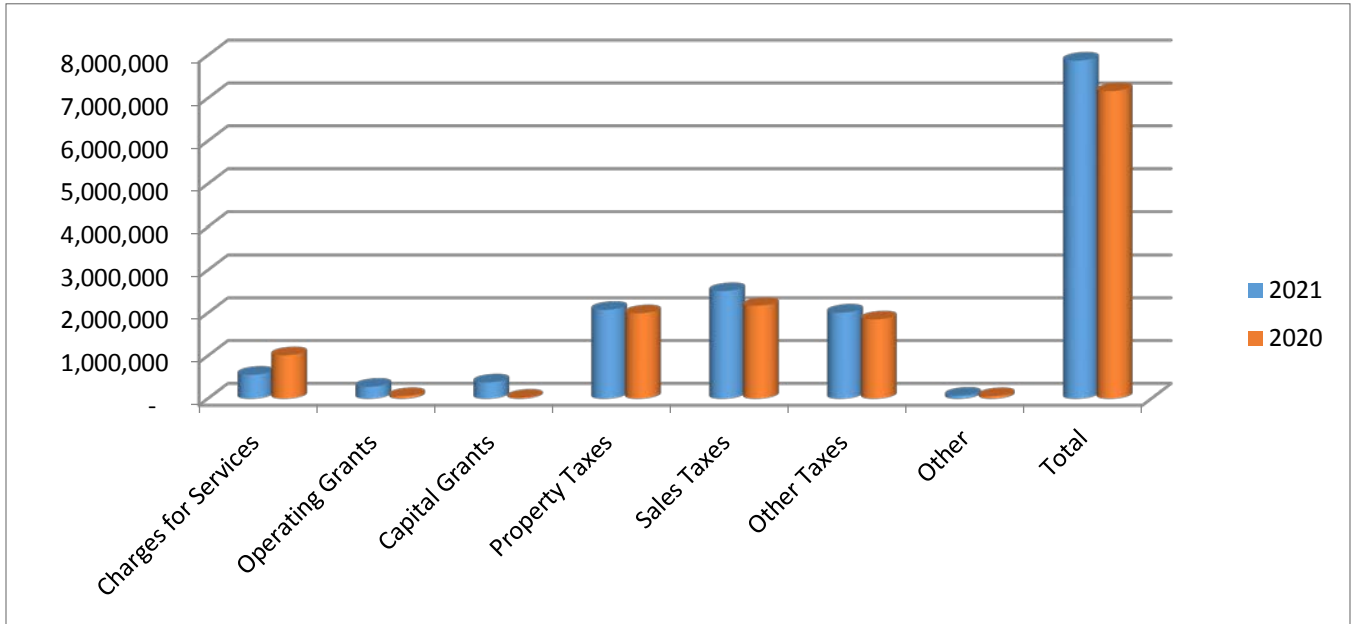
Total expenditures increased approximately \$1,245,397 or 6.9 % from the prior year. The increase is primarily due to increased operating costs of the Public safety department compared to the prior year.

**City of Fairview, Tennessee**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

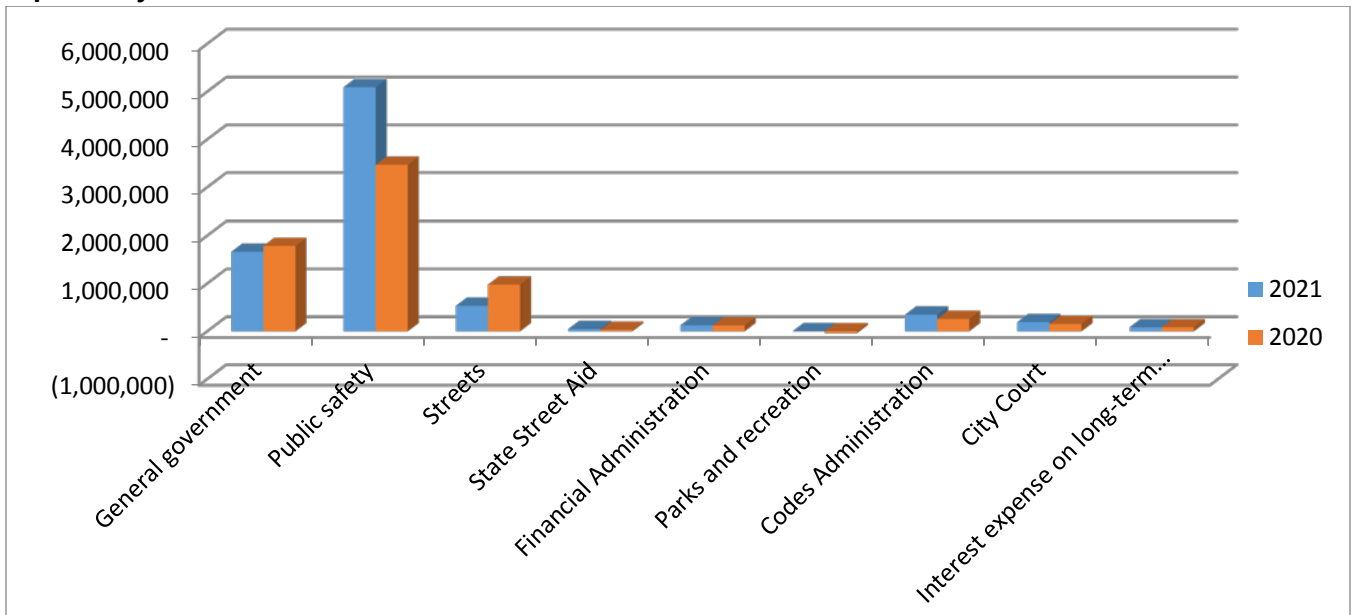
**Governmental Activities:**

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity and efficiency in local revenue systems to better accommodate future growth.

**Revenues by Source - Governmental Fund Activities**



**Expenses by Source - Governmental Fund Activities**



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

**City of Fairview, Tennessee**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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

**Governmental Funds**

The focus of the City of Fairview 's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements in particular, unreserved fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,739,566, an increase of \$1,318,196 in comparison with the prior year. Approximately 79% of this total amount (\$3,748,572) constitutes unassigned fund balance, which is available for spending at the government's discretion, the remainder of fund balance (\$990,994) is either restricted for various specific purposes or committed to parks, the tree bank and school facilities, as well as, the commitment of funds as required by the City's stabilization policy.

The general fund is the chief operation fund of the City of Fairview, Tennessee. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,748,572. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 55.75 % of total general fund expenditures.

The fund balance of the City's general fund increased by \$1,255,150 during the current fiscal year. Key factors in this increase are as follows:

The most significant increase in actual continued revenue sources arose from tax revenue which increased by approximately \$582,695. There were also increases in all categories of revenue except for charges for services. Total revenues increased by \$1,041,219 compared to the prior year.

Total expenditures increased by \$1,245,397 compared to the prior year. The increase is due to increases in expenditures for some departments offset by decreases in other departments.

**General Fund Budgetary Highlights**

<u>Department</u>	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
General Government	\$ 1,602,518	\$ 1,684,419
Financial Administration	132,674	134,785
City Court	179,020	184,500
Planning and Zoning	243,239	335,217
Police Department	1,831,834	1,985,149
Fire Department	1,523,953	1,551,953
Public works	1,429,752	1,518,052
Board of Commissioners	44,129	44,129
Debt Service	<u>446,225</u>	<u>446,225</u>
Total Expenditures	<b>\$ 7,433,344</b>	<b>\$ 7,884,429</b>

**City of Fairview, Tennessee**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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**Capital Assets and Long-term Debt Activity**

Significant changes in capital assets mostly related to donated capital assets. Purchases were funded with general governmental revenues.

Following is a summary of the City's capital assets:

	<b>Governmental activities</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 2,917,600	\$ 2,917,600
Construction in progress	-	-
Buildings & improvements	4,277,477	4,277,477
Equipment & furniture	5,834,857	5,608,604
Infrastructure	27,635,835	27,635,835
Less: accumulated depreciation	<u>(24,265,092)</u>	<u>(22,617,285)</u>
	<b>\$16,400,677</b>	<b>\$17,822,231</b>

Following is a summary of the City's long-term liabilities:

	<b>Governmental activities</b>	
	<b>2021</b>	<b>2020</b>
Compensated absences	\$ 303,612	\$ 289,571
Notes payable	2,941,809	3,330,394
Pension liability	481,592	206,843
OPEB liability	<u>48,940</u>	<u>48,108</u>
	<b>\$3,775,953</b>	<b>\$ 3,874,916</b>

More detailed information can be found in the notes to financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Fairview, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director and/or City Manager  
City of Fairview, TN



**City of Fairview, Tennessee**  
Statement of Net Position  
June 30, 2021

	<b>Governmental activities</b>	<b>Total</b>
<b>Assets</b>		
Cash and cash equivalents, unrestricted	\$ 4,228,221	\$ 4,228,221
Accounts receivable		
Property tax, net of allowance for doubtful accounts	2,073,647	2,073,647
Other governments	<u>741,195</u>	<u>741,195</u>
Total receivables	2,814,842	2,814,842
Capital assets		
Nondepreciable capital assets	2,917,600	2,917,600
Depreciable capital assets, net of accumulated depreciation	<u>13,483,077</u>	<u>13,483,077</u>
Total capital assets	16,400,677	16,400,677
Total assets	23,443,740	23,443,740
<b>Deferred Outflows of Resources</b>		
TCRS pension plan	792,667	792,667
OPEB plan	<u>7,276</u>	<u>7,276</u>
Total deferred outflows	799,943	799,943
<b>Liabilities</b>		
Accounts payable	33,385	33,385
Accrued liabilities	242,048	242,048
Long-term liabilities		
Net pension liability, TCRS	481,592	481,592
Net OPEB obligation payable	48,940	48,940
Due within one year	699,174	699,174
Due in more than one year	<u>2,546,247</u>	<u>2,546,247</u>
Total liabilities	4,051,386	4,051,386
<b>Deferred Inflows of Resources</b>		
Unlevied property tax	2,014,184	2,014,184
TCRS pension plan	<u>45,145</u>	<u>45,145</u>
Total deferred inflows	2,059,329	2,059,329
<b>Net Position</b>		
Net investment in capital assets	13,458,868	13,458,868
Restricted for		
Public Safety	60,245	60,245
State Street Aid	147,205	147,205
Unrestricted	<u>4,466,650</u>	<u>4,466,650</u>
Total net position	<b>\$ 18,132,968</b>	<b>\$ 18,132,968</b>

**City of Fairview, Tennessee**  
Statement of Activities  
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program revenues		Net (expenses) revenues and change in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Total
<b>Primary Government</b>						
General government	\$ 1,660,717	\$ 380,608	\$ 15,886	\$ -	\$ (1,264,223)	\$ (1,264,223)
Public safety	5,092,050	171,918	250,208	378,635	(4,291,289)	(4,291,289)
Public works	531,503	306,529	-	-	(224,974)	(224,974)
Board of Commissioners	44,600	-	-	-	(44,600)	(44,600)
Financial administration	123,647	-	-	-	(123,647)	(123,647)
Parks and recreation	1,698	28,422	11,834	-	38,558	38,558
Planning and zoning	346,528	-	-	-	(346,528)	(346,528)
City court	191,743	-	-	-	(191,743)	(191,743)
Interest expense on long-term debt	83,285	-	-	-	(83,285)	(83,285)
Total governmental activities	<b>\$ 8,075,771</b>	<b>\$ 887,477</b>	<b>\$ 277,928</b>	<b>\$ 378,635</b>	(6,531,731)	(6,531,731)
<b>General Revenues</b>						
Property tax					2,073,208	2,073,208
Sales tax					2,511,729	2,511,729
Wholesale beer tax					297,463	297,463
Wholesale liquor tax					134,063	134,063
Business tax					174,774	174,774
Facilities tax					276,894	276,894
Cable TV franchise tax					100,573	100,573
Other state shared tax					90,263	90,263
Sales tax					844,043	844,043
T.V.A. in lieu of tax					91,468	91,468
Unrestricted investment earnings					15,544	15,544
Miscellaneous					53,665	53,665
Total general revenues					<u>6,663,687</u>	<u>6,663,687</u>
Change in net position					131,956	131,956
Net position, beginning of year					19,814,205	19,814,205
Prior period adjustment					<u>(1,813,193)</u>	<u>(1,813,193)</u>
Net position, end of year					<b>\$ 18,132,968</b>	<b>\$ 18,132,968</b>

See notes to financial statements

**City of Fairview, Tennessee**  
 Balance Sheet - Governmental Funds  
 June 30, 2021

	<b>General fund</b>	<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>Assets</b>			
Cash	\$ 4,060,509	\$ 167,712	\$ 4,228,221
Accounts receivable			
Property tax	2,078,320	-	2,078,320
Accounts receivable	27,525	-	27,525
Grants receivable	1,250	-	1,250
Other governments	<u>672,682</u>	<u>39,738</u>	<u>712,420</u>
Total assets	<b>\$ 6,840,286</b>	<b>\$ 207,450</b>	<b>\$ 7,047,736</b>
<b>Liabilities</b>			
Accounts payable	\$ 33,385	\$ -	\$ 33,385
Accrued liabilities	<u>206,466</u>	<u>-</u>	<u>206,466</u>
Total liabilities	239,851	-	239,851
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	2,068,319	-	2,068,319
<b>Fund Balances</b>			
Restricted for			
Public safety	-	60,245	60,245
State street aid	-	147,205	147,205
Committed for			
Stabilization	323,426	-	323,426
Parks	86,574	-	86,574
Capital projects	272,208	-	272,208
Tree bank	101,336	-	101,336
Unassigned	<u>3,748,572</u>	<u>-</u>	<u>3,748,572</u>
Total fund balances	4,532,116	207,450	4,739,566
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 6,840,286</b>	<b>\$ 207,450</b>	<b>\$ 7,047,736</b>

**City of Fairview, Tennessee**  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 of Governmental Activities  
 June 30, 2021

Amounts reported for fund balance, total governmental funds \$ 4,739,566

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital assets	40,665,769
Less: accumulated depreciation	(24,265,092)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds

Property tax	49,462
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Liabilities not due and payable currently are not recorded in the governmental funds.

Compensated absences	\$ (303,612)	
Accrued interest	<u>(35,582)</u>	(339,194)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded in the funds.

Bonds payable	\$ (2,931,978)	
Premium, net of amortization	(9,831)	
Net OPEB obligation payable	(48,940)	
Deferred outflow of resources, OPEB plan	7,276	
Net pension liability	(481,592)	
Deferred inflow of resources, TCRS plan	(45,145)	
Deferred outflow of resources, TCRS plan	<u>792,667</u>	<u>(2,717,543)</u>

Net position of governmental activities		\$ 18,132,968
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**City of Fairview, Tennessee**  
**Statements of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>General fund</b>	<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>Revenues</b>			
Taxes	\$ 5,594,192	\$ -	\$ 5,594,192
Licenses and permits	361,131	-	361,131
Intergovernmental	1,430,740	275,879	1,706,619
Fines and forfeits	157,319	14,599	171,918
Charges for services	31,379	-	31,379
Miscellaneous	403,875	15,172	419,047
Total revenues	<u>7,978,636</u>	<u>305,650</u>	<u>8,284,286</u>
<b>Expenditures</b>			
Current			
General government	1,458,442	-	1,458,442
Police department	1,523,027	40,498	1,563,525
Fire department	1,351,034	-	1,351,034
Streets	522,111	42,682	564,793
Board of commissioners	44,600	-	44,600
Financial administration	121,078	-	121,078
City court	190,228	-	190,228
Codes administration	315,970	-	315,970
Other program costs	-	-	-
Debt service	437,451	38,590	476,041
Capital outlay	759,545	233,157	992,702
Total expenditures	<u>6,723,486</u>	<u>354,927</u>	<u>7,078,413</u>
Net change in fund balance	1,255,150	(49,277)	1,205,873
Fund balance, beginning of year	<u>3,276,966</u>	<u>256,727</u>	<u>3,533,693</u>
Fund balance, end of year	<b>\$ 4,532,116</b>	<b>\$ 207,450</b>	<b>\$ 4,739,566</b>

**City of Fairview, Tennessee**  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2021

Net change in fund balances, total governmental funds \$ 1,205,873

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. Gross sale proceeds are recognized in the governmental funds, while only net gain (loss) is shown in the government-wide statement of activities.

(1,421,551)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Amortization of bond premium	\$ 4,917
Bond proceeds	-
Bond payments	<u>383,668</u>

388,585

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.

Change in net OPEB obligation	\$ (1,424)
Change in compensated absences	(14,041)
Change in accrued interest	9,088
Change in pension expense, TCRS	<u>(34,574)</u>

(40,951)

Change in net position of governmental activities \$ 131,956

**City of Fairview, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
Property and utility taxes	\$ 1,910,250	\$ 1,910,250	\$ 2,021,678	\$ 111,428
Local option sales tax	2,060,000	2,275,000	2,511,729	236,729
Wholesale beer tax	250,000	325,000	297,463	(27,537)
Wholesale liquor tax	100,000	100,000	134,063	34,063
Nondepreciable capital assets	100,000	100,000	174,774	74,774
Tax penalties and interest	250	250	7,133	6,883
Natural gas franchise fee	56,000	56,000	51,530	(4,470)
Cable TV franchise tax	120,000	120,000	100,573	(19,427)
Hotel / Motel tax	15,000	15,000	18,355	3,355
Facilities tax	225,000	200,000	276,894	76,894
Total taxes	<u>4,836,500</u>	<u>5,101,500</u>	<u>5,594,192</u>	<u>492,692</u>
Licenses and permits				
Building permits	153,000	153,000	306,529	153,529
Other fees and permits	60,500	55,000	54,602	(398)
Total licenses and permits	<u>213,500</u>	<u>208,000</u>	<u>361,131</u>	<u>153,131</u>
Intergovernmental				
Income tax	14,000	16,400	14,985	(1,415)
Beer tax	3,000	5,000	3,788	(1,212)
Mixed drink tax	15,000	20,000	22,841	2,841
Sales tax	630,000	700,000	844,043	144,043
Petroleum special tax	15,000	15,000	15,886	886
T.V.A. in-lieu of taxes	75,000	75,000	91,468	16,468
Excise tax	15,000	15,000	28,952	13,952
Telecommunications sales tax	3,200	3,200	1,342	(1,858)
Police and fire incentives	31,800	31,800	28,800	(3,000)
Federal and State grants	838,594	973,579	378,635	(594,944)
Total intergovernmental	<u>1,640,594</u>	<u>1,854,979</u>	<u>1,430,740</u>	<u>(424,239)</u>
Fines and forfeitures				
Fines and costs	150,500	150,500	157,319	6,819
Charges for services				
Parks and recreation fees	900	900	-	(900)
Special events	11,000	11,000	26,925	15,925
Other fees	1,000	1,000	4,454	3,454
Total charges for services	<u>12,900</u>	<u>12,900</u>	<u>31,379</u>	<u>18,479</u>
Miscellaneous revenues				
Interest income	12,460	12,460	3,321	(9,139)
Donations	10,000	-	238,505	238,505
Sale of capital assets	66,000	116,000	126,341	10,341
Other revenues	102,000	50,400	35,708	(14,692)
Total miscellaneous revenues	<u>190,460</u>	<u>178,860</u>	<u>403,875</u>	<u>225,015</u>
Total revenues	<u>7,044,454</u>	<u>7,506,739</u>	<u>7,978,636</u>	<u>471,897</u>

**City of Fairview, Tennessee**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Year Ended June 30, 2021

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
General Government				
Current				
Personnel costs	354,819	361,919	358,962	2,957
Contractual services	281,450	297,050	294,726	2,324
Supplies and materials	53,550	68,550	51,383	17,167
Nondepreciable capital assets	715,099	715,600	695,545	20,055
Other projects	68,000	63,000	57,826	5,174
Capital outlay	<u>129,600</u>	<u>178,300</u>	<u>79,451</u>	<u>98,849</u>
Total general government	1,602,518	1,684,419	1,537,893	146,526
Financial Administration				
Current				
Personnel costs	90,974	93,085	91,181	1,904
Contractual services	31,250	31,250	25,210	6,040
Supplies	9,450	9,450	4,687	4,763
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>1,707</u>	<u>(707)</u>
Total financial administration	132,674	134,785	122,785	12,000
City Court				
Current				
Personnel costs	166,070	171,550	186,724	(15,174)
Contractual services	3,700	3,700	232	3,468
Supplies	<u>9,250</u>	<u>9,250</u>	<u>3,272</u>	<u>5,978</u>
Total city court	179,020	184,500	190,228	(5,728)
Planning and Zoning				
Current				
Personnel costs	130,939	204,917	213,740	(8,823)
Contractual services	80,400	68,400	90,110	(21,710)
Supplies	15,400	15,400	12,120	3,280
Capital outlay	<u>16,500</u>	<u>46,500</u>	<u>27,138</u>	<u>19,362</u>
Total planning and zoning	243,239	335,217	343,108	(7,891)
Public Safety				
Police Department				
Current				
Personnel costs	1,292,634	1,361,749	1,335,133	26,616
Contractual services	98,950	97,450	76,094	21,356
Operating supplies	150,250	143,450	111,800	31,650
Capital outlay	<u>290,000</u>	<u>382,500</u>	<u>454,531</u>	<u>(72,031)</u>
Total police department	1,831,834	1,985,149	1,977,558	7,591



**City of Fairview, Tennessee**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Year Ended June 30, 2021

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
Public Safety				
Fire Department				
Current				
Personnel costs	1,231,449	1,247,449	1,201,905	45,544
Contractual services	51,590	51,590	35,585	16,005
Nondepreciable capital assets	169,800	169,800	113,544	56,256
Capital outlay	<u>71,114</u>	<u>83,114</u>	<u>81,067</u>	<u>2,047</u>
Total fire department	<u>1,523,953</u>	<u>1,551,953</u>	<u>1,432,101</u>	<u>119,852</u>
Total public safety	3,355,787	3,537,102	3,409,659	127,443
Public Works				
Current				
Personnel costs	479,352	487,652	391,850	95,802
Contractual services	74,000	74,000	45,578	28,422
Supplies	112,950	118,950	71,613	47,337
Other	42,450	42,450	13,070	29,380
Capital outlay	<u>721,000</u>	<u>795,000</u>	<u>115,651</u>	<u>679,349</u>
Total public works	1,429,752	1,518,052	637,762	880,290
Board of Commissioners				
Current				
Personnel costs	34,879	34,879	41,285	(6,406)
Services	7,700	7,700	2,590	5,110
Supplies	<u>1,550</u>	<u>1,550</u>	<u>725</u>	<u>825</u>
Total Board of Commissioners	44,129	44,129	44,600	(471)
Debt service				
Debt service	446,225	446,225	437,451	8,774
Total expenditures	<u>7,433,344</u>	<u>7,884,429</u>	<u>6,723,486</u>	<u>1,160,943</u>
Net change	(388,890)	(377,690)	1,255,150	1,632,840
Fund balance, beginning of year	<u>3,276,966</u>	<u>3,276,966</u>	<u>3,276,966</u>	<u>-</u>
Fund balance, end of year	<b>\$ 2,888,076</b>	<b>\$ 2,899,276</b>	<b>\$ 4,532,116</b>	<b>\$ 1,632,840</b>

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 1. Summary of Significant Accounting Policies**

The City of Fairview, Tennessee (the City) was incorporated July 1, 1959, under provisions of the State of Tennessee. The City operates under a City Manager-Commissioner form of government and provides the following services as authorized by its charter and duly passed ordinances: public safety (police, fire, and public health), streets, culture, recreations, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Fairview have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**Reporting Entity**

The accompanying financial statements present the government and its component units. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. As of June 30, 2021, the City had no component units which were required to be included in these financial statements.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Long-term assets, receivables, long-term debt, and other obligations are recognized. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes and internally dedicated resources. Expenses are allocated among various City functions including administrative overhead charges allocated by the general fund to various City functions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 1. Summary of Significant Accounting Policies**

**Government-wide Financial Statements and Fund Financial Statements**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu-of-taxes where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the City's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 'available' when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The government has no proprietary funds.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided that explains the transition from one basis of accounting to another.

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 1. Summary of Significant Accounting Policies**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Delinquent Taxes Receivable*

Delinquent taxes receivable have been included in the General Fund balance sheet, with offsetting deferred revenues to reflect amounts which were not available at June 30, 2021. Amounts which were available at June 30, 2021 have been recorded as revenue. Property taxes which will be levied October 1, 2021 in the amount of \$2,018,521 have also been recorded as receivable, with offsetting deferred revenues to reflect amounts not available at June 30, 2021.

*Supply Inventory*

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

*Tennessee Consolidated Retirement System*

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee 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 Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

*Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for goods transferred or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet and are eliminated on the government-wide statements. Transfers of monies between funds generally arise as a result of budget appropriations authorizing funds to be transferred from one fund to another.

*Deferred Outflows/Inflows of Resources*

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources are presented after total assets. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. Deferred inflows of resources are presented after total liabilities. A deferred inflow of resources is an acquisition of net position that applies to a future period (or periods) and so will not be recognized as an inflow of resources until that time.

The City has the following deferred outflows and deferred inflows of resources:

Deferred inflows include unavailable revenues, primarily from property taxes assessed but not levied, which are reported in the government-wide statement of net position and the fund balance sheet.

Deferred outflows of resources and deferred inflows of resources also include amounts related to the City's participation in the TCRS pension plan and other post-employment benefit (OPEB) plan. .

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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Note 1. **Summary of Significant Accounting Policies**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Capital Assets*

Capital assets, which include property, plant, and equipment, are reported as part of the applicable governmental or business-type activities in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are recorded at acquisition value when received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings	25 – 50 years
Distribution systems	10 – 50 years
Equipment	5 – 10 years
Trucks	5 – 10 years

*Compensated Absences*

The policy of the City permits the accumulation of unused sick leave up to 144 days and employees can carry over either 5 or 10 vacation days, depending upon their length of service.

*Property Taxes*

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are deemed to be a lien on such realty from January 1 of the year the assessments are made. Taxes become delinquent in March of the year subsequent to the levy date; at that time, a lien attaches and delinquent taxes are turned over to Chancery Court for collection proceedings. Property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is doubtful.

Under Section N50 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards Accounting for Non-exchange Transactions*, property taxes are imposed on non-exchange revenues. Accounts receivable from imposed non-exchange transactions are recorded when the City has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date of January 1. Therefore, the City has recorded the succeeding year's receivable and deferred inflow of resources for taxes assessed as of year-end, though the amounts will not be received until after year-end.

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 1. Summary of Significant Accounting Policies**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Property Taxes*

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public utility property	55%
Industrial and commercial property	
Real	40%
Personal	30%
Farm and residential property	25%

Taxes were levied at a rate of \$.8765 per \$100 of assessed valuation for the fiscal year ended June 30, 2021. Payments may be made during the period from October 1 through February 28. Current tax collections of \$1,988,550 for the fiscal year ended June 30, 2021 were approximately 99% of the tax levy.

*Change in Accounting Estimate*

The City's policy is to periodically review the estimated useful lives of its capital assets. This review during FY 2021 indicated that actual lives for certain categories were shorter than the useful lives used for depreciation purposes in the City's financial statements. As a result of the review, effective July 1, 2020, the City revised the useful lives of certain infrastructure assets from 60 years to twenty years. The effect of the change in estimate was an increase in the 2021 depreciation expense by approximately \$119,000. This change will impact future periods by allowing the City to depreciate the assets over a shorter period of time.

*Budgets and Budgetary Accounting*

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The City Manager submits the proposed operating budget for the fiscal year to the Board of Commissioners. The operating budgets for the General and Special Revenue Funds include proposed expenditures and the means of financing them. All appropriations in the current operating budget lapse into the fund balance of the respective funds at the end of the fiscal year.
2. The budget passed on the first reading and each of the following readings, and was adopted by ordinance on the second reading. In no event shall total appropriations for any fund exceed the estimated revenues and fund balance.
3. The amounts in the adopted budgets constitute the total annual appropriation for each fund and no expenditure may be made which will result in the annual appropriation for the fund being exceeded, unless an additional appropriation is made. The Finance Director may transfer appropriations within the same department, but any other changes in appropriations require board approval. Budgetary control is considered established at the department level.
4. Budgeted amounts shown are those originally adopted by the Mayor and the Board of Commissioners. All balances of appropriations in the current operating budgets lapse into the fund balance of the fund from which appropriations were made at the end of the fiscal year.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP.

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 1. Summary of Significant Accounting Policies**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide Equity*

In the government-wide financial statements, equity is shown as net position and classified into three components.

Net investment in capital assets includes capital assets, net of accumulated depreciation, and outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position is any portion of net position with constraints placed on use, either by (1) external groups such as creditors, grantors, or laws and regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

Unrestricted net position includes all other net position that does not meet the above classifications.

*Fund Equity*

Fund balance is reported in the fund financial statements under the following categories:

Nonspendable fund balance represents amounts that are required to be maintained intact, such as inventories and prepaid expenses.

Restricted fund balance is that portion of fund balance that can be spent only for the specific purposes stipulated by external resource or through enabling legislation.

Committed fund balance includes amounts constrained to specific purposes as determined by formal action of the City's Board of Commissioners (the Board) using its highest level of decision-making authority (ordinance). Conversely, to rescind or modify a fund balance commitment, action by ordinance of the Board is also required.

Assigned fund balance amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board. Appropriations of fund balance to eliminate projected budgetary deficits in the year's budget are presented as assignments of fund balance.

Unassigned fund balance is the residual classification of the General Fund.

**Spending Policy**

Generally, when costs are incurred for purposes for which both restricted and unrestricted funds are available it is the City's policy to spend the most restricted dollars before less restricted dollars. Similarly, when expenditures are incurred for which committed, assigned, or unassigned amounts may be used, committed amounts are first used, followed by assigned, then unassigned amounts.

**Stabilization Fund Balance Policy**

The Board established a financial stabilization policy for the purpose of providing funds for an urgent event that affects the safety of the general public (e.g., flood, tornado, etc.). The Board must formally acknowledge the occurrence of the urgent event. The minimum level of funding was set at 5% of General Fund expenditures, which amounted to \$323,426 and which is shown as committed fund balance at June 30, 2021. Should the balance fall below the minimum, the Board will develop a plan to replenish it within two years.

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 1. Summary of Significant Accounting Policies**

**Unassigned General Fund Balance Policy**

The City endeavors to limit expenditures to anticipated revenues in order to maintain a balanced budget. The fund balance of the General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The City's target is to maintain a minimum unassigned fund balance of not less than two months of General Fund expenditures. In the event that the unassigned General Fund balance should ever fall below the minimum level, the City will develop a plan to restore the deficiency within two years.

**Note 2. Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of demand deposits with financial institutions and amounts deposited with the State of Tennessee Local Government Investment Pool. In addition, certificates of deposit or direct obligations of the federal government or its agencies that are owned by a specific fund of the City, having a maturity of three months or less when purchased, are considered to be cash equivalents. Certificates of deposit and deposits in the investment pool are carried at cost, which approximates fair value

The State of Tennessee Local Government Investment Pool is a component of the State of Tennessee State Pooled Investment Fund, which is an external investment pool not registered with the Securities and Exchange Commission. The State Pooled Investment Fund is administered by the State Treasurer and is authorized by state statute to invest funds in accordance with the policy guidelines approved by the Funding Board of the State of Tennessee which exercises oversight responsibility, including the ability to significantly influence operations, designation of management, and accountability for all fiscal matters. The Fund is audited annually by the office of the State Comptroller.

The City is authorized to invest funds in financial institutions and direct obligations of the federal government. During 2021, the City invested in interest-bearing checking accounts and the Tennessee Local Government Investment Pool.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an external party. The City's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance, or (ii) placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool have determined that the aggregate balance of their public deposits must be at least 105% of the average daily balance of public deposits held. Investments with the Tennessee Local Government Investment Pool are not categorized as to custodial credit risk. As of June 30, 2021, all cash and investment funds of the City were adequately secured by collateral as required by statutes of the State of Tennessee.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Typically, certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily.



**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 3. Accounts Receivable**

Accounts receivable at June 30, 2021 consist of the following:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
Property taxes			
Delinquent	\$ 59,798	\$ -	\$ 59,798
2021 levy, unavailable	2,018,521	-	2,018,521
Other receivables	27,525	-	27,525
Other governments	673,932	39,738	713,670
Less: allowance for doubtful accounts	(4,672)	-	(4,672)
Total	<u>\$ 2,775,104</u>	<u>\$ 39,738</u>	<u>\$ 2,814,842</u>

**Note 4. Capital Assets**

A summary of changes in capital assets as presented in the government-wide financial statements is as follows:

	<b>Balance June 30, 2020</b>	<b>Transfers/ Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance June 30, 2021</b>
Capital assets not being depreciated				
Land and land improvements	\$ 2,917,600	\$ -	\$ -	\$ 2,917,600
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,917,600</u>	<u>-</u>	<u>-</u>	<u>2,917,600</u>
Capital assets being depreciated				
Buildings and improvements	4,277,477	-	-	4,277,477
Equipment	5,608,604	599,638	(373,385)	5,834,857
Infrastructure	<u>27,635,835</u>	<u>-</u>	<u>-</u>	<u>27,635,835</u>
Total capital assets being depreciated	<u>37,521,916</u>	<u>599,638</u>	<u>(373,385)</u>	<u>37,748,169</u>
Less: accumulated depreciation				
Buildings and improvements	1,490,287	107,411	-	1,597,698
Equipment	3,675,657	450,511	(291,907)	3,834,261
Infrastructure	<u>17,451,341</u>	<u>1,381,792</u>	<u>-</u>	<u>18,833,133</u>
Total accumulated depreciation	22,617,285	1,939,714	(291,907)	24,265,092
Total capital assets, net	<b>\$ 17,822,231</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,400,677</b>

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 4. Capital Assets**

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

General government	
Public safety	\$ 151,912
Highway and streets	365,559
Parks and recreation	1,420,545
	<u>1,698</u>
	<b>\$ 1,939,714</b>

**Note 5. Long-term Debt and Other Obligations Payable**

The following schedule reflects the changes in long-term debt during 2021:

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2021</b>	<b>Due within one year</b>
General government obligations					
General obligation Series 2015,					
2-3% interest rate	\$ 2,185,000	\$ -	\$ (195,000)	\$ 1,990,000	\$ 200,000
Capital outlay note,					
2.95% interest rate	389,896	-	(38,457)	351,439	39,591
Capital outlay note,					
2.6% interest rate	375,000	-	(33,240)	341,760	34,122
Lease purchase note payable, 4.17% interest rate	<u>365,750</u>	<u>-</u>	<u>(116,971)</u>	<u>248,779</u>	<u>121,849</u>
	3,315,646	-	(383,668)	2,931,978	395,562
Add premium	<u>14,748</u>	<u>-</u>	<u>(4,917)</u>	<u>9,831</u>	<u>-</u>
Total long-term debt	3,330,394	-	(388,585)	2,941,809	395,562
Compensated absences	<u>289,571</u>	<u>311,840</u>	<u>(297,799)</u>	<u>303,612</u>	<u>303,612</u>
	<b>\$ 3,619,965</b>	<b>\$ 311,840</b>	<b>\$ (686,384)</b>	<b>\$ 3,245,421</b>	<b>\$ 699,174</b>

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 5. Long-term Debt and Other Obligations Payable**

Debt service requirements to maturity, as of June 30, 2021, are as follows:

<b>Fiscal Year</b>	<b>Bond Principal</b>	<b>Note Principal</b>	<b>Lease Purchase</b>	<b>Interest Payments</b>
2022	\$ 200,000	\$ 73,713	\$ 121,849	\$ 80,772
2023	205,000	75,786	126,930	69,618
2024	210,000	77,900	-	57,855
2025	215,000	80,110	-	50,657
2026	220,000	82,364	-	43,029
2027 – 2030	<u>940,000</u>	<u>303,326</u>	<u>-</u>	<u>87,915</u>
	<b>\$ 1,990,000</b>	<b>\$ 693,199</b>	<b>\$ 248,779</b>	<b>\$ 389,846</b>

The City's outstanding bonds and notes payable contain provisions which specify that, in the event of default, outstanding amounts immediately become due if the City is unable to make payment. General obligation bonds and capital outlay notes are secured by the full faith and credit of the City, which is obligated to levy ad valorem taxes to the extent necessary to service the bonds and notes. The lease purchase note is secured by the related equipment. There were no unused bank lines of credit in existence at June 30, 2021.

**Note 6. Pension Plan**

**General Information**

*Plan Description*

Employees of the City of Fairview are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

*Benefits Provided*

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit, regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55, if the employee is vested. Members vest with five years of service credit. Service-related disability benefits are provided, regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

**City of Fairview, Tennessee**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

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**Note 6. Pension Plan**

**General Information**

*Benefits Provided*

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3.0%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1.0% COLA is granted if the CPI change is between 0.5% and 1.0%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	69
Active employees	55
	<b>147</b>

*Contributions*

Contributions by the City are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. The City of Fairview makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the actuarially determined contribution (ADC) for the City was \$308,736, based on a rate of 10% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

*Pension Liabilities (Assets)*

The City's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability as of the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

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

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 6. Pension Plan**

**Net Pension Liability (Asset)**

*Actuarial Assumptions*

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<b>Asset class</b>	<b>Long-term expected real rate of return</b>	<b>Target allocation</b>
US equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
US fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr style="width: 100%; border: 0.5px solid black;"/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25%, based on a blending of the three factors described above.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

Note 6. **Pension Plan**

**Changes in the Net Pension Liability (Asset)**

	<b>Total pension liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net pension liability (asset) (a - b)</b>
Balance, June 30, 2019	\$ 6,736,664	\$ 6,529,821	\$ 206,843
Service cost	218,651	-	218,651
Interest	495,818	-	495,818
Difference between expected and actual experience	174,107	-	174,107
Contributions, employer	-	293,458	(293,458)
Net investment income	-	325,266	(325,266)
Benefit payments, including refunds of employee contributions	(232,880)	(232,880)	-
Administrative expenses	-	(4,897)	4,897
Net change	<u>655,696</u>	<u>380,947</u>	<u>274,749</u>
Balance, June 30, 2020	<b>\$ 7,392,360</b>	<b>\$ 6,910,768</b>	<b>\$ 481,592</b>

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Net pension liability (asset)	\$ 1,647,248	\$ 481,592	\$ (466,342)

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

*Pension Expense*

For the year ended June 30, 2021, the City recognized pension expense (negative pension expense) of \$343,255.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Difference between expected and actual experience	\$ 366,759	\$ 45,145
Changes in assumptions	66,049	-
Net difference between projected and actual earnings on pension plan investments	51,123	-
Contributions subsequent to the measurement date of June 30, 2020	<u>308,736</u>	<u>-</u>
	<b>\$ 792,667</b>	<b>\$ 45,145</b>

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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Note 6. **Pension Plan**

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

*Deferred Outflows of Resources and Deferred Inflows of Resources*

The amount shown on the previous page for "Contributions subsequent to the measurement date of June 30, 2020" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<b>Year ended June 30,</b>		
2022	\$	51,516
2023		90,049
2024		100,837
2025		113,783
2026		53,283
Thereafter		29,319

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Note 7. **Postemployment Benefit Plan**

Employees of the City are provided a single-employer defined benefit plan for retiree health insurance. The plan is administered by the City.

**Funding Policy**

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

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 7. Postemployment Benefit Plan**

**Plan Provisions**

*Medical Benefits*

Eligibility	Retirement at age 60 with 15 or more years of service or retirement at age 55 with 25 or more years of service. Retiree must have been hired prior to November 5, 2015.  A spouse of a retiree is eligible for subsidized coverage if covered at least 5 continuous years prior to retirement.
Postretirement contributions	The City pays 50% of the premium for elected coverage for the eligible retiree. The premium varies by plan option and coverage tier (individual or family).
Medical plan benefits	Two options are available through Blue Cross Blue Shield of Tennessee.  Coverage is provided until the retiree reaches age 65, if there are no interruptions in coverage.
Other benefits	No other healthcare benefits are available to retirees.
Changes in plan provisions	None
Actuarial method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary
Service cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Total OPEB liability	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount rate	2.21% (-0.79% real rate of return plus 3.00% inflation)
Health care cost trend	Level 4.50%



**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 7. Postemployment Benefit Plan**

**Additional Plan Provisions**

Effect of ACA	The excess coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits in this valuation. This plan has current medical costs well under the limits in the current law. Current legislative discussions include both repeal of the excise tax and postponement beyond 2022.
Mortality	RPH-2014 Total Table with Projection MP-2019
Turnover	Rates vary based on unisex age and select/ultimate at 3 years. Rates based on the TCRS actuarial assumptions from the 2017 retirement plan valuation report. More detail is shown on pages 35-36.
Disability	None assumed
Retirement rates	Detail is shown on pages 35-36.
Retiree contributions	Retirees pay the balance of the contribution not paid by the City. Currently, this is 50% of the contribution for elected coverage.
Salary scale	3.00%
Valuation date	June 30, 2020
Measurement date	June 30, 2020

**Data Assumptions**

*Coverage*

100% of all retirees who currently have healthcare coverage will continue with the same coverage.

20% of all active employees who currently have individual healthcare coverage will continue with individual coverage upon retirement. For those with family coverage, 20% will elect to continue coverage, with 10% electing to continue with spouse coverage and the remainder with individual coverage.

**Valuation Methodology and Terminology**

GASB has approved the accounting methodology used to determine the postretirement medical benefit obligations.

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 7. Postemployment Benefit Plan**

**Selection of Assumptions**

The discount rate was selected by reviewing the recently published Bond Buyer GO-20 bond index. This is one of the indices acceptable under GASB 75. This index is published weekly and is trending toward 4.00% in recent months. The City has selected 2.21% as the discount rate for this valuation.

The termination rates in the table below were developed from the withdrawal assumption used in the 2017 actuarial report for the TCRS retirement plans. The rates are from a 2-year select and ultimate table. The following are representative rates used in this valuation:

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

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

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

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

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 7. Postemployment Benefit Plan**

**Average per Capita Claim Cost**

<b>Age</b>	<b>Medical</b>
55	5,809
56	5,984
57	6,163
58	6,348
59	6,538
60	6,735
61	6,937
62	7,145
63	7,359
64	7,580

**Changes in the Total OPEB Liability**

Net OPEB liability, June 30, 2020	\$ 48,108
Changes for the year	
Service cost	2,736
Interest	1,085
Differences between expected and actual experience	176
Changes in assumptions	323
Benefit payments	<u>(3,488)</u>
Net changes	832
Net OPEB liability, June 30, 2021	<b>\$ 48,940</b>

**OPEB Expense**

Service cost	\$ 2,736
Interest	1,085
Changes in assumptions	<u>1,091</u>
	<b>\$ 4,912</b>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate at June 30, 2021.

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>1.16%</b>	<b>2.16%</b>	<b>3.16%</b>
Total OPEB liability	\$ 54,420	\$ 48,940	\$ 43,923

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 7. Postemployment Benefit Plan**

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

The following presents the total OPEB liability of the City, as well as what the Department's total OPEB would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate at June 30, 2021.

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
	<b>3.5%</b>	<b>4.5%</b>	<b>5.5%</b>
Total OPEB liability (in thousands)	\$ 41,701	\$ 48,940	\$ 57,771

**Deferred Inflows/Outflows of Resources**

At June 30, 2021, the City reported the following deferred outflows of resources and deferred inflows of resources related to OPEB.

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Changes in assumptions	\$ 7,276	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year</b>	<b>OPEB Expense</b>
2022	\$ 1,091
2023	1,091
2024	1,091
2025	1,091
2026	1,091
Thereafter	1,821

**City of Fairview, Tennessee**  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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**Note 8. Commitments and Contingencies**

**Litigation**

The City is a defendant in various lawsuits. Although the ultimate outcome of these lawsuits is not presently determinable, the City's attorney is of the opinion that the resolution of these matters will not have a material adverse effect on the financial condition of the City. The City has an insurance policy with Public Entity Partners which will cover any settlements or judgements in these cases, as well as any of the City's attorney fees for the defense of these actions. However, the policy excludes intentional acts.

**Grants**

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, could become a liability of the applicable fund.

**Note 9. Risk Management**

The City is exposed to various risks of general liability as well as property and casualty losses. The City deemed it to be more economically feasible to participate in a public entity risk pool than to purchase commercial insurance for general liability, property and casualty coverage, and workers' compensation. The City participates in the TML Insurance Pool, which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the TML for its general liability, property and casualty insurance, and workers' compensation coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The Pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. Settled claims from these losses have not exceeded insurance coverage in any of the past three fiscal years.

**Note 10. Prior Period Adjustment**

A prior period adjustment in the amount of \$(1,813,193) was made to the governmental activities to decrease previously stated net position of \$19,814,205. The correction of an error was made to properly state capital asset cost and accumulated depreciation.

**Note 11. Subsequent Events**

In October of 2021, the City issued \$2,025,000 of General Obligation Refunding Bonds, Series 2021A, for the purpose of refunding and redeeming the entire remaining outstanding balance, principal and interest, of all remaining outstanding maturities of the City's General Obligation Refunding and Improvement Bonds, Series 2015, and to pay costs incident to the issuance of the Series 2021A Bonds.

In December of 2021, the City issued \$9,695,000 of General Obligation Bonds, Series 2021B, at a premium, for the purpose of capital asset acquisition and improvement and to pay costs incident to the issuance of the Series 2021B Bonds.

Required Supplementary Information

**City of Fairview, Tennessee**  
Schedules of Changes in Net Pension Liability (Asset) and Related Ratios  
Based on Participation in the Public Employee Pension Plan of the TCRS  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 218,651	\$ 216,111	\$ 187,696	\$ 168,150	\$ 178,654	\$ 170,397	\$ 169,875
Interest	495,818	460,272	415,607	384,976	357,365	339,727	313,189
Differences between actual and expected experience	174,107	35,575	191,710	111,634	35,793	(135,439)	8,028
Changes in assumptions	-	-	-	132,101	-	-	-
Benefit payments, including refunds of employee contributions	(232,880)	(215,513)	(199,217)	(234,596)	(151,727)	(143,821)	(131,702)
Net change in total pension liability	655,696	496,445	595,796	562,265	420,085	230,864	359,390
Total pension liability, beginning	6,736,664	6,240,219	5,644,423	5,082,158	4,662,073	4,431,209	4,071,819
Total pension liability, ending (a)	7,392,360	6,736,664	6,240,219	5,644,423	5,082,158	4,662,073	4,431,209
<b>Plan Fiduciary Net Position</b>							
Contributions, employer	293,458	279,331	205,056	160,834	164,928	168,877	250,211
Net investment income	325,266	450,476	461,413	569,733	130,793	146,850	666,704
Benefit payments, including refunds of employee contributions	(232,880)	(215,513)	(199,217)	(234,596)	(151,727)	(143,821)	(131,702)
Administrative expenses	(4,897)	(5,004)	(5,170)	(3,923)	(3,635)	(2,701)	(1,892)
Net change in plan fiduciary net position	380,947	509,290	462,082	492,048	140,359	169,205	783,321
Plan fiduciary net position, beginning	6,529,821	6,020,531	5,558,449	5,066,401	4,926,042	4,756,837	3,973,516
Plan fiduciary net position, ending (b)	6,910,768	6,529,821	6,020,531	5,558,449	5,066,401	4,926,042	4,756,837
Net pension liability, ending (a - b)	<b>\$ 481,592</b>	<b>\$ 206,843</b>	<b>\$ 219,688</b>	<b>\$ 85,974</b>	<b>\$ 15,757</b>	<b>\$ (263,969)</b>	<b>\$ (325,628)</b>
Plan fiduciary net position as a percentage of total pension liability	93.49%	96.93%	96.48%	98.48%	99.69%	105.66%	107.35%
Covered-employee payroll	\$ 2,934,575	\$ 2,864,933	\$ 2,645,890	\$ 2,228,762	\$ 2,228,762	\$ 2,282,120	\$ 2,134,899
Net pension liability as a percentage of covered-employee payroll	16.41%	7.22%	8.30%	3.86%	0.71%	-11.57%	-15.25%

**Notes to Schedules**

GASB 68 requires a 10-year schedule for this data to be presented. The information in this schedule is not required to be presented retroactively prior to the implementation date of GASB 68. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

*Changes in Assumptions*

In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

**City of Fairview, Tennessee**  
Schedules of Contributions Based on Participation in  
Public Employee Pension Plan of TCRS  
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Actuarially-determined contribution	\$ 308,736	\$ 291,697	\$ 278,185	\$ 201,352	\$ 160,834	\$ 164,928	\$ 168,877
Contributions in relation to the actuarially-determined contribution	<u>(308,736)</u>	<u>(293,513)</u>	<u>(279,331)</u>	<u>(205,056)</u>	<u>(160,834)</u>	<u>(164,928)</u>	<u>(168,877)</u>
Contribution deficiency (excess)	<b>\$ -</b>	<b>\$ (1,816)</b>	<b>\$ (1,146)</b>	<b>\$ (3,704)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee payroll	\$ 3,087,356	\$ 2,934,575	\$ 2,864,933	\$ 2,645,890	\$ 2,173,434	\$ 2,233,892	\$ 2,282,120
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	9.75%	7.75%	7.40%	7.38%	7.40%

**Notes to Schedules**

GASB 68 requires a 10-year schedule for this data to be presented. The information in this schedule is not required to be presented retroactively prior to the implementation date of GASB 68. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Actuarially determined contribution rates for fiscal year 2021 were calculated based on the results of the June 30, 2019 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Amortization period	Varies by year
Asset valuation	10-year smoothed, within a 20.0% corridor to market value
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience, including adjustment for some anticipated improvement
Cost-of-living adjustment	2.25%

*Changes in Assumptions*

In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.



**City of Fairview, Tennessee**  
Schedule of Changes in Net OPEB Liability and Related Ratios  
Last 10 Fiscal Years

	2021	2020	2019	2018
Service cost	\$ 2,736	\$ 2,783	\$ 2,783	\$ 2,679
Interest	1,085	1,532	1,469	1,684
Experience (gain)/loss	176	-	-	-
Assumption changes	323	8,900	-	-
Benefit payments	<u>(3,488)</u>	<u>(3,602)</u>	<u>(7,232)</u>	<u>(7,232)</u>
Net change	832	9,613	(2,980)	(2,869)
Net OPEB liability, beginning of year	<u>48,108</u>	<u>38,495</u>	<u>41,475</u>	<u>44,344</u>
Net OPEB liability, end of year	<b>\$ 48,940</b>	<b>\$ 48,108</b>	<b>\$ 38,495</b>	<b>\$ 41,475</b>
Covered payroll	1,562,565	1,562,565	1,591,309	1,591,309
Net OPEB liability as a % of payroll	3.13%	3.08%	2.42%	2.61%

**Notes to Schedules**

GASB 68 requires this data to be presented as part of a 10-year schedule, but it is not required to be presented retroactively prior to the implementation date of GASB 68. Years will be added to this schedule in future years until 10 years of information is available. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

There are no assets accumulating in a trust that meet the criteria in paragraph 4 of GASB 75 related to this OPEB plan.

Supplementary Information

**City of Fairview, Tennessee**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

	<b>Drug</b>	<b>State street aid</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 60,245	\$ 107,467	\$ 167,712
Accounts receivable	-	39,738	39,738
Total assets	<u>\$ 60,245</u>	<u>\$ 147,205</u>	<u>\$ 207,450</u>
 <b>Liabilities and Fund Balance</b>			
Fund balance			
Restricted for			
Public safety	60,245	-	60,245
State street aid	-	147,205	147,205
Total fund balance	<u>60,245</u>	<u>147,205</u>	<u>207,450</u>
Total liabilities and fund balance	<u>\$ 60,245</u>	<u>\$ 147,205</u>	<u>\$ 207,450</u>

**City of Fairview, Tennessee**  
Schedules of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2021

	<b>Drug</b>	<b>State street aid</b>	<b>Total</b>
<b>Revenues</b>			
Taxes			
State gasoline tax	\$ -	\$ 275,879	\$ 275,879
Fines and forfeits			
Drug-related fines	14,599	-	14,599
Miscellaneous			
Interest	69	103	172
Other income	15,000	-	15,000
Total revenues	<u>29,668</u>	<u>275,982</u>	<u>305,650</u>
<b>Expenditures</b>			
Current			
Contractual services	3,080	33,695	36,775
Supplies	37,418	8,987	46,405
Debt service	-	38,590	38,590
Capital outlay	-	233,157	233,157
Total expenditures	<u>40,498</u>	<u>314,429</u>	<u>354,927</u>
Net change	(10,830)	(38,447)	(49,277)
Fund balance, beginning of year	71,075	185,652	256,727
Fund balance, end of year	<u>\$ 60,245</u>	<u>\$ 147,205</u>	<u>\$ 207,450</u>

**City of Fairview, Tennessee**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Drug Fund  
For the Year Ended June 30, 2021

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and forfeits				
Drug-related fines	\$ 12,000	\$ 12,000	\$ 14,599	\$ 2,599
Other income	<u>30,050</u>	<u>10,050</u>	<u>15,069</u>	<u>5,019</u>
Total revenues	42,050	22,050	29,668	7,618
<b>Expenditures</b>				
Current				
Supplies	3,000	4,000	3,080	920
Debt service	45,500	44,000	37,418	6,582
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	53,500	53,000	40,498	12,502
Excess (deficiency) of revenues over expenditures	(11,450)	(30,950)	(10,830)	20,120
Fund balance, beginning of year	<u>71,075</u>	<u>71,075</u>	<u>71,075</u>	<u>-</u>
Fund balance, end of year	<b>\$ 59,625</b>	<b>\$ 40,125</b>	<b>\$ 60,245</b>	<b>\$ 159,995</b>

**City of Fairview, Tennessee**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
State Street Aid  
For the Year Ended June 30, 2021

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and forfeits				
State gasoline tax	\$ 264,000	\$ 285,000	\$ 275,879 *	\$ (9,121)
Other income	<u>200</u>	<u>200</u>	<u>103</u>	<u>(97)</u>
Total revenues	264,200	285,200	275,982	(9,218)
<b>Expenditures</b>				
Current				
Services	42,000	42,000	33,695	8,305
Supplies	6,000	6,000	8,987	(2,987)
Debt service	40,000	40,000	38,590	1,410
Capital outlay	<u>180,000</u>	<u>255,000</u>	<u>233,157</u>	<u>21,843</u>
Total expenditures	268,000	343,000	314,429	28,571
Excess (deficiency) of revenues over over expenditures	(3,800)	(57,800)	(38,447)	19,353
Fund balance, beginning of year	<u>185,652</u>	<u>185,652</u>	<u>185,652</u>	<u>-</u>
Fund balance, end of year	<b>\$ 181,852</b>	<b>\$ 127,852</b>	<b>\$ 147,205</b>	<b>\$ 19,353</b>

\*Comprised of Gas 1989 tax, Gas 2017 tax, Gas 3 cent tax, and Gasoline & Motor Fuel tax of \$22,059, \$71,279, \$40,875, and \$141,666, respectively.

Other Supplementary Information (Unaudited)

**City of Fairview, Tennessee**  
Schedule of Changes in Property Taxes Receivable  
For the Year Ended June 30, 2021

Year of levy	Gross property taxes receivable June 30, 2020	Property tax levied	Anticipated current year levy	Abatements and adjustments	Collections	Allowances for Uncollectibles	Net receivable balance June 30, 2021
2020	\$ -	\$ -	\$ 2,018,521	\$ -	\$ (1,988,550)	\$ -	\$ 29,971
2019	34,351	-	-	-	(29,120)	-	5,231
2018	14,199	-	-	-	(3,676)	-	10,523
2017	9,496	-	-	(18)	(1,464)	-	8,014
2016	1,022	-	-	176	(180)	-	1,018
2015	1,539	-	-	87	(101)	-	1,525
2014	781	-	-	-	(101)	-	680
2013	999	-	-	(4,672)	-	-	(3,673)
2012	535	-	-	-	-	-	535
2011	1,130	-	-	-	-	-	1,130
2010	172	-	-	-	-	-	172
<b>Total</b>	<b>\$ 64,224</b>	<b>\$ -</b>	<b>\$ 2,018,521</b>	<b>\$ (4,427)</b>	<b>\$ (2,023,192)</b>	<b>\$ -</b>	<b>\$ 55,126</b>
Add 2021-22 estimated levy							2,018,521
							<b>\$ 2,073,647</b>

Note: Delinquent property taxes are turned over to the Clerk and Master of the County Chancery Court each year for collection. All of the taxes above, except for the 2020 tax year, are delinquent and are subject to collection proceedings.



**City of Fairview, Tennessee**  
Schedule of Changes in Long-term Debt by Individual Issue  
For the Year Ended June 30, 2021

Description of indebtedness	Original amount of issue	Interest rate	Date of issue	Final maturity date	Outstanding July 1, 2020	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding March 31, 2021
<b>Bonds Payable</b>									
Payable Through General and State Street Aid Funds									
General Obligation Refunding									
Bonds, Series 2015	\$ 2,935,000	2-3%	8/25/15	3/1/30	\$ 2,185,000	\$ -	\$ 195,000	\$ -	\$ 1,990,000
<b>Notes Payable</b>									
Notes payable through General Fund									
Capital outlay note payable, First State Bank	427,251	2.95%	10/5/18	10/5/28	389,896	-	38,457	-	351,439
Lease purchase note payable, Communication equipment	489,860	4.17%	2/22/19	7/15/22	365,750	-	116,971	-	248,779
Capital outlay note, 2020	375,000	2.60%	4/15/20	4/15/30	375,000	-	33,240	-	341,760
					<u>\$ 3,315,646</u>	<u>\$ -</u>	<u>\$ 383,668</u>	<u>\$ -</u>	<u>\$ 2,931,978</u>

**City of Fairview, Tennessee**  
Schedule of Debt Service Requirements, General Obligation Debt  
June 30, 2021

Year ended June 30,	General Obligation Refunding Bonds, Series 2015		Capital Outlay Note, 2020		Capital Outlay Note, Bank-Fire Pumper		Lease Purchase Note Payable		Total Requirement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 200,000	\$ 51,281	\$ 34,121	\$ 8,786	\$ 39,592	\$ 10,331	\$ 121,849	\$ 10,374	\$ 395,562	\$ 80,772
2023	205,000	47,281	35,027	7,881	40,759	9,163	126,930	5,293	407,716	69,618
2024	210,000	42,925	35,938	6,970	41,962	7,960	-	-	287,900	57,855
2025	215,000	37,937	36,910	5,998	43,200	6,722	-	-	295,110	50,657
2026	220,000	32,563	37,890	5,018	44,474	5,448	-	-	302,364	43,029
2027	225,000	27,063	38,895	4,013	45,786	4,136	-	-	309,681	35,212
2028	230,000	20,875	39,920	2,988	47,137	2,785	-	-	317,057	26,648
2029	240,000	14,550	40,986	1,922	48,529	1,395	-	-	329,515	17,867
2030	245,000	7,350	42,073	838	-	-	-	-	287,073	8,188
<b>Total</b>	<b>\$ 1,990,000</b>	<b>\$ 281,825</b>	<b>\$ 341,760</b>	<b>\$ 44,414</b>	<b>\$ 351,439</b>	<b>\$ 47,940</b>	<b>\$ 248,779</b>	<b>\$ 15,667</b>	<b>\$ 2,931,978</b>	<b>\$ 389,846</b>

**City of Fairview, Tennessee**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2021

CFDA number	Grant number	Program name	Grantor agency	Grant expenditures
<b>Federal Awards</b>				
12.U01	N/A	Section 1033 Excess Property Program, Non-cash Assistance	US Department of Defense	*** \$ 221,408
20.600	154AL-21-052	Governors Highway Safety Program	US Department of Transportation	* 20,889
21.019	N/A	CARES Act Local Coronavirus Relief Funds (CRF)	US Department of Treasury	** <u>134,985</u>
Total federal programs				377,282
<b>State Financial Assistance</b>				
N/A	N/A	Governor's Local Government Support Grant	Tennessee Department of Finance and Administration	228,594
Total federal awards and state financial assistance				<b>\$ 605,876</b>

\* Passed through the Tennessee Department of Transportation.

\*\* Passed through Tennessee Department of Finance and Administration

\*\*\*Passed through Tennessee Department of General Services, Law Enforcement Support Office

**Notes**

**Note 1. Basis of Presentation**

This schedule of expenditures of federal awards and state financial assistance summarizes the expenditures of the City under programs of the federal and state governments for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 2. Indirect Cost Rate**

The City has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**City of Fairview, Tennessee**  
 Schedule of Property Tax Rates and Assessments  
 Last Ten Fiscal Years

<b>Year of levy</b>	<b>Fiscal year</b>	<b>Tax rate per \$100 Williamson County</b>		<b>Tax assessment</b>
2020	2021	\$0.8765	*	\$2,018,521
2019	2020	\$0.8765		\$1,941,081
2018	2019	\$0.8765		\$1,876,821
2017	2018	\$0.8765		\$1,800,994
2016	2017	\$1.0000		\$1,735,773
2015	2016	\$0.6350		\$1,709,583
2014	2015	\$0.6350		\$1,072,902
2013	2014	\$0.6350		\$1,046,744
2012	2013	\$0.6350		\$1,028,973
2011	2012	\$0.7000		\$1,010,500

\* Anticipated levy as of June 30, 2021

Internal Control and Compliance Section



**Independent Auditor's 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***

Mayor and Commissioners  
City of Fairview, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairview, Tennessee (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
December 7, 2021

**City of Fairview, Tennessee**  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2021

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**Current Year Findings**

None identified.



**City of Fairview, Tennessee**  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2021

**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	There were no prior findings reported.	N/A

**Federal Award Findings and Questioned Costs**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	There were no prior findings reported.	N/A