

AUDITED FINANCIAL STATEMENTS

CITY OF

FAYETTEVILLE, TENNESSEE

Year Ended June 30, 2022

CITY OF FAYETTEVILLE, TENNESSEE

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report	3-5
Management's Discussion and Analysis	6-12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net	
Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Revenues, Expenditures, and Changes in Fund	
Balance – Budget and Actual – General Fund	21-24
Statement of Revenues, Expenditures, and Changes in Fund	
Balance – Budget and Actual – School General Fund	25
Notes to the Financial Statements	26-87
Required Supplementary Information:	
Schedule of Contributions – NRECA RS Plan	88
Schedule of Changes in Net Pension Liability and Related Ratios –	
Public Employee Pension Plan of TCRS	89
Schedule of Contributions – Public Employee Pension Plan of TCRS	90
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Teacher	
Legacy Pension Plan of TCRS	91
Schedule of Contributions – Teacher Legacy Plan of TCRS	92
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Teacher	
Retirement Plan of TCRS	93
Schedule of Contributions – Teacher Retirement Plan of TCRS	94
Schedule of Changes in FPU's Total OPEB Liability and Related Ratios	95
Schedule of Changes in Proportionate Share of Collective OPEB Liability	
And Related Ratios – Teacher Group Plan	96
Schedule of Changes in Proportionate Share of Collective OPEB Liability	
And Related Ratios – Tennessee Plan	97
Schedule of Changes in the Government's Total OPEB Liability and Related Ratios	98

CITY OF FAYETTEVILLE, TENNESSEE

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

Supplementary Information:

Nonmajor Governmental Funds	99
Combining and Individual Fund Financial Statements and Budgetary Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	100-101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	102-103
Budgetary Comparison Schedules:	
School Title Special Revenue Fund	104
School Cafeteria Special Revenue Fund	105
Drug Special Revenue Fund.....	106
Debt Service Fund.....	107
Industrial Park Capital Projects Fund	108
CDBG Capital Projects Fund	109
UDAG Capital Projects Fund	110
Internal Capital Projects Fund	111
School Capital Projects Fund.....	112
Other Financial Schedules:	
Schedule of Combined Long-Term Debt Principal and Interest Requirements	113
Schedule of General Long-Term Debt Principal and Interest Requirements	114
Schedule of Long-Term Debt Principal and Interest Requirements – Electric Department.....	115
Schedule of Long-Term Debt Principal and Interest Requirements – Water Department	116-118
Schedule of Changes in Long-Term Debt by Individual Issue	119-120
Schedule of Long-Term Lease Principal and Interest Requirements - Combined	121
Schedule of Long-Term Lease Principal and Interest Requirements - Electric.....	122
Schedule of Changes in Lease Obligations	123
Schedule of Electric Utility Rates in Effect.....	124
Schedule of Gas Utility Rates in Effect	125
Schedule of Telecommunications Rates in Effect.....	126
Schedule of Water and Sewer Utility Rates in Effect.....	127
Schedule of Sanitation Rates in Effect	128
Schedule of Number of Utility Customers	129
Schedule of Changes in Property Taxes Receivable	130
Directory of Officials.....	131
Uncollected Delinquent Taxes Filed in Accordance With Applicable Laws.....	132
Property Tax Rates and Assessments – Last Ten Years	133
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	134-135

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards and State Financial Assistance	136-137
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	138-140
Schedule of Findings and Questioned Costs	141
Schedule of Prior Year Findings and Questioned Costs	142

PUTMAN & HANCOCK
Certified Public Accountants

219 East College Street
P.O. Box 722
Fayetteville, Tennessee
37334

(931) 433-1040
Fax (931) 433-9290
www.putmanandhancock.com

INDEPENDENT AUDITORS' REPORT

To the Board of Mayor and Aldermen
City of Fayetteville
Fayetteville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Fayetteville, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the School General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fayetteville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fayetteville's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Fayetteville's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fayetteville's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12, the pension information on pages 88 through 94 and the OPEB information on pages 95 through 98 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fayetteville, Tennessee's basic financial statements. The accompanying supplementary information section and the schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022 on our consideration of the City of Fayetteville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 City of Fayetteville, Tennessee'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 of Fayetteville, Tennessee's internal control over financial reporting and compliance.

Putman & Hancock, CPAs

Fayetteville, Tennessee
December 30, 2022

City of Fayetteville

Michael Whisenant, Mayor
Danny Bryant, Vice Mayor

Phone (931) 433-6154
Fax (931) 433-2557



Alderman:
Jeff Alder
Tonya Allen
Donna Hartman
Roger Martinez
Dorothy Small

110 Elk Avenue South

"Where Tradition Meets Tomorrow"
Fayetteville, TN 37334

www.fayettevilletn.com

MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended June 30, 2022

Our discussion and analysis of the City of Fayetteville, Tennessee's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2022. We encourage readers to consider the information that we have furnished in the basic financial statements and the accompanying notes to those financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, the fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health or financial position. Over time, increases and decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure.

In the statement of Net Position and the Statement of Activities, we separate the City activities as follows:

Governmental Activities

Most of the City's basic services are reported in this category, including the general government (includes administration, codes enforcement, zoning, and planning), public safety (includes fire, police, and emergency communications), recreation, highways and streets, housing and community development, garage, and education. Property taxes, in lieu payments, sales taxes, alcoholic beverage taxes, franchise fees, state and federal grants, business taxes, and fines finance most of these activities.

Business-Type Activities

The City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City's sanitation, natural gas, electric, water and sewer, and telecommunications activities are reported in this category.

REPORT ON THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are explained in reconciliations included in the fund financial statements section.

Proprietary Funds

When the City charges customers for services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the Government -Wide Financial Statements but provide more detail and additional information, such as cash flows, for proprietary funds.

GASB STATEMENT (GASBS) NUMBER 87 IMPLEMENTATION

During the year, the City implemented GASB Statement No. 87, Leases. Amounts in the following analyses have been restated for fiscal year 2021 to reflect the effect of this Statement. See Note 19 in the financial statements for details on the impact to net position by implementation of this standard.

THE CITY AS A WHOLE

The analysis below focuses on the net position of the City's governmental and business-type activities.

	Governmental Activities		Business-type Activities (Restated)		Total Primary Government (Restated)	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 38,343,855	\$ 30,104,388	\$ 52,212,768	\$ 47,229,002	\$ 90,556,623	\$ 77,333,390
Capital assets	34,676,784	31,537,546	129,122,577	127,910,958	163,799,361	159,448,504
Total assets	73,020,639	61,641,934	181,335,345	175,139,960	254,355,984	236,781,894
Total deferred outflows of resources	6,101,739	3,618,108	330,202	385,686	6,431,941	4,003,794
Long-term liabilities outstanding	15,459,642	16,361,748	39,982,463	42,480,641	55,442,105	58,842,389
Other liabilities	1,814,552	2,079,708	9,471,676	8,085,371	11,286,228	10,165,079
Total liabilities	17,274,194	18,441,456	49,454,139	50,566,012	66,728,333	69,007,468
Total deferred inflows of resources	14,178,505	4,931,254	83,324	98,474	14,261,829	5,029,728
Net position						
Net investment in capital assets	22,712,890	18,848,185	91,955,397	88,230,659	114,668,287	107,078,844
Restricted	12,258,243	9,841,458	3,194,738	3,194,071	15,452,981	13,035,529
Unrestricted	12,698,546	13,197,689	36,977,949	33,436,430	49,676,495	46,634,119
Total net position	\$ 47,669,679	\$ 41,887,332	\$ 132,128,084	\$ 124,861,160	\$ 179,797,763	\$ 166,748,492

Net position of the City's governmental activities increased 13.80 percent in the fiscal year 2022. Net position of the City's business-type activities increased 5.82 percent in the fiscal year 2022.

The analysis below focuses on the changes in net position of the City's governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program Revenues:						
Charges for services	\$ 616,406	\$ 468,563	\$ 70,723,470	\$ 65,190,570	\$ 71,339,876	\$ 65,659,133
Operating grants and contributions	13,807,450	11,797,224	-	-	13,807,450	11,797,224
Capital grants and contributions	1,978,620	109,503	1,152,512	3,217,811	3,131,132	3,327,314
General revenues:						
Property taxes	4,514,911	4,146,807	-	-	4,514,911	4,146,807
Other taxes	6,976,786	7,020,096	-	-	6,976,786	7,020,096
Other general revenues	644,383	506,375	78,868	104,400	723,251	610,775
Total revenues	28,538,556	24,048,568	71,954,850	68,512,781	100,493,406	92,561,349
Program Expenses:						
General government	1,287,115	1,737,641	-	-	1,287,115	1,737,641
Public safety	4,868,848	5,089,727	-	-	4,868,848	5,089,727
Recreation	1,071,383	801,073	-	-	1,071,383	801,073
Highways and streets	1,759,341	2,007,107	-	-	1,759,341	2,007,107
Sanitation	-	-	543,016	521,959	543,016	521,959
Housing and community development	916,360	997,620	-	-	916,360	997,620
Garage	179,785	197,468	-	-	179,785	197,468
Education	14,226,296	14,936,291	-	-	14,226,296	14,936,291
Debt issuance costs	-	197,521	-	-	-	197,521
Interest on long-term debt	212,457	230,472	-	-	212,457	230,472
Electric, telecom, water and gas	-	-	62,379,534	59,536,298	62,379,534	59,536,298
Total expenses	24,521,585	26,194,920	62,922,550	60,058,257	87,444,135	86,253,177
Excess (deficiency) before transfers	4,016,971	(2,146,352)	9,032,300	8,454,524	13,049,271	6,308,172
Transfers	1,765,376	1,800,277	(1,765,376)	(1,800,277)	-	-
Change in net position	\$ 5,782,347	\$ (346,075)	\$ 7,266,924	\$ 6,654,247	\$ 13,049,271	\$ 6,308,172

The City's total revenues increased 8.57 percent from the fiscal year ended June 30, 2021 to the fiscal year ended June 30, 2022 while total expenses increased 1.38 percent.

THE CITY'S FUNDS

The following is an analysis of balances in the City's major individual funds.

Governmental Activities

The information below details the costs and net expenditures (expenditures less program revenues) of the City's governmental activities for the fiscal years ended June 30, 2022 and 2021. The net costs show the financial burden that was placed on the City's taxpayers by each of these functions before general revenues by source listed below.

Total Costs and Net Expenditures By Function

	Total Costs of Services		Net Costs (Revenues) of Services	
	2022	2021	2022	2021
General government	\$ 1,287,115	\$ 1,737,641	\$ 732,871	\$ 1,195,148
Public safety	4,868,848	5,089,727	4,173,960	4,288,455
Recreation	1,071,383	801,073	(470,770)	676,043
Highways and street	1,759,341	2,007,107	1,512,480	1,747,888
Housing and community development	916,360	997,620	874,360	997,620
Garage	179,785	197,468	179,785	197,468
Education	14,226,296	14,936,291	903,966	4,289,015
Debt issuance costs	-	197,521	-	197,521
Interest on long-term debt	212,457	230,472	212,457	230,472
Total Net Expenditures	<u>\$ 24,521,585</u>	<u>\$ 26,194,920</u>	<u>\$ 8,119,109</u>	<u>\$ 13,819,630</u>

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2022 and 2021. These revenues are required to cover the net cost of services listed above.

Revenues by Source

	2022	2021
Property taxes	\$ 4,514,911	\$ 4,146,807
In lieu of taxes	105,007	419,383
Sales taxes	4,618,211	4,460,144
Alcoholic beverage taxes	621,018	624,029
Other local taxes	587,956	522,905
Other state taxes	1,044,594	993,635
Internal school funds	426,029	332,644
Other	153,554	136,082
Unrestricted investment earnings	28,046	82,303
Gain (loss) on disposition of assets	36,754	(44,654)
Transfers	1,765,376	1,800,277
Total General Revenues and Transfers	<u>\$ 13,901,456</u>	<u>\$ 13,473,555</u>

Proprietary Funds

The City's major proprietary funds consist of the natural gas, electric, water and sewer, and telecommunications services provided to the residents of Fayetteville and Lincoln County and sanitation services provided to the residents of Fayetteville. The basic financial statements for the major funds are included in this report.

Because the focus on proprietary funds is a cost of service measurement or capital maintenance, we have included these funds in the table below, which demonstrates return on ending assets and return on ending net position.

	Gas	Electric	Water	Telecom	Sanitation	Total
Fiscal Year Ended June 30, 2022						
Total Assets and Deferred						
Outflows of Resources	\$ 25,320,714	\$ 97,376,064	\$ 51,817,639	\$ 6,379,936	\$ 847,793	\$ 181,742,146
Net Position	22,924,085	78,742,578	23,630,186	6,089,451	741,784	132,128,084
Change in Net Position	667,719	4,616,200	728,719	1,152,643	101,643	7,266,924
Return on Ending Total Assets	2.64%	4.74%	1.41%	18.07%	11.99%	4.00%
Return on Ending Net Position	2.91%	5.86%	3.08%	18.93%	13.70%	5.50%
Fiscal Year Ended June 30, 2021						
Total Assets and Deferred						
Outflows of Resources	\$ 24,692,459	\$ 92,516,173	\$ 51,955,469	\$ 5,570,602	\$ 829,424	\$ 175,564,127
Net Position	22,256,366	74,126,378	22,901,467	4,936,808	640,141	124,861,160
Change in Net Position	1,065,715	4,134,811	243,621	1,235,766	(25,666)	6,654,247
Return on Ending Total Assets	4.32%	4.47%	0.47%	22.18%	-3.09%	3.79%
Return on Ending Net Position	4.79%	5.58%	1.06%	25.03%	-4.01%	5.33%

CAPITAL ASSETS

As of June 30, 2022, the City has \$163 million invested in capital assets (after depreciation) including police and fire equipment, buildings, park facilities, street and sanitation equipment, roads, bridges and other infrastructure, and water, sewer, gas, electric, telecommunication lines and equipment. This represents a net increase of \$4,350,857 or 2.73 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2022 and 2021, for governmental and business-type activities.

	Governmental Activities		Business-type Activities (Restated)		Total Primary Government (Restated)	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,971,916	\$ 3,971,916	\$ 1,098,495	\$ 1,098,495	\$ 5,070,411	\$ 5,070,411
Buildings	22,423,431	22,378,909	10,167,555	10,141,394	32,590,986	32,520,303
Improvements other than buildings	5,820,381	4,621,868	-	-	5,820,381	4,621,868
Machinery and equipment	12,934,542	12,012,764	199,008,879	191,987,010	211,943,421	203,999,774
Infrastructure	8,109,615	7,398,728	982,482	825,038	9,092,097	8,223,766
Total plant and equipment in service	53,259,885	50,384,185	211,257,411	204,051,937	264,517,296	254,436,122
Construction work in progress	3,758,173	1,943,420	3,283,643	6,256,194	7,041,816	8,199,614
	57,018,058	52,327,605	214,541,054	210,308,131	271,559,112	262,635,736
Less accumulated depreciation	(22,341,274)	(20,790,059)	(85,418,477)	(82,397,173)	(107,759,751)	(103,187,232)
	<u>\$ 34,676,784</u>	<u>\$ 31,537,546</u>	<u>\$ 129,122,577</u>	<u>\$ 127,910,958</u>	<u>\$ 163,799,361</u>	<u>\$ 159,448,504</u>

Debt, considered a liability of governmental and business-type activities, decreased in fiscal year 2022 by \$3,430,372.

	Governmental Activities		Business-type Activities (Restated)		Total Primary Government (Restated)	
	2022	2021	2022	2021	2022	2021
Bonds						
General Obligation	\$ 10,811,867	\$ 11,313,082	\$ 968,133	\$ 1,291,918	\$ 11,780,000	\$ 12,605,000
Revenue	-	-	20,194,197	21,765,723	20,194,197	21,765,723
Deferred amounts	1,089,490	1,163,146	171,811	209,314	1,261,301	1,372,460
Total Bonds	<u>11,901,357</u>	<u>12,476,228</u>	<u>21,334,141</u>	<u>23,266,955</u>	<u>33,235,498</u>	<u>35,743,183</u>
Loans						
Capital Outlay Note	-	145,522	-	-	-	145,522
Tennessee utility relocation loan	-	-	386,137	535,664	386,137	535,664
Tennessee revolving fund loan	-	-	15,573,021	16,053,458	15,573,021	16,053,458
RUS economic development loan	-	-	7,882	26,938	7,882	26,938
Total Loans	<u>-</u>	<u>145,522</u>	<u>15,967,040</u>	<u>16,616,060</u>	<u>15,967,040</u>	<u>16,761,582</u>
Lease liabilities	-	-	95,737	96,637	95,737	96,637
Postemployment benefit obligation	2,442,105	2,505,648	1,418,489	1,411,435	3,860,594	3,917,083
Advances from TVA	-	-	68,256	131,344	68,256	131,344
Compensated absences	528,444	646,614	1,165,541	1,055,039	1,693,985	1,701,653
Landfill postclosure costs	587,736	587,736	-	-	587,736	587,736
Totals	<u>\$ 15,459,642</u>	<u>16,361,748</u>	<u>40,049,204</u>	<u>42,577,470</u>	<u>55,508,846</u>	<u>58,939,218</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the last year, the Board of Mayor and Alderman continued several projects. These approvals included projects such as Don Davidson Park lighting improvements which will continue into the new year and many paving projects. In 2021 the Board of Mayor and Alderman issued a bond in the amount of \$5,000,000 for the purpose of capital improvements to drainage, sidewalks, paving, and for improvements to public works and recreation facilities. The usage of these bond funds began in 2021 funding projects such as Norris Street, Adams Street and the Downtown Square design. The Downtown Square project will continue through 2023 as well as other capital improvements projects, drainage projects and paving projects that have been approved by the Board of Mayor and Alderman.

As the City closed fiscal year 2022, the financial condition of the City is solid due to the management approach of the Board of Mayor and Alderman, administration, and the various departments. This approach has resulted in a stable tax rate with only three tax increases since 1985.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In 2022 the City saw an increase to the original budget for the property taxes as well as sales taxes. However, there was also an increase in expenses as well. Much of the City's increase was due to paving projects, salaries and repairs and maintenance. Personnel benefits, retirement and health insurance costs continue to have slight increases every year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact Jamey Owen, Finance Director at 110 South Elk Avenue, Fayetteville, Tennessee, 37334, phone number 931-433-6154, or e-mail jowen@cof-tn.com.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,496,802	\$ 37,708,521	\$ 59,205,323
Receivables	5,797,550	7,910,366	13,707,916
Internal balances	72,864	(72,864)	-
Inventory	54,071	2,616,420	2,670,491
Prepaid expenses	19,301	404,271	423,572
Restricted assets - cash and cash equivalents	244,895	3,194,738	3,439,633
Restricted asset - TCRS stabilization reserve trust	158,501	-	158,501
Net pension asset - public employee retirement plan	4,136,638	-	4,136,638
Net pension asset - teacher retirement plan	149,971	-	149,971
Net pension asset - teacher legacy plan	6,213,262	-	6,213,262
Other assets	-	451,316	451,316
Capital assets (net of accumulated depreciation)			
Land	3,971,916	1,098,495	5,070,411
Buildings and improvements	16,925,279	6,974,459	23,899,738
Machinery and equipment	5,344,619	117,458,704	122,803,323
Infrastructure	4,676,797	307,276	4,984,073
Construction in progress	3,758,173	3,283,643	7,041,816
TOTAL ASSETS	<u>73,020,639</u>	<u>181,335,345</u>	<u>254,355,984</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	1,375,031	-	1,375,031
Deferred outflows related to pensions	4,726,708	-	4,726,708
Excess consideration provided for acquisition	-	108,346	108,346
Deferred charge on refunding	-	221,856	221,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,101,739</u>	<u>330,202</u>	<u>6,431,941</u>
LIABILITIES			
Accounts payable and accrued expenses	1,766,237	6,781,314	8,547,551
Accrued interest payable	23,315	29,044	52,359
Unearned revenue	25,000	-	25,000
Deposits	-	2,661,318	2,661,318
Noncurrent liabilities:			
Due in one year	976,503	3,529,516	4,506,019
Due in more than one year	14,483,139	36,452,947	50,936,086
TOTAL LIABILITIES	<u>17,274,194</u>	<u>49,454,139</u>	<u>66,728,333</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	3,201,467	-	3,201,467
Deferred inflows related to pensions	10,251,838	-	10,251,838
Deferred inflows related to OPEB	662,663	83,324	745,987
Deferred credit on refunding	62,537	-	62,537
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,178,505</u>	<u>83,324</u>	<u>14,261,829</u>
NET POSITION			
Net investment in capital assets	22,712,890	91,955,397	114,668,287
Restricted for:			
Debt service	-	2,400,640	2,400,640
TCRS stabilization reserve trust	158,501	-	158,501
Teacher retirement pension plan	11,545	-	11,545
Teacher legacy pension plan	740,118	-	740,118
Internal school funds	242,529	-	242,529
Improvements and construction	-	794,098	794,098
Drug education and enforcement	86,207	-	86,207
Capital projects	10,129	-	10,129
Education	11,009,214	-	11,009,214
Unrestricted	12,698,546	36,977,949	49,676,495
TOTAL NET POSITION	<u>\$ 47,669,679</u>	<u>\$ 132,128,084</u>	<u>\$ 179,797,763</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2022

Function/ Program	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental	Business-type	
					Activities	Activities	
<u>Governmental activities:</u>							
General government	\$ 1,287,115	\$ 453,644	\$ 100,600	\$ -	\$ (732,871)	\$ -	\$ (732,871)
Public safety	4,868,848	61,003	633,885	-	(4,173,960)	-	(4,173,960)
Recreation	1,071,383	59,941	-	1,482,212	470,770	-	470,770
Highways and streets	1,759,341	-	246,861	-	(1,512,480)	-	(1,512,480)
Housing and community development	916,360	-	-	42,000	(874,360)	-	(874,360)
Garage	179,785	-	-	-	(179,785)	-	(179,785)
Education	14,226,296	41,818	12,826,104	454,408	(903,966)	-	(903,966)
Interest on long-term debt	212,457	-	-	-	(212,457)	-	(212,457)
Total governmental activities	24,521,585	616,406	13,807,450	1,978,620	(8,119,109)	-	(8,119,109)
<u>Business-type activities:</u>							
Electric	45,780,422	50,286,703	-	940,975	-	5,447,256	5,447,256
Gas	7,837,128	8,840,467	-	1,291	-	1,004,630	1,004,630
Telecom	3,163,076	4,117,215	-	197,311	-	1,151,450	1,151,450
Water and sewer	5,598,908	6,724,460	-	12,935	-	1,138,487	1,138,487
Sanitation	543,016	754,625	-	-	-	211,609	211,609
Total business-type activities	62,922,550	70,723,470	-	1,152,512	-	8,953,432	8,953,432
Total Government	<u>\$ 87,444,135</u>	<u>\$ 71,339,876</u>	<u>\$ 13,807,450</u>	<u>\$ 3,131,132</u>	<u>(8,119,109)</u>	<u>8,953,432</u>	<u>834,323</u>
General revenues:							
Property taxes					4,514,911	-	4,514,911
Business taxes					318,359	-	318,359
In lieu of tax					105,007	-	105,007
Sales taxes					4,618,211	-	4,618,211
Occupancy taxes					171,996	-	171,996
Alcoholic beverage taxes					621,018	-	621,018
Franchise taxes					97,009	-	97,009
Other local taxes					592	-	592
State shared revenues					1,044,594	-	1,044,594
Internal school funds					426,029	-	426,029
Other					153,554	-	153,554
Gain (loss) on disposition of assets					36,754	(18,061)	18,693
Unrestricted investment earnings					28,046	96,929	124,975
Transfers					1,765,376	(1,765,376)	-
Total general revenues and transfers					13,901,456	(1,686,508)	12,214,948
Change in net position					5,782,347	7,266,924	13,049,271
Net position - beginning, restated					41,887,332	124,861,160	166,748,492
Net position - ending					\$ 47,669,679	\$ 132,128,084	\$ 179,797,763

The accompanying notes are an integral part of this financial statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
Assets:					
Cash	\$ 11,367,510	\$ 4,735,004	\$ 3,602,869	\$ 1,791,419	\$ 21,496,802
Receivables	3,500,418	3,077	-	10,549	3,514,044
Due from other funds	76,388	23,224	-	18,126	117,738
Due from other governments	1,019,855	717,681	454,408	91,562	2,283,506
Inventory	40,711	-	-	13,360	54,071
Prepaid expenses	14,231	5,070	-	-	19,301
Restricted assets - TCRS stabilization reserve trust	-	158,501	-	-	158,501
Restricted assets - cash and cash equivalents	-	-	-	244,895	244,895
TOTAL ASSETS	\$ 16,019,113	\$ 5,642,557	\$ 4,057,277	\$ 2,169,911	\$ 27,888,858
Liabilities:					
Accounts payable	\$ 368,914	\$ 389,788	\$ 69,097	\$ 206,329	\$ 1,034,128
Other accrued expenses	171,423	560,686	-	-	732,109
Due to other funds	18,126	-	-	26,748	44,874
Unearned revenue	-	-	-	25,000	25,000
TOTAL LIABILITIES	558,463	950,474	69,097	258,077	1,836,111
Deferred Inflows of Resources:					
Unavailable revenue - state and local taxes	417,837	134,553	-	-	552,390
Unavailable revenue - property taxes	3,334,885	-	-	-	3,334,885
Unavailable revenue - other	34,435	-	-	-	34,435
TOTAL DEFERRED INFLOWS OF RESOURCES	3,787,157	134,553	-	-	3,921,710
Fund Balances:					
Nonspendable					
Inventory and prepayments	54,942	5,070	-	13,360	73,372
Restricted:					
TCRS stabilization reserve trust	-	158,501	-	-	158,501
Capital projects	-	-	-	10,129	10,129
Education	-	-	3,988,180	-	3,988,180
Public safety	-	-	-	86,207	86,207
Internal school funds	-	-	-	242,529	242,529
Career ladder	-	4,818	-	-	4,818
Committed:					
Education	-	-	-	80,000	80,000
Assigned:					
Budget reserve	847,287	-	-	-	847,287
Industrial park	-	-	-	1,675	1,675
Capital projects	2,995,606	-	-	755,654	3,751,260
Education	-	4,389,141	-	476,807	4,865,948
Debt service	-	-	-	245,473	245,473
Unassigned	7,775,658	-	-	-	7,775,658
TOTAL FUND BALANCES	11,673,493	4,557,530	3,988,180	1,911,834	22,131,037
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 16,019,113	\$ 5,642,557	\$ 4,057,277	\$ 2,169,911	

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 funds.	34,676,784
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	720,243
OPEB obligation is not due and payable in the current period, and deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized and recognized as components of healthcare expense in future years; therefore, OPEB related amounts are not reported in the fund financial statements.	(1,729,737)
Net pension assets are not current financial resources, net pension liability is not due and payable in the current period, and deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years; therefore, pension related amounts are not reported in the fund financial statements.	4,974,741
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(13,103,389)
Net position of governmental activities	<u>\$ 47,669,679</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 3,264,457	\$ -	\$ -	\$ -	\$ 3,264,457
Business	318,202	-	-	-	318,202
Wholesale beer	331,263	-	-	-	331,263
Alcoholic beverage	227,925	-	-	-	227,925
Sales	3,390,571	-	-	-	3,390,571
Occupancy	171,633	-	-	-	171,633
Tax equivalency	105,007	-	-	-	105,007
Licenses and permits	86,429	-	-	-	86,429
Fines	45,323	-	-	15,680	61,003
Franchise fees	90,733	-	-	-	90,733
Intergovernmental	2,201,717	11,286,997	454,408	5,536,353	19,479,475
Charges for services and use of property	367,215	24,000	-	17,818	409,033
Private grants and contributions	-	7,000	-	42,000	49,000
Investment earnings	6,333	10,592	10,863	258	28,046
Internal school funds	-	-	-	426,029	426,029
Recreation activities	59,941	-	-	-	59,941
Other revenue	66,465	60,008	-	325	126,798
TOTAL REVENUES	10,733,214	11,388,597	465,271	6,038,463	28,625,545
EXPENDITURES					
Current					
General government	1,268,342	-	-	1,000	1,269,342
Public safety	5,183,964	-	-	11,687	5,195,651
Recreation	938,316	-	-	-	938,316
Highways and streets	3,246,842	-	-	-	3,246,842
Housing and community development	927,378	-	-	14,650	942,028
Garage	197,297	-	-	-	197,297
Education	-	11,106,977	-	3,785,100	14,892,077
Debt service					
Principal	-	220,000	-	426,737	646,737
Interest	-	84,648	-	253,161	337,809
Capital outlay	-	355,616	681,334	1,794,599	2,831,549
Internal school funds	-	-	-	405,463	405,463
TOTAL EXPENDITURES	11,762,139	11,767,241	681,334	6,692,397	30,903,111
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,028,925)	(378,644)	(216,063)	(653,934)	(2,277,566)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,765,376	924,555	-	1,556,198	4,246,129
Transfers out	(2,480,753)	-	-	-	(2,480,753)
Insurance proceeds	103,659	2,395	-	-	106,054
Proceeds from disposition of capital assets and surplus equipment	35,254	4,500	-	-	39,754
TOTAL OTHER FINANCING SOURCES (USES)	(576,464)	931,450	-	1,556,198	1,911,184
NET CHANGE IN FUND BALANCES	(1,605,389)	552,806	(216,063)	902,264	(366,382)
Fund balance - beginning	13,278,882	4,004,724	4,204,243	1,009,570	22,497,419
Fund balance - ending	<u>\$ 11,673,493</u>	<u>\$ 4,557,530</u>	<u>\$ 3,988,180</u>	<u>\$ 1,911,834</u>	<u>\$ 22,131,037</u>

The accompanying notes are an integral part of this financial statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2022

Amounts reported by governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (366,382)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,139,238
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(209,115)
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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. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	725,467
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense attributable to the current period is derived from the actuarial present value of the projected benefit payments less the amount of the fiduciary plan's net position. This amount is the difference in the treatment of pensions and related items.	2,591,688
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Governmental funds report health insurance contributions including any implicit subsidies for retirees (OPEB) as expenditures. However, in the statement of activities, OPEB expense attributable to the current period is derived from the actuarial present value of the projected benefit payments. This amount is the difference in the treatment of OPEB and related items.	(263,341)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	164,792
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Change in net position of governmental activities	<u><u>\$ 5,782,347</u></u>
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The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash for general use	\$ 28,339,091	\$ 188,067	\$ 28,527,158
Accounts receivable	6,540,317	65,855	6,606,172
Other receivables	1,304,194	-	1,304,194
Inventories	2,616,420	-	2,616,420
Prepaid expenses	404,271	-	404,271
Total current assets	39,204,293	253,922	39,458,215
Special and Restricted Funds	12,376,101	-	12,376,101
Capital Assets, net of accumulated depreciation	128,528,706	593,871	129,122,577
Other Assets	451,316	-	451,316
TOTAL ASSETS	180,560,416	847,793	181,408,209
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Excess consideration provided for acquisition	108,346	-	108,346
Deferred charges on refunding	221,856	-	221,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	330,202	-	330,202
<u>LIABILITIES</u>			
Current Liabilities			
Current maturities of long-term debt			
payable from current assets	2,866,795	-	2,866,795
Accounts payable	5,278,940	19,132	5,298,072
Due to other funds	-	72,864	72,864
Customer deposits	2,661,318	-	2,661,318
Accrued interest	29,044	-	29,044
Other accrued liabilities	2,016,481	2,965	2,019,446
Total current liabilities	12,852,578	94,961	12,947,539
Other Liabilities			
Advances from TVA	33,788	-	33,788
Long-term debt payable from special funds	126,517	-	126,517
OPEB liabilities, net	1,386,216	-	1,386,216
Compensated absences	618,289	11,048	629,337
Total other liabilities	2,164,810	11,048	2,175,858
Long-term debt	34,403,606	-	34,403,606
TOTAL LIABILITIES	49,420,994	106,009	49,527,003
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to OPEB	83,324	-	83,324
TOTAL DEFERRED INFLOWS OF RESOURCES	83,324	-	83,324
<u>NET POSITION</u>			
Net investment in capital assets	91,361,526	593,871	91,955,397
Restricted for debt service	2,400,640	-	2,400,640
Restricted for operation, maintenance, and asset management	794,098	-	794,098
Unrestricted	36,830,036	147,913	36,977,949
TOTAL NET POSITION	\$ 131,386,300	\$ 741,784	\$ 132,128,084

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ 67,751,276	\$ 754,135	\$ 68,505,411
Other	1,507,088	490	1,507,578
TOTAL OPERATING REVENUES	<u>69,258,364</u>	<u>754,625</u>	<u>70,012,989</u>
<u>OPERATING EXPENSES</u>			
Cost of utility services	44,215,349	-	44,215,349
Pumping, distribution and collection	5,774,529	456,471	6,231,000
Customer billing and collecting	1,360,457	-	1,360,457
General and administrative	2,331,081	-	2,331,081
Taxes and tax equivalents	440,107	-	440,107
Provision for depreciation	6,442,062	47,265	6,489,327
Other	365,458	39,280	404,738
TOTAL OPERATING EXPENSES	<u>60,929,043</u>	<u>543,016</u>	<u>61,472,059</u>
INCOME FROM OPERATIONS	<u>8,329,321</u>	<u>211,609</u>	<u>8,540,930</u>
<u>OTHER INCOME AND EXPENSE</u>			
Interest income	96,895	34	96,929
Interest expense	(749,950)	-	(749,950)
Amortization	(17,981)	-	(17,981)
Loss on disposition of assets	(18,061)	-	(18,061)
Miscellaneous	27,921	-	27,921
Other Income (Expense) -net	<u>(661,176)</u>	<u>34</u>	<u>(661,142)</u>
Income before contributions and transfers	7,668,145	211,643	7,879,788
Capital contributions	1,152,512	-	1,152,512
Transfers out	<u>(1,655,376)</u>	<u>(110,000)</u>	<u>(1,765,376)</u>
CHANGE IN NET POSITION	<u>7,165,281</u>	<u>101,643</u>	<u>7,266,924</u>
TOTAL NET POSITION, BEGINNING OF YEAR, RESTATED	124,221,019	640,141	124,861,160
TOTAL NET POSITION, END OF YEAR	<u>\$ 131,386,300</u>	<u>\$ 741,784</u>	<u>\$ 132,128,084</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (including other funds)	\$ 68,327,622	\$ 751,547	\$ 69,079,169
Other operating cash receipts	1,080,595	-	1,080,595
Payments to suppliers and others	(48,252,388)	(495,737)	(48,748,125)
Payments to employees	(5,086,397)	(83,288)	(5,169,685)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>16,069,432</u>	<u>172,522</u>	<u>16,241,954</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital borrowings repaid	(19,056)	-	(19,056)
Collections on loans to other organizations	19,056	-	19,056
Transfers (to) from other funds	(1,655,376)	(110,000)	(1,765,376)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,655,376)</u>	<u>(110,000)</u>	<u>(1,765,376)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets, net	(8,931,039)	-	(8,931,039)
Removal costs of capital assets	(624,854)	-	(624,854)
Materials salvaged from retirement of capital assets	48,608	-	48,608
Proceeds from disposal of assets	313,036	-	313,036
Capital contributions received	2,374,326	-	2,374,326
Long-term borrowings, net	388,273	-	388,273
Borrowings repaid	(2,943,237)	-	(2,943,237)
Interest paid, net	(752,057)	-	(752,057)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,126,944)</u>	<u>-</u>	<u>(10,126,944)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	99,053	34	99,087
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>99,053</u>	<u>34</u>	<u>99,087</u>
INCREASE IN CASH, NET	4,386,165	62,556	4,448,721
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,329,027	125,511	36,454,538
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 40,715,192</u>	<u>\$ 188,067</u>	<u>\$ 40,903,259</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operations	\$ 8,329,321	\$ 211,609	\$ 8,540,930
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	7,005,118	47,265	7,052,383
Miscellaneous	27,921	-	27,921
Loss on disallowance of plant	940,975	-	940,975
Conservation loans collected - customers	67,092	-	67,092
Conservation advances repaid to TVA	(68,997)	-	(68,997)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(1,100,583)	(3,078)	(1,103,661)
Inventories	(834,010)	-	(834,010)
Prepaid expenses and other assets	160,669	-	160,669
Accounts payable	604,363	(15,949)	588,414
Accrued employee benefits	32,390	-	32,390
Customer deposits	119,832	-	119,832
Due to / from other funds, net	-	(62,254)	(62,254)
Other current liabilities and compensated absences	785,341	(5,071)	780,270
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 16,069,432</u>	<u>\$ 172,522</u>	<u>\$ 16,241,954</u>

SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

Office equipment acquired by lease	\$ 28,789
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The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes				
Property	\$ 3,087,421	\$ 3,302,421	\$ 3,264,457	\$ (37,964)
Business	250,000	250,000	318,202	68,202
Wholesale beer	335,000	335,000	331,263	(3,737)
Alcoholic beverage	200,000	200,000	227,925	27,925
Sales	2,800,000	3,150,000	3,390,571	240,571
Tax equivalency	445,184	104,821	105,007	186
Occupancy	140,000	140,000	171,633	31,633
Licenses and permits	48,800	51,800	86,429	34,629
Fines	60,000	60,000	45,323	(14,677)
Franchise fees	110,000	110,000	90,733	(19,267)
Intergovernmental				
State sales tax allocation	620,000	720,000	799,836	79,836
State income tax allocation	-	-	2,631	2,631
State beer tax allocation	3,000	3,000	3,229	229
State mixed drink tax allocation	17,500	22,500	25,953	3,453
State gasoline and motor fuel tax	192,970	192,970	192,045	(925)
State gasoline and motor fuel tax (Gas 1989)	19,990	19,990	19,894	(96)
State gasoline and motor fuel tax (Gas 3 Cent)	37,040	37,040	36,862	(178)
State gas and motor fuel tax (Petroleum Special)	13,500	13,500	13,057	(443)
State sports gaming tax	3,500	6,500	6,803	303
State excise tax allocation	110,000	110,000	110,134	134
State TVA in-lieu of tax	80,000	74,000	73,437	(563)
Lincoln County Emergency Communications	694,845	694,845	815,364	120,519
State and federal grants	752,207	152,207	102,472	(49,735)
Charges for services and use of property	256,700	306,700	367,215	60,515
Investment earnings	5,000	5,000	6,333	1,333
Recreation activities	50,500	51,500	59,941	8,441
Other revenue	61,900	70,900	66,465	(4,435)
TOTAL REVENUES	10,395,057	10,184,694	10,733,214	548,520
Expenditures:				
General government				
Salaries	627,230	627,230	580,868	46,362
Supplies	18,450	43,792	36,765	7,027
Utilities	40,700	41,436	35,227	6,209
Repairs and maintenance	9,900	33,245	27,628	5,617
Health insurance	114,812	114,812	101,698	13,114
Workers compensation	8,175	8,175	6,339	1,836
Payroll taxes	51,083	51,083	45,613	5,470
Employee education	22,035	22,035	8,053	13,982
Professional services	48,930	78,904	67,802	11,102
Travel	35,350	35,350	4,069	31,281
Retirement	55,553	55,553	35,930	19,623
Other insurance	39,460	48,406	46,882	1,524
Board and commission	36,510	36,510	37,210	(700)
Other general government	222,848	286,983	234,258	52,725
	1,331,036	1,483,514	1,268,342	215,172

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Public safety				
Salaries	\$ 3,170,287	\$ 3,177,387	\$ 3,151,951	\$ 25,436
Supplies	108,595	119,240	82,226	37,014
Utilities	108,698	110,458	97,580	12,878
Repairs and maintenance	78,550	252,476	101,407	151,069
Health insurance	710,028	710,028	695,349	14,679
Workers compensation	112,700	157,700	160,661	(2,961)
Payroll taxes	255,539	255,539	243,247	12,292
Employee education	36,100	36,100	18,554	17,546
Travel	15,500	15,500	8,637	6,863
Retirement	309,339	309,339	273,640	35,699
Other insurance	89,536	96,811	92,241	4,570
Fuel	72,300	89,800	108,964	(19,164)
Professional services	17,950	17,950	11,332	6,618
Other public safety	89,957	178,140	138,175	39,965
	<u>5,175,079</u>	<u>5,526,468</u>	<u>5,183,964</u>	<u>342,504</u>
Recreation				
Salaries	381,660	382,960	326,891	56,069
Supplies	89,750	111,660	103,737	7,923
Utilities	80,900	81,636	86,432	(4,796)
Repairs and maintenance	24,400	182,338	172,020	10,318
Health insurance	63,252	63,252	55,731	7,521
Workers compensation	11,300	13,375	13,556	(181)
Payroll taxes	28,576	28,576	23,048	5,528
Professional services	32,000	84,111	51,569	32,542
Travel	2,500	2,500	-	2,500
Retirement	29,930	29,930	14,346	15,584
Other insurance	12,689	14,519	12,021	2,498
Fuel	12,640	12,640	12,960	(320)
Other recreation	48,725	68,143	66,005	2,138
	<u>818,322</u>	<u>1,075,640</u>	<u>938,316</u>	<u>137,324</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Highways and streets				
Salaries	\$ 706,465	\$ 705,165	\$ 635,006	\$ 70,159
Supplies	17,300	17,300	22,127	(4,827)
Utilities	29,650	30,482	23,915	6,567
Repairs and maintenance	32,850	32,850	22,569	10,281
Health insurance	176,772	176,772	150,574	26,198
Workers compensation	32,000	32,000	28,825	3,175
Payroll taxes	54,846	54,846	46,401	8,445
Professional services	13,300	13,300	15,372	(2,072)
Retirement	68,384	68,384	54,592	13,792
Other insurance	10,990	13,690	13,092	598
Fuel	35,500	35,500	58,226	(22,726)
Street lighting	180,000	180,000	171,666	8,334
Paving and resurfacing	1,040,259	2,711,207	1,910,120	801,087
Other highways and streets	101,725	123,275	94,357	28,918
	<u>2,500,041</u>	<u>4,194,771</u>	<u>3,246,842</u>	<u>947,929</u>
Housing and community development				
Nonprofit allocations	334,596	375,646	349,005	26,641
Fuel	250,000	400,000	356,703	43,297
Industrial development	102,500	102,500	102,500	-
Other housing and community development	152,443	153,313	119,170	34,143
	<u>839,539</u>	<u>1,031,459</u>	<u>927,378</u>	<u>104,081</u>
Garage				
Salaries	132,791	132,791	104,867	27,924
Repairs and maintenance	11,150	11,150	12,375	(1,225)
Health insurance	29,946	29,946	33,461	(3,515)
Workers compensation	5,500	5,500	7,075	(1,575)
Payroll taxes	10,320	10,320	7,063	3,257
Retirement	13,146	13,146	8,227	4,919
Supplies	9,100	15,716	13,756	1,960
Fuel	3,500	3,500	3,686	(186)
Other garage	8,512	8,672	6,787	1,885
	<u>223,965</u>	<u>230,741</u>	<u>197,297</u>	<u>33,444</u>
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>10,887,982</u>	<u>13,542,593</u>	<u>11,762,139</u>	<u>1,780,454</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(492,925)</u>	<u>(3,357,899)</u>	<u>(1,028,925)</u>	<u>2,328,974</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,800,272	\$ 1,745,272	\$ 1,765,376	\$ 20,104
Transfers out	(1,869,584)	(2,496,075)	(2,480,753)	15,322
Insurance proceeds	5,000	105,000	103,659	(1,341)
Sale of capital assets	5,000	33,800	35,254	1,454
TOTAL OTHER FINANCING SOURCES (USES)	<u>(59,312)</u>	<u>(612,003)</u>	<u>(576,464)</u>	<u>35,539</u>
NET CHANGE IN FUND BALANCES	(552,237)	(3,969,902)	(1,605,389)	2,364,513
Fund balance - beginning	13,278,882	13,278,882	13,278,882	-
Fund balance - ending	<u>\$ 12,726,645</u>	<u>\$ 9,308,980</u>	<u>\$ 11,673,493</u>	<u>\$ 2,364,513</u>

The accompanying notes are in integral part of this financial statement.

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Lincoln County	\$ 2,555,490	\$ 2,555,490	\$ 2,542,021	\$ (13,469)
State of Tennessee	8,534,800	8,710,679	8,742,829	32,150
Federal	4,500	4,500	2,147	(2,353)
Charges for services and use of property	26,000	26,000	24,000	(2,000)
Private grants and contributions	-	-	7,000	7,000
Investment earnings	44,000	44,000	10,592	(33,408)
Other revenue	16,500	71,817	60,008	(11,809)
TOTAL REVENUES	11,181,290	11,412,486	11,388,597	(23,889)
EXPENDITURES				
Instruction				
Regular instruction program	6,478,705	6,586,652	5,424,756	1,161,896
Special education program	1,068,432	1,068,432	980,654	87,778
Vocational education program	280,787	280,787	269,328	11,459
Student body education program	34,000	34,000	29,338	4,662
Support services				
Attendance	147,872	158,518	135,702	22,816
Health services	221,118	223,957	147,293	76,664
Other student support	251,942	251,942	231,969	19,973
Regular instruction program	648,675	649,675	584,476	65,199
Special education program	64,930	84,795	80,103	4,692
Board of education	237,868	231,348	182,769	48,579
Office of the superintendent	244,370	244,370	211,097	33,273
Office of the principal	1,081,904	1,081,904	722,066	359,838
Fiscal services	237,361	237,361	213,090	24,271
Operation of plant	728,017	728,017	711,817	16,200
Maintenance of plant	280,588	280,588	241,724	38,864
Transportation	245,938	273,470	210,416	63,054
Technology	323,847	391,734	362,145	29,589
Early childhood education	486,448	486,448	368,234	118,214
Debt service				
Principal on notes	220,000	220,000	220,000	-
Interest on notes	84,648	84,648	84,648	-
Capital outlay	50,000	50,000	355,616	(305,616)
TOTAL EXPENDITURES	13,417,450	13,648,646	11,767,241	1,881,405
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,236,160)	(2,236,160)	(378,644)	1,857,516
OTHER FINANCING SOURCES (USES)				
Transfers in	924,556	924,556	924,555	(1)
Insurance recovery	4,500	4,500	2,395	(2,105)
Sale of capital assets	-	-	1,500	1,500
Sale of surplus equipment	5,000	5,000	3,000	(2,000)
Total Other Financing Sources (Uses)	934,056	934,056	931,450	(2,606)
Net changes in fund balances	(1,302,104)	(1,302,104)	552,806	1,854,910
Fund balance - beginning	4,004,724	4,004,724	4,004,724	-
Fund balance - ending	<u>\$ 2,702,620</u>	<u>\$ 2,702,620</u>	<u>\$ 4,557,530</u>	<u>\$ 1,854,910</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fayetteville, Tennessee (the “government”) have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting standards. The GASB’s *Codification of Governmental Accounting and Financial Reporting Standards* document these principles. The following is a summary of the government's significant accounting policies:

(A) Reporting entity

The City of Fayetteville, Tennessee is a municipal corporation governed by an elected mayor and a six member board of aldermen. The accompanying financial statements present only the City of Fayetteville. There are no component units for which the government is considered financially accountable to be blended in accordance with GAAP.

(B) Government-wide and fund financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

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 as well as charges for utilities provided to City departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate fund financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The school general fund accounts for the financial resources used for general education activities.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) Government-wide and fund financial statements (Continued)

The school capital projects fund accounts for the financial resources provided through debt issuance or other sources to be used for capital improvement projects. This fund is being reported as major for consistency purposes and due to heightened public interest even though it fails to meet the size criteria for a major fund in the current year.

The government reports the following major enterprise funds:

The Fayetteville Public Utilities (FPU) fund accounts for the activities of the electric, gas, water and sewer, and telecommunications departments.

The sanitation fund accounts for the activities of the general government's garbage collection and disposal.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

(C) Measurement focus and basis of accounting

1. Economic Resources Measurement Focus and Accrual Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. For the activities of FPU, an accrual is made for unbilled revenue for services from the date of the most recent meter readings to the balance sheet date consistent with costs for utility services.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Measurement focus and basis of accounting (Continued)

The 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. For expenditure-driven grants, a departure from the 30 day period defined above is considered in situations where reimbursement is not expected within a reasonable period. All other revenue items are considered to be measurable and available only when cash is received by the government.

2. Revenues and expenditures/expenses

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Fayetteville Public Utilities and sanitation funds are charges to customers for sales and services related to utilities. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Property taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable October 1. Property taxes become delinquent March 1 of the following year.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Assets, liabilities, net position and fund balances

1. Cash and cash equivalents

Cash and cash equivalents represent all investments that are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents include cash in bank and on hand.

2. Receivables and allowance for uncollectible accounts

Receivables consist of taxes receivable including real and personal property, trade receivables, due from other governments and interest receivable. The government provides for an allowance for uncollectible receivables equal to the estimated loss that may be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.

3. Inventories and prepaid items

Inventories are comprised of materials and supplies and natural gas utility reserves and are stated at the lower of cost or market. Cost for materials and supplies are determined substantially by the moving average method of inventory valuation. For the School System's cafeteria fund, inventories are comprised of food items and supplies and are stated at cost, which approximates market, using the first in first out method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

4. Restricted assets

Governmental and business-type activities - Certain resources set aside for the repayment of revenue bonds and various reserves are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. In addition, unexpended bond and grant funds and retainages due contractors are restricted because their use is restricted by applicable agreements. In addition, the School System has contributed funds to a Stabilization Reserve Trust established by the Tennessee Consolidated Retirement System (TCRS) for the Hybrid pension plan that is classified as a restricted asset. Cash in internal school funds received from various sources, including athletic events and other student activities as provided for by section 49-2-110, Tennessee Code Annotated are classified as restricted because their use is for the benefit of students at the respective schools.

5. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets used in governmental-type activities are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$25,000 for School System buildings) and an estimated useful life in excess of one year. Donated capital assets are recorded at fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Assets, liabilities, net position and fund equity (Continued)

5. Capital assets (Continued)

Certain items of electric plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with the related cost of installation. When utility plant is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

The costs of maintenance, repairs, and replacements of minor items of property that do not improve or extend the life of the respective assets are charged to expense accounts as incurred.

Capital assets depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings	20-50 years
Public domain infrastructure	40-50 years
Improvements other than buildings	10-20 years
Machinery, equipment and other	5-15 years

6. Long-term liabilities

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt is recorded net of the applicable premium or discount. Debt issuance costs, other than insurance, are charged to expense in the period incurred. Debt premiums and discounts are deferred and amortized over the life of the debt using a method that approximates the interest method. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated absences

The government's general government and FPU's policies regarding leave time permit employees to accumulate earned but unused vacation leave and sick leave benefits. The liability for these compensated absences is recorded as long-term debt in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the liability has matured, for example, as a result of employee resignations and retirements.

The School System's policies regarding leave time require employees use vacation leave by the end of the fiscal year. Accordingly, there is no liability recorded in the financial statements for compensated absences at June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Assets, liabilities, net position and fund equity (Continued)

8. Fund balance policies

Governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form (such as inventory or prepaid items) or (b) legally or contractually required to be maintained intact.

Restricted - includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance passed by the Fayetteville Board of Mayor and Aldermen, the government's highest level of decision-making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. For the Fayetteville City Schools committed balances arise pursuant to constraints imposed by formal action of the Board of Education in the form of a motion with a majority vote of approval and cannot be used for any other purposes unless the Board rescinds or modifies the specified use by taking the same action that was employed when the funds were initially committed. At June 30, 2022, the Fayetteville City School System had committed resources of \$80,000 to establish an operating reserve in the Title Fund.

Assigned - includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. This classification also includes the remaining positive fund balance for all special revenue funds. The Fayetteville Board of Mayor and Aldermen has not authorized anyone to make assignments. For the Fayetteville City Schools this intent can be expressed by the Board of Education or through the Board delegating this responsibility to the Director of Schools through the budgetary process. At June 30, 2022, the City of Fayetteville had assigned resources of \$2,995,606 from a recent bond issuance for the use of capital projects.

Unassigned - the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When this occurs the government will determine the best use of funds based on the specific facts and circumstances at that time. The Fayetteville School System would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend assigned resources first to defer the use of these other classified funds.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Assets, liabilities, net position, and fund equity (Continued)

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. In the government-wide statement of net position the government has four items that qualify for reporting in this category. The business-type activities contain two of these items, and they are the deferred charge on refunding and the excess consideration provided for acquisition reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The excess consideration provided for acquisition represents the amount by which the consideration provided for the Ardmore gas operations in a prior year exceeded the acquisition value of the net position acquired. The third and fourth items are the aggregate total of deferred outflows related to pensions which are described in Note 10 and the aggregate total of deferred outflows related to OPEB which are described in Note 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position the government has four items that qualify for reporting in this category. First is the deferred credit on refunding. A deferred credit on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second, property taxes attach as an enforceable lien on property as of January 1st but will not be available for collection until the taxes are billed in the following fiscal year. These amounts are deferred and recognized as an inflow of resources in the period for which property taxes are billed. The third item is the aggregate total of deferred inflows related to pensions which are described in Note 10. The fourth item is the aggregate total of deferred inflows related to OPEB which are described in Note 11. In the governmental funds the government has one type of item for deferred/unavailable revenue. The governmental funds report deferred/ unavailable revenues from multiple sources: property taxes, state and local taxes, operating grants and certain other amounts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Net position flow assumption

The government will on occasion fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Assets, liabilities, net position, and fund equity (Continued)

11. Estimates

In preparing the government's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

Public Employee Retirement Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the government's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the government'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.

Teacher Plans

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

National Rural Electric Cooperative Association (NRECA) RS Plan

In accordance with GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*, pension expense of the NRECA RS plan is recognized in an amount equal to the required contributions to the pension plan for the reporting period. A liability is recognized in accounts payable for the difference, if any, at the end of the reporting period between contributions required and contributions made.

13. New Accounting Pronouncement

During the year, the government implemented GASB Statement No. 87, *Leases*. This standard enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASBS No. 87 is effective for fiscal years beginning after June 15, 2021.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Assets, liabilities, net position, and fund equity (Continued)

13. New Accounting Pronouncement (Continued)

See Note 19 for a description of the effect of applying this standard on beginning net position for FPU. No current year accrual was necessary for Fayetteville City Schools or the City, as their leases were a maximum term of 12 months or less or the potential lease asset and lease liability amounts were considered immaterial. While no leases are considered material for GASBS No. 87 reporting for Fayetteville City Schools or the City, future lease payments under noncancelable operating leases are commitments and are disclosed in Note 6.

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

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

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$34,676,784 difference are as follows:

Land	\$ 3,971,916
Construction in progress	3,758,173
Buildings and improvements	28,243,812
Less: Accumulated depreciation-building and improvements	(11,318,533)
Machinery and equipment	12,934,542
Less: Accumulated depreciation-machinery and equipment	(7,589,923)
Infrastructure	8,109,615
Less: Accumulated depreciation-infrastructure	<u>(3,432,818)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 34,676,784</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds and loans payable are not due and payable in the current period and therefore are not reported in the funds." The details of this \$13,103,389 difference are identified as follows:

Bonds, notes and leases payable	\$ 10,811,867
Add: Issuance premium (to be amortized over life of debt)	1,089,490
Add: Deferred credit on refunding	62,537
Accrued interest payable	23,315
Compensated absences	528,444
Landfill post closure costs	<u>587,736</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 13,103,389</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” In addition, certain capital outlays not meeting the definition of capital assets are reported as expenditures in the governmental funds. These expenditures total \$175,101 in the current year. The details of this \$3,139,238 difference are as follows:

Capital outlay	\$ 4,800,070
Depreciation expense	<u>(1,660,832)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,139,238</u>

Another element of that reconciliation states that “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. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$725,467 difference are as follows:

Principal Repayment:	
General obligation bond	\$ 501,215
Capital outlay notes	145,522
Amortization of debt premiums and deferred refunding credit	<u>78,730</u>
Net adjustment to increase net changes in fund balance- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 725,467</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

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

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

Another element of that reconciliation explains that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$164,792 difference are as follows:

Compensated absences	\$	118,170
Accrued interest		<u>46,622</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	\$	<u>164,792</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The government follows the procedures below in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Board of Mayor and Aldermen.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, and other governmental funds including: special revenue funds, debt service, and capital projects funds.
6. Budgets for the General and Other Governmental Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Although the internal school funds prepare budgets to provide for budgetary control of expenditures, they are not legally adopted and are therefore not included in the budgetary comparison schedules of this report.

Actual capital outlay expenditures for the Fayetteville City Schools System’s General Fund exceeded budget by \$305,616 due to an accrual for expenditures related to energy-efficient building equipment described in Note 5. While a formal budget amendment was not approved for these expenditures, the loan to fund those expenditures was approved by the Board and this is therefore not considered a compliance finding.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgeted amounts are as originally adopted, or as amended by the City Board of Mayor and Aldermen.

The Fayetteville City School System's original budget and amendments are first adopted by the Board of Education but must be then approved by the City of Fayetteville Board of Mayor and Aldermen.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

(A) Deposits and investments

The following is a summary of cash and investments as of June 30, 2022:

General use:

On deposit and on hand	\$ 49,823,960
Negotiable certificates of deposit	200,000

Restricted and other special funds:

On deposit-restricted (externally)	\$ 3,439,633	
On deposit-special funds (internally restricted)	9,181,363	12,620,996
Total		<u>\$ 62,644,956</u>

A portion of the restricted assets shown on deposit above are maintained in the government's Fayetteville Public Utilities enterprise fund. These assets include amounts which are required to be maintained pursuant to ordinances relating to bond indebtedness (construction, reserve and sinking funds), as well as bond or grant funds restricted for improvement and construction projects and retained amounts due to contractors pursuant to agreement. Also, cash in internal school funds are classified as restricted because their use is for the benefit of students at the respective schools. At June 30, 2022, the following restricted funds were maintained:

Externally restricted:

Bond sinking and debt service reserve funds	\$ 2,400,640
Operation and maintenance reserve	747,098
Asset management reserve	47,000
Internal school funds	244,895
Total	<u>\$ 3,439,633</u>

Special funds totaling \$9,181,363 are designated for specific purposes by FPU. The funds include operating reserves, improvements and construction costs, debt service reserves, and post-retirement health benefits.

Credit risk - investments - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law limits investments by municipalities to federal obligations, certain other federally guaranteed obligations, certificates of deposit, the Local Government Investment Pool and certain other highly rated instruments. The government has not adopted policies to further limit its deposit or investment choices. As of June 30, 2022, the government has invested \$200,000 in negotiable certificates of deposits, which are covered by FDIC insurance. Governmental accounting standards require disclosure of credit quality ratings for external investment pools; however, the Local Government Investment Pool is unrated.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(A) Deposits and investments (Continued)

Interest rate risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The government's risk is mitigated through the limited maturities of investments and time deposits, if any.

Custodial credit risk – deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At June 30, 2022, certain deposits are held in financial institutions, which are members of the Tennessee Bank Collateral Pool (the Pool). The Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities

At June 30, 2022, the government's cash consists of deposits in financial institutions with bank balances of \$63,304,799 and carrying amounts of \$62,640,878 plus cash on hand of \$4,078. Of the amounts on deposit, \$59,632,866 is fully insured by the FDIC or the Tennessee Bank Collateral Pool. The remaining \$3,008,012 is collateralized by securities pledged by financial institutions in the name of the government.

Custodial credit risk – investments - In the case of an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have an investment policy for custodial credit risk.

(B) Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for governmental activities. Below is the detail of receivables for the major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>School General</u>	<u>School Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:					
Taxes - property	\$ 3,376,028	\$ -	\$ -	\$ -	\$ 3,376,028
Taxes - other	71,213	-	-	-	71,213
Accounts	94,320	3,077	-	10,549	107,946
Intergovernmental	<u>1,019,855</u>	<u>717,681</u>	<u>454,408</u>	<u>91,562</u>	<u>2,283,506</u>
Gross receivables	4,561,416	720,758	454,408	102,111	5,838,693
Less: Allowance for Uncollectibles	<u>(41,143)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,143)</u>
Net total receivables	<u>\$ 4,520,273</u>	<u>\$ 720,758</u>	<u>\$ 454,408</u>	<u>\$ 102,111</u>	<u>\$ 5,797,550</u>

Revenues of the Fayetteville Public Utilities, an enterprise fund, are reported net of uncollectible amounts. Total uncollectible amounts related to sales of the current period amounted to \$25,855.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets

Capital asset activity for the year ended June 30, 2022, for governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,971,916	\$ -	\$ -	\$ 3,971,916
Construction in progress	<u>1,943,420</u>	<u>3,691,725</u>	<u>(1,876,972)</u>	<u>3,758,173</u>
Total capital assets, not being depreciated	<u>5,915,336</u>	<u>3,691,725</u>	<u>(1,876,972)</u>	<u>7,730,089</u>
Capital assets, being depreciated:				
Buildings	22,378,909	44,522	-	22,423,431
Improvements other than buildings	4,621,868	1,198,513	-	5,820,381
Machinery and equipment	12,012,764	1,031,395	(109,617)	12,934,542
Infrastructure	<u>7,398,728</u>	<u>710,887</u>	<u>-</u>	<u>8,109,615</u>
Total capital assets being depreciated	<u>46,412,269</u>	<u>2,985,317</u>	<u>(109,617)</u>	<u>49,287,969</u>
Less accumulated depreciation for:				
Buildings	(9,173,875)	(451,769)		(9,625,644)
Improvements other than buildings	(1,427,137)	(265,752)	-	(1,692,889)
Machinery and equipment	(7,051,225)	(648,315)	109,617	(7,589,923)
Infrastructure	<u>(3,137,822)</u>	<u>(294,996)</u>	<u>-</u>	<u>(3,432,818)</u>
Total accumulated depreciation	<u>(20,790,059)</u>	<u>(1,660,832)</u>	<u>109,617</u>	<u>(22,341,274)</u>
Total capital assets, being depreciated, net	<u>25,622,210</u>	<u>1,324,485</u>	<u>-</u>	<u>26,946,695</u>
Governmental activities capital assets, net	<u><u>\$ 31,537,546</u></u>	<u><u>\$ 5,016,210</u></u>	<u><u>\$ (1,876,972)</u></u>	<u><u>\$ 34,676,784</u></u>

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

Governmental Activities:	
General government	\$ 49,086
Public safety	316,607
Recreation	232,377
Highways and streets	387,732
Housing and community development	7,725
Education	<u>667,305</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,660,832</u></u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets (Continued)

Capital asset activity for the year ended June 30, 2022, for business-type activities is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,098,495	\$ -	\$ -	\$ 1,098,495
Construction in progress	6,256,194	6,257,737	(9,230,288)	3,283,643
Total capital assets, not being depreciated	7,354,689	6,257,737	(9,230,288)	4,382,138
Capital assets, being depreciated:				
Structures and improvements	10,141,394	26,161	-	10,167,555
Machinery and equipment *	191,987,010	10,669,069	(3,647,200)	199,008,879
Infrastructure	825,038	296,174	(138,730)	982,482
Total capital assets being depreciated	202,953,442	10,991,404	(3,785,930)	210,158,916
Less accumulated depreciation for:				
Structures and improvements	(2,969,704)	(223,392)	-	(3,193,096)
Machinery and equipment	(78,685,958)	(6,724,285)	3,860,068	(81,550,175)
Infrastructure	(741,511)	(104,706)	171,011	(675,206)
Total accumulated depreciation	(82,397,173)	(7,052,383)	4,031,079	(85,418,477)
Total capital assets, being depreciated, net	120,556,269	3,939,021	245,149	124,740,439
Business-type activities capital assets, net	\$ 127,910,958	\$ 10,196,758	\$ (8,985,139)	\$ 129,122,577

* Includes right to use lease assets as described in the table below

Depreciation expense was charged to business-type activities of the government as follows:

Business-type Activities:	
Public utilities	\$ 7,005,118
Sanitation fund	47,265
Total depreciation expense - business-type activities	<u>\$ 7,052,383</u>

The amount of \$563,056 of depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

A summary of FPU lease asset activity during the year ended June 30, 2022 is as follows:

	Restated Balance 6/30/2021	Additions	Retirements	Balance 6/30/2022
Lease assets:				
Intangible right to use lease - office equipment	\$ 96,637	\$ 28,789	\$ -	\$ 125,426
Total lease assets	96,637	28,789	-	125,426
Less accumulated amortization:	-	29,286	-	29,286
Total lease assets, net	<u>\$ 96,637</u>	<u>\$ (497)</u>	<u>\$ -</u>	<u>\$ 96,140</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets (Continued)

Construction commitments

At June 30, 2022, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding engineering and construction contract commitments totaling \$1,259,327.

At June 30, 2022, Fayetteville City Schools had significant outstanding contract commitments for engineering, construction, and plant upgrades totaling \$2,465,727.

At June 30, 2022, the general government had outstanding engineering and construction contract commitments totaling \$623,687.

(D) Interfund receivables, payables, and transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be liquidated within one year. The composition of interfund balances as of June 30, 2022, is as follows:

	Due from						
	<u>School Title Fund</u>	<u>School General Fund</u>	<u>School Cafeteria Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>General Fund</u>	<u>Total</u>
Due to:							
General fund	\$ -	\$ -	\$ -	\$ 72,864	\$ 3,524	\$ -	\$ 76,388
School general fund	21,558	-	14,754	-	-	-	36,312
School cafeteria fund	-	13,073	-	-	-	-	13,073
School title fund	-	15	-	-	-	-	15
Debt service fund	-	-	-	-	-	14,573	14,573
Drug fund	-	-	-	-	-	3,553	3,553
	<u>\$ 21,558</u>	<u>\$ 13,088</u>	<u>\$ 14,754</u>	<u>\$ 72,864</u>	<u>\$ 3,524</u>	<u>\$ 18,126</u>	<u>\$ 143,914</u>

Transfers are used to move receipts for funding of capital projects and to finance various programs accounted for in other funds using unrestricted revenues collected in the general fund in accordance with budgetary authorizations. FPU makes tax equivalent payments to the general fund. The composition of interfund transfers for the year ended June 30, 2022 is as follows:

	Transfers In			
	<u>General Fund</u>	<u>School General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers Out:				
General fund	\$ -	\$ 924,555	\$ 1,556,198	\$ 2,480,753
Other governmental funds	-	-	-	-
Subtotal - governmental funds	<u>\$ -</u>	<u>\$ 924,555</u>	<u>\$ 1,556,198</u>	<u>\$ 2,480,753</u>
Fayetteville Public Utilities	\$ 1,655,376	\$ -	\$ -	\$ 1,655,376
Sanitation fund	110,000	-	-	110,000
Subtotal - proprietary funds	<u>1,765,376</u>	<u>-</u>	<u>-</u>	<u>1,765,376</u>
	<u>\$ 1,765,376</u>	<u>\$ 924,555</u>	<u>\$ 1,556,198</u>	<u>\$ 4,246,129</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 5 - LONG-TERM DEBT

(A) General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

General obligation bonds currently outstanding are as follows:

City of Fayetteville (Government) and Fayetteville Public Utilities (Gas Department):

Series 2017, \$3,850,000 general obligation bonds, issued September 2017 to advance refund debt totaling \$3,950,000. The bonds mature serially at annual interest rates of 5% with final maturity in 2025. (Allocation: Government: \$446,867, FPU Gas \$968,133). \$ 1,415,000

City of Fayetteville (Government) and Fayetteville City Schools:

Series 2021A, \$6,775,000 general obligation bonds, issued February 2021 to refund general obligation bonds totaling \$7,055,000 being used to finance capital outlay projects of the Government and the school system. The bonds mature serially at annual interest rates ranging from 1.30% to 3.00% with final maturity in 2037. (Allocation: Government: \$2,020,000, Fayetteville City Schools: \$4,025,000). 6,045,000

City of Fayetteville (Government):

Series 2021B, \$4,320,000 general obligation bonds, issued February 2021 to finance capital outlay projects of the Government. The bonds mature serially at annual interest rates ranging from 3.00% to 5.00% with final maturity in 2040. 4,320,000

Total general obligation bonds \$ 11,780,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 688,702	\$ 279,781	\$ 326,298	\$ 19,362
2024	700,676	257,209	314,324	12,836
2025	722,489	234,194	327,511	6,550
2026	600,000	210,397	-	-
2027	620,000	188,494	-	-
2028-2032	3,370,000	653,377	-	-
2033-2037	3,205,000	321,467	-	-
2038-2040	905,000	54,750	-	-
Total	<u>\$ 10,811,867</u>	<u>\$ 2,199,669</u>	<u>\$ 968,133</u>	<u>\$ 38,748</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds

The government also issues bonds for which the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue and revenue and tax bonds outstanding at June 30, 2022, are as follows:

Fayetteville Public Utilities (Electric Department):

Series 2016, revenue bonds issued in the original amount of \$9,750,000 in May 2016 to advance refund debt totaling \$9,950,000. The bonds mature serially at annual interest rates of 2% with final maturity in 2028. The bonds are subject to redemption prior to maturity on or after June 1, 2024 at a redemption price of 100%.

\$ 7,975,000

The government has revenue and tax bond issues from direct placements at June 30, 2022 as follows:

Fayetteville Public Utilities (Electric Department):

Series 2019, \$3,116,000 revenue bonds, issued in December 2019 to currently refund debt totaling \$3,090,000. The bonds mature serially at annual interest rates of 1.79%, with final maturity in 2024. The bonds are not pre-payable prior to maturity.

\$ 933,000

Fayetteville Public Utilities (Water Department):

Series 2008, revenue and tax bond (Phase I) in the original amount of \$3,500,000 issued in September 2013 to finance certain costs of the water wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 2.25% per annum with final maturity in 2050. Prepayments may be made at any time.

2,909,458

Series 2009, revenue and tax bond (Phase II) in the original amount of \$4,980,000 issued in October 2014 to finance certain costs of the water wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 3.00% per annum with final maturity in 2051. Prepayments may be made at any time.

4,341,921

Series 2009A, revenue and tax bond (Phase III) in the original amount of \$2,623,000 issued in December 2015 to finance certain extensions and improvements to the water and wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 2.50% per annum with final maturity in 2052. Prepayments may be made at any time.

2,317,384

Series 2015, revenue and tax bond (Phase IV) in the original amount of \$1,900,000 issued in July 2016 to finance certain extensions and improvements to the water and wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 2.75% per annum with final maturity in 2054. Prepayments may be made at any time.

1,717,434

Total revenue bonds from direct placements

\$ 12,219,197

Revenue bond debt service requirements to maturity are on the following page.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds (Continued)

Revenue Bonds from Direct Borrowings and Direct Placements			Revenue Bonds		
Year Ending June 30,	Business Type Activities		Year Ending June 30,	Business Type Activities	
	Principal	Interest		Principal	Interest
2023	\$ 722,178	\$ 314,518	2023	\$ 875,000	\$ 159,500
2024	727,212	300,126	2024	910,000	142,000
2025	269,006	283,990	2025	1,490,000	123,800
2026	276,216	276,780	2026	1,530,000	94,000
2027	283,619	269,377	2027	1,565,000	63,400
2028-2032	1,534,977	1,230,003	2028-2032	1,605,000	32,100
2033-2037	1,753,439	1,011,541	2033-2037	-	-
2038-2042	2,002,572	762,408	2038-2042	-	-
2043-2047	2,287,670	477,310	2043-2046	-	-
2048-2052	2,157,572	158,567	2047-2052	-	-
2053-2055	204,736	5,019	2053-2055	-	-
Total	\$ 12,219,197	\$ 5,089,639	Total	\$ 7,975,000	\$ 614,800

Certain of the government's bonds require establishment of sinking funds and compliance with various covenants. The government was in compliance with these requirements at June 30, 2022.

(C) Loans (Direct Borrowings)

The government has the following loans from direct borrowings outstanding at June 30, 2022:

Fayetteville City Schools:

Fayetteville City Schools entered into a master lease purchase agreement on March 7, 2022 with BciCapital, Inc. to acquire certain energy-efficient building equipment through Schneider Electric Buildings Americas, Inc. The total purchase price of this equipment is \$1,668,106. This loan will accrue interest at an annual rate of 3.14% and payments are set to begin in March 2023, with final maturity in September 2042. At June 30, 2022, there had been no draws on this loan.

\$-0-

Fayetteville Public Utilities (Water Department)

State of Tennessee Utility Relocation Loan, entered into August 9, 2005, to finance the cost of relocating certain water department utility lines. The original term of the loan is 15 years from project completion in January 2010 and bears interest at 1.85%.

\$386,137

State of Tennessee Revolving Fund Loan Program, entered into January 3, 2013, to finance the cost of certain improvements to the water wastewater system. The loan will mature 20 years from the project completion and bears interest at 1.17%.

2,755,959

State of Tennessee Revolving Fund Loan Program, entered into January 3, 2013, to finance the cost of certain improvements to the water wastewater system. The loan will mature 20 years from project completion and bears interest at 1.17%.

462,677

State of Tennessee Revolving Fund Loan Program, entered into January 23, 2015, to finance the cost of certain improvements to the water wastewater system. The loan will mature 20 years from project completion and bears interest at 1.38%.

2,855,000

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(C) Loans (Direct Borrowings) (Continued)

Fayetteville Public Utilities (Water Department) (Continued)

State of Tennessee Revolving Fund Loan Program, entered into January 23, 2015, to finance the cost of certain improvements to the water wastewater system. The loan will mature 20 years from project completion and bears interest at 1.38%. 1,207,597

State of Tennessee Revolving Fund Loan Program, entered into May 10, 2016, to finance the cost of certain improvements to the water system. The loan will mature 20 years from project completion and bears interest at 1.12%. 4,245,856

State of Tennessee Revolving Fund Loan Program, entered into November 29, 2017, to finance the cost of certain improvements to the wastewater system. The loan will mature 20 years from project completion and bears interest at 1.31%. 772,724

State of Tennessee Revolving Fund Loan Program, entered into November 29, 2017, to finance the cost of certain improvements to the wastewater system. The loan will mature 20 years from project completion and bears interest at 1.31%. 2,767,480

Fayetteville Public Utilities (Electric Department)

RUS Rural Development Loan: FPU entered into a loan agreement on November 30, 2015 with the USDA pursuant to the Rural Electrification Act of 1936 for a Rural Economic Development Loan in the amount of \$133,334 the proceeds of which were passed through to the Lincoln Health System, the ultimate recipient. The loan bears no interest and is payable monthly for a term of seven years. 7,882

Total Loans (Direct Borrowings) \$ 15,461,318

Debt service requirements to maturity on these loans (Direct Borrowings) are as follows:

Year Ending <u>June 30,</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,039,793	\$ 188,496
2024	1,045,745	174,662
2025	980,359	160,961
2026	912,978	149,256
2027	924,414	137,820
2028-2032	4,798,506	512,664
2033-2037	4,675,954	208,612
2038-2042	1,083,569	16,909
Total	<u>\$ 15,461,318</u>	<u>\$ 1,549,380</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The debt of each department of FPU is secured by and / or payable from the respective revenues of that department.

Fayetteville Public Utilities (State of Tennessee Revolving Loan Fund) - Non-Amortizing Debt

FPU entered into a loan agreement on March 11, 2021, with the Tennessee Department of Environment and Conservation to borrow \$621,000. This loan will be used to finance the cost of certain improvements to the water system. The loan will mature 5 years from project completion. The loan bears interest at a rate of .14%. FPU has received \$505,722 in advances as of June 30, 2022.

(D) Lease Liabilities

Fayetteville Public Utilities (Electric and Water Departments):

FPU's Electric and Water departments have recorded intangible right to use assets totaling \$125,426 in capital assets. Due to the implementation of GASB Statement No. 87, these leases for office equipment met the criteria of leases, thus requiring them to be recorded by the System. The assets will be amortized over the lease term of five years since it is shorter than the useful life and the System is not taking ownership of the assets. There are no residual value guarantees in the lease provisions. The leases will end in 2027. A summary of the principal and interest amounts for the remaining leases is included below. See Note 6 for additional information on the government's leasing activities.

\$ 95,737

	<u>Lease Liabilities</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 30,043	\$ 2,394
2024	28,637	1,546
2025	29,489	691
2026	6,537	132
2027	1,031	4
	<u>\$ 95,737</u>	<u>\$ 4,767</u>

(E) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds - fixed rate	\$ 11,313,082	\$ -	\$ (501,215)	\$ 10,811,867	\$ 688,702
Unamortized bond premium	1,163,146	-	(73,656)	1,089,490	-
Total bonds payable	12,476,228	-	(574,871)	11,901,357	688,702
Loans payable from direct borrowings:					
Capital outlay note	145,522	-	(145,522)	-	-
Total loans payable from direct borrowings	145,522	-	(145,522)	-	-
Landfill postclosure costs	587,736	-	-	587,736	-
Postemployment benefit obligation	2,505,648	65,898	(129,441)	2,442,105	-
Compensated absences	646,614	217,053	(335,223)	528,444	287,801
Governmental Activities Long-Term Liabilities	<u>\$ 16,361,748</u>	<u>\$ 282,951</u>	<u>\$ (1,185,057)</u>	<u>\$ 15,459,642</u>	<u>\$ 976,503</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(E) Changes in long-term liabilities (continued)

	Restated Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 8,820,000	\$ -	\$ (845,000)	\$ 7,975,000	\$ 875,000
General obligation bonds	1,291,918	-	(323,785)	968,133	326,298
Unamortized bond premium	209,314	-	(37,503)	171,811	-
Revenue bonds from direct placements	12,945,723	-	(726,526)	12,219,197	722,178
Total bonds payable	23,266,955	-	(1,932,814)	21,334,141	1,923,476
Loans from direct borrowings:					
Tennessee Utility Relocation Loan	535,664	-	(149,527)	386,137	152,317
Tennessee revolving fund program loan	16,053,458	388,273	(868,710)	15,573,021	879,594
RUS Rural Development Loan	26,938	-	(19,056)	7,882	7,882
Total loans payable from direct borrowings	16,616,060	388,273	(1,037,293)	15,967,040	1,039,793
Lease liabilities	96,637	28,789	(29,689)	95,737	30,043
Postemployment benefit obligation	1,411,435	114,629	(107,575)	1,418,489	32,273
Advances from TVA	131,344	-	(63,088)	68,256	34,468
Compensated absences	1,055,039	619,855	(509,353)	1,165,541	536,204
Business-type Activities Long-Term Liabilities	<u>\$ 42,577,470</u>	<u>\$ 1,151,546</u>	<u>\$ (3,679,812)</u>	<u>\$ 40,049,204</u>	<u>\$ 3,596,257</u>

* Current portions of these liabilities amounting to \$66,741 are included in accrued expenses on FPU's statement of net position.

(F) Other long-term liability information

From time to time, the government has issued Industrial Development Revenue Bonds (IDRB) to provide assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2022, there was one series of IDRB outstanding. The aggregate principal amount payable was \$730,000. The original issue amount totaled \$6,735,000.

Fayetteville Public Utilities' outstanding notes from direct borrowings through the State of Tennessee Revolving Fund Program contain a provision that in an event of default, the State of Tennessee shall withhold such sum or part of such sum from any State-Shared Taxes which are otherwise apportioned to the Local Government and pay only such sums necessary to liquidate the delinquency of the Local Government to the Tennessee Local Development Authority for deposit into the fund.

The government's other outstanding notes and bonds from direct borrowings and direct placements contain provisions that, upon an event of default, the lender may declare all unpaid principal and interest to be immediately due and payable as well as pursue all available legal and equitable remedies.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 6 - LEASING ACTIVITY

The Fayetteville City School System has a license through the Federal Communication Commission (the "FCC") to certain IFTS channels. The System entered into an agreement in a prior year to provide IFTS channels capacity to an unrelated third party. The arrangement provides for monthly lease payments of \$2,000. The agreement is for an original duration of ten years with extensions for two additional ten-year terms subject to cancellation with three months notice prior to the end of the applicable term.

Future minimum lease payments to be received under the agreement are as follows:

Year Ending <u>June 30,</u>	Future Minimum <u>Payments</u>
2023	\$ 24,000
2024	24,000
2025	24,000
2026	24,000
2027	24,000
	<u>120,000</u>
Thereafter	48,000
Aggregate	<u>\$ 168,000</u>

The Fayetteville City School System and the City of Fayetteville are committed under various noncancelable operating leases for office equipment. As noted in Note 1, the Fayetteville City School System's and the City of Fayetteville's lease liabilities as calculated under GASB 87 were determined to be immaterial to the financial statements. The Fayetteville City School System's commitment under various noncancelable operating leases totaled \$32,560 at June 30, 2022. The City of Fayetteville's commitment under various noncancelable operating leases totaled \$50,376 at June 30, 2022.

Lease expenditures for Fayetteville City Schools for the year ending June 30, 2022 totaled \$13,210.

Lease expenditures for the City of Fayetteville for the year ending June 30, 2022 totaled \$20,830.

FPU's lease agreements are summarized as follows:

Description of Indebtedness	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2022
<u>Payable through Electric Department</u>						
XMC 1325313 - Xerox Copier	3/15/2018	60 months	\$ 102	3.00%	\$ 1,991	\$ 808
XMC 1324916 - Xerox Copier	2/15/2018	60 months	206	3.00%	3,820	1,429
XMC 129030 - Xerox Copiers	7/1/2020	60 months	1,617	3.00%	73,067	55,613
XMC 1685523 - Xerox Copier	9/11/2021	60 months	517	3.00%	28,789	24,285
Pitney Bowes Postage Machine	12/30/2020	60 months	231	1.13%	4,048	<u>3,166</u>
Total Payable through Electric Department						<u>85,301</u>
<u>Payable through Water Department</u>						
XMC 129030 - Xerox Copiers	7/1/2020	60 months	303	3.00%	13,711	<u>10,436</u>
Total Payable through Water Department						<u>10,436</u>
Total Lease Agreements						<u>\$ 95,737</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 6 - LEASING ACTIVITY (CONTINUED)

All of FPU's lease agreements on the previous page are for office equipment which will not be acquired at the end of the lease terms. The XMC lease agreements have a stated discount rate of 3%. For the Pitney Bowes lease, FPU used its estimated incremental borrowing rate.

The amount of FPU's outflows of resources recognized in the reporting period for other payments was \$4,876 for the year ended June 30, 2022. These variable payments are based on usage.

In addition, FPU's electric department has agreements in place for the joint use of utility poles with various telecommunications providers. The terms of these agreements have expired and are currently extended on a month-to-month basis. For the year ended June 30, 2022, FPU has recognized revenue for the use of space on its poles of \$654,761, which is included in other operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position. For the year ended June 30, 2022, FPU has recognized expense of \$40,232 for the use of space on the poles of other companies, which is included in pumping, distribution, and collection expense on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 7 - SEGMENT INFORMATION

FPU has issued revenue bonds to finance its various departments. The investors in the revenue bonds rely solely on the revenue generated by the individual departments for repayment. Summary financial information for each department is presented below.

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Net Position</u>				
Assets				
Current assets	\$ 34,597,350	\$ 2,462,707	\$ 883,866	\$ 1,260,370
Special funds	2,631,389	4,402,358	1,119,707	4,222,647
Capital assets	59,535,419	18,316,071	4,360,948	46,316,268
Other assets	407,974	12,154	14,526	16,662
Due from other departments	-	1,154	889	1,692
	<u>97,172,132</u>	<u>25,194,444</u>	<u>6,379,936</u>	<u>51,817,639</u>
Deferred Outflows of Resources	<u>203,932</u>	<u>126,270</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	9,629,014	1,371,047	104,811	1,747,706
Other liabilities	1,210,949	321,599	177,946	454,316
Long term debt	7,747,755	690,523	-	25,965,328
Due to other departments	3,735	-	-	-
	<u>18,591,453</u>	<u>2,383,169</u>	<u>282,757</u>	<u>28,167,350</u>
Deferred Inflows of Resources	<u>42,033</u>	<u>13,460</u>	<u>7,728</u>	<u>20,103</u>
Net Position (Deficit)				
Net investment in capital assets	50,622,927	17,317,174	4,360,948	19,060,477
Restricted	1,770,936	-	-	1,423,802
Unrestricted	26,348,715	5,606,911	1,728,503	3,145,907
	<u>\$ 78,742,578</u>	<u>\$ 22,924,085</u>	<u>\$ 6,089,451</u>	<u>\$ 23,630,186</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 7 - SEGMENT INFORMATION (CONTINUED)

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Revenues,</u>				
<u>Expenses, and Changes in Net Position</u>				
Operating revenues	\$ 50,286,703	\$ 8,840,467	\$ 4,117,215	\$ 6,724,460
Depreciation expense	3,120,053	678,337	537,192	2,106,480
Other operating expenses	<u>42,423,837</u>	<u>7,154,565</u>	<u>2,646,024</u>	<u>2,973,036</u>
Operating income	4,742,813	1,007,565	933,999	1,644,944
Nonoperating revenue (expenses):				
Investment income	79,780	7,445	1,193	8,477
Interest expense	(203,743)	(25,535)	-	(520,672)
Gain (loss) on disposition of assets	67,600	(60,410)	-	(25,251)
Other	(32,789)	21,309	20,140	1,280
Contributions/Transfers - net	<u>(37,461)</u>	<u>(282,655)</u>	<u>197,311</u>	<u>(380,059)</u>
Change in net position	4,616,200	667,719	1,152,643	728,719
Beginning net position	<u>74,126,378</u>	<u>22,256,366</u>	<u>4,936,808</u>	<u>22,901,467</u>
Ending net position	<u>\$ 78,742,578</u>	<u>\$ 22,924,085</u>	<u>\$ 6,089,451</u>	<u>\$ 23,630,186</u>
<u>Condensed Statement of Cash Flows</u>				
Net cash provided (used) by:				
Operating activities	\$ 9,846,766	\$ 1,482,521	\$ 1,060,587	\$ 3,679,558
Noncapital financing activities	(974,701)	(285,100)	(889)	(394,686)
Capital and related financing activities	(5,742,500)	(1,085,203)	(687,776)	(2,611,465)
Investing activities	<u>81,462</u>	<u>7,624</u>	<u>1,182</u>	<u>8,785</u>
Net increase (decrease)	3,211,027	119,842	373,104	682,192
Beginning cash and cash equivalents	<u>25,893,123</u>	<u>5,460,592</u>	<u>1,018,287</u>	<u>3,957,025</u>
Ending cash and cash equivalents	<u>\$ 29,104,150</u>	<u>\$ 5,580,434</u>	<u>\$ 1,391,391</u>	<u>\$ 4,639,217</u>

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government maintains commercial insurance coverage covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the government. Settled claims in the past three years have not exceeded the coverages. There has not been a significant reduction in insurance coverage in the past fiscal year.

The government has been named as defendant in various civil actions and is defending these actions vigorously. Although the outcome of these lawsuits is not presently determinable, in the opinion of the legal counsel, resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE 9 - CONTINGENT LIABILITIES

The government participates in a number of federally assisted education grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government expects such amounts, if any, will not have a material effect upon the government's financial condition.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 9 - CONTINGENT LIABILITIES (CONTINUED)

FPU operates under a power contract with Tennessee Valley Authority (TVA) whereby restrictions are placed upon utilization of revenues collected by FPU. Under the terms of this contract, FPU has agreed to the following restrictions:

- (a) Gross revenues from electric operations will be used for (1) current electric system operating expenses, (2) current debt service payments, including sinking fund payments, when due; (3) provision of reasonable reserves for renewals, replacements, and contingencies; and working capital adequate to cover operating expenses for a reasonable number of weeks, and; (4) to pay tax equivalent payments into the government's general funds, within certain guidelines established by TVA, from any revenues then remaining.
- (b) All revenues remaining over and above the requirements stipulated are considered surplus revenues. These revenues may be used for new electric system construction or for the retirement of electric system indebtedness prior to maturity with consideration that resale rates and charges will be reduced from time to time to the lowest practicable levels.

The City of Fayetteville and Lincoln County, Tennessee, operated a landfill as a joint venture for the residents of Lincoln County that was closed in February 1995. The government acts as administrator of the postclosure activities. Based upon the most recent information available for financial assurance provided by the Tennessee Department of Environment and Conservation, the total remaining closure and postclosure care costs are estimated to be \$1,175,472 as of June 30, 2022. These costs will be shared equally by the government and Lincoln County, Tennessee. The government's share of this estimated liability is \$587,736 and is included as a liability in the statement of net position. The government's current year share of required funding was \$39,280 and is reported as an expenditure of the Sanitation Fund.

NOTE 10 - PENSION AND BENEFIT PLANS

AGGREGATE FOR ALL PLANS

The total of the government's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the year ended June 30, 2022, for all plans is as follows:

	Pension Liabilities (Assets)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Public Employee Retirement Plan	\$ (4,136,638)	\$ 2,341,725	\$ 4,640,271	\$ (566,671)
Teacher Legacy Pension Plan	(6,213,262)	2,275,768	5,473,144	(902,318)
Teacher Retirement Plan	(149,971)	109,215	138,423	20,186
TCRS stabilization reserve trust	(158,501)	-	-	-
Fayetteville City Schools 401(k) Plan	-	-	-	103,750
NRECA Retirement Security Plan	-	-	-	1,254,284
NRECA 401(k) Plan	-	-	-	91,289
Total for All Plans	<u>\$ (10,658,372)</u>	<u>\$ 4,726,708</u>	<u>\$ 10,251,838</u>	<u>\$ 520</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

The following is a summary of each of these plans:

PUBLIC EMPLOYEE RETIREMENT PLAN

GENERAL INFORMATION ABOUT THE PLAN

Plan Description

Government and Fayetteville City Schools employees (except for teachers) 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 service credit. Reduced benefits for early retirement are available at age 55 and 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 non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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 second 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	163
Active employees	172
Total Employees	<u>443</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Fayetteville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for Fayetteville were \$588,735 based on a rate of 9.65 percent of covered payroll. By law, employer contributions are required to be

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

paid. The TCRS may intercept Fayetteville'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 government's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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, 2020 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 2.25 percent. 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:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U. S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. 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 government 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.

CHANGES IN THE NET PENSION LIABILITY (ASSET)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance June 30, 2020	\$ 22,234,762	\$ 22,687,757	\$ (452,995)
Changes for the year:			
Service cost	\$ 560,155	\$ -	\$ 560,155
Interest	1,609,526	-	1,609,526
Differences between expected and actual experience	(1,015,657)	-	(1,015,657)
Changes in assumptions	1,880,678	-	1,880,678
Contributions-employer	-	603,841	(603,841)
Contributions-employees	-	314,070	(314,070)
Net investment income	-	5,815,776	(5,815,776)
Benefit payments, including refunds of employee contributions	(1,189,112)	(1,189,112)	-
Administrative expenses	-	(15,342)	15,342
Other changes	-	-	-
Net changes	\$ 1,845,590	\$ 5,529,233	\$ (3,683,643)
Balance June 30, 2021	\$ 24,080,352	\$ 28,216,990	\$ (4,136,638)

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

The following presents the net pension liability (asset) of the City of Fayetteville calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Fayetteville's net pension liability (asset)	\$ (773,605)	\$ (4,136,638)	\$ (6,901,193)

PENSION EXPENSE (NEGATIVE PENSION EXPENSE) AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expense (negative pension expense)

For the year ended June 30, 2022, the government recognized pension expense (negative pension expense) of \$(566,671).

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2022, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 92,717	\$ 1,537,315
Net difference between projected and actual earnings on pension plan investments	-	3,102,956
Changes in assumptions	1,660,273	-
Contributions subsequent to the measurement date of June 30, 2021	588,735	N/A
	<u>\$ 2,341,725</u>	<u>\$ 4,640,271</u>

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

Year ended	
June 30,	
2023	\$ (667,722)
2024	(813,218)
2025	(745,441)
2026	(805,072)
2027	144,170
Thereafter	-

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

PAYABLE TO THE PENSION PLAN

At June 30, 2022, the government reported no amount payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

TEACHER LEGACY PENSION PLAN

Plan description

The Tennessee Consolidated Retirement System (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 all employer pension plans 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>.

Teachers employed by Fayetteville City Schools with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees.

The Teacher Retirement Plan became effective July 1, 2014 for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits provided

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five 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 years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service-

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

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 ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. 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 second 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the government for the year ended June 30, 2022 to the Teacher Legacy Pension Plan were \$505,844 which is 10.30 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

PENSION LIABILITIES (ASSETS), PENSION EXPENSE (NEGATIVE PENSION EXPENSE), AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension liabilities (assets)

At June 30, 2022, the government reported a liability (asset) of \$(6,213,262) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The government's proportion of the net pension liability was based on the government's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2021, the government's proportion was 0.144051 percent. The proportion measured as of June 30, 2020 was 0.157346 percent.

Pension expense (negative pension expense)

For the year ended June 30, 2022, the government recognized pension expense (negative pension expense) of (\$902,318).

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2022, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,880	\$ 518,206
Changes in assumptions	1,660,080	-
Net difference between projected and actual earnings on pension plan investments	-	4,954,938
Changes in proportion of net pension liability (asset)	88,964	-
Contributions subsequent to the measurement date of June 30, 2021	<u>505,844</u>	<u>N/A</u>
	<u>\$ 2,275,768</u>	<u>\$ 5,473,144</u>

The government's employer contributions of \$505,844, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) to the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2023	\$ (858,622)
2024	(829,360)
2025	(678,044)
2026	(1,337,195)
2027	-
Thereafter	-

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

Actuarial assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and 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, 2020 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 2.25 percent. 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U. S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75 percent. 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 all the LEAs 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

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

The following presents Fayetteville City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Fayetteville City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	1 % Decrease 5.75 %	Current Discount Rate 6.75 %	1 % Increase 7.75 %
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ (1,105,752)	\$ (6,213,262)	\$ (10,463,730)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

PAYABLE TO THE PENSION PLAN

At June 30, 2022, the government recorded a payable of \$7,868 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

TEACHER RETIREMENT PLAN

Plan description

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 all employer pension plans in 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>.

Teachers employed by Fayetteville City Schools with membership in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. The Teacher Retirement Plan became effective July 1, 2014 for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing multiple-employer defined benefit plan.

Benefits provided

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. 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 second 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the government for the year ended June 30, 2022 to the Teacher Retirement Plan were \$48,305, which is 2.02 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

PENSION LIABILITIES (ASSETS), PENSION EXPENSE (NEGATIVE PENSION EXPENSE), AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension liabilities (assets)

At June 30, 2022, the government reported a liability (asset) of (\$149,971) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The government's proportion of the net pension liability (asset) was based on Fayetteville City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2021, Fayetteville City Schools' proportion was 0.138450 percent. The proportion measured as of June 30, 2020 was 0.122648 percent.

Pension expense (negative pension expense)

For the year ended June 30, 2022, the government recognized pension expense (negative pension expense) of \$20,186.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2022, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,609	\$ 27,442
Net difference between projected and actual earnings on pension plan investments	-	86,327
Changes in assumptions	54,093	-
Changes in proportion of net pension liability (asset)	4,208	24,654
Fayetteville City Schools' contributions subsequent to the measurement date of June 30, 2021	48,305	N/A
	<u>\$ 109,215</u>	<u>\$ 138,423</u>

Employer contributions of \$48,305 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) to the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended

June 30,

2023	\$ (20,874)
2024	(20,402)
2025	(20,267)
2026	(22,439)
2027	586
Thereafter	5,884

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

Actuarial assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and 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, 2020 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 2.25 percent. 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U. S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75 percent. 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 all LEAs 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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

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.

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

The following presents Fayetteville City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Fayetteville City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	5.75%	6.75%	7.75%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 51,556	\$ (149,971)	\$ (298,604)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the pension plan

At June 30, 2022, the government reported a payable of \$1,868 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

TCRS STABILIZATION TRUST

Legal Provisions. The Fayetteville City Schools is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The System has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated* (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the School Department.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Fayetteville City Schools may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TCRS STABILIZATION TRUST (CONTINUED)

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2022, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable

Investments where fair value is measured using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined to be calculated consistent with the FASB principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TCRS STABILIZATION TRUST (CONTINUED)

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2022, the Fayetteville City Schools had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S Equity	N/A	N/A	\$ 49,136
Developed Market International Equity	N/A	N/A	22,190
Emerging Market International Equity	N/A	N/A	6,340
U. S. Fixed Income	N/A	N/A	31,700
Real Estate	N/A	N/A	15,850
Short-term Securities	N/A	N/A	1,585
NAV - Private Equity and Strategic Lending	N/A	N/A	31,700
Total			<u>\$ 158,501</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TCRS STABILIZATION TRUST (CONTINUED)

Investment by Fair Value Level	Fair Value 6/30/2022	Fair Value Measurements Using				NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
U.S Equity	\$ 49,136	\$ 49,136	\$ -	\$ -	\$ -	
Developed Market						
International Equity	22,190	22,190	-	-	-	
Emerging Market						
International Equity	6,340	6,340	-	-	-	
U. S. Fixed Income	31,700	-	31,700	-	-	
Real Estate	15,850	-	-	15,850	-	
Short-term Securities	1,585	-	1,585	-	-	
Private Equity and Strategic Lending	31,700	-	-	-	31,700	
Total	\$ 158,501	\$ 77,666	\$ 33,285	\$ 15,850	\$ 31,700	

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fayetteville City Schools does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fayetteville City Schools does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the city's investment in a single issuer. Fayetteville City Schools places no limit on the amount the city may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the Fayetteville City Schools to pay retirement benefits of the System's employees.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TCRS STABILIZATION TRUST (CONTINUED)

For further information concerning the System's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag20045.pdf>

Payable to the stabilization trust

At June 30, 2022, Fayetteville City Schools reported a payable of \$8,027 for the outstanding amount of contributions to the trust required at the year ended June 30, 2022.

FAYETTEVILLE CITY SCHOOLS 401(K) PLAN

Fayetteville City Schools also has a defined contribution plan (administered by Great West Financial), under section 401(k) of the Internal Revenue Code, covering all teachers of the system.

Benefit terms, including contribution requirements, for the Great West 401(k) pension plan are established and may be amended by the TCRS Board. Under the Plan, the System contributes 5% to the accounts of teachers hired after July 1, 2014; these contributions are not subject to any matching employee contribution. These teachers are automatically enrolled in the plan with a 2% employee deferral and an opt-out feature through which they may make no contributions. In addition, teachers who participate in the Legacy Plan of TCRS have the option to make contributions to this defined contribution plan with no system matching contributions. After-tax Roth 401K employee contributions are permitted by the Plan up to limits imposed by the Internal Revenue Code. Employee contributions to the Plan totaled \$85,608 for the year ended June 30, 2022. The System recognized pension expense under the defined contribution plan of \$103,750 for the year ended June 30, 2022.

Employees are immediately vested in their own contributions, employer contributions, and earnings on those contributions. As a result, there are no forfeitures to be recognized in pension expense.

At June 30, 2022, Fayetteville City Schools reported no amount payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

FAYETTEVILLE CITY SCHOOLS DEFERRED COMPENSATION

Fayetteville City Schools offers its employees a deferred compensation plan established pursuant to IRC Section 403(b) and administered by TSA Consulting Group. All costs of administering and funding this program are the responsibility of plan participants. The Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plan. Employee contributions to the Plan totaled \$35,140 for the year ended June 30, 2022.

CITY OF FAYETTEVILLE DEFERRED COMPENSATION

The City offers optional deferred compensation plans to its employees created in accordance with Sections 457 and 401(k) of the Internal Revenue Code. These plans are available to all employees on a voluntary basis and allows participants to defer a portion of their current income until future years to shelter such funds and earnings from federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Both the Section 457 plan and the 401(k) plan are administered through the State of Tennessee. The City does not provide for a matching employer contribution and does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liabilities to plan participants have been excluded from the City's financial statements. Employee contributions to the 457 plan totaled \$10,459 and employee contributions to the 401(k) plan totaled \$7,120 for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

NRECA RETIREMENT SECURITY PLAN

Plan description

Substantially all employees of FPU are participants in the National Rural Electric Cooperative Association (NRECA) Retirement Security (RS) Plan, a cost-sharing multiple-employer defined benefit pension plan qualified under section 401 and tax-exempt under section 501(a) of the Internal Revenue Code. The RS Plan meets the criteria in paragraph 4 of GASB Statement 68 and the additional characteristics described in paragraph 2 of GASB Statement 78 in that it (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). NRECA issues a publicly available financial report that can be obtained by writing to the Retirement Safety & Insurance Department, National Rural Electric Cooperative Association, 4301 Wilson Boulevard, Arlington, Virginia 22203-1860 or by calling (703) 907-5500.

Benefits provided

NRECA provides retirement, disability, and death benefits. Benefits are determined by a formula using the member's high five-year average salary, years of service and benefit rate of 1.7%. Members become eligible to retire at the age of 62. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members who become totally disabled.

Members become vested after five years of service. Benefit terms are established and may be amended by the NRECA Board. At June 30, 2022, FPU had 101 employees covered by the RS plan.

Contributions

Contribution requirements of the active employees and the participating employers are established and may be amended by the NRECA Board. The RS plan does not require member contributions. FPU is required to contribute an actuarially determined normal cost annually and a past service adjustment cost which provides for crediting retirement benefits for past service on a uniform basis for all participants. FPU's contractually required contribution rate for the year ended June 30, 2022 was 20.57% of annual payroll. All members age 21 years and older with one year of completed service are eligible to participate.

FPU's required contribution based on the payroll of eligible participants for the year ended June 30, 2022 was \$1,254,284.

NRECA 401(K) PLAN

FPU also has a defined contribution plan (administered by National Rural Electric Cooperative Association (NRECA)), under section 401(k) of the Internal Revenue Code, covering all eligible employees who have completed six months of service.

Benefit terms, including contribution requirements, for the NRECA 401(k) pension plan are established and may be amended by the NRECA Board. Under the Plan, FPU matches employee contributions of 1.25% of the employees' base pay. The employee must contribute 1.25% of their base pay in order to receive FPU's matching contribution. After-tax Roth 401K employee contributions are permitted by the Plan up to limits imposed by the Internal Revenue Code. Employee contributions to the Plan totaled \$367,430 for the year ended June 30, 2022. FPU recognized pension expense under the defined contribution plan of \$91,289 for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

NRECA 401(K) PLAN

Employees are immediately vested in their own contributions, employer contributions, and earnings on those contributions. As a result, there are no forfeitures to be recognized in pension expense.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The government maintains two separate single-employer and two state-administered agent multiple-employer defined post-employment healthcare plans. The plans cover the employees of FPU, the general government of the City of Fayetteville, and the Fayetteville City Schools.

A summary of each of these plans follows:

FAYETTEVILLE PUBLIC UTILITIES OPEB

Plan Description

FPU administers a single-employer defined benefit healthcare plan which provides postemployment healthcare benefits for employees that retire from service who have attained the age of 62 years with a minimum of ten years service with FPU or who have thirty years in the retirement plan. FPU pays the full cost of coverage for these benefits through private insurers for the shorter of three years or until the retiree qualifies for Medicare coverage. Also, FPU's retirees can purchase coverage for their dependents at FPU's group rates. The Board of Public Utilities may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

FPU pays the full cost of coverage for the healthcare benefits provided to qualified retirees under a plan that can be amended by the Board of Public Utilities. Dependent coverage may be purchased by the retiree at their cost. FPU has chosen to fund the healthcare benefits on a pay as you go basis.

Employees covered by benefit terms

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	7
Active plan members	<u>113</u>
	<u>120</u>

Total OPEB Liability

FPU's total OPEB liability of \$1,418,489 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2020.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00% per annum
Healthcare cost trend rates	Medical: 7.25% degrading uniformly to 6.50% over 3 years
Retirees' share of benefit-related costs	Retirees are not required to make any contributions to the postretirement benefit. Contributions are assumed to increase at the health care cost trend rate.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index as of April 30, 2020.

Mortality rates were based on the RP-2014 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP2019.

Changes in the Total OPEB Liability (expressed in thousands)

Balance at 6/30/21	\$ 1,411.435
Service cost	75.322
Interest	39.307
Benefit payments	(46.556)
Difference between expected and actual experience	(61.019)
Net changes	7.054
Balance at 6/30/22	<u>\$ 1,418.489</u>

Changes in assumptions

The discount rate for Statements No. 75 is 2.85% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of April 30, 2020, compared to prior year Statement No. 75 discount rate of 3.23%. The medical trend was reset to follow the Getzen Model after a three year transition period starting at 7.25% and graded down uniformly to 6.50%. The mortality assumption was updated to use Mortality Table RP-2014 projected with improvement scale MP2019. The medical aging factors were updated to adjust for age and gender and are assumed to follow the Yamamoto aging assumptions.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the System, as well as what the System's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current discount rate (expressed in thousands):

	1 % Decrease	Discount Rate	1% Increase
	1.85%	2.85%	3.85%
Total OPEB liability	\$ 1,501,990	\$ 1,418,489	\$ 1,340,426

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the System, as well as what the System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.25 percent decreasing to 3.0 percent) or 1-percentage-point higher (8.25 percent decreasing to 5.0 percent) than the current healthcare cost trend rates (expressed in thousands):

	Healthcare Cost		
	1 % Decrease	Trend Rates	1% Increase
	6.25% decreasing to 3%	7.25% decreasing to 4%	8.25% decreasing to 5%
	over 75 years	over 75 years	over 75 years
Total OPEB liability	\$ 1,285,507	\$ 1,418,489	\$ 1,573,102
<i>OPEB expense</i>			

For the year ended June 30, 2022, the System recognized OPEB expense of \$38,460.

Deferred outflows of resources and deferred inflows of resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience losses (gains)	\$ -	\$ 14,105
Changes of assumptions	-	69,219
	<u>\$ -</u>	<u>\$ 83,324</u>

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Years Ending June 30:

2023	(15,150)
2024	(15,150)
2025	(15,150)
2026	(15,150)
2027	(15,150)
Thereafter	(7,574)

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

CITY OF FAYETTEVILLE - GENERAL GOVERNMENT OPEB

LOCAL GOVERNMENT OPEB PLAN

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description

Employees of the government are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

GENERAL GOVERNMENT OPEB (CONTINUED)

Benefits provided

The State offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The government pays the full cost of coverage for the healthcare benefits provided to qualified retirees under the plan. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At July 1, 2021, the following employees of the government were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	96
Total	99

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2022, the government paid \$30,829 to the LGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.36% for pre-65 in 2021, decreasing annually over a 7 year period to an ultimate rate of 4.50%. 7.32% for post-65 in 2021, decreasing annually over an 8 year period to an ultimate rate of 4.50%.
Retirees' share of benefit-related costs	The government pays the full cost of coverage for the healthcare benefits provided to qualified retirees under the plan

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

GENERAL GOVERNMENT OPEB (CONTINUED)

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee Mortality Table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in the Total OPEB Liability

LGOP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 1,383.177</u>
Changes for the year:	
Service cost	99.301
Interest	32.054
Changes of benefit terms	-
Differences between expected and actual experience	(80.833)
Change in assumptions	(277.100)
Benefit payments	<u>(64.499)</u>
Net changes	<u>(291.077)</u>
Total OPEB liability - ending balance	<u><u>\$ 1,092.100</u></u>

Changes in assumptions

The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

GENERAL GOVERNMENT OPEB (CONTINUED)

Sensitivity of total OPEB liability to changes in the discount rate

The following presents the total OPEB liability related to the LGOP, as well as what the government's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (expressed in thousands):

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 1,178.244	\$ 1,092.100	\$ 1,009.935

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability related to the LGOP, as well as what the government's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate (expressed in thousands):

	1% Decrease (6.36%/6.32% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.36%/7.32% decreasing to 4.50%)	1% Increase (8.36%/8.32% decreasing to 5.50%)
Total OPEB liability	\$ 966.819	\$ 1,092.100	\$ 1,239.881

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

OPEB expense

For the fiscal year ended June, 30, 2022, the government recognized OPEB expense of \$229,058.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June, 30, 2022, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

LGOP - (expressed in thousands)

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 746.587	\$ 70.866
Changes of assumptions	108.583	304.667
Employer payments subsequent to the measurement date	30.829	-
Total	<u>\$ 885.999</u>	<u>\$ 375.533</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

GENERAL GOVERNMENT OPEB (CONTINUED)

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

LGOP - (expressed in thousands)

For the year ended June 30:

2023	\$ 97.703
2024	97.703
2025	97.703
2026	97.703
2027	97.703
Thereafter	(8.878)

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

FAYETTEVILLE CITY SCHOOLS OPEB

CLOSED TEACHER GROUP OPEB PLAN (TGOP)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description

Employees of Fayetteville City Schools, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided

The State offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Fayetteville City Schools does not directly subsidize and are only subject to the implicit subsidy. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

Employees covered by benefit terms

At July 1, 2021, the following employees of Fayetteville City Schools was covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	141
	<u>146</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Fayetteville City Schools paid \$40,051 to the TGOP for OPEB benefits as they came due.

TOTAL OPEB LIABILITY

Actuarial assumptions

The collective total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.36% for pre-65 in 2021, decreasing annually over a 7 year period to an ultimate rate of 4.50%. 7.32% for post-65 in 2021, decreasing annually over an 8 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE CITY SCHOOLS (CONTINUED)

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee Mortality Table for Teacher Employees projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

CHANGES IN COLLECTIVE TOTAL OPEB LIABILITY

TGOP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 1,712
Changes for the year:	
Service cost	95
Interest	39
Changes of benefit terms	-
Differences between expected and actual experience	(11)
Change in assumptions	332
Benefit payments	(65)
Net changes	390
Total OPEB liability - ending balance	\$ 2,102
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 752
Employer's proportionate share of the collective total OPEB liability	\$ 1,350
Employer's proportion of the collective total OPEB liability	64.22%

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed -1.36% from the prior measurement date. The System recognized \$60,257 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Fayetteville City Schools' retirees.

Changes in assumptions

The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

(expressed in thousands)

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Proportionate share of collective total OPEB liability	\$ 1,452	\$ 1,350	\$ 1,252

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate. (expressed in thousands)

	1% Decrease (6.36%/6.32% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.36%/7.32% decreasing to 4.50%)	1% Increase (8.36%/8.32% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 1,188	\$ 1,350	\$ 1,542

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

OPEB expense

For the fiscal year ended June 30, 2022, Fayetteville City Schools recognized OPEB expense of \$165,420.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2022, Fayetteville City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

TGOP - (expressed in thousands)

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 122	\$ 171
Changes of assumptions	297	77
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	30	40
Employer payments subsequent to the measurement date	40	-
Total	<u>\$ 489</u>	<u>\$ 287</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

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

TGOP - (expressed in thousands)

For the year ended June 30:

2023	\$ 19.1
2024	19.1
2025	19.1
2026	19.1
2027	19.1
Thereafter	66.4

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

CLOSED TENNESSEE PLAN (TNP)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description

Employees of Fayetteville City Schools, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. Fayetteville City Schools does not directly subsidize and are only subject to the implicit subsidy. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At June 30, 2021, the following employees of Fayetteville City Schools were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	24
Inactive employees entitled to but not yet receiving benefit payments	10
Active employees	95
	<u>129</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Fayetteville City Schools did not make any payments to the TNP for OPEB benefits as they came due.

TOTAL OPEB LIABILITY

Actuarial assumptions

The collective total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2020. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

CHANGES IN COLLECTIVE TOTAL OPEB LIABILITY

TNP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 415
Changes for the year:	
Service cost	10
Interest	9
Changes of benefit terms	-
Differences between expected and actual experience	(3)
Change in assumptions	(61)
Benefit payments	(13)
Net changes	(57)
Total OPEB liability - ending balance	\$ 358
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 358
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

The Fayetteville City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Fayetteville City Schools' proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Fayetteville City Schools' proportion of 0% did not change from the prior measurement date. Fayetteville City Schools recognized \$15,361 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Fayetteville City Schools' retired employees.

Changes in assumptions

The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased the total OPEB liability.

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

OPEB expense

For the fiscal year ended June 30, 2022, Fayetteville City Schools recognized OPEB expense of \$15,361.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 12 - STATE STREET AID FUNDS

The government was granted permission by the State of Tennessee in prior years to combine the municipal street aid fund with the general fund. State street revenue for the year ended June 30, 2022, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	\$ 248,801
City street and transportation	<u>13,057</u>
Total	<u>\$ 261,858</u>

NOTE 13 - RELATED PARTIES

One board of education member during the year was employed by a financial institution with which the Fayetteville City Schools transacts business on an arm's length basis.

NOTE 14 - NONEXCHANGE TRANSACTION

The government receives shared revenue from the State of Tennessee for a tax the state assesses on the earnings of certain financial institutions. The government is required to recognize receivables and deferred revenues as the banks earn the income. However, the banks file at different times of the year, and it is difficult to follow state statutes' guidance concerning what time period is being filed on. Therefore, the receivable and deferred revenue at June 30, 2022, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2022, the government received \$110,134 from the State of Tennessee for this shared revenue.

NOTE 15 - JOINT VENTURES

The government participates with Lincoln County, Tennessee in joint venture arrangements to provide air travel, library services, industrial development and landfill services for Lincoln County and Fayetteville, Tennessee. The organizations collect additional revenues from user fees, state grants and donations. Summary financial information for these organizations is shown below.

The Fayetteville-Lincoln County Public Library is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members, with one member each selected by the City of Fayetteville and the Lincoln County Commission, and other members selected by the existing board of directors subject to the approval of the city and county. The City of Fayetteville has control over budgeting and financing of the joint venture only to the extent of representation by appointed board members. The City of Fayetteville contributed \$127,500 to the operations of the library during the year ended June 30, 2022.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by the City of Fayetteville and Lincoln County and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. The City of Fayetteville contributed \$16,104 to the operations of the airport during the year ended June 30, 2022.

The City of Fayetteville and Lincoln County operated a landfill as a joint venture, as described further in Note 9. The operation/closure of the landfill is under the oversight of the Joint City/County Solid Waste Committee, which includes eight members, four each appointed by the city and county.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 15 - JOINT VENTURES (CONTINUED)

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. The City of Fayetteville has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. The City of Fayetteville contributed \$102,500 to the operations of the Industrial Development Board during the year ended June 30, 2022.

Additional financial information for these organizations may be obtained by contacting the following:

Fayetteville Lincoln County Airport
37 Airport Road
Fayetteville, TN 37334

Fayetteville Lincoln County Public Library
306 Elk Avenue North
Fayetteville, TN 37334

Fayetteville Lincoln Industrial Development Board
16 Franke Blvd.
Fayetteville, TN 37334

The Fayetteville City Schools participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Alamo City, Bedford County, Bells City, Benton County, Bradford SSD, Cheatham County, Coffee County, Crockett County, Dickson County, Fayetteville City, Gibson County SSD, Hickman County, Hollow Rock Bruceton SSD, Houston County, Humboldt City, Humphreys County, Huntingdon SSD, Lewis County, Manchester City, Marshall County, Mckenzie SSD, Milan SSD, Paris SSD, Perry County, South Carroll Co SSD, Stewart County, Trenton SSD, Wayne County, Weakley County, and West Carroll Co SSD. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Dickson County School Department) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

Complete financial statements for the Volunteer State Cooperative can be obtained from its administrative office at Volunteer State Cooperative, 220 McLemore Street, Dickson, TN 37055.

The School System also participates in the Clinch-Powell Educational Cooperative (CPEC) to provide cooperative purchasing services through a program known as The Interlocal Purchasing System (TIPS) Program. The purpose of the TIPS Program is to obtain substantial savings for participating education cooperatives, public schools and institutions of higher learning, and government agencies through volume purchasing.

The School System also participates in the National Cooperative Purchasing Alliance to facilitate compliance with state procurement requirements, to identify qualified vendors of commodities, goods and services, to relieve the burdens of the governmental purchasing function, and to realize the various potential economies, including administrative cost savings, for Cooperative Members.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 16 - PLEDGED REVENUES

FPU has pledged the respective revenues of each division to secure certain revenue bonds as described in Note 5. The current year revenues, debt service, and future pledge commitment are as follows:

<u>Department</u>	<u>Operating Revenues</u>	<u>Current Year Principal and Interest Paid on Revenue Bonds</u>	<u>Percent of Current Revenue</u>	<u>Remaining Pledge based on future Principal and Interest Requirements</u>	<u>Commitment Period through Fiscal Year</u>
Electric	\$ 50,286,703	\$ 1,524,657	3.0%	\$ 9,547,842	2028
Gas	8,840,467	349,623	4.0%	1,006,881	2025
Water & Wastewater	6,724,460	1,786,345	26.6%	33,859,332	2055
	<u>\$ 65,851,630</u>	<u>\$ 3,660,625</u>	<u>5.6%</u>	<u>\$ 44,414,055</u>	

NOTE 17 - SOLAR POWER GENERATION

Certain customers of FPU's electric department have installed solar panels at their homes or businesses. The power generated flows through separate "generation" meters. These customers are given credit against their normal monthly electric bills for the solar generated power which is included in "cost of utility services" on the statement of revenues, expenses, and changes in net position. For the year ended June 30, 2022, credits resulting from solar power generation totaled \$1,088,009. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2022, the liability for such amounts due to customers was \$154,331 which is included in accounts payable on the statement of net position. FPU is credited on its wholesale power cost by TVA for the solar generated power.

NOTE 18 - ON-BEHALF PAYMENTS

Employees of Fayetteville City Schools participate in various state administered group insurance plans including the Teacher Group Plan and the Tennessee Plan. The State of Tennessee makes contributions on-behalf of Fayetteville City School retiree participants. For the year ended June 30, 2022 these contributions totaled \$13,521 to the Tennessee Plan and \$26,050 to the Teacher Group Plan which are reflected in the financial statements as intergovernmental revenues and education expenditures.

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2022, FPU implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, as previously described in Note 1. The government's 2022 financial statements include a prior period adjustment for its lease obligations. This adjustment had no effect on beginning net position since the right to use asset equals the amount of the lease liability.

The implementation of GASB Statement No. 87 had the following effect on net position as reported June 30, 2021:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT (CONTINUED)

Business-type Activities

Net position June 30, 2021

as previously reported	\$	124,861,160
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GASB 87 implementation:

Record intangible right to use asset		96,637
--------------------------------------	--	--------

Record lease liability		<u>(96,637)</u>
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Net position June 30, 2021, restated	\$	<u>124,861,160</u>
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Proprietary Funds

Fund balance June 30, 2021

as previously reported	\$	124,861,160
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GASB 87 implementation:

Record intangible right to use asset		96,637
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Record lease liability		<u>(96,637)</u>
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Net position June 30, 2021, restated	\$	<u>124,861,160</u>
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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF SYSTEM CONTRIBUTIONS
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,254,284	\$ 1,065,331	\$ 1,011,828	\$ 1,092,701	\$ 1,004,858	\$ 961,403	\$ 909,076	\$ 886,106	\$ 802,092	\$ 795,514
Contributions in relation to the contractually required contribution	(1,254,284)	(1,065,331)	(1,011,828)	(1,092,701)	(1,004,858)	(961,403)	(909,076)	(886,106)	(802,092)	(795,514)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Optional contribution prepayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,477,617

Notes to Schedule

During fiscal year 2013, the System elected to participate in NRECA's RS Plan prepayment option. This option allowed participating members to prepay contributions in exchange for lower future RS Plan billing rates.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30,

	2014	2015	2016	2017	2018	2019	2020	2021
TOTAL PENSION LIABILITY								
Service cost	\$ 409,344	\$ 406,371	\$ 448,740	\$ 485,992	\$ 559,925	\$ 567,978	\$ 593,628	\$ 560,155
Interest	1,289,974	1,330,008	1,343,918	1,397,207	1,495,006	1,534,759	1,587,568	1,609,526
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between actual & expected experience	(61,339)	(480,678)	(73,505)	556,317	(358,564)	(238,975)	(677,890)	(1,015,657)
Change of assumptions	-	-	-	558,241	-	-	-	1,880,678
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)	(1,025,719)	(1,134,981)	(1,177,212)	(1,144,813)	(1,189,112)
Net change in total pension liability	594,724	96,529	653,105	1,972,038	561,386	686,550	358,493	1,845,590
Total pension liability-beginning	17,311,937	17,906,661	18,003,190	18,656,295	20,628,333	21,189,719	21,876,269	22,234,762
Total pension liability-ending (a)	\$ 17,906,661	\$ 18,003,190	\$ 18,656,295	\$ 20,628,333	\$ 21,189,719	\$ 21,876,269	\$ 22,234,762	\$ 24,080,352
PLAN FIDUCIARY NET POSITION								
Contributions-employer	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808	\$ 560,546	\$ 585,210	\$ 623,606	\$ 603,841
Contributions-employee	243,467	250,391	270,532	324,370	290,854	304,355	323,112	314,070
Net investment income	2,478,367	524,049	455,674	1,974,307	1,590,608	1,522,860	1,077,187	5,815,776
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)	(1,025,719)	(1,134,981)	(1,177,212)	(1,144,813)	(1,189,112)
Administrative expense	(6,306)	(7,832)	(12,647)	(13,845)	(15,672)	(15,186)	(14,928)	(15,342)
Other	-	-	26,014	-	-	-	-	-
Net change in plan fiduciary net position	2,152,604	90,691	194,407	1,805,921	1,291,355	1,220,027	864,164	5,529,233
Plan fiduciary net position-beginning	15,068,588	17,221,192	17,311,883	17,506,290	19,312,211	20,603,566	21,823,593	22,687,757
Plan fiduciary net position-ending (b)	\$ 17,221,192	\$ 17,311,883	\$ 17,506,290	\$ 19,312,211	\$ 20,603,566	\$ 21,823,593	\$ 22,687,757	\$ 28,216,990
 Net pension liability (asset)-ending (a) - (b)	 \$ 685,469	 \$ 691,307	 \$ 1,150,005	 \$ 1,316,122	 \$ 586,153	 \$ 52,676	 \$ (452,995)	 \$ (4,136,638)
 Plan fiduciary net position as a percentage of total pension liability	 96.17%	 96.16%	 93.84%	 93.62%	 97.23%	 99.76%	 102.04%	 117.18%
 Covered payroll	 \$ 4,866,570	 \$ 5,007,817	 \$ 5,397,739	 \$ 5,666,405	 \$ 5,808,757	 \$ 6,064,345	 \$ 6,464,250	 \$ 6,300,857
 Net pension liability (asset) as a percentage of covered employee payroll	 14.09%	 13.80%	 21.31%	 23.23%	 10.09%	 0.87%	 -7.01%	 -65.65%

Notes to Schedule:

Changes of assumptions . In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30,

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808	\$ 560,546	\$ 585,210	\$ 606,158	\$ 614,194	\$ 588,735
Contributions in relation to the actuarially determined contribution	480,331	483,255	520,882	546,808	560,546	585,210	623,606	614,194	588,735
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,448)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,866,570	\$ 5,007,817	\$ 5,397,739	\$ 5,666,405	\$ 5,808,757	\$ 6,064,345	\$ 6,464,250	\$ 6,364,705	\$ 6,100,881
Contributions as a percentage of covered-employee payroll	9.87%	9.65%	9.65%	9.65%	9.65%	9.65%	9.65%	9.65%	9.65%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 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)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

Changes of assumptions:

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER LEGACY PENSION PLAN OF TCRS
Fiscal Year ended June 30, *

	2014	2015	2016	2017	2018	2019	2020	2021
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (24,618)	\$ 64,059	\$ 949,405	\$ (47,533)	\$ (602,060)	\$ (1,624,280)	\$ (1,199,876)	\$ (6,213,262)
Fayetteville City Schools's proportion of the net pension liability (asset)	0.151502%	0.156381%	0.151918%	0.145281%	0.171093%	0.157976%	0.157346%	0.144051%
Fayetteville City Schools's covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817	\$ 5,991,092	\$ 5,297,159	\$ 5,236,859	\$ 4,747,061
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.41%	1.09%	17.31%	-0.92%	-10.05%	-30.66%	-22.91%	-130.89%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%

* The amounts presented were determined as of June 30 of the prior fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS

TEACHER LEGACY PLAN OF TCRS

Fiscal Year ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required	\$ 528,043	\$ 529,211	\$ 495,749	\$ 464,260	\$ 543,992	\$ 554,084	\$ 556,679	\$ 485,565	\$ 505,844
Contribution in relation to the contractually required contribution	528,043	529,211	495,749	464,260	543,992	554,084	556,679	485,565	505,844
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817	\$ 5,991,092	\$ 5,297,159	\$ 5,236,859	\$ 4,747,061	\$ 4,912,755
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%	10.23%	10.30%

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

Changes of assumptions:

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS
Fiscal Year ended June 30, *

	2015	2016	2017	2018	2019	2020	2021
Fayetteville City Schools's proportion of the net pension liability (asset)	0.106705%	0.125359%	0.070453%	0.080310%	0.118212%	0.122648%	0.138450%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (4,293)	\$ (13,050)	\$ (18,588)	\$ (36,423)	\$ (66,729)	\$ (69,743)	\$ (149,971)
Fayetteville City Schools's covered payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808	\$ 1,250,936	\$ 1,547,730	\$ 1,976,890
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%	-4.06%	-5.19%	-5.33%	-4.51%	-7.59%
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%

* The amounts presented were determined as of June 30 of the prior fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS

TEACHER RETIREMENT PLAN OF TCRS

Fiscal Year ending June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required	\$ 222	\$ 13,807	\$ 18,497	\$ 11,445	\$ 24,268	\$ 31,419	\$ 40,362	\$ 48,305
Contribution in relation to the contractually required contribution	8,868	22,063	18,497	28,072	24,268	31,419	40,362	48,305
Contribution deficiency (excess)	<u>\$ (8,646)</u>	<u>\$ (8,256)</u>	<u>\$ -</u>	<u>\$ (16,627)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808	\$ 1,250,936	\$ 1,547,730	\$ 1,976,890	\$ 2,395,421
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.04%	2.02%

In FY 2019, the System placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust. In FY 2020, the System placed the actuarially determined contribution rate (2.03%) of covered payroll into the pension plan and placed 1.97% of covered payroll into the Pension Stabilization Reserve Trust. In FY 2021, the System placed the actuarially determined contribution rate (2.02%) of covered payroll into the pension plan and placed 1.98% of covered payroll into the Pension Stabilization Reserve Trust. In FY 2022, the System placed the actuarially determined contribution rate (2.02%) of covered payroll into the pension plan and placed 1.98% of covered payroll into the Pension Stabilization Reserve Trust.

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

Changes of assumptions:

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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

FAYETTEVILLE PUBLIC UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SYSTEM'S TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30,
(dollar amounts in thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 51.064	\$ 53.617	\$ 53.617	\$ 72.425	\$ 75.322
Interest	46.089	47.402	47.402	42.260	39.307
Benefit payments	(10.412)	-	(13.060)	(23.216)	(46.556)
Experience losses (gains)	-	-	-	(19.235)	-
Changes of assumptions	-	-	-	(94.389)	-
Difference between expected and actual experience	-	-	(130.226)	(98.153)	(61.019)
Net change in total OPEB liability	86.741	101.019	(42.267)	(120.308)	7.054
Total OPEB liability - beginning	1,386.250	1,472.991	1,574.010	1,531.743	1,411.435
Total OPEB liability - ending	<u>\$ 1,472.991</u>	<u>\$ 1,574.010</u>	<u>\$ 1,531.743</u>	<u>\$ 1,411.435</u>	<u>\$ 1,418.489</u>
 Covered-employee payroll	 \$ 5,429.093	 \$ 5,786.362	 \$ 5,959.953	 \$ 6,379.995	 \$ 6,571.395
 Total OPEB liability as a percentage of covered-employee payroll	 27.1%	 27.2%	 25.7%	 22.1%	 21.6%

Notes to Schedule

No assets are accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4.

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

FAYETTEVILLE CITY SCHOOLS
SCHEDULE OF CHANGES IN FAYETTEVILLE CITY SCHOOLS' PROPORTIONATE SHARE
OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS
(dollar amounts in thousands)

TGOP

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 93	\$ 86	\$ 75	\$ 75	\$ 95
Interest	48	57	47	53	39
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(401)	265	6	(11)
Changes of assumptions	(76)	29	(113)	189	332
Benefit payments	(87)	(91)	(69)	(68)	(65)
Net change in total OPEB liability	\$ (22)	\$ (320)	\$ 205	\$ 255	\$ 390
Total OPEB liability - beginning	<u>1,594</u>	<u>1,572</u>	<u>1,252</u>	<u>1,457</u>	<u>1,712</u>
Total OPEB liability - ending	<u>\$ 1,572</u>	<u>\$ 1,252</u>	<u>\$ 1,457</u>	<u>\$ 1,712</u>	<u>\$ 2,102</u>
 Nonemployer contributing entities proportionate share of the collective total OPEB liability					
	\$ 569	\$ 440	\$ 530	\$ 589	\$ 752
 Employer's proportionate share of the collective total OPEB liability					
	\$ 1,003	\$ 811	\$ 926	\$ 1,122	\$ 1,350
 Covered-employee payroll					
	\$ 7,145	\$ 6,072	\$ 6,483	\$ 6,577	\$ 6,554
 Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll					
	14.04%	13.36%	14.28%	17.06%	20.60%

Notes to Schedule

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

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

FAYETTEVILLE CITY SCHOOLS
SCHEDULE OF CHANGES IN FAYETTEVILLE CITY SCHOOLS' PROPORTIONATE SHARE
OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS
(dollar amounts in thousands)

TNP

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 8	\$ 7	\$ 6	\$ 7	\$ 10
Interest	11	12	11	12	9
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(48)	43	(15)	(3)
Changes of assumptions	(32)	(2)	7	74	(61)
Benefit payments	(13)	(13)	(14)	(13)	(13)
Net change in total OPEB liability	\$ (26)	\$ (44)	\$ 53	\$ 65	\$ (57)
Total OPEB liability - beginning	367	341	297	350	415
Total OPEB liability - ending	<u>\$ 341</u>	<u>\$ 297</u>	<u>\$ 350</u>	<u>\$ 415</u>	<u>\$ 358</u>
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 341	 \$ 297	 \$ 350	 \$ 415	 \$ 358
 Employer's proportionate share of the collective total OPEB liability	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -
 Covered-employee payroll	 N/A	 N/A	 N/A	 N/A	 N/A
 Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	 0.00%	 0.00%	 0.00%	 0.00%	 0.00%

Notes to Schedule

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

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

CITY OF FAYETTEVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE GOVERNMENT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30,
(dollar amounts in thousands)

LGOP

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 87.041	\$ -	\$ 98.136	\$ 98.727	\$ 99.301
Interest	56.756	-	26.503	35.991	32.054
Changes of benefit terms	-	-	(69.025)	-	-
Differences between expected and actual experience	-	759.296	257.337	194.852	(80.833)
Changes of assumptions	-	(107.467)	7.523	136.794	(277.100)
Benefit payments	<u>(25.471)</u>	<u>-</u>	<u>(35.969)</u>	<u>(19.521)</u>	<u>(64.499)</u>
Net change in total OPEB liability	118.326	651.829	284.505	446.843	(291.077)
Total OPEB liability - beginning	<u>1,393.782</u>	<u>-</u> *	<u>651.829</u>	<u>936.334</u>	<u>1,383.177</u>
Total OPEB liability - ending	<u>1,512.108</u>	<u>\$ 651.829</u>	<u>\$ 936.334</u>	<u>\$ 1,383.177</u>	<u>\$ 1,092.100</u>
Covered-employee payroll	\$ 3,960.051	\$ 3,919.620	\$ 4,511.103	\$ 4,627.886	\$ 4,767.445
 Total OPEB liability as a percentage of covered-employee payroll	 38.2%	 16.6%	 20.8%	 29.9%	 22.9%

* In FY 2019, the City of Fayetteville closed its previous plan, with no further obligation to employees under the previous plan.

Notes to Schedule

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

The benefit terms were changed from including employees retiring with 10 years of service and 60 years of age at the beginning of the measurement period to excluding these employees from benefits as of June 30, 2019. This change in benefit terms decreased the total OPEB liability in FY2020.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- School Title Fund
- School Cafeteria Fund
- Drug Fund
- Internal School Fund

Debt Service Fund

The debt service fund is used to account for the receipt of special assessments and the associated repayment of debt.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

- Industrial Park Fund
- CDBG Fund
- UDAG Fund
- Internal Capital Projects

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

		Special Revenue Funds					
		School Title	School Cafeteria	Internal School Funds	Drug	Total Special Revenue	Debt Service Fund
Assets:							
Cash in bank	\$	46,594	\$ 490,610	\$ -	\$ 83,511	\$ 620,715	\$ 230,900
Accounts receivable		-	-	682	2,667	3,349	-
Due from other funds		-	-	-	3,553	3,553	14,573
Due from other governments		91,562	-	-	-	91,562	-
Inventory		-	13,360	-	-	13,360	-
Restricted assets - cash and cash equivalents		-	-	244,895	-	244,895	-
TOTAL ASSETS	\$	138,156	\$ 503,970	\$ 245,577	\$ 89,731	\$ 977,434	\$ 245,473
Liabilities:							
Accounts payable	\$	36,613	\$ 12,122	\$ 3,048	\$ -	\$ 51,783	\$ -
Due to other funds		21,543	1,681	-	3,524	26,748	-
Unearned revenues		-	-	-	-	-	-
TOTAL LIABILITIES		58,156	13,803	3,048	3,524	78,531	-
Fund Balances:							
Nonspendable - inventory		-	13,360	-	-	13,360	-
Restricted:							
Public safety		-	-	-	86,207	86,207	-
Internal school funds		-	-	242,529	-	242,529	-
Capital projects		-	-	-	-	-	-
Committed							
Education		80,000	-	-	-	80,000	-
Assigned							
Education		-	476,807	-	-	476,807	-
Debt service		-	-	-	-	-	245,473
TOTAL FUND BALANCES		80,000	490,167	242,529	86,207	898,903	245,473
TOTAL LIABILITIES AND FUND BALANCES	\$	138,156	\$ 503,970	\$ 245,577	\$ 89,731	\$ 977,434	\$ 245,473

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

		Capital Projects Funds					Total
		Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	Nonmajor Governmental Funds
Assets:							
Cash in bank	\$	1,675	\$ 10,129	\$ -	\$ 928,000	\$ 939,804	\$ 1,791,419
Accounts receivable		-	-	-	7,200	7,200	10,549
Due from other funds		-	-	-	-	-	18,126
Due from other governments		-	-	-	-	-	91,562
Inventory		-	-	-	-	-	13,360
Restricted assets - cash and cash equivalents		-	-	-	-	-	244,895
TOTAL ASSETS		<u>\$ 1,675</u>	<u>\$ 10,129</u>	<u>\$ -</u>	<u>\$ 935,200</u>	<u>\$ 947,004</u>	<u>\$ 2,169,911</u>
Liabilities:							
Accounts payable	\$	-	\$ -	\$ -	\$ 154,546	\$ 154,546	\$ 206,329
Due to other funds		-	-	-	-	-	26,748
Unearned revenues		-	-	-	25,000	25,000	25,000
TOTAL LIABILITIES		<u>-</u>	<u>-</u>	<u>-</u>	<u>179,546</u>	<u>179,546</u>	<u>258,077</u>
Fund Balances:							
Nonspendable - inventory		-	-	-	-	-	13,360
Restricted							
Public safety		-	-	-	-	-	86,207
Internal school funds		-	-	-	-	-	242,529
Capital projects		-	10,129	-	-	10,129	10,129
Committed							
Education		-	-	-	-	-	80,000
Assigned							
Education		-	-	-	-	-	476,807
Debt service		-	-	-	-	-	245,473
Industrial park		1,675	-	-	-	1,675	1,675
Capital projects		-	-	-	755,654	755,654	755,654
TOTAL FUND BALANCES		<u>1,675</u>	<u>10,129</u>	<u>-</u>	<u>755,654</u>	<u>767,458</u>	<u>1,911,834</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 1,675</u>	<u>\$ 10,129</u>	<u>\$ -</u>	<u>\$ 935,200</u>	<u>\$ 947,004</u>	<u>\$ 2,169,911</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

		Special Revenue Funds					
		School Title	School Cafeteria	Internal School Funds	Drug	Total Special Revenue	Debt Service Fund
Revenues:							
Intergovernmental	\$	3,097,599	\$ 956,542	-	\$ -	\$ 4,054,141	\$ -
Charges for services		-	17,818	-	-	17,818	-
Investment earnings		-	95	-	24	119	51
Internal school funds		-	-	426,029	-	426,029	-
Other		-	325	-	-	325	-
Fines and confiscations		-	-	-	15,680	15,680	-
TOTAL REVENUES		<u>3,097,599</u>	<u>974,780</u>	<u>426,029</u>	<u>15,704</u>	<u>4,514,112</u>	<u>51</u>
Expenditures:							
Current:							
General government		-	-	-	-	-	1,000
Public safety		-	-	-	11,687	11,687	-
Education		3,038,437	746,663	-	-	3,785,100	-
Debt Service:							
Principal		-	-	-	-	-	426,737
Interest		-	-	-	-	-	253,161
Capital outlay		59,162	-	-	-	59,162	-
Internal school funds		-	-	405,463	-	405,463	-
TOTAL EXPENDITURES		<u>3,097,599</u>	<u>746,663</u>	<u>405,463</u>	<u>11,687</u>	<u>4,261,412</u>	<u>680,898</u>
Excess (deficiency) of revenues over expenditures		<u>-</u>	<u>228,117</u>	<u>20,566</u>	<u>4,017</u>	<u>252,700</u>	<u>(680,847)</u>
Other Financing Sources (Uses):							
Transfers in		-	-	-	-	-	679,707
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,707</u>
Net change in fund balances		-	228,117	20,566	4,017	252,700	(1,140)
Fund balances - July 1, 2021		80,000	262,050	221,963	82,190	646,203	246,613
Fund balances - June 30, 2022		<u>\$ 80,000</u>	<u>\$ 490,167</u>	<u>\$ 242,529</u>	<u>\$ 86,207</u>	<u>\$ 898,903</u>	<u>\$ 245,473</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,482,212	\$ 1,482,212	\$ 5,536,353
Private grants and contributions	-	-	-	42,000	42,000	42,000
Charges for services	-	-	-	-	-	17,818
Investment earnings	-	3	4	81	88	258
Internal school funds	-	-	-	-	-	426,029
Other	-	-	-	-	-	325
Fines and forfeitures	-	-	-	-	-	15,680
TOTAL REVENUES	-	3	4	1,524,293	1,524,300	6,038,463
Expenditures:						
Current:						
General government	-	-	-	-	-	1,000
Public safety	-	-	-	-	-	11,687
Education	-	-	-	-	-	3,785,100
Community development	-	-	14,650	-	14,650	14,650
Debt service:						
Principal	-	-	-	-	-	426,737
Interest	-	-	-	-	-	253,161
Capital outlay	-	-	-	1,735,437	1,735,437	1,794,599
Internal school funds	-	-	-	-	-	405,463
TOTAL EXPENDITURES	-	-	14,650	1,735,437	1,750,087	6,692,397
Excess (deficiency) of revenues over expenditures	-	3	(14,646)	(211,144)	(225,787)	(653,934)
Other Financing Sources (Uses):						
Transfers in	-	-	-	876,491	876,491	1,556,198
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	876,491	876,491	1,556,198
Net change in fund balances	-	3	(14,646)	665,347	650,704	902,264
Fund balances - July 1, 2021	1,675	10,126	14,646	90,307	116,754	1,009,570
Fund balances - June 30, 2022	\$ 1,675	\$ 10,129	\$ -	\$ 755,654	\$ 767,458	\$ 1,911,834

SCHOOL TITLE SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Title programs	\$ 479,234	\$ 525,671	\$ 525,671	\$ -
Vocational education programs	215,309	190,615	190,615	-
21st Century Learning	89,580	64,294	64,294	-
Gear up program	108,170	108,033	108,033	-
Special education programs	367,308	313,980	313,980	-
CARES / CRRSA Act grants - COVID	1,271,799	193,104	193,104	-
ARP Act grants - COVID	2,730,416	1,701,902	1,701,902	-
Total Revenues	<u>5,261,816</u>	<u>3,097,599</u>	<u>3,097,599</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	1,165,092	1,152,697	1,152,697	-
Travel	-	114	114	-
Contracted services	18,000	18,000	18,000	-
Supplies	58,145	79,297	79,297	-
Special education program				
Salaries and benefits	255,480	189,036	189,036	-
Equipment	1	673	673	-
Supplies	13,258	13,236	13,236	-
Vocational education program				
Salaries and benefits	91,357	25,548	25,548	-
Supplies	11,065	15,866	15,866	-
Contracted services	-	52,204	52,204	-
Equipment	105,007	89,959	89,959	-
Support services:				
Regular instruction program				
Salaries and benefits	154,637	69,659	69,659	-
Supplies	3,135	1,964	1,964	-
Contracted services	80,000	40,000	40,000	-
In service	1	5,171	5,171	-
Special education program				
Salaries and benefits	97,575	103,097	103,097	-
Contracted services	31,026	44,425	44,425	-
Equipment	8,750	13,559	13,559	-
In service	11,931	10,116	10,116	-
Supplies	4,516	858	858	-
Other Student Support				
Salaries and benefits	81,680	89,570	89,570	-
Travel	15,500	8,105	8,105	-
Supplies	501	1,876	1,876	-
Contracted services	2,501	2,605	2,605	-
In service	1,000	1,000	1,000	-
Other	500	192	192	-
Office of the principal				
Salaries and benefits	294,665	294,069	294,069	-
Transportation				
Salaries and benefits	11,350	5,423	5,423	-
Gasoline	500	500	500	-
Equipment	123,000	-	-	-
Vocational education program				
In service	1,880	1,543	1,543	-
Community services				
Salaries and benefits	80,928	63,643	63,643	-
Supplies	7,377	651	651	-
In service	1,000	-	-	-
Other	275	-	-	-
Health				
Salaries and benefits	85,109	85,330	85,330	-
Technology				
Supplies	-	2,148	2,148	-
Equipment	1,388,684	556,303	556,303	-
Capital outlay	<u>1,056,390</u>	<u>59,162</u>	<u>59,162</u>	<u>-</u>
Total Expenditures	<u>5,261,816</u>	<u>3,097,599</u>	<u>3,097,599</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - beginning	80,000	80,000	80,000	-
Fund Balances - ending	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>

SCHOOL CAFETERIA SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Intergovernmental				
National school lunch program	\$ 458,000	\$ 458,000	\$ 568,804	\$ 110,804
School breakfast program	183,000	183,000	256,113	73,113
After school snacks	10,000	10,000	6,612	(3,388)
USDA commodities	58,296	58,296	58,736	440
Other	7,000	7,000	66,277	59,277
Charges for services	186,180	186,180	17,818	(168,362)
Investment earnings	1,000	1,000	95	(905)
Other revenues	10,000	10,000	325	(9,675)
Total Revenues	<u>913,476</u>	<u>913,476</u>	<u>974,780</u>	<u>61,304</u>
EXPENDITURES				
Current:				
Salaries and benefits	363,344	364,653	356,333	8,320
Repairs and maintenance	9,000	9,000	6,459	2,541
Travel	4,000	4,000	1,663	2,337
Contracted services	433,167	18,375	7,728	10,647
Food and preparation supplies	65,296	472,638	362,297	110,341
Supplies	1,500	2,585	2,585	-
Other	6,000	11,056	9,598	1,458
Capital outlay	31,869	31,869	-	31,869
Total Expenditures	<u>914,176</u>	<u>914,176</u>	<u>746,663</u>	<u>167,513</u>
Excess (Deficiency) of Revenues over Expenditures	(700)	(700)	228,117	228,817
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Total Other Financing Sources (Uses)	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Net Change in Fund Balance	-	-	228,117	228,117
Fund Balance - beginning	<u>262,050</u>	<u>262,050</u>	<u>262,050</u>	<u>-</u>
Fund Balance - ending	<u>\$ 262,050</u>	<u>\$ 262,050</u>	<u>\$ 490,167</u>	<u>\$ 228,117</u>

**DRUG SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ 20	\$ 20	\$ 24	\$ 4
Fines	20,000	20,000	15,680	(4,320)
Confiscations	-	-	-	-
Total Revenues	<u>20,020</u>	<u>20,020</u>	<u>15,704</u>	<u>(4,316)</u>
EXPENDITURES				
Current:				
Operating				
Salaries	7,000	7,000	7,078	(78)
Education and training	6,000	6,000	225	5,775
Travel	5,000	5,000	164	4,836
Supplies	7,000	7,000	1,387	5,613
Contractual	3,250	3,250	-	3,250
Telephone	1,800	1,800	1,778	22
Professional services	1,200	1,200	705	495
Investigative transactions	10,000	10,000	-	10,000
Other drug fund	2,000	2,000	350	1,650
Total Expenditures	<u>43,250</u>	<u>43,250</u>	<u>11,687</u>	<u>31,563</u>
Net Change in Fund Balance	(23,230)	(23,230)	4,017	27,247
Fund Balance - beginning	<u>82,190</u>	<u>82,190</u>	<u>82,190</u>	<u>-</u>
Fund Balance - ending	<u>\$ 58,960</u>	<u>\$ 58,960</u>	<u>\$ 86,207</u>	<u>\$ 27,247</u>

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 51	\$ (49)
Total Revenues	<u>100</u>	<u>100</u>	<u>51</u>	<u>(49)</u>
EXPENDITURES				
Current:				
Operating - agent fees	4,000	4,000	1,000	3,000
Debt Service:				
Principal	441,420	441,420	426,737	14,683
Interest	253,609	253,609	253,161	448
Total Expenditures	<u>699,029</u>	<u>699,029</u>	<u>680,898</u>	<u>18,131</u>
Excess (Deficiency) of Revenues over Expenditures	(698,929)	(698,929)	(680,847)	18,082
OTHER FINANCING SOURCES (USES)				
Transfers in	695,029	695,029	679,707	(15,322)
Total Other Financing Sources (Uses)	<u>695,029</u>	<u>695,029</u>	<u>679,707</u>	<u>(15,322)</u>
Net Change in Fund Balance	(3,900)	(3,900)	(1,140)	2,760
Fund Balance - beginning	<u>246,613</u>	<u>246,613</u>	<u>246,613</u>	<u>-</u>
Fund Balance - ending	<u>\$ 242,713</u>	<u>\$ 242,713</u>	<u>\$ 245,473</u>	<u>\$ 2,760</u>

INDUSTRIAL PARK CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Contribution to IDB	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - beginning	1,675	1,675	1,675	-
Fund Balance - ending	\$ 1,675	\$ 1,675	\$ 1,675	\$ -

CDBG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable (Unfavorable)
REVENUES				
Investment earnings	\$ 5	\$ 5	\$ 3	\$ (2)
Total Revenues	<u>5</u>	<u>5</u>	<u>3</u>	<u>(2)</u>
EXPENDITURES				
Current:				
Operating	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balance	(995)	(995)	3	998
Fund Balance - beginning	<u>10,126</u>	<u>10,126</u>	<u>10,126</u>	<u>-</u>
Fund Balance - ending	<u>\$ 9,131</u>	<u>\$ 9,131</u>	<u>\$ 10,129</u>	<u>\$ 998</u>

UDAG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ 50	\$ 50	\$ 4	\$ (46)
Total Revenues	<u>50</u>	<u>50</u>	<u>4</u>	<u>(46)</u>
EXPENDITURES				
Current:				
Operating	<u>206,000</u>	<u>14,650</u>	<u>14,650</u>	<u>-</u>
Total Expenditures	<u>206,000</u>	<u>14,650</u>	<u>14,650</u>	<u>-</u>
(Deficiency) of Revenues over Expenditures	<u>(205,950)</u>	<u>(14,600)</u>	<u>(14,646)</u>	<u>(46)</u>
Net Change in Fund Balance	(205,950)	(14,600)	(14,646)	(46)
Fund Balance - beginning	<u>14,646</u>	<u>14,646</u>	<u>14,646</u>	<u>-</u>
Fund Balance - ending	<u><u>\$ (191,304)</u></u>	<u><u>\$ 46</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (46)</u></u>

**INTERNAL CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ 500	\$ 500	\$ 81	\$ (419)
Private grants and contributions	-	42,000	42,000	-
Intergovernmental	2,575,411	3,966,509	1,482,212	(2,484,297)
Total Revenues	2,575,911	4,009,009	1,524,293	(2,484,716)
EXPENDITURES				
Current:				
Professional services	-	750,000	747,500	2,500
Capital outlay	3,423,210	1,409,615	987,937	421,678
Total Expenditures	3,423,210	2,159,615	1,735,437	424,178
(Deficiency) of Revenues over Expenditures	(847,299)	1,849,394	(211,144)	(2,060,538)
OTHER FINANCING SOURCES				
Transfers in	250,000	876,491	876,491	-
Total Other Financing Sources	250,000	876,491	876,491	-
Net Change in Fund Balance	(597,299)	2,725,885	665,347	(2,060,538)
Fund Balance - beginning	90,307	90,307	90,307	-
Fund Balance - ending	\$ (506,992)	\$ 2,816,192	\$ 755,654	\$ (2,060,538)

SCHOOL CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 454,408	\$ 454,408
Investment earnings	55,000	55,000	10,863	(44,137)
Total Revenues	55,000	55,000	465,271	410,271
EXPENDITURES				
Current:				
Capital outlay	4,675,000	4,675,000	681,334	3,993,666
Total Expenditures	4,675,000	4,675,000	681,334	3,993,666
(Deficiency) of revenues over expenditures	(4,620,000)	(4,620,000)	(216,063)	4,403,937
Net Change in Fund Balance	(4,620,000)	(4,620,000)	(216,063)	4,403,937
Fund Balance - beginning	4,204,243	4,204,243	4,204,243	-
Fund Balance - ending	\$ (415,757)	\$ (415,757)	\$ 3,988,180	\$ 4,403,937

SCHEDULE OF COMBINED LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Fayetteville Public Utilities											
General Debt		Electric Department		Gas Department		Water & Sewer Department		Total		Total	
		Total For All Debt		Series 2017		Total For All Debt		Principal		Interest	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total *
2023	\$ 688,702	\$ 279,781	\$ 1,349,882	\$ 176,200	\$ 326,298	\$ 19,362	\$ 1,287,089	\$ 486,314	\$ 3,651,971	\$ 961,657	\$ 4,613,628
2024	700,676	257,209	1,376,000	150,342	314,324	12,836	1,306,957	466,446	3,697,957	886,833	4,584,790
2025	722,489	234,194	1,490,000	123,800	327,511	6,550	1,249,365	444,951	3,789,365	809,495	4,598,860
2026	600,000	210,397	1,530,000	94,000	-	-	1,189,194	426,036	3,319,194	730,433	4,049,627
2027	620,000	188,494	1,565,000	63,400	-	-	1,208,033	407,197	3,393,033	659,091	4,052,124
2028	640,000	167,846	1,605,000	32,100	-	-	1,226,489	388,741	3,471,489	588,687	4,060,176
2029	660,000	146,495	-	-	-	-	1,246,712	368,518	1,906,712	515,013	2,421,725
2030	675,000	124,496	-	-	-	-	1,266,593	348,637	1,941,593	473,133	2,414,726
2031	695,000	113,144	-	-	-	-	1,286,847	328,383	1,981,847	441,527	2,423,374
2032	700,000	101,396	-	-	-	-	1,306,842	308,388	2,006,842	409,784	2,416,626
2033	715,000	89,267	-	-	-	-	1,328,464	286,766	2,043,464	376,033	2,419,497
2034	670,000	76,885	-	-	-	-	1,349,889	265,341	2,019,889	342,226	2,362,115
2035	675,000	64,370	-	-	-	-	1,333,885	243,730	2,008,885	308,100	2,316,985
2036	565,000	51,410	-	-	-	-	1,297,280	222,591	1,862,280	274,001	2,136,281
2037	580,000	39,535	-	-	-	-	1,119,875	201,725	1,699,875	241,260	1,941,135
2038	295,000	27,150	-	-	-	-	902,195	183,774	1,197,195	210,924	1,408,119
2039	300,000	18,300	-	-	-	-	739,315	167,860	1,039,315	186,160	1,225,475
2040	310,000	9,300	-	-	-	-	568,704	154,860	878,704	164,160	1,042,864
2041	-	-	-	-	-	-	453,755	141,999	453,755	141,999	595,754
2042	-	-	-	-	-	-	422,172	130,824	422,172	130,824	552,996
2043	-	-	-	-	-	-	433,557	119,439	433,557	119,439	552,996
2044	-	-	-	-	-	-	444,962	108,034	444,962	108,034	552,996
2045	-	-	-	-	-	-	457,261	95,735	457,261	95,735	552,996
2046	-	-	-	-	-	-	469,604	83,392	469,604	83,392	552,996
2047	-	-	-	-	-	-	482,286	70,710	482,286	70,710	552,996
2048	-	-	-	-	-	-	495,164	57,832	495,164	57,832	552,996
2049	-	-	-	-	-	-	508,698	44,298	508,698	44,298	552,996
2050	-	-	-	-	-	-	522,451	30,545	522,451	30,545	552,996
2051	-	-	-	-	-	-	407,998	17,606	407,998	17,606	425,604
2052	-	-	-	-	-	-	223,261	8,286	223,261	8,286	231,547
2053	-	-	-	-	-	-	121,586	3,719	121,586	3,719	125,305
2054	-	-	-	-	-	-	79,420	1,292	79,420	1,292	80,712
2055	-	-	-	-	-	-	3,730	8	3,730	8	3,738
	<u>\$ 10,811,867</u>	<u>\$ 2,199,669</u>	<u>\$ 8,915,882</u>	<u>\$ 639,842</u>	<u>\$ 968,133</u>	<u>\$ 38,748</u>	<u>\$ 26,739,633</u>	<u>\$ 6,613,977</u>	<u>\$ 47,435,515</u>	<u>\$ 9,492,236</u>	<u>\$ 56,927,751</u>

* Excludes FPU interim advances not yet amortizing

SCHEDULE OF GENERAL LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Year Ending June 30,	General Obligation Bonds		General Obligation Bonds		General Obligation Bonds		General Obligation Bonds		<u>Total General</u>	
	Series 2021A, Schools		Series 2021A		Series 2021B		Series 2017		Total	Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 230,000	\$ 78,047	\$ 140,000	\$ 42,397	\$ 170,000	\$ 150,400	\$ 148,702	\$ 8,937	\$ 688,702	\$ 279,781
2024	235,000	71,148	140,000	38,198	175,000	141,900	150,676	5,963	700,676	257,209
2025	245,000	64,097	150,000	33,997	180,000	133,150	147,489	2,950	722,489	234,194
2026	250,000	56,748	155,000	29,499	195,000	124,150	-	-	600,000	210,397
2027	255,000	49,247	160,000	24,847	205,000	114,400	-	-	620,000	188,494
2028	260,000	41,598	165,000	20,048	215,000	106,200	-	-	640,000	167,846
2029	270,000	33,797	170,000	15,098	220,000	97,600	-	-	660,000	146,495
2030	275,000	25,698	170,000	9,998	230,000	88,800	-	-	675,000	124,496
2031	280,000	22,947	175,000	8,297	240,000	81,900	-	-	695,000	113,144
2032	280,000	20,148	175,000	6,548	245,000	74,700	-	-	700,000	101,396
2033	285,000	17,207	180,000	4,710	250,000	67,350	-	-	715,000	89,267
2034	290,000	14,215	120,000	2,820	260,000	59,850	-	-	670,000	76,885
2035	285,000	10,880	120,000	1,440	270,000	52,050	-	-	675,000	64,370
2036	290,000	7,460	-	-	275,000	43,950	-	-	565,000	51,410
2037	295,000	3,835	-	-	285,000	35,700	-	-	580,000	39,535
2038	-	-	-	-	295,000	27,150	-	-	295,000	27,150
2039	-	-	-	-	300,000	18,300	-	-	300,000	18,300
2040	-	-	-	-	310,000	9,300	-	-	310,000	9,300
	<u>\$ 4,025,000</u>	<u>\$ 517,072</u>	<u>\$ 2,020,000</u>	<u>\$ 237,897</u>	<u>\$ 4,320,000</u>	<u>\$ 1,426,850</u>	<u>\$ 446,867</u>	<u>\$ 17,850</u>	<u>10,811,867</u>	<u>\$ 2,199,669</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

Year Ending June 30,	Series 2019		Series 2016		RUS Rural Economic Development Loan (LCHS)		Total Electric	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 467,000	\$ 16,700	\$ 875,000	\$ 159,500	\$ 7,882	\$ -	\$ 1,349,882	\$ 176,200
2024	466,000	8,342	910,000	142,000	-	-	1,376,000	150,342
2025	-	-	1,490,000	123,800	-	-	1,490,000	123,800
2026	-	-	1,530,000	94,000	-	-	1,530,000	94,000
2027	-	-	1,565,000	63,400	-	-	1,565,000	63,400
2028	-	-	1,605,000	32,100	-	-	1,605,000	32,100
	<u>\$ 933,000</u>	<u>\$ 25,042</u>	<u>\$ 7,975,000</u>	<u>\$ 614,800</u>	<u>\$ 7,882</u>	<u>\$ -</u>	<u>\$ 8,915,882</u>	<u>\$ 639,842</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Year Ending June 30,	RUS Phase I Series 2008		RUS Phase II Series 2009		RUS Phase III Series 2013		RUS Phase IV Series 2015	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 75,167	\$ 64,693	\$ 94,542	\$ 128,970	\$ 51,563	\$ 57,349	\$ 33,906	\$ 46,806
2024	76,703	63,157	97,071	126,441	52,714	56,198	34,724	45,988
2025	78,619	61,241	100,370	123,142	54,200	54,712	35,817	44,895
2026	80,407	59,453	103,423	120,089	55,571	53,341	36,815	43,897
2027	82,234	57,626	106,569	116,943	56,976	51,936	37,840	42,872
2028	83,951	55,909	109,498	114,014	58,279	50,633	38,779	41,933
2029	86,012	53,848	113,141	110,371	59,891	49,021	39,974	40,738
2030	87,968	51,892	116,582	106,930	61,406	47,506	41,087	39,625
2031	89,968	49,892	120,128	103,384	62,958	45,954	42,231	38,481
2032	91,882	47,978	123,508	100,004	64,429	44,483	43,305	37,407
2033	94,102	45,758	127,538	95,974	66,180	42,732	44,614	36,098
2034	96,241	43,619	131,417	92,095	67,853	41,059	45,856	34,856
2035	98,429	41,431	135,415	88,097	69,569	39,343	47,133	33,579
2036	100,560	39,300	139,304	84,208	71,226	37,686	48,357	32,355
2037	102,953	36,907	143,770	79,742	73,130	35,782	49,792	30,920
2038	105,293	34,567	148,143	75,369	74,979	33,933	51,179	29,533
2039	107,687	32,173	152,649	70,863	76,875	32,037	52,604	28,108
2040	110,054	29,806	157,112	66,400	78,737	30,175	53,997	26,715
2041	112,637	27,223	162,071	61,441	80,810	28,102	55,573	25,139
2042	115,197	24,663	167,000	56,512	82,854	26,058	57,121	23,591
2043	117,816	22,044	172,080	51,432	84,949	23,963	58,712	22,000
2044	120,443	19,417	177,189	46,323	87,039	21,873	60,291	20,421
2045	123,233	16,627	182,703	40,809	89,299	19,613	62,026	18,686
2046	126,034	13,826	188,260	35,252	91,557	17,355	63,753	16,959
2047	128,899	10,961	193,986	29,526	93,872	15,040	65,529	15,183
2048	131,809	8,051	199,825	23,687	96,212	12,700	67,318	13,394
2049	134,826	5,034	205,965	17,547	98,679	10,233	69,228	11,484
2050	137,891	1,969	212,229	11,283	101,175	7,737	71,156	9,556
2051	12,443	25	218,684	4,828	103,733	5,179	73,138	7,574
2052	-	-	41,749	174	106,351	2,561	75,161	5,551
2053	-	-	-	-	44,318	275	77,268	3,444
2054	-	-	-	-	-	-	79,420	1,292
2055	-	-	-	-	-	-	3,730	8
	<u>\$ 2,909,458</u>	<u>\$ 1,019,090</u>	<u>\$ 4,341,921</u>	<u>\$ 2,181,850</u>	<u>\$ 2,317,384</u>	<u>\$ 994,569</u>	<u>\$ 1,717,434</u>	<u>\$ 869,088</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER (CONTINUED)
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Year Ending June 30,	State Revolving Fund Loan CW0 2013-315		State Revolving Fund Loan CG1 2013-316		State Revolving Fund Loan CG4 2015-350		State Revolving Fund Loan CG2 2015-351	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 35,856	\$ 5,220	\$ 185,838	\$ 31,248	\$ 174,660	\$ 38,292	\$ 71,208	\$ 16,212
2024	36,276	4,800	188,022	29,064	177,084	35,868	72,192	15,228
2025	36,696	4,380	190,230	26,856	179,544	33,408	73,188	14,232
2026	37,128	3,948	192,474	24,612	182,028	30,924	74,208	13,212
2027	37,572	3,504	194,730	22,356	184,560	28,392	75,240	12,180
2028	38,016	3,060	197,022	20,064	187,128	25,824	76,284	11,136
2029	38,460	2,616	199,338	17,748	189,720	23,232	77,352	10,068
2030	38,916	2,160	201,690	15,396	192,360	20,592	78,420	9,000
2031	39,372	1,704	204,066	13,020	195,024	17,928	79,512	7,908
2032	39,828	1,248	206,466	10,620	197,736	15,216	80,616	6,804
2033	40,308	768	208,890	8,196	200,484	12,468	81,732	5,688
2034	40,788	288	211,350	5,736	203,268	9,684	82,872	4,548
2035	3,461	-	213,834	3,252	206,088	6,864	84,024	3,396
2036	-	-	162,009	794	208,956	3,996	85,188	2,232
2037	-	-	-	-	176,366	1,118	86,364	1,056
2038	-	-	-	-	-	-	29,197	76
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-
	<u>\$ 462,677</u>	<u>\$ 33,696</u>	<u>\$ 2,755,959</u>	<u>\$ 228,962</u>	<u>\$ 2,855,006</u>	<u>\$ 303,806</u>	<u>\$ 1,207,597</u>	<u>\$ 132,976</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER (CONTINUED)
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

Year Ending June 30,	State Revolving Fund Loan DWF 2016-175		State Revolving Fund Loan CW6 2018-407		State Revolving Fund Loan SRF 2018-408		TDOT Utility Reloc Loan		<u>Total Water *</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2023	\$ 235,608	\$ 46,344	\$ 41,304	\$ 9,876	\$ 135,120	\$ 35,448	\$ 152,317	\$ 5,856	\$ 1,287,089	\$ 486,314
2024	238,260	43,692	41,844	9,336	136,908	33,660	155,159	3,014	1,306,957	466,446
2025	240,936	41,016	42,396	8,784	138,708	31,860	78,661	425	1,249,365	444,951
2026	243,648	38,304	42,960	8,220	140,532	30,036	-	-	1,189,194	426,036
2027	246,396	35,556	43,524	7,656	142,392	28,176	-	-	1,208,033	407,197
2028	249,168	32,784	44,100	7,080	144,264	26,304	-	-	1,226,489	388,741
2029	251,976	29,976	44,676	6,504	146,172	24,396	-	-	1,246,712	368,518
2030	254,808	27,144	45,264	5,916	148,092	22,476	-	-	1,266,593	348,637
2031	257,676	24,276	45,864	5,316	150,048	20,520	-	-	1,286,847	328,383
2032	260,580	21,372	46,476	4,704	152,016	18,552	-	-	1,306,842	308,388
2033	263,508	18,444	47,088	4,092	154,020	16,548	-	-	1,328,464	286,766
2034	266,484	15,468	47,700	3,480	156,060	14,508	-	-	1,349,889	265,341
2035	269,484	12,468	48,336	2,844	158,112	12,456	-	-	1,333,885	243,730
2036	272,508	9,444	48,972	2,208	160,200	10,368	-	-	1,297,280	222,591
2037	275,580	6,372	49,608	1,572	162,312	8,256	-	-	1,119,875	201,725
2038	278,688	3,264	50,268	912	164,448	6,120	-	-	902,195	183,774
2039	140,548	462	42,344	257	166,608	3,960	-	-	739,315	167,860
2040	-	-	-	-	168,804	1,764	-	-	568,704	154,860
2041	-	-	-	-	42,664	94	-	-	453,755	141,999
2042	-	-	-	-	-	-	-	-	422,172	130,824
2043	-	-	-	-	-	-	-	-	433,557	119,439
2044	-	-	-	-	-	-	-	-	444,962	108,034
2045	-	-	-	-	-	-	-	-	457,261	95,735
2046	-	-	-	-	-	-	-	-	469,604	83,392
2047	-	-	-	-	-	-	-	-	482,286	70,710
2048	-	-	-	-	-	-	-	-	495,164	57,832
2049	-	-	-	-	-	-	-	-	508,698	44,298
2050	-	-	-	-	-	-	-	-	522,451	30,545
2051	-	-	-	-	-	-	-	-	407,998	17,606
2052	-	-	-	-	-	-	-	-	223,261	8,286
2053	-	-	-	-	-	-	-	-	121,586	3,719
2054	-	-	-	-	-	-	-	-	79,420	1,292
2055	-	-	-	-	-	-	-	-	3,730	8
	<u>\$ 4,245,856</u>	<u>\$ 406,386</u>	<u>\$ 772,724</u>	<u>\$ 88,757</u>	<u>\$ 2,767,480</u>	<u>\$ 345,502</u>	<u>\$ 386,137</u>	<u>\$ 9,295</u>	<u>\$ 26,739,633</u>	<u>\$ 6,613,977</u>

* Excludes interim advances not yet amortizing

CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
<u>Payable through General Government</u>									
<u>BONDS PAYABLE</u>									
General Obligation, Series 2017	\$ 975,427	2.0% to 5.0%	9/28/2017	6/1/2025	\$ 593,082	\$ -	\$ 146,215	\$ -	\$ 446,867
General Obligation, Series 2021A	2,295,000	1.3% to 3.0%	2/19/2021	6/1/2037	2,155,000	-	135,000	-	2,020,000
General Obligation, Series 2021B	4,320,000	3.0% to 5.0%	2/19/2021	6/1/2040	4,320,000	-	-	-	4,320,000
Total Bonds Payable through General Government					<u>\$ 7,068,082</u>	<u>\$ -</u>	<u>\$ 281,215</u>	<u>\$ -</u>	<u>\$ 6,786,867</u>
<u>OTHER LOANS PAYABLE</u>									
Bank Capital Outlay Note	\$ 509,135	2.80%	5/2/2019	5/2/2022	\$ 145,522	\$ -	\$ 145,522	\$ -	\$ -
Total Loans Payable through General Government					<u>\$ 145,522</u>	<u>\$ -</u>	<u>\$ 145,522</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Payable through Electric Department</u>									
<u>BONDS PAYABLE</u>									
Revenue Bonds, Series 2016	\$ 9,750,000	2.00%	5/27/2016	6/1/2028	\$ 8,820,000	-	\$ 845,000	-	\$ 7,975,000
Revenue Bonds, Series 2019	3,116,000	1.79%	12/12/2019	6/1/2024	1,411,000	-	478,000	-	933,000
Total Bonds Payable through Electric Department					<u>\$ 10,231,000</u>	<u>\$ -</u>	<u>\$ 1,323,000</u>	<u>\$ -</u>	<u>\$ 8,908,000</u>
<u>OTHER LOANS PAYABLE</u>									
USDA Rural Economic Development Loan	\$ 133,334	0.00%	11/30/2015	12/8/2022	\$ 26,938	\$ -	\$ 19,056	\$ -	\$ 7,882
Total Loans Payable through Electric Department					<u>\$ 26,938</u>	<u>\$ -</u>	<u>\$ 19,056</u>	<u>\$ -</u>	<u>\$ 7,882</u>
<u>Payable through Gas Department</u>									
<u>BONDS PAYABLE</u>									
General Obligation, Series 2017	\$ 2,209,015	2.0% to 5.0%	9/28/2017	6/1/2025	\$ 1,291,918	\$ -	\$ 323,785	\$ -	\$ 968,133
Total Bonds Payable through Gas Department					<u>\$ 1,291,918</u>	<u>\$ -</u>	<u>\$ 323,785</u>	<u>\$ -</u>	<u>\$ 968,133</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE (CONTINUED)
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
<u>Payable through Water Department</u>									
<u>BONDS PAYABLE</u>									
USDA Revenue & Tax Bond Series 2008	\$ 3,500,000	2.25%	9/19/2013	9/19/2050	\$ 2,982,954	\$ -	\$ 73,496	\$ -	\$ 2,909,458
USDA Revenue & Tax Bond Series 2009	4,980,000	3.00%	10/15/2014	10/15/2051	4,433,672	-	91,751	-	4,341,921
USDA Revenue & Tax Bond Series 2009A	2,623,000	2.50%	1/24/2015	11/30/2052	2,367,676	-	50,292	-	2,317,384
USDA Revenue & Tax Bond Series 2015	1,900,000	2.75%	7/20/2016	7/31/2054	1,750,421	-	32,987	-	1,717,434
Total Bonds Payable through Water Department					<u>\$ 11,534,723</u>	<u>\$ -</u>	<u>\$ 248,526</u>	<u>\$ -</u>	<u>\$ 11,286,197</u>
<u>OTHER LOANS PAYABLE</u>									
State Revolving Fund Loan (CW0)	\$ 972,360	1.17%	2/4/2013	7/20/2034	\$ 498,113	\$ -	\$ 35,436	\$ -	\$ 462,677
State Revolving Fund Loan (CG1)	4,300,000	1.17%	2/4/2013	3/20/2036	2,939,637	-	183,678	-	2,755,959
State Revolving Fund Loan (CG4)	4,000,000	1.38%	1/23/2015	4/20/2037	3,027,266	-	172,260	-	2,855,006
State Revolving Fund Loan (CG2)	1,700,000	1.38%	1/23/2015	10/20/2037	1,277,821	-	70,224	-	1,207,597
State Revolving Fund Loan (DWF)	5,050,000	1.12%	5/10/2016	12/20/2038	4,478,836	-	232,980	-	4,245,856
State Revolving Fund Loan (CW6)	1,000,000	1.31%	11/29/2017	4/20/2039	813,488	-	40,764	-	772,724
State Revolving Fund Loan (SRF)	3,000,000	1.31%	11/29/2017	9/20/2040	2,900,848	-	133,368	-	2,767,480
State Revolving Fund Loan (DWF)	621,000	0.14%	3/11/2021	(1)	117,449	388,273	-	-	505,722
TDOT Utility Relocation Loan	2,070,465	1.85%	8/22/2005	12/20/2024	535,664	-	149,527	-	386,137
Total Loans Payable through Water Department					<u>\$ 16,589,122</u>	<u>\$ 388,273</u>	<u>\$ 1,018,237</u>	<u>\$ -</u>	<u>\$ 15,959,158</u>
<u>Payable through Fayetteville City Schools</u>									
<u>BONDS PAYABLE</u>									
General Obligation Refunding Bonds, Series 2021A	\$ 4,480,000	1.3%-3.0%	2/19/2021	6/1/2037	\$ 4,245,000	\$ -	\$ 220,000	\$ -	\$ 4,025,000
Total Bonds Payable through Fayetteville City Schools					<u>\$ 4,245,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ 4,025,000</u>

(1) Total amount approved was \$621,000, of which \$115,278 remains available for draws as of June 30, 2022.

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM LEASE PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2022

Year Ending June 30,	<u>Electric</u>		<u>Water</u>		<u>Total</u>	
	Total All Leases		XMC 129030 - Xerox Copiers			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 26,669	\$ 2,128	\$ 3,374	\$ 266	\$ 30,043	\$ 2,394
2024	25,159	1,382	3,478	164	28,637	1,546
2025	25,905	633	3,584	58	29,489	691
2026	6,537	132	-	-	6,537	132
2027	1,031	4	-	-	1,031	4
	<u>\$ 85,301</u>	<u>\$ 4,279</u>	<u>\$ 10,436</u>	<u>\$ 488</u>	<u>\$ 95,737</u>	<u>\$ 4,767</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM LEASE PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC
June 30, 2022

Year Ending June 30,	XMC 1325313 - Xerox Copier		XMC 1324916 - Xerox Copier		XMC 129030 - Xerox Copiers		XMC 1685523 - Xerox Copier		Pitney Bowes Postage Machine		Total Electric	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 808	\$ 9	\$ 1,429	\$ 14	\$ 17,985	\$ 1,420	\$ 5,555	\$ 653	\$ 892	\$ 32	\$ 26,669	\$ 2,128
2024	-	-	-	-	18,533	876	5,724	484	902	22	25,159	1,382
2025	-	-	-	-	19,095	311	5,898	310	912	12	25,905	633
2026	-	-	-	-	-	-	6,077	130	460	2	6,537	132
2027	-	-	-	-	-	-	1,031	4	-	-	1,031	4
	<u>\$ 808</u>	<u>\$ 9</u>	<u>\$ 1,429</u>	<u>\$ 14</u>	<u>\$ 55,613</u>	<u>\$ 2,607</u>	<u>\$ 24,285</u>	<u>\$ 1,581</u>	<u>\$ 3,166</u>	<u>\$ 68</u>	<u>\$ 85,301</u>	<u>\$ 4,279</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Restated Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding 6/30/2022
<u>LEASES PAYABLE</u>									
<u>Payable through Electric Department</u>									
XMC 1325313 - Xerox Copier	\$ 5,713	3.00%	3/15/2018	2/15/2023	\$ 1,991	\$ -	\$ 1,183	\$ -	\$ 808
XMC 1324916 - Xerox Copier	10,880	3.00%	2/15/2018	1/15/2023	3,820	-	2,391	-	1,429
XMC 129030 - Xerox Copiers	91,092	3.00%	7/1/2020	6/30/2025	73,067	-	17,454	-	55,613
XMC 1685523 - Xerox Copier	31,038	3.00%	9/11/2021	8/11/2026	-	28,789	4,504	-	24,285
Pitney Bowes Postage Machine	4,620	1.13%	12/30/2020	12/30/2025	<u>4,048</u>	<u>-</u>	<u>882</u>	<u>-</u>	<u>3,166</u>
Total Payable through Electric Department					<u>\$ 82,926</u>	<u>\$ 28,789</u>	<u>\$ 26,414</u>	<u>\$ -</u>	<u>\$ 85,301</u>
<u>Payable through Water Department</u>									
XMC 129030 - Xerox Copiers	17,093	3.00%	7/1/2020	6/30/2025	<u>\$ 13,711</u>	<u>\$ -</u>	<u>\$ 3,275</u>	<u>\$ -</u>	<u>\$ 10,436</u>
Total Payable through Water Department					<u>\$ 13,711</u>	<u>\$ -</u>	<u>\$ 3,275</u>	<u>\$ -</u>	<u>\$ 10,436</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF ELECTRIC UTILITY RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Residential

Customer Charge	\$24.40 per month
Energy Charge	7.336 cents per KWH
TVA Total Monthly Fuel Cost	2.907 cents per KWH

General Services

LESS THAN 50 KW

Customer Charge	Usage less than 500 KWH	\$35.15 per month
Customer Charge	Usage greater than 500 KWH	\$42.00 per month
Energy Charge		8.558 cents per KWH
TVA Total Monthly Fuel Cost		2.863 cents per KWH

51 KW TO 1,000 KW

Customer Charge		\$225.00 per month
Demand Charge	First 50 KW	\$11.00 per KW
	Excess over 50 KW	\$15.96 per KW
Energy Charge	First 15,000 KWH	5.335 cents per KWH
	Additional KWH	4.309 cents per KWH
TVA Total Monthly Fuel Cost	First 15,000 KWH	2.863 cents per KWH
	Additional KWH	2.813 cents per KWH

1,001 KW TO 5,000 KW

Customer Charge		\$450.00 per month
Demand Charge	First 1,000 KW	\$16.95 per KW
	Excess over 1,000 KW	\$19.38 per KW
Energy Charge		4.298 cents per KWH.
TVA Total Monthly Fuel Cost		2.813 cents per KWH

Manufacturing Services

5,001 KW TO 15,000 KW

Customer Charge		\$1,850 per delivery point
Demand Charge	Onpeak	\$10.24 per KW
	Maximum	\$2.26 per KW
	Excess over Contract	\$10.24 per KW
Energy Charge	Onpeak	5.779 cents per KWH
	Offpeak first 200 hours	3.279 cents per KWH
	Offpeak next 200 hours	0.310 cents per KWH
	Offpeak additional KWH	0.055 cents per KWH
TVA Total Monthly Fuel Cost		2.704 cents per KWH

**FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF GAS UTILITY RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022**

Residential

Monthly minimum	\$	5.00
Per ccf consumed per month		1.21

General Commercial and Industrial (average usage under 500 ccf per day)

Monthly minimum	\$	5.66
Per ccf consumed per month		1.26

General Commercial and Industrial

Monthly minimum	\$	5.66
Per ccf consumed per month		1.134

Housing Authority

Monthly minimum	\$	5.00
Per ccf consumed per month		1.119

Interruptible Service

Per ccf consumed per month	\$	1.044
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Firm Industrial

Monthly minimum	\$	100.00
Per ccf consumed per month		1.194

Note: ccf represents 100 cubic feet.

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF TELECOM RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

Internet Services

75 Mbps	\$ 47.49
100 Mbps	67.49
125 Mbps	80.09
Cable modem (may be purchased for \$100.00)	6.50

VOIP Phone Services

Unlimited service	\$ 45.95
Basic service	43.95
With internet	
Unlimited service	30.95
Basic service	28.95

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF WATER AND SEWER UTILITY RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

	<u>RESIDENTIAL</u>		<u>COMMERCIAL</u>				<u>WHOLESALE</u>	
	<u>Inside</u> <u>City</u>	<u>Outside</u> <u>City</u>	<u>Inside</u> <u>City</u>	<u>Outside</u> <u>City</u>	<u>Industrial</u>	<u>Frito Lay</u>	<u>With</u> <u>Contracts</u>	<u>Without</u> <u>Contracts</u>
<u>Water Rates</u>								
First 748 gallons	\$ 12.050	\$ 14.500	\$ 13.240	\$ 15.940	\$ 12.650	\$ 13.240	\$ 12.550	\$ 12.850
All over 748 gallons*	6.845	8.222						
Next 6,732 gallons*			7.553	9.091	7.193	7.553	7.059	7.460
All over 7,480 gallons*			5.508	6.671	5.428	N/A	5.294	5.695
Next 890,120 gallons*						6.016		
All over 897,600 gallons*						4.024		
<u>Wastewater Rates</u>								
First 748 gallons	17.970	20.660	20.460		20.460			
All over 748 gallons*	10.201	11.738	11.618		11.618			

**Per 1000 gallons*

Number of water and wastewater customers at June 30,

	<u>2022</u>	<u>2021</u>
Water	4,739	4,694
Sewer	3,592	3,558

CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF SANITATION RATES IN EFFECT

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Residential

Per household	\$	19
Per apartment		19

Each additional cart purchased is an additional \$10.

Commercial and Industrial

1 cart	Twice/wk	48
	Once/wk	24
2 carts	Twice/wk	78
	Once/wk	39
3 carts	Twice/wk	108
	Once/wk	54
4 carts	Twice/wk	138
	Once/wk	69
6 carts	Twice/wk	198
	Once/wk	99

SCHEDULE OF NUMBER OF UTILITY CUSTOMERS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

	June 30, <u>2022</u>	<u>2021</u>
Electric	18,927	18,807
Gas	6,598	6,528
Telecom division -Cable	0	2,059
Telecom division -Internet	4,030	3,319
Telecom division -Phone	358	335
Water	4,739	4,694
Wastewater	3,592	3,558
Sanitation	2,719	2,716

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

Year	Balance <u>July 1, 2021</u>	Taxes <u>Levied</u>	<u>Adjustments</u>	<u>Collections</u>	Balance <u>June 30, 2022</u>
2022	\$ -	\$ 3,201,469	\$ -	\$ -	\$ 3,201,469
2021	2,945,226	-	248,909	(3,084,457)	109,678
2020	223,340	-	(23,834)	(168,333)	31,173
2019	30,269	-	15,571	(32,350)	13,490
2018	6,364	-	(235)	(1,290)	4,839
2017	2,171	-	-	(833)	1,338
2016	1,339	-	-	(5)	1,334
2015	3,514	-	-	(5)	3,509
2014	3,480	-	-	-	3,480
2013	3,484	-	-	-	3,484
2012	2,234	-	-	-	2,234
	<u>\$ 3,221,421</u>	<u>\$ 3,201,469</u>	<u>\$ 240,411</u>	<u>\$ (3,287,273)</u>	<u>3,376,028</u>
Less allowance for uncollectible taxes					(41,143)
Balance, end of year, net of allowance					<u>\$ 3,334,885</u>

All uncollectible real estate taxes for tax years prior to 2021 have been turned over to the Clerk and Master for collection.

DIRECTORY OF OFFICIALS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2022

Mayor - Michael Whisenant

Board of Alderman

Dorothy Small - Vice Mayor

Danny Bryant

Donna Hartman

Jeff Alder

Tonya Allen

Roger Martinez

City Administrator - Scott Collins, through August 2021

Interim City Administrator - Richard Howell, August 2021 - March 2022

City Administrator - Kevin Owens, beginning March 2022

City Attorney - Johnny D. Hill, Jr.

City Judge - J. Rhea Thompson, III

City Finance Director - Stacy Rozell, CMFO *

Director of Schools - Bill Hopkins

Fayetteville Public Utilities:

CEO/ General Manager - Britt Dye

Secretary/Treasurer - Glenn Oldham

Assistant Manager - Kim Posey

* Designated with financial oversight responsibility.

UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

During the year ended June 30, 2022, the government turned over \$27,596 of 2020 property taxes receivable to the clerk and master in accordance with applicable laws.

PROPERTY TAX RATES AND ASSESSMENTS - LAST TEN YEARS

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2022

<u>Tax Year</u>	<u>Total Assessed Value</u>	<u>City Property Tax Rate</u>	<u>Levy</u>
2013	\$ 149,478,875	\$ 1.6500	\$ 2,512,322
2014	157,275,495	1.6500	2,648,761
2015	157,466,885	1.6500	2,657,546
2016	159,870,174	1.6500	2,637,899
2017	173,706,403	1.6500	2,866,182
2018	171,408,879	1.6500	2,884,704
2019	193,229,552	1.5000	2,898,443
2020	196,076,529	1.5000	2,939,715
2021	193,023,692	1.5000	2,945,226
2022	211,419,168	1.5000	3,201,469

PUTMAN & HANCOCK
Certified Public Accountants

219 East College Street
P.O. Box 722
Fayetteville, Tennessee 37334

(931) 433-1040
Fax (931) 433-9290
www.putmanandhancock.com

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

Board of Mayor and Aldermen
City of Fayetteville
Fayetteville, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Fayetteville, Tennessee's basic financial statements, and have issued our report thereon dated December 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fayetteville, Tennessee'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 of Fayetteville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fayetteville, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fayetteville'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.

Putman & Hancock

Fayetteville, TN
December 30, 2022

SINGLE AUDIT SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
CITY OF FAYETTEVILLE, TENNESSEE
Year Ended June 30, 2022

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program/Cluster Name</u>	<u>Federal Assistance Listing Number</u>	<u>Grant/Project/ Contract /Program Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>Federal Awards</u>					
U.S. Dept of Treasury /					
	COVID-19 / Coronavirus State and Local				
TN Dept of Finance & Administration	Fiscal Recovery Funds	21.027 - COVID	N/A	\$ -	\$ 747,500
Total U.S. Dept of Treasury				-	747,500
U.S. Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	2,860
Total U.S. Department of Justice					
Total Federal Awards				-	750,360
<u>State Financial Assistance</u>					
TN Department of Finance and Administration	Camp Blount Direct Appropriation Grant	N/A	N/A	-	21,237
TN Department of Finance and Administration	Direct Appropriation Grant	N/A	N/A	-	92,100
TN Department of Environment & Conservation	LPRF Recreational Educational Services	N/A	N/A	-	3,000
TN Department of Environment & Conservation	Local Parks & Recreation Fund Grant	N/A	N/A	-	5,742
Total State Awards				-	122,079
Total Federal & State Awards				\$ -	\$ 872,439

See accompanying notes to schedule of expenditures of federal awards and state financial assistance

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)

CITY OF FAYETTEVILLE, TENNESSEE

Year Ended June 30, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state award activity of the City of Fayetteville, Tennessee under programs of the federal and state government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *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 of Fayetteville, Tennessee, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fayetteville, Tennessee. Separate Schedules of Expenditures of Federal Awards and State Financial Assistance for Fayetteville Public Utilities and Fayetteville City Schools are included in their separately issued, publicly available financial reports.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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 C - INDIRECT COST RATE

The City of Fayetteville, Tennessee has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

For the year ended June 30, 2022, the City of Fayetteville, Tennessee had no awards that were passed through to subrecipients.

NOTE E - COMMITMENTS

At June 30, 2022, the City had outstanding commitments totaling \$90,700 for federal awards related to various capital projects.

PUTMAN & HANCOCK
Certified Public Accountants

219 East College Street
P.O. Box 722
Fayetteville, Tennessee 37334

Phone: (931) 433-1040
Fax: (931) 433-9290
www.putmanandhancock.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Mayor and Aldermen
City of Fayetteville
Fayetteville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fayetteville, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Fayetteville, Tennessee's major federal programs for the year ended June 30, 2022. The City of Fayetteville, Tennessee's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Fayetteville, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Fayetteville, Tennessee and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Fayetteville, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Fayetteville, Tennessee's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Fayetteville, Tennessee's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Fayetteville, Tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Fayetteville, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Fayetteville, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Fayetteville, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Putman & Hancock

Fayetteville, Tennessee
December 30, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2022

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Fayetteville, Tennessee were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Fayetteville, Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the City of Fayetteville, Tennessee expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:
Coronavirus State & Local Fiscal Recovery Funds, ALN# 21.027
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Fayetteville, Tennessee was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE

For the Fiscal Year Ended June 30, 2022

Financial Statement Findings

There were no prior year findings reported.

Federal Award Findings and Questioned Costs

Not applicable