

AUDITED FINANCIAL STATEMENTS

CITY OF

FAYETTEVILLE, TENNESSEE

Year Ended June 30, 2021

CITY OF FAYETTEVILLE, TENNESSEE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the pension information on pages 87 through 93 and the OPEB information on pages 94 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fayetteville, Tennessee's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 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
November 29, 2021

City of Fayetteville

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MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended June 30, 2021

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, 2021. 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 84 IMPLEMENTATION

During the year, the City implemented GASB Statement No. 84, Fiduciary Activities (GASBS No. 84). Amounts in the following analyses have been restated for fiscal year 2020 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		Total Primary Government	
		(Restated)				(Restated)
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 30,104,388	\$ 27,348,664	\$ 47,229,002	\$ 46,222,180	\$ 77,333,390	\$ 73,570,844
Capital assets	31,537,546	29,979,676	127,814,321	123,997,257	159,351,867	153,976,933
Total assets	61,641,934	57,328,340	175,043,323	170,219,437	236,685,257	227,547,777
Total deferred outflows of resources	3,618,108	3,231,732	385,686	457,946	4,003,794	3,689,678
Long-term liabilities outstanding	16,361,748	10,932,686	42,384,004	44,784,902	58,745,752	55,717,588
Other liabilities	2,079,708	1,718,282	8,085,371	7,685,568	10,165,079	9,403,850
Total liabilities	18,441,456	12,650,968	50,469,375	52,470,470	68,910,831	65,121,438
Total deferred inflows of resources	4,931,254	5,675,697	98,474	-	5,029,728	5,675,697
Net position						
Net investment in capital assets	18,848,185	21,758,287	88,230,659	82,278,304	107,078,844	104,036,591
Restricted	9,841,458	11,134,743	3,194,071	3,193,388	13,035,529	14,328,131
Unrestricted	13,197,689	9,340,377	33,436,430	32,735,221	46,634,119	42,075,598
Total net position	\$ 41,887,332	\$ 42,233,407	\$ 124,861,160	\$ 118,206,913	\$ 166,748,492	\$ 160,440,320

Net position of the City's governmental activities decreased 0.32 percent in the fiscal year 2021. Net position of the City's business-type activities increased 5.63 percent in the fiscal year 2021.

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	
		(Restated)				(Restated)
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for services	\$ 468,563	\$ 652,668	\$ 65,190,570	\$ 64,661,331	\$ 65,659,133	\$ 65,313,999
Operating grants and contributions	11,797,224	10,991,645	-	-	11,797,224	10,991,645
Capital grants and contributions	109,503	815,863	3,217,811	584,158	3,327,314	1,400,021
General revenues:						
Property taxes	4,146,807	4,109,196	-	-	4,146,807	4,109,196
Other taxes	7,020,096	6,254,271	-	-	7,020,096	6,254,271
Other general revenues	506,375	679,715	104,400	379,695	610,775	1,059,410
Total revenues	24,048,568	23,503,358	68,512,781	65,625,184	92,561,349	89,128,542
Program Expenses:						
General government	1,737,641	1,452,359	-	-	1,737,641	1,452,359
Public safety	5,089,727	5,277,358	-	-	5,089,727	5,277,358
Recreation	801,073	802,899	-	-	801,073	802,899
Highways and streets	2,007,107	1,495,716	-	-	2,007,107	1,495,716
Sanitation	-	-	521,959	547,611	521,959	547,611
Housing and community development	997,620	929,582	-	-	997,620	929,582
Garage	197,468	200,461	-	-	197,468	200,461
Education	14,936,291	14,621,667	-	-	14,936,291	14,621,667
Debt issuance costs	197,521	-	-	-	197,521	-
Interest on long-term debt	230,472	236,253	-	-	230,472	236,253
Electric, telecom, water and gas	-	-	59,536,298	58,409,234	59,536,298	58,409,234
Total expenses	26,194,920	25,016,295	60,058,257	58,956,845	86,253,177	83,973,140
Excess (deficiency) before transfers	(2,146,352)	(1,512,937)	8,454,524	6,668,339	6,308,172	5,155,402
Transfers	1,800,277	1,794,753	(1,800,277)	(1,794,753)	-	-
Change in net position	\$ (346,075)	\$ 281,816	\$ 6,654,247	\$ 4,873,586	\$ 6,308,172	\$ 5,155,402

The City's total revenues increased 4.24 percent from the fiscal year ended June 30, 2020 to the fiscal year June 30, 2021, while total expenses increased 3.11 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, 2021 and 2020. 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 of Services				
				(Restated)					(Restated)
		2021		2020		2021			2020
General government		\$ 1,737,641		\$ 1,452,359		\$ 1,195,148		\$	584,153
Public safety		5,089,727		5,277,358		4,288,455			4,506,488
Recreation		801,073		802,899		676,043			549,976
Highways and street		2,007,107		1,495,716		1,747,888			1,228,428
Housing and community development		997,620		929,582		997,620			929,582
Garage		197,468		200,461		197,468			200,461
Education		14,936,291		14,621,667		4,289,015			4,320,778
Debt issuance costs		197,521		-		197,521			-
Interest on long-term debt		230,472		236,253		230,472			236,253
Total Net Expenditures		\$ 26,194,920		\$ 25,016,295		\$ 13,819,630		\$	12,556,119

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2021 and 2020. These revenues are required to cover the net cost of services listed above.

Revenues by Source							
						(Restated)	
		2021		2020		2020	
Property taxes		\$ 4,146,807	\$	4,109,196			
In lieu of taxes		419,383		490,877			
Sales taxes		4,460,144		3,820,379			
Alcoholic beverage taxes		624,029		590,348			
Other local taxes		522,905		480,952			
Other state taxes		993,635		871,715			
Internal school funds		332,644		330,412			
Other		136,082		118,486			
Unrestricted investment earnings		82,303		185,697			
Gain (loss) on disposition of assets		(44,654)		45,120			
Transfers		1,800,277		1,794,753			
Total General Revenues and Transfers	\$	13,473,555	\$	12,837,935			

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, 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%
Fiscal Year Ended June 30, 2020						
Total Assets and Deferred						
Outflows of Resources	\$ 23,835,115	\$ 89,312,821	\$ 52,636,565	\$ 4,180,055	\$ 777,992	\$ 170,742,548
Net Position	21,190,651	69,991,567	22,657,846	3,701,042	665,807	118,206,913
Change in Net Position	687,522	3,671,612	(22,559)	641,424	(104,413)	4,873,586
Return on Ending Total Assets	2.88%	4.11%	-0.04%	15.34%	-13.42%	2.85%
Return on Ending Net Position	3.24%	5.25%	-0.10%	17.33%	-15.68%	4.12%

CAPITAL ASSETS

As of June 30, 2021, the City has \$159 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 \$5,374,934 or 3.49 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2021 and 2020, for governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,971,916	\$ 4,043,380	\$ 1,098,495	\$ 1,098,495	\$ 5,070,411	\$ 5,141,875
Buildings	22,378,909	21,951,603	10,141,394	10,042,729	32,520,303	31,994,332
Improvements other than buildings	4,621,868	2,648,831	-	-	4,621,868	2,648,831
Machinery and equipment	12,012,764	11,067,261	191,890,373	183,180,112	203,903,137	194,247,373
Infrastructure	7,398,728	6,843,742	825,038	741,060	8,223,766	7,584,802
Total plant and equipment in service	50,384,185	46,554,817	203,955,300	195,062,396	254,339,485	241,617,213
Construction work in progress	1,943,420	2,928,500	6,256,194	7,448,323	8,199,614	10,376,823
	52,327,605	49,483,317	210,211,494	202,510,719	262,539,099	251,994,036
Less accumulated depreciation	(20,790,059)	(19,503,641)	(82,397,173)	(78,513,462)	(103,187,232)	(98,017,103)
	\$ 31,537,546	\$ 29,979,676	\$ 127,814,321	\$ 123,997,257	\$ 159,351,867	\$ 153,976,933

Debt, considered a liability of governmental and business-type activities, increased in fiscal year 2021 by \$3,025,979.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Bonds						
General Obligation	\$ 11,313,082	\$ 7,797,275	\$ 1,291,918	\$ 1,602,725	\$ 12,605,000	\$ 9,400,000
Revenue	-	-	21,765,723	23,305,773	21,765,723	23,305,773
Deferred amounts	1,163,146	102,505	209,314	246,817	1,372,460	349,322
Total Bonds	12,476,228	7,899,780	23,266,955	25,155,315	35,743,183	33,055,095
Loans						
Capital Outlay Note	145,522	315,818	-	-	145,522	315,818
Tennessee utility relocation loan	-	-	535,664	682,452	535,664	682,452
Tennessee revolving fund loan	-	-	16,053,458	16,198,247	16,053,458	16,198,247
US Bank sanitation truck loan	-	-	-	5,915	-	5,915
RUS economic development loan	-	-	26,938	45,994	26,938	45,994
Total Loans	145,522	315,818	16,616,060	16,932,608	16,761,582	17,248,426
Postemployment benefit obligation	2,505,648	1,862,824	1,411,435	1,531,743	3,917,083	3,394,567
Advances from TVA	-	-	131,344	228,271	131,344	228,271
Compensated absences	646,614	651,757	1,055,039	1,035,979	1,701,653	1,687,736
Net pension liability	-	52,676	-	-	-	52,676
Landfill postclosure costs	587,736	149,831	-	-	587,736	149,831
Totals	\$ 16,361,748	\$ 10,932,686	\$ 42,480,833	\$ 44,883,916	\$ 58,842,581	\$ 55,816,602

GENERAL FUND BUDGETARY HIGHLIGHTS

During the last year, the Board of Mayor and Alderman continued several projects. These approvals include major items such as: building and developing a greenway along the Elk River, including Phase I and Phase II of the Fayetteville Greenway Master Plan. Construction on Phase I of the Greenway was completed on August 27, 2020. During Fiscal year 2021, the City continued to move forward on the funded Phase II and Phase III Greenway projects. A high priority of the City continues with the development of Camp Blount along the banks of the Elk River. Phase I of the Camp Blount which included the First Volunteer Statue and Plaza was completed in 2021. As a result of the City being awarded an LPRF grant and the donation of land by the employees of Goodman manufacturing, construction began on a competition size soccer field which was completed in September 2021. The Board of Mayor and Alderman took advantage of a decrease in current interest rates in 2021 and not only refinanced three bond issues (one on behalf of the school system), but also issued a new twenty-year bond issue 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.

As the City closed fiscal year 2021, 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

The 2021 general fund budget was positively impacted by the projected increase in the City's portion of sales tax and a slight increase in property taxes. The City did see an increase in expenses in the fiscal year 2021 budget due to pay increases for employees and the completion of some paving and drainage projects. Residential and commercial building has continued to increase within the City limits; however, it remains to be seen what impact coronavirus (COVID-19) will have on the City's financial outlook. Reported sales taxes for 2021 increased every month compared to the corresponding month in 2020. Personnel benefits, retirement and health insurance costs continue to have slight increases every year. However, with enrollment in the State of Tennessee health insurance program, the increases have been negligible.

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 Stacy Rozell, Finance Director at 110 South Elk Avenue, Fayetteville, Tennessee, 37334, phone number 931-433-6154, or e-mail stacy.rozell@cof-tn.com.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 22,616,349	\$ 33,260,467	\$ 55,876,816
Receivables	5,241,839	8,030,677	13,272,516
Internal balances	135,118	(135,118)	-
Inventory	21,144	1,782,410	1,803,554
Prepaid expenses	15,606	529,363	544,969
Restricted assets - cash and cash equivalents	234,723	3,194,071	3,428,794
Restricted asset - TCRS stabilization reserve trust	116,995	-	116,995
Net pension asset - public employee retirement plan	452,995	-	452,995
Net pension asset - teacher retirement plan	69,743	-	69,743
Net pension asset - teacher legacy plan	1,199,876	-	1,199,876
Other assets	-	567,132	567,132
Capital assets (net of accumulated depreciation)			
Land	3,971,916	1,098,495	5,070,411
Buildings and improvements	16,399,765	7,171,690	23,571,455
Machinery and equipment	4,961,539	113,204,415	118,165,954
Infrastructure	4,260,906	83,527	4,344,433
Construction in progress	1,943,420	6,256,194	8,199,614
TOTAL ASSETS	61,641,934	175,043,323	236,685,257
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	1,413,056	-	1,413,056
Deferred outflows related to pensions	2,205,052	-	2,205,052
Excess consideration provided for acquisition	-	113,271	113,271
Deferred charge on refunding	-	272,415	272,415
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,618,108	385,686	4,003,794
LIABILITIES			
Accounts payable and accrued expenses	1,673,029	5,512,734	7,185,763
Accrued interest payable	69,937	31,151	101,088
Unearned revenue	336,742	-	336,742
Deposits	-	2,541,486	2,541,486
Noncurrent liabilities:			
Due in one year	987,498	3,403,579	4,391,077
Due in more than one year	15,374,250	38,980,425	54,354,675
TOTAL LIABILITIES	18,441,456	50,469,375	68,910,831
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	2,945,226	-	2,945,226
Deferred inflows related to pensions	1,544,613	-	1,544,613
Deferred inflows related to OPEB	373,804	98,474	472,278
Deferred credit on refunding	67,611	-	67,611
TOTAL DEFERRED INFLOWS OF RESOURCES	4,931,254	98,474	5,029,728
NET POSITION			
Net investment in capital assets	18,848,185	88,230,659	107,078,844
Restricted for:			
Debt service	-	2,399,973	2,399,973
TCRS stabilization reserve trust	116,995	-	116,995
Public employee retirement plan	452,995	-	452,995
Teacher retirement pension plan	69,743	-	69,743
Teacher legacy pension plan	1,199,876	-	1,199,876
Internal school funds	221,963	-	221,963
Improvements and construction	-	794,098	794,098
Drug education and enforcement	82,190	-	82,190
Capital projects	24,772	-	24,772
Education	7,672,924	-	7,672,924
Unrestricted	13,197,689	33,436,430	46,634,119
TOTAL NET POSITION	\$ 41,887,332	\$ 124,861,160	\$ 166,748,492

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

STATEMENT OF ACTIVITIES
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2021

Function/ Program	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	
<u>Governmental activities:</u>							
General government	\$ 1,737,641	\$ 321,118	\$ 221,375	\$ -	\$ (1,195,148)	\$ -	\$ (1,195,148)
Public safety	5,089,727	75,245	726,027	-	(4,288,455)	-	(4,288,455)
Recreation	801,073	36,772	-	88,258	(676,043)	-	(676,043)
Highways and streets	2,007,107	-	247,065	12,154	(1,747,888)	-	(1,747,888)
Housing and community development	997,620	-	-	-	(997,620)	-	(997,620)
Garage	197,468	-	-	-	(197,468)	-	(197,468)
Education	14,936,291	35,428	10,602,757	9,091	(4,289,015)	-	(4,289,015)
Debt issuance costs	197,521	-	-	-	(197,521)	-	(197,521)
Interest on long-term debt	230,472	-	-	-	(230,472)	-	(230,472)
Total governmental activities	26,194,920	468,563	11,797,224	109,503	(13,819,630)	-	(13,819,630)
<u>Business-type activities:</u>							
Electric	43,875,070	46,326,036	-	2,579,539	-	5,030,505	5,030,505
Gas	6,007,689	7,315,521	-	24,934	-	1,332,766	1,332,766
Telecom	4,157,869	4,846,231	-	546,700	-	1,235,062	1,235,062
Water and sewer	5,495,670	6,096,522	-	66,638	-	667,490	667,490
Sanitation	521,959	606,260	-	-	-	84,301	84,301
Total business-type activities	60,058,257	65,190,570	-	3,217,811	-	8,350,124	8,350,124
Total Government	\$ 86,253,177	\$ 65,659,133	\$ 11,797,224	\$ 3,327,314	(13,819,630)	8,350,124	(5,469,506)
General revenues:							
Property taxes					4,146,807	-	4,146,807
Business taxes					293,637	-	293,637
In lieu of tax					419,383	-	419,383
Sales taxes					4,460,144	-	4,460,144
Occupancy taxes					110,830	-	110,830
Alcoholic beverage taxes					624,029	-	624,029
Franchise taxes					117,902	-	117,902
Other local taxes					536	-	536
State shared revenues					993,635	-	993,635
Internal school funds					332,644	-	332,644
Other					136,082	-	136,082
Loss on disposition of assets					(44,654)	(53,268)	(97,922)
Unrestricted investment earnings					82,303	157,668	239,971
Transfers					1,800,277	(1,800,277)	-
Total general revenues and transfers					13,473,555	(1,695,877)	11,777,678
Change in net position					(346,075)	6,654,247	6,308,172
Net position - beginning, as restated					42,233,407	118,206,913	160,440,320
Net position - ending					\$ 41,887,332	\$ 124,861,160	\$ 166,748,492

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

BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
Assets:					
Cash	\$ 13,069,489	\$ 4,467,829	\$ 4,207,314	\$ 871,717	\$ 22,616,349
Receivables	3,329,585	1,812	-	337,562	3,668,959
Due from other funds	142,146	34,628	-	118,313	295,087
Due from other governments	961,267	537,505	-	74,108	1,572,880
Inventory	13,198	-	-	7,946	21,144
Prepaid expenses	15,606	-	-	-	15,606
Restricted assets - TCRS stabilization reserve trust	-	116,995	-	-	116,995
Restricted assets - cash and cash equivalents	-	-	-	234,723	234,723
TOTAL ASSETS	\$ 17,531,291	\$ 5,158,769	\$ 4,207,314	\$ 1,644,369	\$ 28,541,743
Liabilities:					
Accounts payable	\$ 250,394	\$ 54,596	\$ 3,071	\$ 242,545	\$ 550,606
Other accrued expenses	153,039	969,384	-	-	1,122,423
Due to other funds	104,457	-	-	55,512	159,969
Unearned revenue	-	-	-	336,742	336,742
TOTAL LIABILITIES	507,890	1,023,980	3,071	634,799	2,169,740
Deferred Inflows of Resources:					
Unavailable revenue - state and local taxes	378,916	130,065	-	-	508,981
Unavailable revenue - property taxes	3,151,487	-	-	-	3,151,487
Unavailable revenue - other	214,116	-	-	-	214,116
TOTAL DEFERRED INFLOWS OF RESOURCES	3,744,519	130,065	-	-	3,874,584
Fund Balances:					
Nonspendable					
Inventory and prepayments	28,804	-	-	7,946	36,750
Restricted:					
TCRS stabilization reserve trust	-	116,995	-	-	116,995
Capital projects	-	-	-	24,772	24,772
Education	-	-	4,204,243	-	4,204,243
Public safety	-	-	-	82,190	82,190
Internal school funds	-	-	-	221,963	221,963
Career ladder	-	3,047	-	-	3,047
Committed:					
Education	-	-	-	80,000	80,000
Assigned:					
Budget reserve	544,736	-	-	-	544,736
Industrial park	-	-	-	1,675	1,675
Capital projects	5,000,000	-	-	90,307	5,090,307
Education	-	3,884,682	-	254,104	4,138,786
Debt service	-	-	-	246,613	246,613
Unassigned	7,705,342	-	-	-	7,705,342
TOTAL FUND BALANCES	13,278,882	4,004,724	4,204,243	1,009,570	22,497,419
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,531,291	\$ 5,158,769	\$ 4,207,314	\$ 1,644,369	

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.	31,537,546
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	929,358
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.	(1,466,396)
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.	2,383,053
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(13,993,648)
Net position of governmental activities	<u>\$ 41,887,332</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, 2021

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 2,790,315	\$ -	\$ -	\$ -	\$ 2,790,315
Business	292,553	-	-	-	292,553
Wholesale beer	336,476	-	-	-	336,476
Alcoholic beverage	222,105	-	-	-	222,105
Sales	3,120,784	-	-	-	3,120,784
Occupancy	110,697	-	-	-	110,697
Tax equivalency	419,383	-	-	-	419,383
Licenses and permits	49,224	-	-	-	49,224
Fines	46,705	-	-	28,540	75,245
Franchise fees	117,885	-	-	-	117,885
Intergovernmental	2,159,099	11,273,279	-	2,044,364	15,476,742
Charges for services and use of property	271,894	24,000	-	11,428	307,322
Private grants and contributions	-	-	-	25,000	25,000
Investment earnings	6,380	44,554	30,515	854	82,303
Internal school funds	-	-	-	332,644	332,644
Recreation activities	36,772	-	-	-	36,772
Other revenue	65,147	9,057	-	10,900	85,104
TOTAL REVENUES	10,045,419	11,350,890	30,515	2,453,730	23,880,554
EXPENDITURES					
Current					
General government	1,194,190	-	-	1,706	1,195,896
Public safety	4,791,127	-	-	10,851	4,801,978
Recreation	914,125	-	-	-	914,125
Highways and streets	2,402,602	-	-	-	2,402,602
Housing and community development	825,148	-	-	187,101	1,012,249
Garage	209,952	-	-	-	209,952
Education	-	12,464,058	-	2,000,104	14,464,162
Debt service					
Principal	-	-	235,000	459,489	694,489
Interest	-	-	118,359	96,028	214,387
Debt issuance costs	-	-	76,488	121,033	197,521
Capital outlay	-	21,727	983,822	1,230,658	2,236,207
Internal school funds	-	-	-	323,256	323,256
TOTAL EXPENDITURES	10,337,144	12,485,785	1,413,669	4,430,226	28,666,824
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(291,725)	(1,134,895)	(1,383,154)	(1,976,496)	(4,786,270)
OTHER FINANCING SOURCES (USES)					
Transfers in	6,800,277	897,626	-	963,213	8,661,116
Transfers out	(1,654,839)	-	-	(5,206,000)	(6,860,839)
Bonds issued	-	-	-	4,320,000	4,320,000
Refunding debt issued	-	-	4,480,000	2,295,000	6,775,000
Payment to refunded debt escrow agent	-	-	(4,645,000)	(2,410,000)	(7,055,000)
Premiums on debt issued	-	-	241,488	916,032	1,157,520
Insurance proceeds	7,815	9,182	-	-	16,997
Proceeds from disposition of capital assets and surplus equipment	45,888	1,657	-	-	47,545
TOTAL OTHER FINANCING SOURCES (USES)	5,199,141	908,465	76,488	878,245	7,062,339
NET CHANGE IN FUND BALANCES	4,907,416	(226,430)	(1,306,666)	(1,098,251)	2,276,069
Fund balance - beginning, as restated	8,371,466	4,231,154	5,510,909	2,107,821	20,221,350
Fund balance - ending	<u>\$ 13,278,882</u>	<u>\$ 4,004,724</u>	<u>\$ 4,204,243</u>	<u>\$ 1,009,570</u>	<u>\$ 22,497,419</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, 2021

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

Net change in fund balances - total governmental funds	\$ 2,276,069
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,632,647
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(74,777)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	132,257
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.	(4,467,972)
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.	895,544
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.	(255,937)
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.	(483,906)
Change in net position of governmental activities	<u><u>\$ (346,075)</u></u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash for general use	\$ 25,800,808	\$ 125,511	\$ 25,926,319
Accounts receivable	5,469,709	62,777	5,532,486
Other receivables	2,498,191	-	2,498,191
Inventories	1,782,410	-	1,782,410
Prepaid expenses	529,363	-	529,363
Total current assets	36,080,481	188,288	36,268,769
Special and Restricted Funds	10,528,219	-	10,528,219
Capital Assets, net of accumulated depreciation	127,173,185	641,136	127,814,321
Other Assets	567,132	-	567,132
TOTAL ASSETS	174,349,017	829,424	175,178,441
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Excess consideration provided for acquisition	113,271	-	113,271
Deferred charges on refunding	272,415	-	272,415
TOTAL DEFERRED OUTFLOWS OF RESOURCES	385,686	-	385,686
<u>LIABILITIES</u>			
Current Liabilities			
Current maturities of long-term debt			
payable from current assets	2,805,549	-	2,805,549
Accounts payable	4,674,577	35,081	4,709,658
Due to other funds	-	135,118	135,118
Customer deposits	2,541,486	-	2,541,486
Accrued interest	31,151	-	31,151
Other accrued liabilities	1,271,919	2,132	1,274,051
Total current liabilities	11,324,682	172,331	11,497,013
Other Liabilities			
Advances from TVA	75,001	-	75,001
Long-term debt payable from special funds	127,055	-	127,055
OPEB liabilities, net	1,370,949	-	1,370,949
Compensated absences	567,112	16,952	584,064
Total other liabilities	2,140,117	16,952	2,157,069
Long-term debt	36,950,411	-	36,950,411
TOTAL LIABILITIES	50,415,210	189,283	50,604,493
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to OPEB	98,474	-	98,474
TOTAL DEFERRED INFLOWS OF RESOURCES	98,474	-	98,474
<u>NET POSITION</u>			
Net investment in capital assets	87,589,523	641,136	88,230,659
Restricted for debt service	2,399,973	-	2,399,973
Restricted for operation, maintenance, and asset management	794,098	-	794,098
Unrestricted (deficit)	33,437,425	(995)	33,436,430
TOTAL NET POSITION	\$ 124,221,019	\$ 640,141	\$ 124,861,160

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, 2021

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ 62,312,365	\$ 605,830	\$ 62,918,195
Other	1,575,359	430	1,575,789
TOTAL OPERATING REVENUE	<u>63,887,724</u>	<u>606,260</u>	<u>64,493,984</u>
<u>OPERATING EXPENSES</u>			
Cost of utility services	39,976,237	-	39,976,237
Pumping, distribution and collection	7,100,664	401,929	7,502,593
Customer billing and collecting	1,368,250	-	1,368,250
General and administrative	2,370,598	-	2,370,598
Taxes and tax equivalents	563,724	-	563,724
Provision for depreciation	6,262,128	47,265	6,309,393
Other	361,707	72,754	434,461
TOTAL OPERATING EXPENSES	<u>58,003,308</u>	<u>521,948</u>	<u>58,525,256</u>
INCOME FROM OPERATIONS	<u>5,884,416</u>	<u>84,312</u>	<u>5,968,728</u>
<u>OTHER INCOME AND EXPENSE</u>			
Interest income	157,635	33	157,668
Interest expense	(802,705)	(11)	(802,716)
Amortization	(17,982)	-	(17,982)
Loss on disposition of assets	(53,268)	-	(53,268)
Miscellaneous	(15,717)	-	(15,717)
Other Income (Expense) -net	<u>(732,037)</u>	<u>22</u>	<u>(732,015)</u>
Income before contributions and transfers	5,152,379	84,334	5,236,713
Capital contributions	3,217,811	-	3,217,811
Transfers out	<u>(1,690,277)</u>	<u>(110,000)</u>	<u>(1,800,277)</u>
CHANGE IN NET POSITION	<u>6,679,913</u>	<u>(25,666)</u>	<u>6,654,247</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>117,541,106</u>	<u>665,807</u>	<u>118,206,913</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 124,221,019</u>	<u>\$ 640,141</u>	<u>\$ 124,861,160</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, 2021

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (including other funds)	\$ 63,946,068	\$ 587,541	\$ 64,533,609
Other operating cash receipts	183,032	-	183,032
Payments to suppliers and others	(43,708,132)	(314,557)	(44,022,689)
Payments to employees	(4,616,769)	(77,113)	(4,693,882)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>15,804,199</u>	<u>195,871</u>	<u>16,000,070</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	(1,690,277)	(110,000)	(1,800,277)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,690,277)</u>	<u>(110,000)</u>	<u>(1,800,277)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets, net	(12,894,572)	-	(12,894,572)
Removal costs of capital assets	(523,997)	-	(523,997)
Materials salvaged from retirement of capital assets	21,665	-	21,665
Proceeds from disposal of assets	123,700	-	123,700
Capital contributions received	1,771,713	-	1,771,713
Long-term borrowings, net	680,580	-	680,580
Borrowings repaid	(2,823,014)	(5,915)	(2,828,929)
Interest paid, net	(807,179)	(11)	(807,190)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(14,451,104)</u>	<u>(5,926)</u>	<u>(14,457,030)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	163,782	33	163,815
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>163,782</u>	<u>33</u>	<u>163,815</u>
INCREASE (DECREASE) IN CASH, NET	<u>(173,400)</u>	<u>79,978</u>	<u>(93,422)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,502,427	45,533	36,547,960
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 36,329,027</u>	<u>\$ 125,511</u>	<u>\$ 36,454,538</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operations	\$ 5,884,416	\$ 84,312	\$ 5,968,728
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	6,776,068	47,265	6,823,333
Miscellaneous	(15,717)	-	(15,717)
Loss on disallowance of plant	2,579,539	-	2,579,539
Conservation loans collected - customers	117,408	-	117,408
Conservation advances repaid to TVA	(119,800)	-	(119,800)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(138,028)	(18,733)	(156,761)
Inventories	(221,604)	-	(221,604)
Prepaid expenses and other assets	534,514	-	534,514
Accounts payable	360,476	15,361	375,837
Accrued employee benefits	16,857	-	16,857
Customer deposits	101,836	-	101,836
Due to / from other funds, net	-	69,967	69,967
Other current liabilities and compensated absences	(71,766)	(2,301)	(74,067)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 15,804,199</u>	<u>\$ 195,871</u>	<u>\$ 16,000,070</u>

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes				
Property	\$ 3,114,562	\$ 3,043,069	\$ 2,790,315	\$ (252,754)
Business	240,000	221,100	292,553	71,453
Wholesale beer	325,000	275,000	336,476	61,476
Alcoholic beverage	165,000	215,000	222,105	7,105
Sales	2,550,000	2,950,000	3,120,784	170,784
Tax equivalency	404,952	419,383	419,383	-
Occupancy	102,000	87,000	110,697	23,697
Licenses and permits	43,800	44,012	49,224	5,212
Fines	60,000	50,000	46,705	(3,295)
Franchise fees	112,787	113,787	117,885	4,098
Intergovernmental				
State sales tax allocation	604,981	679,981	712,698	32,717
State income tax allocation	10,000	9,710	27,261	17,551
State beer tax allocation	3,000	3,232	3,232	-
State mixed drink tax allocation	15,000	21,500	24,550	3,050
State gasoline and motor fuel tax	181,070	181,070	189,391	8,321
State gasoline and motor fuel tax (Gas 1989)	18,757	18,757	19,620	863
State gasoline and motor fuel tax (Gas 3 Cent)	34,756	34,756	36,354	1,598
State gas and motor fuel tax (Petroleum Special)	13,500	13,500	13,554	54
State sports gaming tax	-	3,000	2,523	(477)
State excise tax allocation	80,000	108,133	108,133	-
State TVA in-lieu of tax	84,020	84,020	78,089	(5,931)
Lincoln County Emergency Communications	748,803	715,208	617,064	(98,144)
State and federal grants	937,061	1,042,316	326,630	(715,686)
Charges for services and use of property	256,700	257,117	271,894	14,777
Investment earnings	12,000	6,000	6,380	380
Recreation activities	40,000	38,500	36,772	(1,728)
Other revenue	51,075	63,535	65,147	1,612
TOTAL REVENUES	10,208,824	10,698,686	10,045,419	(653,267)
Expenditures:				
General government				
Salaries	615,247	645,483	639,095	6,388
Supplies	19,700	27,500	22,172	5,328
Utilities	41,060	41,060	33,989	7,071
Repairs and maintenance	11,800	12,000	5,205	6,795
Health insurance	91,146	98,104	94,876	3,228
Workers compensation	3,775	7,575	6,290	1,285
Payroll taxes	50,361	50,361	49,697	664
Employee education	20,236	20,236	5,180	15,056
Professional services	49,550	57,950	48,366	9,584
Travel	32,050	23,050	1,075	21,975
Retirement	53,461	53,461	50,810	2,651
Other insurance	39,656	39,072	38,736	336
Board and commission	36,510	36,510	36,510	-
Other general government	208,633	205,182	162,189	42,993
	1,273,185	1,317,544	1,194,190	123,354

**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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Public safety				
Salaries	\$ 3,137,450	\$ 3,176,379	\$ 3,046,147	\$ 130,232
Supplies	83,150	95,300	55,138	40,162
Utilities	105,098	115,598	103,758	11,840
Repairs and maintenance	58,450	71,650	71,060	590
Health insurance	671,400	676,804	646,603	30,201
Workers compensation	97,700	118,095	114,422	3,673
Payroll taxes	253,387	253,387	237,135	16,252
Employee education	32,650	32,650	18,815	13,835
Travel	14,500	14,500	7,102	7,398
Retirement	312,220	312,220	274,218	38,002
Other insurance	83,395	83,158	81,300	1,858
Fuel	69,300	69,300	62,967	6,333
Professional services	4,950	7,450	7,206	244
Other public safety	64,967	78,007	65,256	12,751
	<u>4,988,617</u>	<u>5,104,498</u>	<u>4,791,127</u>	<u>313,371</u>
Recreation				
Salaries	342,961	342,961	309,862	33,099
Supplies	83,100	83,100	91,229	(8,129)
Utilities	75,900	75,900	70,003	5,897
Repairs and maintenance	22,400	36,138	41,564	(5,426)
Health insurance	66,150	66,150	51,257	14,893
Workers compensation	10,300	10,590	10,608	(18)
Payroll taxes	26,999	26,999	23,242	3,757
Professional services	31,250	31,250	21,784	9,466
Travel	2,500	2,500	-	2,500
Retirement	28,068	28,068	21,110	6,958
Other insurance	12,733	9,888	9,420	468
Fuel	13,000	13,000	6,807	6,193
Capital outlay	-	220,107	220,107	-
Other recreation	42,225	42,625	37,132	5,493
	<u>757,586</u>	<u>989,276</u>	<u>914,125</u>	<u>75,151</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
Expenditures: (Continued)				
Highways and streets				
Salaries	\$ 647,019	\$ 647,019	\$ 587,491	\$ 59,528
Supplies	17,300	17,300	15,187	2,113
Utilities	29,100	29,100	23,194	5,906
Repairs and maintenance	32,900	32,900	29,795	3,105
Health insurance	157,524	168,082	158,173	9,909
Workers compensation	21,500	31,645	32,047	(402)
Payroll taxes	50,262	50,262	43,174	7,088
Professional services	14,300	14,300	6,405	7,895
Retirement	62,582	62,582	51,086	11,496
Other insurance	10,810	10,810	9,944	866
Fuel	34,000	34,000	30,077	3,923
Street lighting	180,000	180,000	168,428	11,572
Paving and resurfacing	1,090,259	1,908,120	1,054,316	853,804
Other highways and streets	120,225	274,056	193,285	80,771
	<u>2,467,781</u>	<u>3,460,176</u>	<u>2,402,602</u>	<u>1,057,574</u>
Housing and community development				
Nonprofit allocations	319,034	320,884	317,535	3,349
Fuel	250,000	250,000	260,552	(10,552)
Industrial development	102,500	102,500	102,500	-
Other housing and community development	146,549	174,964	144,561	30,403
	<u>818,083</u>	<u>848,348</u>	<u>825,148</u>	<u>23,200</u>
Garage				
Salaries	129,039	129,039	135,862	(6,823)
Repairs and maintenance	10,250	10,250	7,954	2,296
Health insurance	28,404	28,773	29,175	(402)
Workers compensation	4,200	5,240	5,237	3
Payroll taxes	10,033	10,033	9,858	175
Retirement	12,493	12,493	12,319	174
Supplies	9,900	9,900	5,909	3,991
Fuel	3,000	3,000	1,645	1,355
Other garage	3,640	3,485	1,993	1,492
	<u>210,959</u>	<u>212,213</u>	<u>209,952</u>	<u>2,261</u>
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>10,516,211</u>	<u>11,932,055</u>	<u>10,337,144</u>	<u>1,594,911</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(307,387)</u>	<u>(1,233,369)</u>	<u>(291,725)</u>	<u>941,644</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, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,794,748	\$ 6,800,277	\$ 6,800,277	\$ -
Transfers out	(1,710,709)	(1,710,709)	(1,654,839)	55,870
Insurance proceeds	5,000	7,815	7,815	-
Sale of capital assets	10,000	42,859	45,888	3,029
TOTAL OTHER FINANCING SOURCES (USES)	<u>99,039</u>	<u>5,140,242</u>	<u>5,199,141</u>	<u>58,899</u>
NET CHANGE IN FUND BALANCES	(208,348)	3,906,873	4,907,416	1,000,543
Fund balance - beginning	8,371,466	8,371,466	8,371,466	-
Fund balance - ending	<u>\$ 8,163,118</u>	<u>\$ 12,278,339</u>	<u>\$ 13,278,882</u>	<u>\$ 1,000,543</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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Lincoln County	\$ 2,424,690	\$ 2,453,690	\$ 2,602,604	\$ 148,914
State of Tennessee	8,399,000	8,595,615	8,634,582	38,967
Federal	4,500	45,953	36,093	(9,860)
Charges for services and use of property	26,000	26,000	24,000	(2,000)
Private grants and contributions	10,000	10,000	-	(10,000)
Investment earnings	40,000	44,000	44,554	554
Other revenue	6,500	6,500	9,057	2,557
TOTAL REVENUES	10,910,690	11,181,758	11,350,890	169,132
EXPENDITURES				
Instruction				
Regular instruction program	6,567,165	6,717,028	6,595,179	121,849
Special education program	1,012,740	1,012,740	876,273	136,467
Vocational education program	272,710	272,710	263,332	9,378
Student body education program	-	34,500	32,930	1,570
Support services				
Attendance	178,675	184,589	146,910	37,679
Health services	208,559	225,780	220,404	5,376
Other student support	244,765	226,359	194,733	31,626
Regular instruction program	535,225	535,225	526,839	8,386
Special education program	62,374	62,374	58,478	3,896
Board of education	222,936	222,936	205,282	17,654
Office of the superintendent	332,070	332,070	308,434	23,636
Office of the principal	974,840	939,750	887,018	52,732
Fiscal services	210,703	245,793	235,968	9,825
Operation of plant	733,925	733,925	698,387	35,538
Maintenance of plant	259,915	305,315	274,477	30,838
Transportation	233,985	255,061	158,654	96,407
Technology	340,230	336,230	317,704	18,526
Early childhood education	473,295	473,295	463,056	10,239
Capital outlay	50,000	36,500	21,727	14,773
TOTAL EXPENDITURES	12,914,112	13,152,180	12,485,785	666,395
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,003,422)	(1,970,422)	(1,134,895)	835,527
OTHER FINANCING SOURCES (USES)				
Transfers in	924,556	924,556	897,626	(26,930)
Insurance recovery	-	-	9,182	9,182
Sale of surplus equipment	5,000	5,000	1,657	(3,343)
Total Other Financing Sources (Uses)	929,556	929,556	908,465	(21,091)
Net changes in fund balances	(1,073,866)	(1,040,866)	(226,430)	814,436
Fund balance - beginning	4,231,154	4,231,154	4,231,154	-
Fund balance - ending	<u>\$ 3,157,288</u>	<u>\$ 3,190,288</u>	<u>\$ 4,004,724</u>	<u>\$ 814,436</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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, 2021, 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, 2021, the City of Fayetteville had assigned resources of \$5,000,000 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, 2021

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, 2021

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 school system implemented GASB Statement No. 84, *Fiduciary Activities* (GASBS No. 84). This standard delineates specific criteria for identifying activities that state and local governments should report as fiduciary activities. See Note 19 for details on the impact to beginning net position by implementing this standard.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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 \$31,537,546 difference are as follows:

Land	\$ 3,971,916
Construction in progress	1,943,420
Buildings and improvements	27,000,777
Less: Accumulated depreciation-building and improvements	(10,601,012)
Machinery and equipment	12,012,764
Less: Accumulated depreciation-machinery and equipment	(7,051,225)
Infrastructure	7,398,728
Less: Accumulated depreciation-infrastructure	<u>(3,137,822)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 31,537,546</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 \$13,993,648 difference are identified as follows:

Bonds and notes payable	\$ 11,458,604
Add: Issuance premium (to be amortized over life of debt)	1,163,146
Add: Deferred credit on refunding	67,611
Accrued interest payable	69,937
Compensated absences	646,614
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>\$ 13,993,648</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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 \$245,930 in the current year. The details of this \$1,632,647 difference are as follows:

Capital outlay	\$ 3,077,933
Depreciation expense	<u>(1,445,286)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,632,647</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$(74,777) difference are as follows:

In the statement of activities, only the gain or loss on the disposition of assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining cost of the capital assets sold.	<u>\$ (74,777)</u>
Net adjustment to decrease net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (74,777)</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 \$(4,467,972) difference are as follows:

Principal Repayment:	
General obligation bond	\$ 524,193
Capital outlay notes	170,296
General obligation bonds issued	(4,320,000)
Difference between carrying value of old debt and new debt	280,000
Amortization of debt premiums and deferred refunding credit	35,059
Premiums on debt issued	<u>(1,157,520)</u>
Net adjustment to decrease net changes in fund balance- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (4,467,972)</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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 \$(483,906) difference are as follows:

Compensated absences	\$	5,143
Landfill postclosure costs		(437,905)
Accrued interest		<u>(51,144)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	\$	<u>(483,906)</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.

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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS

(A) Deposits and investments

The following is a summary of cash and investments as of June 30, 2021:

General use:

On deposit and on hand	\$ 47,684,384
Negotiable certificates of deposit	200,000
Government sponsored securities	658,284

Restricted and other special funds:

On deposit-restricted (externally)	\$ 3,428,794	
On deposit-special funds (internally restricted)	<u>7,334,148</u>	<u>10,762,942</u>

Total		<u>\$ 59,305,610</u>
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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, 2021, the following restricted funds were maintained:

Externally restricted:

Bond sinking and debt service reserve funds	\$ 2,399,973
Operation and maintenance reserve	747,098
Asset management reserve	47,000
Internal school funds	<u>234,723</u>
Total	<u>\$ 3,428,794</u>

Special funds totaling \$7,334,148 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, 2021, the government has invested \$200,000 in negotiable certificates of deposits, which are covered by FDIC insurance. As of June 30, 2021, the government has also invested \$658,284 in U.S. treasury obligations and therefore are not considered to have credit risk. Governmental accounting standards require disclosure of credit quality ratings for external investment pools; however, the Local Government Investment Pool is unrated.

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(A) Deposits and investments (Continued)

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, 2021, 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, 2021, the government's cash consists of deposits in financial institutions with bank balances of \$60,014,606 and carrying amounts of \$59,301,597 plus cash on hand of \$4,013. Of the amounts on deposit, \$52,709,095 is fully insured by the FDIC, the SIPC, or the Tennessee Bank Collateral Pool. The remaining \$6,592,502 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>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes - property	\$ 3,221,421	\$ -	\$ -	\$ 3,221,421
Taxes - other	61,240	-	-	61,240
Accounts	101,554	1,812	337,562	440,928
Intergovernmental	<u>961,267</u>	<u>537,505</u>	<u>74,108</u>	<u>1,572,880</u>
Gross receivables	4,345,482	539,317	411,670	5,296,469
Less: Allowance for Uncollectibles	<u>(54,630)</u>	<u>-</u>	<u>-</u>	<u>(54,630)</u>
Net total receivables	<u>\$ 4,290,852</u>	<u>\$ 539,317</u>	<u>\$ 411,670</u>	<u>\$ 5,241,839</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 \$23,146.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets

Capital asset activity for the year ended June 30, 2021, 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	\$ 4,043,380	\$ -	\$ (71,464)	\$ 3,971,916
Construction in progress	<u>2,928,500</u>	<u>1,980,237</u>	<u>(2,965,317)</u>	<u>1,943,420</u>
Total capital assets, not being depreciated	<u>6,971,880</u>	<u>1,980,237</u>	<u>(3,036,781)</u>	<u>5,915,336</u>
 Capital assets, being depreciated:				
Buildings	21,951,603	427,306	-	22,378,909
Improvements other than buildings	2,648,831	1,973,037	-	4,621,868
Machinery and equipment	11,067,261	1,107,684	(162,181)	12,012,764
Infrastructure	<u>6,843,742</u>	<u>554,986</u>	<u>-</u>	<u>7,398,728</u>
Total capital assets being depreciated	<u>42,511,437</u>	<u>4,063,013</u>	<u>(162,181)</u>	<u>46,412,269</u>
 Less accumulated depreciation for:				
Buildings	(8,712,189)	(461,686)		(9,173,875)
Improvements other than buildings	(1,288,217)	(138,920)	-	(1,427,137)
Machinery and equipment	(6,636,641)	(573,452)	158,868	(7,051,225)
Infrastructure	<u>(2,866,594)</u>	<u>(271,228)</u>	<u>-</u>	<u>(3,137,822)</u>
Total accumulated depreciation	<u>(19,503,641)</u>	<u>(1,445,286)</u>	<u>158,868</u>	<u>(20,790,059)</u>
Total capital assets, being depreciated, net	<u>23,007,796</u>	<u>2,617,727</u>	<u>(3,313)</u>	<u>25,622,210</u>
Governmental activities capital assets, net	<u>\$ 29,979,676</u>	<u>\$ 4,597,964</u>	<u>\$ (3,040,094)</u>	<u>\$ 31,537,546</u>

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

Governmental Activities:	
General government	\$ 53,622
Public safety	275,463
Recreation	115,386
Highways and streets	352,969
Housing and community development	4,904
Education	<u>642,942</u>
Total depreciation expense - governmental activities	<u>\$ 1,445,286</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets (Continued)

Capital asset activity for the year ended June 30, 2021, for business-type activities is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,098,495	\$ -	\$ -	\$ 1,098,495
Construction in progress	<u>7,448,323</u>	<u>7,688,469</u>	<u>(8,880,598)</u>	<u>6,256,194</u>
Total capital assets, not being depreciated	<u>8,546,818</u>	<u>7,688,469</u>	<u>(8,880,598)</u>	<u>7,354,689</u>
Capital assets, being depreciated:				
Structures and improvements	10,042,729	98,665	-	10,141,394
Machinery and equipment	183,180,112	11,264,812	(2,554,551)	191,890,373
Infrastructure	<u>741,060</u>	<u>143,685</u>	<u>(59,707)</u>	<u>825,038</u>
Total capital assets being depreciated	<u>193,963,901</u>	<u>11,507,162</u>	<u>(2,614,258)</u>	<u>202,856,805</u>
Less accumulated depreciation for:				
Structures and improvements	(2,748,398)	(221,306)	-	(2,969,704)
Machinery and equipment	(75,038,014)	(6,510,152)	2,862,208	(78,685,958)
Infrastructure	<u>(727,050)</u>	<u>(91,875)</u>	<u>77,414</u>	<u>(741,511)</u>
Total accumulated depreciation	<u>(78,513,462)</u>	<u>(6,823,333)</u>	<u>2,939,622</u>	<u>(82,397,173)</u>
Total capital assets, being depreciated, net	<u>115,450,439</u>	<u>4,683,829</u>	<u>325,364</u>	<u>120,459,632</u>
Business-type activities capital assets, net	<u><u>\$ 123,997,257</u></u>	<u><u>\$ 12,372,298</u></u>	<u><u>\$ (8,555,234)</u></u>	<u><u>\$127,814,321</u></u>

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

Business-type Activities:	
Public utilities	\$ 6,776,068
Sanitation fund	<u>47,265</u>
Total depreciation expense - business-type activities	<u><u>\$ 6,823,333</u></u>

The amount of \$513,940 of depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

Construction commitments

At June 30, 2021, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding engineering and construction contract commitments totaling \$326,135.

At June 30, 2021, the general government had outstanding engineering and construction contract commitments totaling \$728,075.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(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, 2021, is as follows:

	Due from						
	<u>School Title Fund</u>	<u>School General Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Capital Projects Fund</u>	<u>General Fund</u>	<u>Total</u>
Due to:							
General fund	\$ -	\$ -	\$ 135,118	\$ 7,008	\$ 20	\$ -	\$ 142,146
School general fund	51,983	-	-	-	-	-	51,983
School cafeteria fund	-	13,855	-	-	-	-	13,855
School title fund	-	3,500	-	-	-	-	3,500
Capital projects fund	-	-	-	-	-	90,274	90,274
Drug fund	-	-	-	-	-	14,183	14,183
	<u>\$ 51,983</u>	<u>\$ 17,355</u>	<u>\$ 135,118</u>	<u>\$ 7,008</u>	<u>\$ 20</u>	<u>\$ 104,457</u>	<u>\$ 315,941</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, 2021 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	\$ -	\$ 897,626	\$ 757,213	\$ 1,654,839
Other governmental funds	5,000,000	-	-	5,000,000
Subtotal - governmental funds	<u>\$ 5,000,000</u>	<u>\$ 897,626</u>	<u>\$ 757,213</u>	<u>\$ 6,654,839</u>
Fayetteville Public Utilities	\$ 1,690,277	\$ -	\$ -	\$ 1,690,277
Sanitation fund	110,000	-	-	110,000
Subtotal - proprietary funds	<u>1,800,277</u>	<u>-</u>	<u>-</u>	<u>1,800,277</u>
	<u>\$ 6,800,277</u>	<u>\$ 897,626</u>	<u>\$ 757,213</u>	<u>\$ 8,455,116</u>

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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(A) General Obligation Bonds (Continued)

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: \$593,082, FPU Gas \$1,291,918).

\$ 1,885,000

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: \$2,155,000, Fayetteville City Schools: \$4,245,000).

6,400,000

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

\$ 12,605,000

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>
2022	\$ 501,215	\$ 335,971	\$ 323,785	\$ 25,838
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	-	-
2027-2031	3,290,000	740,475	-	-
2032-2036	3,325,000	383,328	-	-
2037-2040	1,485,000	94,285	-	-
Total	<u>\$ 11,313,082</u>	<u>\$ 2,535,640</u>	<u>\$ 1,291,918</u>	<u>\$ 64,586</u>

Current refundings:

On February 19, 2021, the Government issued \$6,775,000 in General Obligation Bonds to currently refund \$4,645,000 of the School System's General Obligation Bonds, Series 2013, \$705,000 of the Government's General Obligation Bonds, Series 2013, and \$1,590,000 of the Government's General Obligation Bonds, Series 2014. The Government completed the current refunding to reduce the School System's total debt service payments over the next 16 years by \$811,487 and to reduce the Government's total debt service payments over the next 15 years by \$457,689 and to obtain an economic gain (difference between the present values of the old and new debt service payments) on the School System of \$737,638 and on the Government of \$426,207. The net carrying amount of the old debt exceeded the reacquisition price by \$45,222 for the School System and \$19,571 on the Government. These differences, reflected as a deferred inflow in the Statement of Net Position, are being amortized through fiscal year 2037.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

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, 2021, 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%.

\$ 8,820,000

The government has revenue and tax bond issues from direct placements at June 30, 2021 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.

\$ 1,411,000

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.

2,982,954

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.

4,433,672

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.

2,367,676

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.

1,750,421

Total revenue bonds from direct placements

\$ 12,945,723

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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
2022	\$ 726,525	\$ 329,727	2022	\$ 845,000	\$ 176,400
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
2027-2031	1,495,472	1,269,508	2027-2031	3,170,000	95,500
2032-2036	1,706,918	1,058,062	2032-2036	-	-
2037-2041	1,950,045	814,935	2037-2041	-	-
2042-2046	2,227,556	537,424	2042-2046	-	-
2047-2051	2,416,598	220,991	2047-2051	-	-
2052-2055	427,997	13,305	2052-2055	-	-
Total	<u>\$ 12,945,723</u>	<u>\$ 5,419,366</u>	Total	<u>\$ 8,820,000</u>	<u>\$ 791,200</u>

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, 2021.

(C) Loans (Direct Borrowings)

The government has the following loans from direct borrowings outstanding at June 30, 2021:

City of Fayetteville (General Government)

Capital outlay note agreement, entered into May 2, 2019, to finance the cost of police cars. The original term of the loan is 3 years and bears interest at 2.8%.

\$145,522

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 and bears interest at 1.85%.

\$535,664

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%.

2,939,637

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%.

498,113

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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%. 3,027,266

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%. 1,277,821

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%. 4,478,836

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%. 813,488

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%. 2,900,848

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. 26,938

Total Loans (Direct Borrowings) \$ 16,498,611

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

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 145,522	\$ 1,689	\$ 1,037,293	\$ 202,170
2023	-	-	1,039,793	188,496
2024	-	-	1,045,745	174,662
2025	-	-	980,359	160,961
2026	-	-	912,978	149,256
2027-2031	-	-	4,739,202	571,968
2032-2036	-	-	4,909,442	268,754
2037-2041	-	-	1,833,799	35,283
Total	<u>\$ 145,522</u>	<u>\$ 1,689</u>	<u>\$ 16,498,611</u>	<u>\$ 1,751,550</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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 \$117,449 in advances as of June 30, 2021.

(D) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds - fixed rate	\$ 7,797,275	\$11,095,000	\$ (7,579,193)	\$ 11,313,082	\$ 501,215
Unamortized bond premium	102,505	1,157,520	(96,879)	1,163,146	-
Total bonds payable	7,899,780	12,252,520	(7,676,072)	12,476,228	501,215
Loans payable from direct borrowings:					
Capital outlay note	315,818	-	(170,296)	145,522	145,522
Total loans payable from direct borrowings	315,818	-	(170,296)	145,522	145,522
Landfill postclosure costs	149,831	437,905	-	587,736	-
Postemployment benefit obligation	1,862,824	730,464	(87,640)	2,505,648	-
Net pension liability	52,676	561,518	(614,194)	-	-
Compensated absences	651,757	327,490	(332,633)	646,614	340,761
Governmental Activities Long-Term Liabilities	<u>\$ 10,932,686</u>	<u>\$14,309,897</u>	<u>\$ (8,880,835)</u>	<u>\$ 16,361,748</u>	<u>\$ 987,498</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 9,630,000	\$ -	\$ (810,000)	\$ 8,820,000	\$ 845,000
General obligation bonds	1,602,725	-	(310,807)	1,291,918	323,785
Unamortized bond premium	246,817	-	(37,503)	209,314	-
Revenue bonds from direct placements	13,675,773	-	(730,050)	12,945,723	726,525
Total bonds payable	25,155,315	-	(1,888,360)	23,266,955	1,895,310
Loans from direct borrowings:					
Tennessee Utility Relocation Loan	682,452	-	(146,788)	535,664	149,527
Tennessee revolving fund program loan	16,198,247	680,580	(825,369)	16,053,458	868,710
US Bank sanitation truck loan	5,915	-	(5,915)	-	-
RUS Rural Development Loan	45,994	-	(19,056)	26,938	19,056
Total loans payable from direct borrowings	16,932,608	680,580	(997,128)	16,616,060	1,037,293
Postemployment benefit obligation	1,531,743	114,685	(234,993)	1,411,435	40,486 *
Advances from TVA	228,271	-	(96,927)	131,344	56,343 *
Compensated absences	1,035,979	509,119	(490,059)	1,055,039	470,976
Business-type Activities Long-Term Liabilities	<u>\$ 44,883,916</u>	<u>\$ 1,304,384</u>	<u>\$ (3,707,467)</u>	<u>\$ 42,480,833</u>	<u>\$ 3,500,408</u>

* Current portions of these liabilities amounting to \$96,829 are included in accrued expenses on FPU's statement of net position.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(E) 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, 2021, there were two series of IDRB outstanding. The aggregate principal amount payable was \$6,260,000. The original issue amounts totaled \$15,615,000.

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.

NOTE 6 - LEASING ACTIVITY

In prior years, the Fayetteville City School System entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The System fulfilled the terms of these obligations in a prior year and has no future payments remaining on these assets.

Leased equipment under capital leases in capital assets at June 30, 2021, includes the following:

Equipment	\$ 19,425
Less: Accumulated depreciation	<u>(19,264)</u>
Total	<u>\$ 161</u>

Amortization of leased equipment under capital assets is included with depreciation expense. The cost of individual items acquired below the capitalization threshold is not included in capital assets.

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 on the next page:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 6 - LEASING ACTIVITY (CONTINUED)

Year Ending <u>June 30,</u>	Future Minimum <u>Payments</u>
2022	\$ 24,000
2023	24,000
2024	24,000
2025	24,000
2026	24,000
	<u>120,000</u>
Thereafter	72,000
Aggregate	<u>\$ 192,000</u>

The Fayetteville City School System is committed under various noncancelable operating leases for computer equipment. Future minimum operating lease commitments are as follows:

Year Ending <u>June 30,</u>	Future Minimum <u>Payments</u>
2022	\$ 1,547
	<u>\$ 1,547</u>

Lease expenditures for Fayetteville City Schools for the year ending June 30, 2021 totaled \$26,858.

FPU is committed under various noncancellable operating leases for office equipment. Future minimum operating lease commitments are as follows:

Year Ending <u>June 30,</u>	
2022	\$ 29,777
2023	25,313
2024	23,227
2025	23,227
2026	462
	<u>\$ 102,006</u>

Lease expenditures for FPU for the year ending June 30, 2021 totaled \$32,449.

The City is committed under various noncancellable operating leases for office equipment. Future minimum operating lease commitments are as follows:

Year Ending <u>June 30,</u>	
2022	\$ 9,644
2023	9,111
2024	8,521
2025	7,910
	<u>\$ 35,186</u>

Lease expenditures for the City for the year ending June 30, 2021 totaled \$12,996.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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	\$ 31,520,145	\$ 2,347,020	\$ 1,016,804	\$ 1,196,512
Special funds	2,629,964	3,852,322	514,818	3,531,115
Capital assets	57,602,423	18,338,412	4,023,872	47,208,478
Other assets	516,789	15,871	15,108	19,364
	<u>92,269,321</u>	<u>24,553,625</u>	<u>5,570,602</u>	<u>51,955,469</u>
Deferred Outflows of Resources	<u>246,852</u>	<u>138,834</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	8,042,404	1,091,556	459,195	1,731,527
Other liabilities	1,236,811	295,263	165,759	442,284
Long term debt	9,059,815	1,033,514	-	26,857,082
	<u>18,339,030</u>	<u>2,420,333</u>	<u>624,954</u>	<u>29,030,893</u>
Deferred Inflows of Resources	<u>50,765</u>	<u>15,760</u>	<u>8,840</u>	<u>23,109</u>
Net Position (Deficit)				
Net investment in capital assets	47,474,342	17,006,676	4,023,872	19,084,633
Restricted	1,770,269	-	-	1,423,802
Unrestricted	24,881,767	5,249,690	912,936	2,393,032
	<u>\$ 74,126,378</u>	<u>\$ 22,256,366</u>	<u>\$ 4,936,808</u>	<u>\$ 22,901,467</u>
<u>Condensed Statement of Revenues, Expenses, and Changes in Net Position</u>				
Operating revenues	\$ 46,326,036	\$ 7,315,521	\$ 4,846,231	\$ 6,096,522
Depreciation expense	2,971,830	664,213	481,020	2,145,065
Other operating expenses	<u>40,650,646</u>	<u>5,279,564</u>	<u>3,690,702</u>	<u>2,816,854</u>
Operating income	2,703,560	1,371,744	674,509	1,134,603
Nonoperating revenue (expenses):				
Investment income	132,018	10,657	704	14,256
Interest expense	(226,008)	(40,318)	-	(536,379)
Gain (loss) on disposition of assets	2,800	-	-	(56,068)
Other	(26,586)	(23,594)	13,853	2,628
Contributions/Transfers - net	<u>1,549,027</u>	<u>(252,774)</u>	<u>546,700</u>	<u>(315,419)</u>
Change in net position	4,134,811	1,065,715	1,235,766	243,621
Beginning net position	<u>69,991,567</u>	<u>21,190,651</u>	<u>3,701,042</u>	<u>22,657,846</u>
Ending net position	<u>\$ 74,126,378</u>	<u>\$ 22,256,366</u>	<u>\$ 4,936,808</u>	<u>\$ 22,901,467</u>
<u>Condensed Statement of Cash Flows</u>				
Net cash provided (used) by:				
Operating activities	\$ 9,327,921	\$ 2,199,377	\$ 1,397,473	\$ 2,879,428
Noncapital financing activities	(1,030,512)	(277,708)	-	(382,057)
Capital and related financing activities	(9,599,110)	(902,537)	(970,202)	(2,979,255)
Investing activities	<u>136,954</u>	<u>11,105</u>	<u>702</u>	<u>15,021</u>
Net increase (decrease)	(1,164,747)	1,030,237	427,973	(466,863)
Beginning cash and cash equivalents	<u>27,057,870</u>	<u>4,430,355</u>	<u>590,314</u>	<u>4,423,888</u>
Ending cash and cash equivalents	<u>\$ 25,893,123</u>	<u>\$ 5,460,592</u>	<u>\$ 1,018,287</u>	<u>\$ 3,957,025</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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.

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, 2021. 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 \$72,754 and is reported as an expenditure of the Sanitation Fund.

Fayetteville Public Utilities has outstanding contract commitments of \$326,135 related to various plant upgrades, as described in Note 4. Other significant outstanding commitments total \$11,383 at June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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, 2021, for all plans is as follows:

	Pension Liabilities (Assets)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Public Employee Retirement Plan	\$ (452,995)	\$ 1,145,447	\$ 915,756	\$ 258,040
Teacher Legacy Pension Plan	(1,199,876)	1,000,222	592,375	13,411
Teacher Retirement Plan	(69,743)	59,383	36,482	26,216
TCRS stabilization reserve trust	(116,995)	-	-	-
Fayetteville City Schools 401(k) Plan	-	-	-	102,064
NRECA Retirement Security Plan	-	-	-	1,065,331
NRECA 401(k) Plan	-	-	-	84,073
Total for All Plans	\$ (1,839,609)	\$ 2,205,052	\$ 1,544,613	\$ 1,549,135

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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	142
Active employees	181
	<u>431</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, 2021, the employer contributions for Fayetteville were \$614,194 based on a rate of 9.65 percent of covered payroll. By law, employer contributions are required to be 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, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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 pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U. S. fixed income	2.01%	20%
Real estate	4.32%	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 7.25 percent based on a blending of the factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

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, 2019	\$ 21,876,269	\$ 21,823,593	\$ 52,676
Changes for the year:			
Service cost	\$ 593,628	\$ -	\$ 593,628
Interest	1,587,568	-	1,587,568
Differences between expected and actual experience	(677,890)	-	(677,890)
Changes in assumptions	-	-	-
Contributions-employer	-	623,606	(623,606)
Contributions-employees	-	323,112	(323,112)
Net investment income	-	1,077,187	(1,077,187)
Benefit payments, including refunds of employee contributions	(1,144,813)	(1,144,813)	-
Administrative expenses	-	(14,928)	14,928
Other changes	-	-	-
Net changes	\$ 358,493	\$ 864,164	\$ (505,671)
Balance June 30, 2020	\$ 22,234,762	\$ 22,687,757	\$ (452,995)

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 7.25 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 (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Fayetteville's net pension liability (asset)	\$ 2,424,641	\$ (452,995)	\$ (2,830,010)

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expense

For the year ended June 30, 2021, the government recognized pension expense of \$258,040.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2021, 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	\$ 185,437	\$ 915,756
Net difference between projected and actual earnings on pension plan investments	159,735	-
Changes in assumptions	186,081	-
Contributions subsequent to the measurement date of June 30, 2020	614,194	N/A
	<u>\$ 1,145,447</u>	<u>\$ 915,756</u>

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2020," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30,	
2022	\$ (121,413)
2023	24,368
2024	(121,128)
2025	(53,351)
2026	(112,982)
Thereafter	-

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

PAYABLE TO THE PENSION PLAN

At June 30, 2021, the government reported a payable of \$51,407 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

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-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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

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, 2021 to the Teacher Legacy Pension Plan were \$534,768 which is 10.63 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, 2021, the government reported a liability (asset) of \$(1,199,876) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, 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, 2020, the government's proportion was 0.157346 percent. The proportion measured as of June 30, 2019, was 0.157976 percent.

Pension expense (negative pension expense)

For the year ended June 30, 2021, the government recognized pension expense (negative pension expense) of \$13,411.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2021, 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	\$ 45,614	\$ 576,879
Changes in assumptions	109,003	-
Net difference between projected and actual earnings on pension plan investments	267,980	-
Changes in proportion of net pension liability (asset)	42,857	15,496
Contributions subsequent to the measurement date of June 30, 2020	534,768	N/A
	<u>\$ 1,000,222</u>	<u>\$ 592,375</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

The government's employer contributions of \$534,768, 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, 2022. 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,	
2022	\$ (294,852)
2023	(21,587)
2024	12,001
2025	177,518
2026	-
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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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 pension plan investment expenses including inflation
Cost-of-Living Adjustment	2.25 percent

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 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, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U. S. fixed income	2.01%	20%
Real estate	4.32%	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 7.25 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.25 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 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.

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 7.25 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 (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1%	Current Discount Rate	1%
	Decrease		Increase
	6.25%	7.25%	8.25%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 3,731,588	\$(1,199,876)	\$(5,289,219)

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

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, 2021, the government recorded a payable of \$146,691 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

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 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

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, 2021 to the Teacher Retirement Plan were \$44,248, 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, 2021, the government reported a liability (asset) of (\$69,743) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, 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, 2020 Fayetteville City Schools' proportion was 0.122648 percent. The proportion measured at June 30, 2019 was 0.118212 percent.

Pension expense (negative pension expense)

For the year ended June 30, 2021, the government recognized pension expense (negative pension expense) of \$26,216.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2021, 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, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,591	\$ 17,477
Net difference between projected and actual earnings on pension plan investments	5,681	-
Changes in assumptions	2,187	-
Changes in proportion of net pension liability (asset)	4,676	19,005
Fayetteville City Schools' contributions subsequent to the measurement date of June 30, 2020	44,248	N/A
	<u>\$ 59,383</u>	<u>\$ 36,482</u>

Employer contributions of \$44,248 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, 2022. 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,

2022	\$ (1,873)
2023	(1,052)
2024	(633)
2025	(514)
2026	(2,438)
Thereafter	(14,837)

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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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 pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U. S. fixed income	2.01%	20%
Real estate	4.32%	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 7.25 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.25 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 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, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	6.25%	7.25%	8.25%
Fayetteville City Schools'			
proportionate share of the net			
pension liability (asset)	\$ 54,248	\$ (69,743)	\$ (161,139)

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, 2021, the government reported a payable of \$20,045 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

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.

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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TCRS STABILIZATION TRUST (CONTINUED)

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, 2021, 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 Financial Accounting Standards Board ("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.

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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TCRS STABILIZATION TRUST (CONTINUED)

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, 2021, 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	\$ 36,268
Developed Market International Equity	N/A	N/A	16,379
Emerging Market International Equity	N/A	N/A	4,680
U. S. Fixed Income	N/A	N/A	23,399
Real Estate	N/A	N/A	11,700
Short-term Securities	N/A	N/A	1,170
NAV - Private Equity and Strategic Lending	N/A	N/A	23,399
Total			<u>\$ 116,995</u>

		Fair Value Measurements Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	
Investment by Fair Value Level	Fair Value 6/30/2021					
U.S Equity	\$ 36,268	\$ 36,268	\$ -	\$ -	\$ -	\$ -
Developed Market						
International Equity	16,379	16,379	-	-		-
Emerging Market						
International Equity	4,680	4,680	-	-		-
U. S. Fixed Income	23,399	-	23,399	-		-
Real Estate	11,700	-	-	11,700		-
Short-term Securities	1,170	-	1,170	-		-
Private Equity and Strategic Lending	23,399	-	-	-		23,399
Total	\$ 116,995	\$ 57,327	\$ 24,569	\$ 11,700	\$ 23,399	

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TCRS STABILIZATION TRUST (CONTINUED)

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.

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/ag19091.pdf>

Payable to the stabilization trust

At June 30, 2021, Fayetteville City Schools reported a payable of \$4,650 for the outstanding amount of contributions to the trust required at the year ended June 30, 2021.

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 \$37,784 for the year ended June 30, 2021. The System recognized pension expense under the defined contribution plan of \$102,064 for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

FAYETTEVILLE CITY SCHOOLS 401(K) PLAN (CONTINUED)

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, 2021, Fayetteville City Schools reported a payable of \$23,565 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

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 \$31,874 for the year ended June 30, 2021.

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 \$13,368 and employee contributions to the 401(k) plan totaled \$7,050 for the year ended June 30, 2021.

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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

NRECA RETIREMENT SECURITY PLAN (CONTINUED)

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, 2021, FPU had 106 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, 2021 was 20.17% 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, 2021 was \$1,065,331.

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 \$315,089 for the year ended June 30, 2021. FPU recognized pension expense under the defined contribution plan of \$84,073 for the year ended June 30, 2021.

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 is shown on the next page:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

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, 2021, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	6
Active plan members	<u>116</u>
	<u>122</u>

Total OPEB Liability

FPU's total OPEB liability of \$1,411,435 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

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. Spouses are required to make annual contributions of \$5,660. 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)

Changes in the Total OPEB Liability (expressed in thousands)

Balance at 6/30/20	\$	1,531.743
Service cost		72.425
Interest		42.260
Benefit payments		(23.216)
Experience losses (gains)		(19.235)
Changes of assumptions		(94.389)
Difference between expected and actual experience		(98.153)
Net changes		(120.308)
Balance at 6/30/21	\$	<u>1,411.435</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 1.85%	Discount Rate 2.85%	1% Increase 3.85%
Total OPEB liability	\$ 1,491.878	\$ 1,411.435	\$ 1,336.007

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):

	1 % Decrease 6.25% decreasing to 3% over 75 years	Healthcare Cost Trend Rates 7.25% decreasing to 4% over 75 years	1% Increase 8.25% decreasing to 5% over 75 years
Total OPEB liability	\$ 1,294.016	\$ 1,411.435	\$ 1,660.816

OPEB expense

For the year ended June 30, 2021, the System recognized OPEB expense (negative OPEB expense) of \$18,157.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

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

FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)

Deferred outflows of resources and deferred inflows of resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience losses (gains)	\$ -	\$ 16.670
Changes of assumptions	-	81.804
	<u>\$ -</u>	<u>\$ 98.474</u>

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

Years Ending June 30:

2022	\$ (15.150)
2023	(15.150)
2024	(15.150)
2025	(15.150)
2026	(15.150)
Thereafter	(22.724)

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.

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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

GENERAL GOVERNMENT OPEB (CONTINUED)

Employees covered by benefit terms

At July 1, 2020, the following employees of the government were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	93
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, 2021, the government paid \$64,499 to the LGOP for OPEB benefits as they became due.

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	9.02% for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 7.56% for post-65 in 2020, decreasing annually over a 4 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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019 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, 2012 - June 30, 2016. 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 RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

GENERAL GOVERNMENT OPEB (CONTINUED)

Discount rate

The discount rate used to measure the total OPEB liability was 2.21 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	\$ 936.334
Changes for the year:	
Service cost	98.727
Interest	35.991
Changes of benefit terms	-
Differences between expected and actual experience	194.852
Change in assumptions	136.794
Benefit payments	(19.521)
Net changes	446.843
Total OPEB liability - ending balance	\$ 1,383.177

Changes in assumptions

The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of the 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 (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 1,496.606	\$ 1,383.177	\$ 1,276.302

Sensitivity of the 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):

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

GENERAL GOVERNMENT OPEB (CONTINUED)

	Healthcare Cost Trend		
	1% Decrease	Rates	1% Increase
	(8.02%/6.56%	(9.02%/7.56% decreasing	(10.02%/8.56%
	decreasing to 3.50%)	to 4.50%)	decreasing to 5.50%)
Total OPEB liability	\$ 1,226.717	\$ 1,383.177	\$ 1,569.123

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

OPEB expense

For the fiscal year ended June, 30, 2021, the government recognized OPEB expense of \$276,556.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June, 30, 2021, 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)

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between actual and expected experience	\$ 882.453	\$ -
Changes of assumptions	125.988	73.168
Employer payments subsequent to the measurement date	64.499	-
Total	<u>\$ 1,072.940</u>	<u>\$ 73.168</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.

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:

2022	\$ 141.838
2023	141.838
2024	141.838
2025	141.838
2026	141.838
Thereafter	226.083

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, 2021

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

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, 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. 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.

Employees covered by benefit terms

At July 1, 2020, 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	<u>147</u>
	<u>152</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

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 \$38,892 to the TGOP for OPEB benefits as they came due.

TOTAL OPEB LIABILITY

Actuarial assumptions

The collective total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	9.02% for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 7.56% for post-65 in 2020, decreasing annually over a 4 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.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019 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, 2012 - June 30, 2016. 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 RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

FAYETTEVILLE CITY SCHOOLS (CONTINUED)

Discount rate

The discount rate used to measure the total OPEB liability was 2.21 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	\$ 1,457
Changes for the year:	
Service cost	75
Interest	53
Changes of benefit terms	-
Differences between expected and actual experience	6
Change in assumptions	189
Benefit payments	(68)
Net changes	255
Total OPEB liability - ending balance	\$ 1,712
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 589
Employer's proportionate share of the collective total OPEB liability	\$ 1,122
Employer's proportion of the collective total OPEB liability	65.57%

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 employers 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 1.98% from the prior measurement date. The System recognized \$40,635 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 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption decreased the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

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 (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Proportionate share of collective total OPEB liability	\$ 1,207	\$ 1,122	\$ 1,042

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 (8.02%/6.56%) decreasing to 3.50%)	Healthcare Cost Trend Rates (9.02%/7.56%) decreasing to 4.50%)	1% Increase (10.02%/8.56%) decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 991	\$ 1,122	\$ 1,280

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

OPEB expense

For the fiscal year ended June 30, 2021, Fayetteville City Schools recognized OPEB expense of \$123.407.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2021, Fayetteville City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

TGOP - (expressed in thousands)

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 142	\$ 192
Changes of assumptions	124	90
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.	34	19
Employer payments subsequent to the measurement date	39	-
Total	<u>\$ 340</u>	<u>\$ 301</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:

2022	\$ (0.9)
2023	(0.9)
2024	(0.9)
2025	(0.9)
2026	(0.9)
Thereafter	5.1

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, 2021

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 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, 2020, the following employees of Fayetteville City Schools were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefit payments	10
Active employees	99
	<u>132</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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

Inflation	2.10%
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, 2020, valuations were the same as those employed in the July 1, 2019 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, 2012 - June 30, 2016. 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 RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% 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.

Discount rate

The discount rate used to measure the total OPEB liability was 2.21 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, 2021

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	\$ 349
Changes for the year:	
Service cost	7
Interest	12
Changes of benefit terms	-
Differences between expected and actual experience	(15)
Change in assumptions	74
Benefit payments	(13)
Net changes	66
Total OPEB liability - ending balance	\$ 415

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 415
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Employer's proportionate share of the collective total OPEB liability	\$ -
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Employer's proportion of the collective total OPEB liability	0.00%
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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 employers 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 \$22,712 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 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. 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, 2021, Fayetteville City Schools recognized OPEB expense of \$22,712.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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, 2021, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	\$ 245,365
City street and transportation	<u>13,554</u>
Total	<u>\$ 258,919</u>

NOTE 13 - RELATED PARTIES

One board of education member is 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, 2021, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2021, the government received \$108,133 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 \$120,000 to the operations of the library during the year ended June 30, 2021.

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 \$20,142 to the operations of the airport during the year ended June 30, 2021.

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, 2021

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, 2021.

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 SSC, 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, 2021

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	\$ 46,326,036	\$ 1,524,592	3.3%	\$ 11,072,499	2028
Gas	7,315,521	352,186	4.8%	1,356,504	2025
Water & Wastewater	6,096,522	1,751,510	28.7%	35,244,462	2055
	<u>\$ 59,738,079</u>	<u>\$ 3,628,288</u>	<u>6.1%</u>	<u>\$ 47,673,465</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, 2021, credits resulting from solar power generation totaled \$1,416,492. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2021, the liability for such amounts due to customers was \$255,062 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, 2021 these contributions totaled \$13,169 to the Tennessee Plan and \$25,991 to the Teacher Group Plan which are reflected in the financial statements as intergovernmental revenues and education expenditures.

NOTE 19 - GASB STATEMENT (GASBS) NUMBER 84 IMPLEMENTATION

The Fayetteville City Schools implemented the provisions of GASBS 84, Fiduciary Activities, in the current period. This standard delineates specific criteria for identifying activities that state and local governments should report as fiduciary activities. Internal school funds including student activity funds were determined not to be fiduciary funds based on the standard but rather should be included in governmental activities of the System. The cumulative effect of applying this Statement has been reported as a restatement of beginning net position and beginning fund balance as follows on the next page:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

NOTE 19 - GASB STATEMENT (GASBS) NUMBER 84 IMPLEMENTATION (CONTINUED)

Governmental Activities

Net position June 30, 2020

as previously reported	\$	42,020,832
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GASB 84 implementation:

Record beginning net position for internal school

funds		<u>212,575</u>
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Net position June 30, 2020, restated

\$	<u><u>42,233,407</u></u>
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Governmental Funds

Fund balance June 30, 2020

as previously reported	\$	20,008,775
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GASB 84 implementation:

Record beginning fund balance for internal school

funds		<u>212,575</u>
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Fund balance June 30, 2020, restated

\$	<u><u>20,221,350</u></u>
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REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,065,331	\$ 1,011,828	\$ 1,092,701	\$ 1,004,858	\$ 961,403	\$ 909,076	\$ 886,106	\$ 802,092	\$ 795,514	\$ 1,064,897
Contributions in relation to the contractually required contribution	(1,065,331)	(1,011,828)	(1,092,701)	(1,004,858)	(961,403)	(909,076)	(886,106)	(802,092)	(795,514)	(1,064,897)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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
TOTAL PENSION LIABILITY							
Service cost	\$ 409,344	\$ 406,371	\$ 448,740	\$ 485,992	\$ 559,925	\$ 567,978	\$ 593,628
Interest	1,289,974	1,330,008	1,343,918	1,397,207	1,495,006	1,534,759	1,587,568
Changes in benefit terms	-	-	-	-	-	-	-
Differences between actual & expected experience	(61,339)	(480,678)	(73,505)	556,317	(358,564)	(238,975)	(677,890)
Change of assumptions	-	-	-	558,241	-	-	-
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)
Net change in total pension liability	594,724	96,529	653,105	1,972,038	561,386	686,550	358,493
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
Total pension liability-ending (a)	<u>\$ 17,906,661</u>	<u>\$ 18,003,190</u>	<u>\$ 18,656,295</u>	<u>\$ 20,628,333</u>	<u>\$ 21,189,719</u>	<u>\$ 21,876,269</u>	<u>\$ 22,234,762</u>
PLAN FIDUCIARY NET POSITION							
Contributions-employer	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808	\$ 560,546	\$ 585,210	\$ 623,606
Contributions-employee	243,467	250,391	270,532	324,370	290,854	304,355	323,112
Net investment income	2,478,367	524,049	455,674	1,974,307	1,590,608	1,522,860	1,077,187
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)
Administrative expense	(6,306)	(7,832)	(12,647)	(13,845)	(15,672)	(15,186)	(14,928)
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
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
Plan fiduciary net position-ending (b)	<u>\$ 17,221,192</u>	<u>\$ 17,311,883</u>	<u>\$ 17,506,290</u>	<u>\$ 19,312,211</u>	<u>\$ 20,603,566</u>	<u>\$ 21,823,593</u>	<u>\$ 22,687,757</u>
Net pension liability (asset)-ending (a) - (b)	<u>\$ 685,469</u>	<u>\$ 691,307</u>	<u>\$ 1,150,005</u>	<u>\$ 1,316,122</u>	<u>\$ 586,153</u>	<u>\$ 52,676</u>	<u>\$ (452,995)</u>
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%
Covered payroll	\$ 4,866,570	\$ 5,007,817	\$ 5,397,739	\$ 5,666,405	\$ 5,808,757	\$ 6,064,345	\$ 6,464,250
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%

Notes to Schedule:

Changes of assumptions . 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
Actuarially determined contribution	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808	\$ 560,546	\$ 585,210	\$ 606,158	\$ 614,194
Contributions in relation to the actuarially determined contribution	480,331	483,255	520,882	546,808	560,546	585,210	623,606	614,194
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,448)</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
Contributions as a percentage of covered-employee payroll	9.87%	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 2021 were calculated based on the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
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
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)
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%
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
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%
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%

* 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>
Contractually required	\$ 528,043	\$ 529,211	\$ 495,749	\$ 464,260	\$ 543,992	\$ 554,084	\$ 556,679	\$ 534,768
Contribution in relation to the contractually required contribution	528,043	529,211	495,749	464,260	543,992	554,084	556,679	534,768
Contribution deficiency (excess)	<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	\$ 5,030,741
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%	10.63%

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 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
Fayetteville City Schools's proportion of the net pension liability (asset)	0.106705%	0.125359%	0.070453%	0.080310%	0.118212%	0.122648%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (4,293)	\$ (13,050)	\$ (18,588)	\$ (36,423)	\$ (66,729)	\$ (69,743)
Fayetteville City Schools's covered payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808	\$ 1,250,936	\$ 1,547,730
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%
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%

* 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>
Contractually required	\$ 222	\$ 13,807	\$ 18,497	\$ 11,445	\$ 24,268	\$ 31,419	\$ 44,248
Contribution in relation to the contractually required contribution	8,868	22,063	18,497	28,072	24,268	31,419	44,248
Contribution deficiency (excess)	<u>\$ (8,646)</u>	<u>\$ (8,256)</u>	<u>\$ -</u>	<u>\$ (16,627)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808	\$ 1,250,936	\$ 1,547,730	\$ 2,185,339
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	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.

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

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>
Total OPEB liability				
Service cost	\$ 93	\$ 86	\$ 75	\$ 75
Interest	48	57	47	53
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(401)	265	6
Changes of assumptions	(76)	28	(113)	189
Benefit payments	(87)	(91)	(69)	(68)
Net change in total OPEB liability	\$ (22)	\$ (321)	\$ 205	\$ 255
Total OPEB liability - beginning	1,594	1,572	1,251	1,456
Total OPEB liability - ending	<u>\$ 1,572</u>	<u>\$ 1,251</u>	<u>\$ 1,456</u>	<u>\$ 1,711</u>
 Nonemployer contributing entities proportionate share of the collective total OPEB liability				
	\$ 569	\$ 440	\$ 530	\$ 589
 Employer's proportionate share of the collective total OPEB liability				
	\$ 1,003	\$ 811	\$ 926	\$ 1,122
 Covered-employee payroll				
	\$ 7,145	\$ 6,072	\$ 6,483	\$ 6,577
 Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll				
	14.04%	13.36%	14.28%	17.06%

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>
Total OPEB liability				
Service cost	\$ 8	\$ 7	\$ 6	\$ 7
Interest	11	12	11	12
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(48)	43	(15)
Changes of assumptions	(32)	(2)	7	74
Benefit payments	<u>(13)</u>	<u>(13)</u>	<u>(14)</u>	<u>(13)</u>
Net change in total OPEB liability	\$ (26)	\$ (44)	\$ 53	\$ 65
Total OPEB liability - beginning	<u>367</u>	<u>341</u>	<u>297</u>	<u>350</u>
Total OPEB liability - ending	<u><u>\$ 341</u></u>	<u><u>\$ 297</u></u>	<u><u>\$ 350</u></u>	<u><u>\$ 415</u></u>
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 341	 \$ 297	 \$ 350	 \$ 415
 Employer's proportionate share of the collective total OPEB liability	 \$ -	 \$ -	 \$ -	 \$ -
 Covered-employee payroll	 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%

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

* 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, 2021

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, 2021

Special Revenue Funds						
	School Title	School Cafeteria	Internal School Funds	Drug	Total Special Revenue	Debt Service Fund
Assets:						
Cash in bank	\$ 69,115	\$ 230,210	\$ -	\$ 75,151	\$ 374,476	\$ 246,613
Accounts receivable	-	2,459	270	-	2,729	-
Due from other funds	-	13,856	-	14,183	28,039	-
Due from other governments	65,017	9,091	-	-	74,108	-
Inventory	-	7,946	-	-	7,946	-
Restricted assets - cash and cash equivalents	-	-	234,723	-	234,723	-
TOTAL ASSETS	\$ 134,132	\$ 263,562	\$ 234,993	\$ 89,334	\$ 722,021	\$ 246,613
Liabilities:						
Accounts payable	\$ 5,648	\$ 1,512	\$ 13,030	\$ 136	\$ 20,326	\$ -
Due to other funds	48,484	-	-	7,008	55,492	-
Unearned revenues	-	-	-	-	-	-
TOTAL LIABILITIES	54,132	1,512	13,030	7,144	75,818	-
Fund Balances:						
Nonspendable - inventory	-	7,946	-	-	7,946	-
Restricted:						
Public safety	-	-	-	82,190	82,190	-
Internal school funds	-	-	221,963	-	221,963	-
Capital projects	-	-	-	-	-	-
Committed						
Education	80,000	-	-	-	80,000	-
Assigned						
Education	-	254,104	-	-	254,104	-
Debt service	-	-	-	-	-	246,613
TOTAL FUND BALANCES	80,000	262,050	221,963	82,190	646,203	246,613
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,132	\$ 263,562	\$ 234,993	\$ 89,334	\$ 722,021	\$ 246,613

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Assets:						
Cash in bank	\$ 1,675	\$ 10,126	\$ 14,646	\$ 224,181	\$ 250,628	\$ 871,717
Accounts receivable	-	-	-	334,833	334,833	337,562
Due from other funds	-	-	-	90,274	90,274	118,313
Due from other governments	-	-	-	-	-	74,108
Inventory	-	-	-	-	-	7,946
Restricted assets - cash and cash equivalents	-	-	-	-	-	234,723
TOTAL ASSETS	<u>\$ 1,675</u>	<u>\$ 10,126</u>	<u>\$ 14,646</u>	<u>\$ 649,288</u>	<u>\$ 675,735</u>	<u>\$ 1,644,369</u>
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 222,219	\$ 222,219	\$ 242,545
Due to other funds	-	-	-	20	20	55,512
Unearned revenues	-	-	-	336,742	336,742	336,742
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,981</u>	<u>558,981</u>	<u>634,799</u>
Fund Balances:						
Nonspendable - inventory	-	-	-	-	-	7,946
Restricted						
Public safety	-	-	-	-	-	82,190
Internal school funds	-	-	-	-	-	221,963
Capital projects	-	10,126	14,646	-	24,772	24,772
Committed						
Education	-	-	-	-	-	80,000
Assigned						
Education	-	-	-	-	-	254,104
Debt service	-	-	-	-	-	246,613
Industrial park	1,675	-	-	-	1,675	1,675
Capital projects	-	-	-	90,307	90,307	90,307
TOTAL FUND BALANCES	<u>1,675</u>	<u>10,126</u>	<u>14,646</u>	<u>90,307</u>	<u>116,754</u>	<u>1,009,570</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,675</u>	<u>\$ 10,126</u>	<u>\$ 14,646</u>	<u>\$ 649,288</u>	<u>\$ 675,735</u>	<u>\$ 1,644,369</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2021

Special Revenue Funds						
	School Title	School Cafeteria	Internal School Funds	Drug	Total Special Revenue	Debt Service Fund
Revenues:						
Intergovernmental	\$ 1,381,126	\$ 587,826	-	\$ -	\$ 1,968,952	\$ -
Charges for services	-	11,428	-	-	11,428	-
Investment earnings	-	68	-	36	104	138
Internal school funds	-	-	332,644	-	332,644	-
Other	-	10,900	-	-	10,900	-
Fines and confiscations	-	-	-	28,540	28,540	-
TOTAL REVENUES	1,381,126	610,222	332,644	28,576	2,352,568	138
Expenditures:						
Current:						
General government	-	-	-	-	-	1,706
Public safety	-	-	-	10,851	10,851	-
Education	1,381,126	618,978	-	-	2,000,104	-
Debt Service:						
Principal	-	-	-	-	-	459,489
Interest	-	-	-	-	-	96,028
Debt issuance costs	-	-	-	-	-	121,033
Capital outlay	-	9,615	-	-	9,615	-
Internal school funds	-	-	323,256	-	323,256	-
TOTAL EXPENDITURES	1,381,126	628,593	323,256	10,851	2,343,826	678,256
Excess (deficiency) of revenues over expenditures	-	(18,371)	9,388	17,725	8,742	(678,118)
Other Financing Sources (Uses):						
Bonds issued	-	-	-	-	-	4,320,000
Refunding debt issued	-	-	-	-	-	2,295,000
Payment to refunded debt escrow agent	-	-	-	-	-	(2,410,000)
Premiums on debt issued	-	-	-	-	-	916,032
Transfers in	-	-	-	-	-	507,213
Transfers out	-	-	-	-	-	(5,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	628,245
Net change in fund balances	-	(18,371)	9,388	17,725	8,742	(49,873)
Fund balances - July 1, 2020, as restated	80,000	280,421	212,575	64,465	637,461	296,486
Fund balances - June 30, 2021	<u>\$ 80,000</u>	<u>\$ 262,050</u>	<u>\$ 221,963</u>	<u>\$ 82,190</u>	<u>\$ 646,203</u>	<u>\$ 246,613</u>

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

NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2021

	Capital Projects Funds				Total Capital Projects	Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects		
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 75,412	\$ 75,412	\$ 2,044,364
Private grants and contributions	-	-	-	25,000	25,000	25,000
Charges for services	-	-	-	-	-	11,428
Investment earnings	1	5	153	453	612	854
Internal school funds	-	-	-	-	-	332,644
Other	-	-	-	-	-	10,900
Fines and forfeitures	-	-	-	-	-	28,540
TOTAL REVENUES	1	5	153	100,865	101,024	2,453,730
Expenditures:						
Current:						
General government	-	-	-	-	-	1,706
Public safety	-	-	-	-	-	10,851
Education	-	-	-	-	-	2,000,104
Community development	-	-	187,101	-	187,101	187,101
Debt service:						
Principal	-	-	-	-	-	459,489
Interest	-	-	-	-	-	96,028
Debt issuance costs	-	-	-	-	-	121,033
Capital outlay	-	-	-	1,221,043	1,221,043	1,230,658
Internal school funds	-	-	-	-	-	323,256
TOTAL EXPENDITURES	-	-	187,101	1,221,043	1,408,144	4,430,226
Excess (deficiency) of revenues over expenditures	1	5	(186,948)	(1,120,178)	(1,307,120)	(1,976,496)
Other Financing Sources (Uses):						
Bonds issued	-	-	-	-	-	4,320,000
Refunding debt issued	-	-	-	-	-	2,295,000
Payment to refunded debt escrow agent	-	-	-	-	-	(2,410,000)
Premiums on debt issued	-	-	-	-	-	916,032
Transfers in	-	-	-	456,000	456,000	963,213
Transfers out	-	-	(206,000)	-	(206,000)	(5,206,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(206,000)	456,000	250,000	878,245
Net change in fund balances	1	5	(392,948)	(664,178)	(1,057,120)	(1,098,251)
Fund balances - July 1, 2020, as restated	1,674	10,121	407,594	754,485	1,173,874	2,107,821
Fund balances - June 30, 2021	\$ 1,675	\$ 10,126	\$ 14,646	\$ 90,307	\$ 116,754	\$ 1,009,570

**SCHOOL TITLE SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Title programs	\$ 504,811	\$ 447,321	\$ 447,321	\$ -
Vocational education programs	19,646	20,958	20,958	-
21st Century Learning	83,146	44,861	44,861	-
Gear up program	108,890	107,747	107,747	-
Special education programs	306,837	291,481	291,481	-
CARES Act Grants - COVID	1,565,326	468,758	468,758	-
Total Revenues	<u>2,588,656</u>	<u>1,381,126</u>	<u>1,381,126</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	555,622	491,251	491,251	-
Travel	-	75	75	-
Contracted services	29,440	12,090	12,090	-
Supplies	137,695	152,058	152,058	-
Equipment	150,589	150,674	150,674	-
Other	-	235	235	-
Special education program				
Salaries and benefits	201,515	183,980	183,980	-
Equipment	3,000	1,773	1,773	-
Supplies	17,100	16,269	16,269	-
Vocational education program				
Supplies	11,070	12,678	12,678	-
Equipment	1,800	4,445	4,445	-
Support services:				
Regular instruction program				
Salaries and benefits	49,970	20,400	20,400	-
In service	7,162	3,000	3,000	-
Equipment	7,332	9,750	9,750	-
Special education program				
Salaries and benefits	34,656	34,494	34,494	-
Contracted services	22,361	44,399	44,399	-
Equipment	13,040	7,098	7,098	-
In service	13,000	4,848	4,848	-
Other Student Support				
Salaries and benefits	91,697	87,504	87,504	-
Travel	18,129	3,998	3,998	-
Supplies	2,500	893	893	-
Contracted services	-	2,755	2,755	-
In service	1,000	1,209	1,209	-
Other	1,000	-	-	-
Operation				
Equipment	-	4,700	4,700	-
Transportation				
Salaries and benefits	5,465	5,390	5,390	-
Vocational education program				
In service	4,000	-	-	-
Community services				
Salaries and benefits	76,214	43,073	43,073	-
Supplies	5,537	1,788	1,788	-
In service	1,200	-	-	-
Other	195	-	-	-
Health				
Salaries and benefits	19,750	-	-	-
Supplies	1,200	2,374	2,374	-
Technology				
Contracted services	42,996	42,496	42,496	-
Equipment	-	35,429	35,429	-
Capital outlay	1,058,921	-	-	-
Total Expenditures	<u>2,585,156</u>	<u>1,381,126</u>	<u>1,381,126</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(3,500)	-	-	-
Total Other Financing Sources (Uses)	<u>(3,500)</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, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Intergovernmental				
National school lunch program	\$ 456,020	\$ 456,020	\$ 335,858	\$ (120,162)
School breakfast program	183,000	183,000	175,873	(7,127)
After school snacks	14,080	14,080	2,783	(11,297)
USDA commodities	55,144	55,144	56,926	1,782
Other	7,000	7,000	16,386	9,386
Charges for services	183,180	183,180	11,428	(171,752)
Investment earnings	1,000	1,000	68	(932)
Other revenues	10,000	20,900	10,900	(10,000)
Total Revenues	<u>909,424</u>	<u>920,324</u>	<u>610,222</u>	<u>(310,102)</u>
EXPENDITURES				
Current:				
Salaries and benefits	409,480	409,480	336,697	72,783
Repairs and maintenance	9,000	9,000	3,752	5,248
Travel	4,000	4,000	230	3,770
Contracted services	11,000	11,000	6,910	4,090
Food and preparation supplies	460,144	460,144	270,403	189,741
Supplies	1,500	1,500	264	1,236
Other	3,000	3,000	722	2,278
Capital outlay	12,000	22,900	9,615	13,285
Total Expenditures	<u>910,124</u>	<u>921,024</u>	<u>628,593</u>	<u>292,431</u>
Excess (Deficiency) of Revenues over Expenditures	(700)	(700)	(18,371)	(17,671)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	700	700	-	(700)
Total Other Financing Sources (Uses)	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Net Change in Fund Balance	-	-	(18,371)	(18,371)
Fund Balance - beginning	<u>280,421</u>	<u>280,421</u>	<u>280,421</u>	<u>-</u>
Fund Balance - ending	<u>\$ 280,421</u>	<u>\$ 280,421</u>	<u>\$ 262,050</u>	<u>\$ (18,371)</u>

DRUG SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2021

	<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	\$ 25	\$ 25	\$ 36	\$ 11
Fines	15,000	15,000	28,476	13,476
Confiscations	-	-	64	64
Total Revenues	<u>15,025</u>	<u>15,025</u>	<u>28,576</u>	<u>13,551</u>
EXPENDITURES				
Current:				
Operating				
Salaries	7,100	7,100	7,008	92
Education and training	6,000	6,000	300	5,700
Travel	5,000	5,000	240	4,760
Supplies	7,000	7,000	1,187	5,813
Contractual	3,250	3,250	-	3,250
Telephone	1,800	1,800	1,579	221
Professional services	1,200	1,200	387	813
Investigative transactions	10,000	10,000	-	10,000
Other drug fund	2,000	2,000	150	1,850
Total Expenditures	<u>43,350</u>	<u>43,350</u>	<u>10,851</u>	<u>32,499</u>
Net Change in Fund Balance	(28,325)	(28,325)	17,725	46,050
Fund Balance - beginning	<u>64,465</u>	<u>64,465</u>	<u>64,465</u>	-
Fund Balance - ending	<u>\$ 36,140</u>	<u>\$ 36,140</u>	<u>\$ 82,190</u>	<u>\$ 46,050</u>

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2021

	<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	\$ -	\$ -	\$ 138	\$ 138
Total Revenues	-	-	138	138
EXPENDITURES				
Current:				
Operating - agent fees	4,000	4,000	1,706	2,294
Debt Service:				
Principal	319,296	459,296	459,489	(193)
Interest	103,787	96,240	96,028	212
Debt issuance costs	-	81,850	121,033	(39,183)
Total Expenditures	427,083	641,386	678,256	(36,870)
Excess (Deficiency) of Revenues over Expenditures	(427,083)	(641,386)	(678,118)	(36,732)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	4,320,000	4,320,000	-
Refunding debt issued	-	-	2,295,000	2,295,000
Payment to refunded debt escrow agent	-	-	(2,410,000)	(2,410,000)
Premiums on debt issued	-	761,849	916,032	154,183
Transfers in	563,083	492,169	507,213	15,044
Transfers out	-	(5,000,000)	(5,000,000)	-
Total Other Financing Sources (Uses)	563,083	574,018	628,245	54,227
Net Change in Fund Balance	136,000	(67,368)	(49,873)	17,495
Fund Balance - beginning	296,486	296,486	296,486	-
Fund Balance - ending	\$ 432,486	\$ 229,118	\$ 246,613	\$ 17,495

INDUSTRIAL PARK CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2021

	<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	\$ -	\$ -	\$ 1	\$ 1
Total Revenues	-	-	1	1
EXPENDITURES				
Current:				
Contribution to IDB	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	1	1
Fund Balance - beginning	1,674	1,674	1,674	-
Fund Balance - ending	\$ 1,674	\$ 1,674	\$ 1,675	\$ 1

CDBG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Investment earnings	\$ 5	\$ 5	\$ 5	\$ -
Total Revenues	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
EXPENDITURES				
Current:				
Operating	<u>9,500</u>	<u>9,500</u>	<u>-</u>	<u>9,500</u>
Total Expenditures	<u>9,500</u>	<u>9,500</u>	<u>-</u>	<u>9,500</u>
Net Change in Fund Balance	(9,495)	(9,495)	5	9,500
Fund Balance - beginning	<u>10,121</u>	<u>10,121</u>	<u>10,121</u>	<u>-</u>
Fund Balance - ending	<u>\$ 626</u>	<u>\$ 626</u>	<u>\$ 10,126</u>	<u>\$ 9,500</u>

UDAG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2021

	<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	\$ 200	\$ 200	\$ 153	\$ (47)
Total Revenues	<u>200</u>	<u>200</u>	<u>153</u>	<u>(47)</u>
EXPENDITURES				
Current:				
Operating	<u>1,000</u>	<u>202,000</u>	<u>187,101</u>	<u>14,899</u>
Total Expenditures	<u>1,000</u>	<u>202,000</u>	<u>187,101</u>	<u>14,899</u>
(Deficiency) of Revenues over Expenditures	<u>(800)</u>	<u>(201,800)</u>	<u>(186,948)</u>	<u>14,852</u>
OTHER FINANCING SOURCES				
Transfers out	<u>-</u>	<u>(206,000)</u>	<u>(206,000)</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>(206,000)</u>	<u>(206,000)</u>	<u>-</u>
Net Change in Fund Balance	(800)	(407,800)	(392,948)	14,852
Fund Balance - beginning	<u>407,594</u>	<u>407,594</u>	<u>407,594</u>	<u>-</u>
Fund Balance - ending	<u>\$ 406,794</u>	<u>\$ (206)</u>	<u>\$ 14,646</u>	<u>\$ 14,852</u>

**INTERNAL CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2021

	<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	\$ 1,000	\$ 500	\$ 453	\$ (47)
Private grants and contributions	-	-	25,000	25,000
Intergovernmental	-	1,298,312	75,412	(1,222,900)
Total Revenues	1,000	1,298,812	100,865	(1,197,947)
EXPENDITURES				
Capital outlay	1,535,517	2,077,247	1,221,043	856,204
Total Expenditures	1,535,517	2,077,247	1,221,043	856,204
(Deficiency) of Revenues over Expenditures	(1,534,517)	(778,435)	(1,120,178)	(341,743)
OTHER FINANCING SOURCES				
Transfers in	250,000	456,000	456,000	-
Total Other Financing Sources	250,000	456,000	456,000	-
Net Change in Fund Balance	(1,284,517)	(322,435)	(664,178)	(341,743)
Fund Balance - beginning	754,485	754,485	754,485	-
Fund Balance - ending	<u>\$ (530,032)</u>	<u>\$ 432,050</u>	<u>\$ 90,307</u>	<u>\$ (341,743)</u>

SCHOOL CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2021

	<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	\$ 110,000	\$ 110,000	\$ 30,515	\$ (79,485)
Total Revenues	<u>110,000</u>	<u>110,000</u>	<u>30,515</u>	<u>(79,485)</u>
EXPENDITURES				
Current:				
Debt issuance costs	-	-	76,488	(76,488)
Debt service:				
Principal on bonds	225,000	225,000	235,000	(10,000)
Interest on bonds	128,900	128,900	118,359	10,541
Capital outlay	<u>6,424,157</u>	<u>6,424,157</u>	<u>983,822</u>	<u>5,440,335</u>
Total Expenditures	<u>6,778,057</u>	<u>6,778,057</u>	<u>1,413,669</u>	<u>5,364,388</u>
(Deficiency) of revenues over expenditures	<u>(6,668,057)</u>	<u>(6,668,057)</u>	<u>(1,383,154)</u>	<u>5,284,903</u>
OTHER FINANCING SOURCES (USES)				
Refunding debt issued	-	-	4,480,000	4,480,000
Payment to refunded debt escrow agent	-	-	(4,645,000)	(4,645,000)
Premiums on debt issued	<u>-</u>	<u>-</u>	<u>241,488</u>	<u>241,488</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>76,488</u>	<u>76,488</u>
Net Change in Fund Balance	(6,668,057)	(6,668,057)	(1,306,666)	5,361,391
Fund Balance - beginning	<u>5,510,909</u>	<u>5,510,909</u>	<u>5,510,909</u>	<u>-</u>
Fund Balance - ending	<u>\$ (1,157,148)</u>	<u>\$ (1,157,148)</u>	<u>\$ 4,204,243</u>	<u>\$ 5,361,391</u>

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

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal		Principal	Total *
2022	\$ 646,737	\$ 337,660	\$ 1,342,056	\$ 201,657	\$ 323,785	\$ 25,838	\$ 1,266,762	\$ 506,640	\$ 3,579,340	\$ 1,071,795	\$ 4,651,135	
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	-	-	-	-	-	-	407,999	17,606	407,999	17,606	425,605	
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>\$ 11,458,604</u>	<u>\$ 2,537,329</u>	<u>\$ 10,257,938</u>	<u>\$ 841,499</u>	<u>\$ 1,291,918</u>	<u>\$ 64,586</u>	<u>\$ 28,006,396</u>	<u>\$ 7,120,617</u>	<u>\$ 51,014,856</u>	<u>\$ 10,564,031</u>	<u>\$ 61,578,887</u>	

* Excludes FPU interim advances not yet amortizing

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

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

Year Ending June 30,	General Obligation Bonds		General Obligation Bonds		General Obligation Bonds		General Obligation Bonds		General Capital Outlay		Total General	
	Series 2021A, Schools		Series 2021A		Series 2021B		Series 2017		Note 2019		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>	<u>Principal</u>	<u>Interest</u>
2022	\$ 220,000	\$ 84,648	\$ 135,000	\$ 46,448	\$ -	\$ 193,013	\$ 146,215	\$ 11,862	\$ 145,522	\$ 1,689	\$ 646,737	\$ 337,660
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>\$ 4,245,000</u>	<u>\$ 601,720</u>	<u>\$ 2,155,000</u>	<u>\$ 284,345</u>	<u>\$ 4,320,000</u>	<u>\$ 1,619,863</u>	<u>\$ 593,082</u>	<u>\$ 29,712</u>	<u>\$ 145,522</u>	<u>\$ 1,689</u>	<u>\$ 11,458,604</u>	<u>\$ 2,537,329</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

Year	Series 2019		Series 2016		RUS Rural Economic Development Loan (LCHS)		Total Electric	
Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 478,000	\$ 25,257	\$ 845,000	\$ 176,400	\$ 19,056	\$ -	\$ 1,342,056	\$ 201,657
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>\$ 1,411,000</u>	<u>\$ 50,299</u>	<u>\$ 8,820,000</u>	<u>\$ 791,200</u>	<u>\$ 26,938</u>	<u>\$ -</u>	<u>\$ 10,257,938</u>	<u>\$ 841,499</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

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>
2022	\$ 73,495	\$ 66,364	\$ 91,751	\$ 131,761	\$ 50,292	\$ 58,620	\$ 32,987	\$ 47,725
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	12,444	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>\$ 2,982,954</u>	<u>\$ 1,085,454</u>	<u>\$ 4,433,672</u>	<u>\$ 2,313,611</u>	<u>\$ 2,367,676</u>	<u>\$ 1,053,189</u>	<u>\$ 1,750,421</u>	<u>\$ 916,813</u>

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

June 30, 2021

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>
2022	\$ 35,436	\$ 5,640	\$ 183,678	\$ 33,408	\$ 172,260	\$ 40,692	\$ 70,224	\$ 17,196
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	-	-	-	-	-	-	-	-
	<u>\$ 498,113</u>	<u>\$ 39,336</u>	<u>\$ 2,939,637</u>	<u>\$ 262,370</u>	<u>\$ 3,027,266</u>	<u>\$ 344,498</u>	<u>\$ 1,277,821</u>	<u>\$ 150,172</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER (CONTINUED)
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

Year Ending <u>June 30,</u>	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>Principal</u>	<u>Interest</u>
2022	\$ 232,980	\$ 48,972	\$ 40,764	\$ 10,416	\$ 133,368	\$ 37,200	\$ 149,527	\$ 8,646	\$ 1,266,762	\$ 506,640
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	-	-	-	-	-	-	-	-	407,999	17,606
2052	-	-	-	-	-	-	-	-	223,261	8,286
2053	-	-	-	-	-	-	-	-	121,586	3,719
2054	-	-	-	-	-	-	-	-	79,420	1,292
2055	-	-	-	-	-	-	-	-	3,730	8
	<u>\$ 4,478,836</u>	<u>\$ 455,358</u>	<u>\$ 813,488</u>	<u>\$ 99,173</u>	<u>\$ 2,900,848</u>	<u>\$ 382,702</u>	<u>\$ 535,664</u>	<u>\$ 17,941</u>	<u>\$ 28,006,396</u>	<u>\$ 7,120,617</u>

* Excludes interim advances not yet amortizing

CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
<u>Payable through General Government</u>									
<u>BONDS PAYABLE</u>									
General Obligation, Series 2013B	\$ 1,045,000	1.0% to 4.5%	10/1/2013	6/1/2033	\$ 745,000	\$ -	\$ -	\$ 745,000	\$ -
General Obligation, Series 2014	2,000,000	2.0% to 3.5%	12/1/2014	6/1/2035	1,665,000	-	-	1,665,000	-
General Obligation, Series 2017	975,427	2.0% to 5.0%	9/28/2017	6/1/2025	742,275	-	149,193	-	593,082
General Obligation, Series 2021A	2,295,000	1.3% to 3.0%	2/19/2021	6/1/2037	-	2,295,000	140,000	-	2,155,000
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>\$ 3,152,275</u>	<u>\$ 6,615,000</u>	<u>\$ 289,193</u>	<u>\$ 2,410,000</u>	<u>\$ 7,068,082</u>
<u>OTHER LOANS PAYABLE</u>									
Bank Capital Outlay Note	\$ 509,135	2.80%	5/2/2019	5/2/2022	\$ 315,818	\$ -	\$ 170,296	\$ -	\$ 145,522
Total Loans Payable through General Government					<u>\$ 315,818</u>	<u>\$ -</u>	<u>\$ 170,296</u>	<u>\$ -</u>	<u>\$ 145,522</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	\$ 9,630,000	-	\$ 810,000	-	\$ 8,820,000
Revenue Bonds, Series 2019	3,116,000	1.79%	12/12/2019	6/1/2024	1,899,000	-	488,000	-	1,411,000
Total Bonds Payable through Electric Department					<u>\$ 11,529,000</u>	<u>\$ -</u>	<u>\$ 1,298,000</u>	<u>\$ -</u>	<u>\$ 10,231,000</u>
<u>OTHER LOANS PAYABLE</u>									
USDA Rural Economic Development Loan	\$ 133,334	0.00%	11/30/2015	12/8/2022	\$ 45,994	\$ -	\$ 19,056	\$ -	\$ 26,938
Total Loans Payable through Electric Department					<u>\$ 45,994</u>	<u>\$ -</u>	<u>\$ 19,056</u>	<u>\$ -</u>	<u>\$ 26,938</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	\$ 1,602,725	\$ -	\$ 310,807	\$ -	\$ 1,291,918
Total Bonds Payable through Gas Department					<u>\$ 1,602,725</u>	<u>\$ -</u>	<u>\$ 310,807</u>	<u>\$ -</u>	<u>\$ 1,291,918</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE (CONTINUED)
June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
<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	\$ 3,054,816	\$ -	\$ 71,862	\$ -	\$ 2,982,954
USDA Revenue & Tax Bond Series 2009	4,980,000	3.00%	10/15/2014	10/15/2051	4,522,715	-	89,043	-	4,433,672
USDA Revenue & Tax Bond Series 2009A	2,623,000	2.50%	1/24/2015	11/30/2052	2,416,727	-	49,051	-	2,367,676
USDA Revenue & Tax Bond Series 2015	1,900,000	2.75%	7/20/2016	7/31/2054	1,782,515	-	32,094	-	1,750,421
Total Bonds Payable through Water Department					<u>\$ 11,776,773</u>	<u>\$ -</u>	<u>\$ 242,050</u>	<u>\$ -</u>	<u>\$ 11,534,723</u>
<u>OTHER LOANS PAYABLE</u>									
State Revolving Fund Loan (CW0)	\$ 972,360	1.17%	2/4/2013	7/20/2034	\$ 533,141	\$ -	\$ 35,028	\$ -	\$ 498,113
State Revolving Fund Loan (CG1)	4,300,000	1.17%	2/4/2013	3/20/2036	3,121,179	-	181,542	-	2,939,637
State Revolving Fund Loan (CG4)	4,000,000	1.38%	1/23/2015	4/20/2037	3,197,174	-	169,908	-	3,027,266
State Revolving Fund Loan (CG2)	1,700,000	1.38%	1/23/2015	10/20/2037	1,347,085	-	69,264	-	1,277,821
State Revolving Fund Loan (DWF)	5,050,000	1.12%	5/10/2016	12/20/2038	4,709,224	-	230,388	-	4,478,836
State Revolving Fund Loan (CW6)	1,000,000	1.31%	11/29/2017	4/20/2039	853,724	-	40,236	-	813,488
State Revolving Fund Loan (SRF)	3,000,000	1.31%	11/29/2017	9/20/2040	2,436,720	563,131	99,003	-	2,900,848
State Revolving Fund Loan (DWF)	621,000	0.14%	3/11/2021	(1)	-	117,449	-	-	117,449
TDOT Utility Relocation Loan	2,070,465	1.85%	8/22/2005	12/20/2024	682,452	-	146,788	-	535,664
Total Loans Payable through Water Department					<u>\$ 16,880,699</u>	<u>\$ 680,580</u>	<u>\$ 972,157</u>	<u>\$ -</u>	<u>\$ 16,589,122</u>
<u>Payable through Sanitation Department</u>									
<u>OTHER LOANS PAYABLE</u>									
Bank Installment Note	\$ 205,000	2.50%	7/18/2017	7/18/2020	\$ 5,915	\$ -	\$ 5,915	\$ -	\$ -
Total Loans Payable through Sanitation Department					<u>\$ 5,915</u>	<u>\$ -</u>	<u>\$ 5,915</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Payable through Fayetteville City Schools</u>									
<u>BONDS PAYABLE</u>									
General Obligation Bonds, Series 2013	6,140,000	2.0%-3.25%	5/1/2013	6/1/2037	\$ 4,645,000	\$ -	\$ -	\$ 4,645,000	\$ -
General Obligation Refunding Bonds, Series 2021A	4,480,000	1.3%-3.0%	2/19/2021	6/1/2037	-	4,480,000	235,000	-	4,245,000
Total Bonds Payable through Fayetteville City Schools					<u>\$ 4,645,000</u>	<u>\$ 4,480,000</u>	<u>\$ 235,000</u>	<u>\$ 4,645,000</u>	<u>\$ 4,245,000</u>

(1) Total amount approved was \$621,000, of which \$503,551 remains available for draws as of June 30, 2021.

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

June 30, 2021

Residential

Customer Charge	\$24.40 per month
Energy Charge	7.416 cents per KWH
TVA Total Monthly Fuel Cost	1.856 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	\$41.00 per month
Energy Charge		8.594 cents per KWH
TVA Total Monthly Fuel Cost		1.828 cents per KWH

51 KW TO 1,000 KW

Customer Charge		\$225.00 per month
Demand Charge	First 50 KW	\$9.00 per KW
	Excess over 50 KW	\$15.96 per KW
Energy Charge	First 15,000 KWH	6.062 cents per KWH
	Additional KWH	4.309 cents per KWH
TVA Total Monthly Fuel Cost	First 15,000 KWH	1.828 cents per KWH
	Additional KWH	1.796 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		1.796 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		1.624 cents per KWH

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF GAS UTILITY RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

Residential

Monthly minimum	\$	5.00
Per ccf consumed per month		1

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

Monthly minimum	\$	5.66
Per ccf consumed per month		1.05

General Commercial and Industrial

Monthly minimum	\$	5.66
Per ccf consumed per month		0.945

Housing Authority

Monthly minimum	\$	5.00
Per ccf consumed per month		0.925

Interruptible Service

Per ccf consumed per month	\$	0.452
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Firm Industrial

Monthly minimum	\$	100.00
Per ccf consumed per month		0.602

Note: ccf represents 100 cubic feet.

**FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF TELECOM RATES IN EFFECT**

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

Cable TV Service

Budget basic	\$ 37.66
Basic plus	88.58
Basic digital	99.25
Digital service with DVR only	103.87
Digital service with HD only	99.25
Complete digital package	103.87

Digital Premium Channels

HBO	17.46
Cinemax	10.95
HBO/Cinemax package	24.00
Showtime/Movie channel/FLIX package	14.95
Encore	7.95
Encore/Starz package	11.95

Additional Cable Equipment Available

Digital converter w/ remote	7.50
HD box	12.00
HD box with DVR	13.00
Cable card	2.50
Inside wire maintenance	4.00

Internet Services

75 Mbps	\$ 47.49
100 Mbps	67.49
125 Mbps	80.09
Cable modem (may be purchased for \$50.00)	6.50

VOIP Phone Services

Unlimited service	\$ 45.95
Basic service	43.95
With internet and cable	
Unlimited service	30.95
Basic service	28.95
With internet or cable	
Unlimited service	35.95
Basic service	33.95

**FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF WATER AND SEWER UTILITY RATES IN EFFECT**

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

	<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	\$ 11.700	\$ 14.080	\$ 12.850	\$ 15.480	\$ 12.280	\$ 12.850	\$ 12.180	\$ 12.480
All over 748 gallons*	6.644	7.981						
Next 6,732 gallons*			7.340	8.824	6.979	7.340	6.845	7.246
All over 7,480 gallons*			5.348	6.471	5.267	N/A	5.134	5.535
Next 890,120 gallons*						5.842		
All over 897,600 gallons*						3.904		
<u>Wastewater Rates</u>								
First 748 gallons	17.110	19.680	19.490		19.490			
All over 748 gallons*	9.719	11.176	11.070		11.070			

**Per 1000 gallons*

Number of water and wastewater customers at June 30,

	<u>2021</u>	<u>2020</u>
Water	4,694	4,679
Sewer	3,558	3,569

CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF SANITATION RATES IN EFFECT

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

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, 2021

	June 30, <u>2021</u>	<u>2020</u>
Electric	18,807	18,639
Gas	6,528	6,450
Telecom division -Cable	2,059	2,347
Telecom division -Internet	3,319	2,820
Telecom division -Phone	335	323
Water	4,694	4,679
Wastewater	3,558	3,569
Sanitation	2,716	2,731

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2021

<u>Year</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Taxes</u> <u>Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2021</u>
2021	\$ -	\$ 2,945,226	\$ -	\$ -	\$ 2,945,226
2020	2,939,715	-	(42,034)	(2,674,341)	223,340
2019	121,568	-	16,955	(108,254)	30,269
2018	19,363	-	-	(12,999)	6,364
2017	4,418	-	-	(2,247)	2,171
2016	1,397	-	-	(58)	1,339
2015	3,572	-	-	(58)	3,514
2014	3,480	-	-	-	3,480
2013	3,484	-	-	-	3,484
2012	2,234	-	-	-	2,234
	<u>\$ 3,099,231</u>	<u>\$ 2,945,226</u>	<u>\$ (25,079)</u>	<u>\$ (2,797,957)</u>	<u>3,221,421</u>
Less allowance for uncollectible taxes					(54,630)
Balance, end of year, net of allowance					<u>\$ 3,166,791</u>

All uncollectible real estate taxes for tax years prior to 2020 have been turned over to the Clerk and Master for collection.

DIRECTORY OF OFFICIALS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2021

Mayor - Michael Whisenant

Board of Alderman

Danny Bryant - Vice Mayor

Dorothy Small

Donna Hartman

Jeff Alder

Tonya Allen

Rachael Martinez, through November 2020

Roger Martinez, beginning November 2020

City Administrator - Scott Collins, through August 2021

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, 2021

During the year ended June 30, 2021, the government turned over \$27,064 of 2019 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, 2021

<u>Tax Year</u>	<u>Total Assessed Value</u>	<u>City Property Tax Rate</u>	<u>Levy</u>
2012	\$ 142,572,639	\$ 1.3195	\$ 1,923,360
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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
CITY OF FAYETTEVILLE, TENNESSEE
Year Ended June 30, 2021

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program/Cluster Name</u>	<u>CFDA 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 /					
TN Dept of Finance & Administration	COVID-19 / Coronavirus Relief Fund	21.019 - COVID	N/A	\$ -	\$ 105,255
Total U.S. Dept of Treasury				-	105,255
Total Federal Awards				-	105,255
<u>State Financial Assistance</u>					
TN Department of Finance and Administration	Camp Blount Direct Appropriation Grant	N/A	N/A	-	226,848
TN Department of Finance and Administration	Direct Appropriation Grant	N/A	N/A	-	184,854
TN Department of Environment & Conservation	Local Parks & Recreation Fund Grant	N/A	N/A	-	494,258
Total State Awards				-	905,960
Total Federal & State Awards				\$ -	\$ 1,011,215

NOTE A - BASIS OF PRESENTATION

This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the government under programs of the federal and state governments for the year ended June 30, 2021. 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. This schedule is presented using the modified accrual basis of accounting.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association
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Water Audit Report for: **Fayetteville Public Utilities (0000242)**
 Reporting Year: **2021** **7/2020 - 6/2021**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: 10 MG/Yr
 Water imported: n/a MG/Yr
 Water exported: 10 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: 7 ☐ ☐ ☐ ☐ MG/Yr
 Value: MG/Yr
 9 ☐ ☐ ☐ ☐ MG/Yr

Enter negative % or value for under-registration
 Enter positive % or value for over-registration

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 10 MG/Yr
 Billed unmetered: n/a MG/Yr
 Unbilled metered: 10 MG/Yr
 Unbilled unmetered: 10 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt: ☐ ☐ ☐ ☐ Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: ☐ ☐ ☐ ☐ Value: MG/Yr

☐ ☐ ☐ ☐ MG/Yr
 ☐ ☐ ☐ ☐ MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 8 MG/Yr
 Systematic data handling errors: MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 9 miles
 Number of active AND inactive service connections: 9
 Service connection density: conn./mile main

Are customer meters typically located at the curbside or property line?

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 6 psi

COST DATA

Total annual cost of operating water system: 10 \$/Year
 Customer retail unit cost (applied to Apparent Losses): 10 \$/100 cubic feet (ccf)
 Variable production cost (applied to Real Losses): 10 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 93 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption

2: Systematic data handling errors

3: Customer metering inaccuracies



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: **Fayetteville Public Utilities (0000242)**

Reporting Year: **2021** **7/2020 - 6/2021**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 93 out of 100 *****

System Attributes:

Apparent Losses:	11.318	MG/Yr
+	Real Losses:	191.607 MG/Yr
=	Water Losses:	202.925 MG/Yr

? Unavoidable Annual Real Losses (UARL): **42.48** MG/Yr

Annual cost of Apparent Losses: **\$70,050**

Annual cost of Real Losses: **\$63,449** Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **35.9%**

Non-revenue water as percent by cost of operating system: **4.0%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **5.95** gallons/connection/day

Real Losses per service connection per day: **100.68** gallons/connection/day

Real Losses per length of main per day*: **N/A**

Real Losses per service connection per day per psi pressure: **1.35** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **191.61** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **4.51**

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

INTERNAL CONTROL AND COMPLIANCE SECTION

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, 2021, 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 November 29, 2021.

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 have not been identified.

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
November 29, 2021

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE

For the Fiscal Year Ended June 30, 2021

Financial Statement Findings

Finding Number	Finding Title	Status
2018-001	Budgets	Corrected
2020-001	Expenditure made without appropriately following purchasing policy	Corrected
2020-002	Sick leave paid out in excess of personnel policy	Corrected

Federal Award Findings and Questioned Costs

Not applicable