

AUDITED FINANCIAL STATEMENTS

OF

CITY OF

FAYETTEVILLE, TENNESSEE

Year Ended June 30, 2017

CITY OF FAYETTEVILLE, TENNESSEE

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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, and each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2017, 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 of 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, 2017, 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 schedule of funding progress on page 73, and the pension information on pages 74 through 79 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 combining and individual fund financial statements 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 combining and individual fund financial statements 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 taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the City of Fayetteville, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fayetteville, Tennessee's internal control over financial reporting and compliance.

Putman & Hancock, CPAs

Fayetteville, Tennessee
December 8, 2017

City of Fayetteville

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MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended June 30, 2017

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, 2017. 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. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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), city court, recreation, highways and streets, housing and community development, 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.

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	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 18,872,320	\$ 17,396,981	\$ 46,768,365	\$ 48,038,515	\$ 65,640,685	\$ 65,435,496
Capital assets	27,673,365	28,224,852	110,527,123	99,985,306	138,200,488	128,210,158
Total assets	46,545,685	45,621,833	157,295,488	148,023,821	203,841,173	193,645,654
Total deferred outflows of resources	2,875,820	1,250,231	610,679	676,330	3,486,499	1,926,561
Long-term liabilities outstanding	13,021,213	11,983,883	45,475,236	43,384,816	58,496,449	55,368,699
Other liabilities	1,095,070	1,120,419	8,253,909	7,982,759	9,348,979	9,103,178
Total liabilities	14,116,283	13,104,302	53,729,145	51,367,575	67,845,428	64,471,877
Total deferred inflows of resources	4,531,886	4,760,673	-	-	4,531,886	4,760,673
Net position						
Net investment in capital assets	18,377,667	18,473,585	67,946,900	59,000,876	86,324,567	77,474,461
Restricted	4,560,240	3,065,738	3,199,446	1,876,579	7,759,686	4,942,317
Unrestricted	7,835,429	7,467,766	33,030,676	36,455,121	40,866,105	43,922,887
Total net position	\$ 30,773,336	\$ 29,007,089	\$ 104,177,022	\$ 97,332,576	\$ 134,950,358	\$ 126,339,665

Net position of the City's governmental activities increased 6.09 percent in the fiscal year 2017. Net position of the City's business-type activities increased 7.03 percent in the fiscal year 2017.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for services	\$ 735,744	\$ 723,201	\$ 64,319,013	\$ 61,824,407	\$ 65,054,757	\$ 62,547,608
Operating grants and contributions	10,451,040	9,842,238	-	-	10,451,040	9,842,238
Capital grants and contributions	537,563	1,238,560	1,497,003	2,278,027	2,034,566	3,516,587
General revenues:						
Property taxes	3,909,261	3,888,705	-	-	3,909,261	3,888,705
Other taxes	6,068,869	5,961,921	-	-	6,068,869	5,961,921
Other general revenues	127,238	150,974	67,925	27,459	195,163	178,433
Total revenues	<u>21,829,715</u>	<u>21,805,599</u>	<u>65,883,941</u>	<u>64,129,893</u>	<u>87,713,656</u>	<u>85,935,492</u>
Program Expenses:						
General government	1,059,049	888,420	-	-	1,059,049	888,420
Public safety	4,668,040	4,152,913	-	-	4,668,040	4,152,913
Recreation	750,321	729,146	-	-	750,321	729,146
Highways and streets	1,716,234	2,003,673	-	-	1,716,234	2,003,673
Sanitation	-	50,078	433,521	353,701	433,521	403,779
Housing and community development	776,317	720,691	-	-	776,317	720,691
Garage	150,201	153,938	-	-	150,201	153,938
Education	12,115,520	12,011,279	-	-	12,115,520	12,011,279
Interest on long-term debt	273,329	281,891	-	-	273,329	281,891
Electric, telecom, water and gas	-	-	57,160,431	55,546,482	57,160,431	55,546,482
Total expenses	<u>21,509,011</u>	<u>20,992,029</u>	<u>57,593,952</u>	<u>55,900,183</u>	<u>79,102,963</u>	<u>76,892,212</u>
Excess (deficiency) before transfers	<u>320,704</u>	<u>813,570</u>	<u>8,289,989</u>	<u>8,229,710</u>	<u>8,610,693</u>	<u>9,043,280</u>
Transfers	1,445,543	1,434,838	(1,445,543)	(1,434,838)	-	-
Increase in net position	<u>\$ 1,766,247</u>	<u>\$ 2,248,408</u>	<u>\$ 6,844,446</u>	<u>\$ 6,794,872</u>	<u>\$ 8,610,693</u>	<u>\$ 9,043,280</u>

The City's total revenues increased 2.069 percent from the fiscal year ended June 30, 2016 to the fiscal year ended June 30, 2017, while total expenses increased 2.88 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, 2017 and 2016. The net costs show the financial burden that was placed on the City's taxpayers by each of these functions.

Total Costs and Net Expenditures By Function

	Total Costs of Services		Net Costs of Services	
	2017	2016	2017	2016
General government	\$ 1,059,049	\$ 888,420	\$ 626,444	\$ 565,674
Public safety	4,668,040	4,152,913	3,791,738	3,505,690
Recreation	750,321	729,146	644,043	617,564
Highways and street	1,716,234	2,053,751	1,341,150	720,302
Housing and community development	776,317	720,691	775,217	719,441
Garage	150,201	153,938	150,201	153,938
Education	12,115,520	12,011,279	2,182,542	2,623,530
Interest on long-term debt	273,329	281,891	273,329	281,891
Total Net Expenditures	<u>\$ 21,509,011</u>	<u>\$ 20,992,029</u>	<u>\$ 9,784,664</u>	<u>\$ 9,188,030</u>

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2017 and 2016. These revenues are required to cover the net expenditures listed above.

Revenues by Source

	2017	2016
Property taxes	\$ 3,909,261	\$ 3,888,705
In lieu of taxes	640,206	645,211
Sales taxes	3,610,830	3,475,265
Alcoholic beverage taxes	546,467	536,325
Other local taxes	459,017	447,696
Other state taxes	812,349	857,424
Other	192,499	129,735
Unrestricted investment earnings	22,950	24,322
Gain (loss) on sale of assets	(88,211)	(3,083)
Transfers	1,445,543	1,434,838
Total General Revenues and Transfers	<u>\$ 11,550,911</u>	<u>\$ 11,436,438</u>

Proprietary Funds

The City's major proprietary funds consist of the natural gas, electric, water and sewer, and telecommunications services provided to the residents of Fayetteville and Lincoln County and sanitation services provided to the residents of Fayetteville. The basic financial statements for the major funds are included in this report. Because the focus on proprietary funds is a cost of service measurement or capital maintenance, we have included these funds in the table below, which demonstrates return on ending assets and return on ending net position.

	Gas	Electric	Water	Telecom	Sanitation	Total
Fiscal Year Ended June 30, 2017						
Total Assets and Deferred						
Outflows of Resources	\$ 22,178,120	\$ 83,695,922	\$ 48,107,281	\$ 3,595,862	\$ 953,862	\$ 158,531,047
Net Position	18,774,986	60,376,003	22,559,335	1,622,849	843,849	104,177,022
Change in Net Position	442,765	3,764,337	1,833,515	726,724	77,105	6,844,446
Return on Ending Total Assets	2.00%	4.50%	3.81%	20.21%	8.08%	4.32%
Return on Ending Net Position	2.36%	6.23%	8.13%	44.78%	9.14%	6.57%
Fiscal Year Ended June 30, 2016						
Total Assets and Deferred						
Outflows of Resources	\$ 22,145,711	\$ 81,101,147	\$ 41,858,765	\$ 3,591,576	\$ 909,801	\$ 149,607,000
Net Position	18,332,221	56,611,666	20,725,820	896,125	766,744	97,332,576
Change in Net Position	567,081	2,364,835	3,146,724	643,264	72,968	6,794,872
Return on Ending Total Assets	2.56%	2.92%	7.52%	17.91%	8.02%	4.54%
Return on Ending Net Position	3.09%	4.18%	15.18%	71.78%	9.52%	6.98%

CAPITAL ASSETS

As of June 30, 2017, the City has \$138 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 \$9,990,330 or 7.79 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2017 and 2016, for governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,658,466	\$ 3,561,266	\$ 1,098,495	\$ 1,098,495	\$ 4,756,961	\$ 4,659,761
Buildings	21,671,099	21,731,744	4,295,505	4,286,553	25,966,604	26,018,297
Improvements other than buildings	2,534,112	2,534,112	-	-	2,534,112	2,534,112
Machinery and equipment	9,182,320	8,968,181	158,087,465	145,828,331	167,269,785	154,796,512
Infrastructure	6,363,352	6,145,304	648,547	635,747	7,011,899	6,781,051
	<u>43,409,349</u>	<u>42,940,607</u>	<u>164,130,012</u>	<u>151,849,126</u>	<u>207,539,361</u>	<u>194,789,733</u>
Total plant and equipment in service						
Construction work in progress	237,023	554,077	13,486,238	14,244,097	13,723,261	14,798,174
	<u>43,646,372</u>	<u>43,494,684</u>	<u>177,616,250</u>	<u>166,093,223</u>	<u>221,262,622</u>	<u>209,587,907</u>
Less accumulated depreciation	(15,973,007)	(15,269,832)	(67,089,127)	(66,107,917)	(83,062,134)	(81,377,749)
	<u>\$ 27,673,365</u>	<u>\$ 28,224,852</u>	<u>\$ 110,527,123</u>	<u>\$ 99,985,306</u>	<u>\$ 138,200,488</u>	<u>\$ 128,210,158</u>

DEBT ADMINISTRATION

Debt, considered a liability of governmental and business-type activities, increased in fiscal year 2017 by \$3,127,750.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Bonds						
General Obligation	\$ 9,205,000	\$ 9,655,000	\$ 4,625,000	\$ 5,575,000	\$ 13,830,000	\$ 15,230,000
Revenue	-	-	27,555,754	28,785,008	27,555,754	28,785,008
Deferred amounts	89,656	95,075	312,376	348,575	402,032	443,650
Total Bonds	<u>9,294,656</u>	<u>9,750,075</u>	<u>32,493,130</u>	<u>34,708,583</u>	<u>41,787,786</u>	<u>44,458,658</u>
Loans						
Tennessee utility relocation loan	-	-	1,106,900	1,243,208	1,106,900	1,243,208
Tennessee revolving fund loan	-	-	9,457,903	4,726,016	9,457,903	4,726,016
Tennessee municipal bond fund	-	-	-	62,300	-	62,300
RUS economic development loan	-	-	103,161	122,217	103,161	122,217
Total Loans	<u>-</u>	<u>-</u>	<u>10,667,964</u>	<u>6,153,741</u>	<u>10,667,964</u>	<u>6,153,741</u>
Postemployment benefit obligation	818,108	725,131	915,249	810,974	1,733,357	1,536,105
Advances from TVA	-	-	647,647	856,517	647,647	856,517
Compensated absences	633,194	568,235	751,246	855,001	1,384,440	1,423,236
Net pension liability	2,099,410	751,073	-	-	2,099,410	751,073
Landfill postclosure costs	175,845	189,369	-	-	175,845	189,369
Totals	<u>\$ 13,021,213</u>	<u>\$ 11,983,883</u>	<u>\$ 45,475,236</u>	<u>\$ 43,384,816</u>	<u>\$ 58,496,449</u>	<u>\$ 55,368,699</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the last year, the Board of Mayor and Alderman approved several projects. These approvals include major items: such as building and developing a greenway along the Elk River, and construction of Highland Drive. Construction of Highland Drive was finished during the fiscal year 2018 and was a construction in progress during fiscal year 2017. During Fiscal year 2017, the City finished a remodeling project of restrooms at Kiwanis Park and put into service a new pumper fire truck. We are also continuing progress in the Industrial Park by starting work on a third industrial facility in the park and finishing the infrastructure within the back portion of the industrial park. Construction of the greenway along the Elk River is still underway and remains a high priority of the City along with the development of Camp Blount along the banks of the Elk River. The City continues the policy of rewarding departments by returning one-half of their savings (budgeted expenses less actual expenditures) to their next year's budget to effectively manage their budgets.

As the City closed fiscal year 2017, the financial condition of the City is solid due to the management approach of the Board of Mayor and Alderman, administration, and the 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 2018 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 a decrease in expenses in the fiscal year 2018 budget due to nonrecurring expenses of projects that were completed during fiscal year 2017. Residential building has continued to increase within the City limits. Personnel benefits, retirement and health insurance costs continue to have slight increases every year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,058,179	\$ 31,814,620	\$ 45,872,799
Receivables	4,638,698	6,216,942	10,855,640
Internal balances	75,024	(75,024)	-
Inventory	25,574	1,655,778	1,681,352
Prepaid expenses	61,795	2,323,276	2,385,071
Restricted assets	-	3,698,247	3,698,247
Net pension asset - teacher retirement plan	13,050	-	13,050
Other assets	-	1,134,526	1,134,526
Capital assets (net of accumulated depreciation)			
Land	3,658,466	1,098,495	4,756,961
Buildings and improvements	15,951,851	2,211,642	18,163,493
Machinery and equipment	3,517,782	93,729,441	97,247,223
Infrastructure	4,308,243	1,307	4,309,550
Construction in progress	237,023	13,486,238	13,723,261
TOTAL ASSETS	46,545,685	157,295,488	203,841,173
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,875,820	-	2,875,820
Excess consideration provided for acquisition	-	132,970	132,970
Deferred charge on refunding	-	477,709	477,709
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,875,820	610,679	3,486,499
LIABILITIES			
Accounts payable and accrued expenses	1,047,426	6,081,755	7,129,181
Accrued interest payable	22,413	62,440	84,853
Unearned revenue	25,231	-	25,231
Deposits	-	2,109,714	2,109,714
Noncurrent liabilities:			
Due in one year	703,130	3,253,040	3,956,170
Due in more than one year	12,318,083	42,222,196	54,540,279
TOTAL LIABILITIES	14,116,283	53,729,145	67,845,428
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,933,118	-	2,933,118
Deferred inflows related to pensions	1,597,726	-	1,597,726
Deferred credit on refunding	1,042	-	1,042
TOTAL DEFERRED INFLOWS OF RESOURCES	4,531,886	-	4,531,886
NET POSITION			
Net investment in capital assets	18,377,667	67,946,900	86,324,567
Restricted for:			
Debt service	-	2,405,348	2,405,348
Teacher retirement plan pension	10,960	-	10,960
Improvements and construction	-	794,098	794,098
Drug education and enforcement	50,900	-	50,900
Capital projects	441,166	-	441,166
Education	4,057,214	-	4,057,214
Unrestricted	7,835,429	33,030,676	40,866,105
TOTAL NET POSITION	\$ 30,773,336	\$ 104,177,022	\$ 134,950,358

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

STATEMENT OF ACTIVITIES
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2017

Function/ Program	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<u>Governmental activities:</u>							
General government	\$ 1,059,049	\$ 323,605	\$ -	\$ 109,000	\$ (626,444)	\$ -	\$ (626,444)
Public safety	4,668,040	109,094	599,520	167,688	(3,791,738)	-	(3,791,738)
Recreation	750,321	45,627	-	60,651	(644,043)	-	(644,043)
Highways and streets	1,716,234	-	204,860	170,224	(1,341,150)	-	(1,341,150)
Housing and community development	776,317	-	1,100	-	(775,217)	-	(775,217)
Garage	150,201	-	-	-	(150,201)	-	(150,201)
Education	12,115,520	257,418	9,645,560	30,000	(2,182,542)	-	(2,182,542)
Interest on long-term debt	273,329	-	-	-	(273,329)	-	(273,329)
Total governmental activities	21,509,011	735,744	10,451,040	537,563	(9,784,664)	-	(9,784,664)
<u>Business-type activities:</u>							
Electric	43,313,548	47,323,495	-	567,530	-	4,577,477	4,577,477
Gas	5,450,179	6,093,681	-	65,718	-	709,220	709,220
Telecom	3,715,561	4,392,715	-	49,341	-	726,495	726,495
Water and sewer	4,681,143	5,967,880	-	814,414	-	2,101,151	2,101,151
Sanitation	433,521	541,242	-	-	-	107,721	107,721
Total business-type activities	57,593,952	64,319,013	-	1,497,003	-	8,222,064	8,222,064
Total Government	<u>\$ 79,102,963</u>	<u>\$ 65,054,757</u>	<u>\$ 10,451,040</u>	<u>\$ 2,034,566</u>	<u>(9,784,664)</u>	<u>8,222,064</u>	<u>(1,562,600)</u>
General revenues:							
Property taxes					3,909,261	-	3,909,261
Business taxes					254,511	-	254,511
In lieu of tax					640,206	-	640,206
Sales taxes					3,610,830	-	3,610,830
Occupancy taxes					97,551	-	97,551
Alcoholic beverage taxes					546,467	-	546,467
Franchise taxes					106,317	-	106,317
Other local taxes					638	-	638
State shared revenues					812,349	-	812,349
Other					192,499	-	192,499
Gain (loss) on sale of capital assets					(88,211)	(18,154)	(106,365)
Unrestricted investment earnings					22,950	86,079	109,029
Transfers					1,445,543	(1,445,543)	-
Total general revenues and transfers					11,550,911	(1,377,618)	10,173,293
Change in net position					1,766,247	6,844,446	8,610,693
Net position - beginning					29,007,089	97,332,576	126,339,665
Net position - ending					\$ 30,773,336	\$ 104,177,022	\$ 134,950,358

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

BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

	General	School General	Total Nonmajor Funds	Total Governmental Funds
Assets:				
Cash	\$ 7,454,351	\$ 4,354,530	\$ 2,249,298	\$ 14,058,179
Receivables	3,175,447	769	-	3,176,216
Due from other funds	78,614	272	37,297	116,183
Due from other governments	1,027,570	376,495	58,417	1,462,482
Inventory	8,008	-	17,566	25,574
Prepaid expenses	61,795	-	-	61,795
TOTAL ASSETS	\$ 11,805,785	\$ 4,732,066	\$ 2,362,578	\$ 18,900,429
Liabilities:				
Accounts payable	\$ 94,356	\$ -	\$ 78,941	\$ 173,297
Other accrued expenses	121,709	752,420	-	874,129
Due to other funds	37,297	-	3,862	41,159
Unearned revenue	-	-	25,231	25,231
TOTAL LIABILITIES	253,362	752,420	108,034	1,113,816
Deferred Inflows of Resources:				
Unavailable revenue - state and local taxes	322,623	113,040	-	435,663
Unavailable revenue - property taxes	3,050,594	-	-	3,050,594
Unavailable revenue - other	346,091	-	-	346,091
TOTAL DEFERRED INFLOWS OF RESOURCES	3,719,308	113,040	-	3,832,348
Fund Balances:				
Nonspendable				
Inventory and prepayments	69,803	-	17,566	87,369
Restricted:				
Capital projects	-	-	441,166	441,166
Public safety	-	-	50,900	50,900
Assigned:				
Budget reserve	61,856	-	-	61,856
Industrial park	-	-	1,672	1,672
Capital projects	-	-	1,234,803	1,234,803
Education	-	3,866,606	201,568	4,068,174
Debt service	-	-	306,869	306,869
Unassigned	7,701,456	-	-	7,701,456
TOTAL FUND BALANCES	7,833,115	3,866,606	2,254,544	13,954,265
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 11,805,785	\$ 4,732,066	\$ 2,362,578	

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.	27,673,365
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	899,230
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.	(808,266)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(10,945,258)
Net position of governmental activities	<u>\$ 30,773,336</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, 2017

	General	School General	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$ 2,632,779	\$ -	\$ -	\$ 2,632,779
Business	251,636	-	-	251,636
Wholesale beer	347,746	-	-	347,746
Alcoholic beverage	144,224	-	-	144,224
Sales	2,590,612	-	-	2,590,612
Occupancy	97,551	-	-	97,551
Tax equivalency	640,206	-	-	640,206
Licenses and permits	46,266	-	-	46,266
Fines	76,848	-	32,246	109,094
Franchise fees	106,326	-	-	106,326
Intergovernmental	1,775,319	10,414,030	1,667,504	13,856,853
Charges for services and use of property	286,615	99,936	163,470	550,021
Private grants and contributions	-	10,000	34,287	44,287
Investment earnings	6,343	15,901	706	22,950
Recreation activities	45,627	-	-	45,627
Other revenue	43,194	78,154	-	121,348
TOTAL REVENUES	9,091,292	10,618,021	1,898,213	21,607,526
EXPENDITURES				
Current				
General government	896,598	-	17,549	914,147
Public safety	4,492,554	-	11,124	4,503,678
Recreation	654,523	-	-	654,523
Highways and streets	1,422,569	-	-	1,422,569
Housing and community development	854,594	-	25,843	880,437
Garage	160,608	-	-	160,608
Education	-	10,411,212	1,698,224	12,109,436
Debt service				
Principal	-	215,000	235,000	450,000
Interest	-	146,400	133,401	279,801
Capital outlay	-	105,573	428,058	533,631
TOTAL EXPENDITURES	8,481,446	10,878,185	2,549,199	21,908,830
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	609,846	(260,164)	(650,986)	(301,304)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,480,858	846,121	707,988	3,034,967
Transfers out	(1,553,934)	(150)	(25)	(1,554,109)
Insurance proceeds	15,249	1,469	-	16,718
Proceeds from disposition of capital assets	44,503	-	-	44,503
TOTAL OTHER FINANCING SOURCES (USES)	(13,324)	847,440	707,963	1,542,079
NET CHANGE IN FUND BALANCES	596,522	587,276	56,977	1,240,775
Fund balance - beginning	7,236,593	3,279,330	2,197,567	12,713,490
Fund balance - ending	<u>\$ 7,833,115</u>	<u>\$ 3,866,606</u>	<u>\$ 2,254,544</u>	<u>\$ 13,954,265</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, 2017

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

Net change in fund balances - total governmental funds	\$ 1,240,775
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 depreciation exceeded capital outlays in the current period.	(645,051)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.	93,564
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	3,565
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.	455,569
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.	761,334
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.	(143,509)
Change in net position of governmental activities	<u><u>\$ 1,766,247</u></u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2017

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash for general use	\$ 24,472,957	\$ 294,034	\$ 24,766,991
Accounts receivable	5,701,708	40,469	5,742,177
Other receivables	474,765	-	474,765
Inventories	1,655,778	-	1,655,778
Prepaid expenses	2,323,276	-	2,323,276
Total current assets	34,628,484	334,503	34,962,987
Special and Restricted Funds	10,745,876	-	10,745,876
Capital Assets, net of accumulated depreciation	109,907,764	619,359	110,527,123
Other Assets	1,134,526	-	1,134,526
TOTAL ASSETS	156,416,650	953,862	157,370,512
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Excess consideration provided for acquisition	132,970	-	132,970
Deferred charge on refunding	477,709	-	477,709
TOTAL DEFERRED OUTFLOWS OF RESOURCES	610,679	-	610,679
<u>LIABILITIES</u>			
Current Liabilities			
Current maturities of long-term debt payable from current assets	2,749,833	-	2,749,833
Accounts payable	5,474,275	15,321	5,489,596
Due to other funds	-	75,024	75,024
Customer deposits	2,109,714	-	2,109,714
Accrued interest	62,440	-	62,440
Other accrued liabilities	965,743	787	966,530
Total current liabilities	11,362,005	91,132	11,453,137
Other Liabilities			
Advances from TVA	647,647	-	647,647
Long-term debt payable from special funds	128,836	-	128,836
OPEB liabilities, net	915,249	-	915,249
Compensated absences	357,994	18,881	376,875
Total other liabilities	2,049,726	18,881	2,068,607
Long-term debt	40,282,425	-	40,282,425
TOTAL LIABILITIES	53,694,156	110,013	53,804,169
<u>NET POSITION</u>			
Net investment in capital assets	67,327,541	619,359	67,946,900
Restricted for debt service	2,405,348	-	2,405,348
Restricted for operation, maintenance, and asset management	794,098	-	794,098
Unrestricted	32,806,186	224,490	33,030,676
TOTAL NET POSITION	\$ 103,333,173	\$ 843,849	\$ 104,177,022

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, 2017

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Funds	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ 61,976,805	\$ 539,832	\$ 62,516,637
Other	1,800,966	1,410	1,802,376
TOTAL OPERATING REVENUE	<u>63,777,771</u>	<u>541,242</u>	<u>64,319,013</u>
<u>OPERATING EXPENSES</u>			
Cost of utility services	41,784,767	-	41,784,767
Pumping, distribution and collection	5,332,385	373,998	5,706,383
Customer billing and collecting	1,240,355	-	1,240,355
General and administrative	2,126,843	-	2,126,843
Taxes and tax equivalents	481,962	-	481,962
Provision for depreciation	4,807,093	21,370	4,828,463
Other	357,817	36,907	394,724
TOTAL OPERATING EXPENSES	<u>56,131,222</u>	<u>432,275</u>	<u>56,563,497</u>
INCOME FROM OPERATIONS	<u>7,646,549</u>	<u>108,967</u>	<u>7,755,516</u>
<u>OTHER INCOME AND EXPENSE</u>			
Interest income	85,957	122	86,079
Interest expense	(1,014,335)	(1,246)	(1,015,581)
Amortization	(41,198)	-	(41,198)
Debt issuance costs	(1,500)	-	(1,500)
Gain (loss) on disposition of assets	(20,467)	2,313	(18,154)
Miscellaneous	27,824	-	27,824
Other Income (Expense) -net	<u>(963,719)</u>	<u>1,189</u>	<u>(962,530)</u>
Income before contributions and transfers	6,682,830	110,156	6,792,986
Capital contributions	1,497,003	35,315	1,532,318
Transfers out	<u>(1,412,492)</u>	<u>(68,366)</u>	<u>(1,480,858)</u>
CHANGE IN NET POSITION	<u>6,767,341</u>	<u>77,105</u>	<u>6,844,446</u>
TOTAL NET POSITION, BEGINNING OF YEAR	96,565,832	766,744	97,332,576
TOTAL NET POSITION, END OF YEAR	<u>\$ 103,333,173</u>	<u>\$ 843,849</u>	<u>\$ 104,177,022</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, 2017

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (including other funds)	\$ 63,918,084	\$ 539,265	\$ 64,457,349
Payments to suppliers and others	(46,573,380)	(300,371)	(46,873,751)
Payments to employees	(4,297,559)	(81,278)	(4,378,837)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,047,145	157,616	13,204,761
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	(1,412,492)	(68,366)	(1,480,858)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,412,492)	(68,366)	(1,480,858)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets, net	(15,728,602)	(162,945)	(15,891,547)
Removal costs of capital assets	(356,568)	-	(356,568)
Materials salvaged from retirement of capital assets	51,984	-	51,984
Proceeds from disposal of assets	11,892	-	11,892
Capital contributions received	1,509,164	-	1,509,164
Long-term borrowings, net	5,066,771	-	5,066,771
Borrowings repaid	(2,650,446)	(62,300)	(2,712,746)
Issue costs paid	(1,500)	-	(1,500)
Interest paid, net	(1,058,130)	(1,246)	(1,059,376)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(13,155,435)	(226,491)	(13,381,926)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	83,432	122	83,554
Other nonoperating income, net	27,824	2,313	30,137
NET CASH PROVIDED BY INVESTING ACTIVITIES	111,256	2,435	113,691
(DECREASE) IN CASH, NET	(1,409,526)	(134,806)	(1,544,332)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,628,359	428,840	37,057,199
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 35,218,833	\$ 294,034	\$ 35,512,867
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operations	\$ 7,646,549	\$ 108,967	\$ 7,755,516
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	5,113,123	21,370	5,134,493
Loss on disallowance of plant	567,530	-	567,530
Conservation loans advanced - customers	(3,628)	-	(3,628)
Conservation loans collected - customers	197,115	-	197,115
Conservation advances from TVA	53,026	-	53,026
Conservation advances repaid to TVA	(261,896)	-	(261,896)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(243,666)	(1,978)	(245,644)
Inventories	(171,327)	-	(171,327)
Prepaid expenses and other assets	(123,786)	-	(123,786)
Accounts payable	37,187	15,211	52,398
Accrued employee benefits	104,275	-	104,275
Customer deposits	190,492	-	190,492
Due to other funds	-	15,173	15,173
Other current liabilities and compensated absences	(57,849)	(1,127)	(58,976)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 13,047,145	\$ 157,616	\$ 13,204,761
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:			
Interim indebtedness moved to permanent amortizing financing	\$ 5,620,000		
Capital assets contributed by developer	17,479		
Capital assets transferred from general fund		35,315	

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes				
Property	\$ 2,645,000	\$ 2,615,000	\$ 2,632,779	\$ 17,779
Business	231,500	216,500	251,636	35,136
Wholesale beer	355,000	355,000	347,746	(7,254)
Alcoholic beverage	131,000	136,000	144,224	8,224
Sales	2,355,000	2,445,000	2,590,612	145,612
Tax equivalency	623,468	638,713	640,206	1,493
Occupancy	98,000	94,000	97,551	3,551
Licenses and permits	35,400	43,050	46,266	3,216
Fines	70,200	66,000	76,848	10,848
Franchise fees	107,000	105,000	106,326	1,326
Intergovernmental				
State sales tax allocation	525,000	500,000	566,579	66,579
State income tax allocation	65,000	65,000	61,601	(3,399)
State beer tax allocation	3,300	3,300	3,296	(4)
State mixed drink tax allocation	31,000	14,000	16,248	2,248
State gasoline and motor fuel tax	123,426	123,426	129,986	6,560
State gasoline and motor fuel tax (Gas 1989)	19,809	19,809	20,862	1,053
State gasoline and motor fuel tax (Gas 3 Cent)	36,765	36,765	38,719	1,954
State gas and motor fuel tax (Petroleum Special)	13,500	13,500	13,798	298
State excise tax allocation	50,000	62,000	63,073	1,073
State TVA in-lieu of tax	80,000	77,100	77,081	(19)
Lincoln County Emergency Communications	648,983	598,233	599,388	1,155
State and federal grants	80,000	167,688	184,688	17,000
Charges for services and use of property	338,280	308,280	286,615	(21,665)
Investment earnings	4,000	5,300	6,343	1,043
Recreation activities	46,500	45,100	45,627	527
Other revenue	32,500	35,688	43,194	7,506
TOTAL REVENUES	8,749,631	8,789,452	9,091,292	301,840
Expenditures:				
General government				
Salaries	487,775	480,475	461,523	18,952
Supplies	10,650	10,950	7,656	3,294
Utilities	44,860	40,860	35,773	5,087
Repairs and maintenance	9,690	9,690	2,075	7,615
Health insurance	62,500	62,000	59,236	2,764
Workers compensation	4,770	4,770	4,019	751
Payroll taxes	40,979	39,989	38,288	1,701
Employee education	18,825	18,825	7,076	11,749
Professional services	37,370	40,470	36,015	4,455
Travel	27,475	27,475	9,093	18,382
Retirement	37,400	39,900	38,371	1,529
Other insurance	29,797	29,847	23,770	6,077
Board and commission	36,475	36,475	36,510	(35)
Other general government	114,750	153,017	137,193	15,824
	963,316	994,743	896,598	98,145

**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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Public safety				
Salaries	\$ 2,807,835	\$ 2,842,585	\$ 2,766,506	\$ 76,079
Supplies	66,950	56,450	58,363	(1,913)
Utilities	107,560	105,060	95,782	9,278
Repairs and maintenance	65,200	65,000	56,692	8,308
Health insurance	536,000	550,000	532,111	17,889
Workers compensation	89,400	101,600	95,380	6,220
Payroll taxes	217,766	217,766	206,232	11,534
Employee education	22,100	24,600	20,461	4,139
Travel	11,200	15,200	10,679	4,521
Retirement	272,050	272,250	258,893	13,357
Other insurance	107,960	93,410	88,842	4,568
Fuel	78,000	68,500	57,302	11,198
Professional services	3,110	3,710	4,254	(544)
Other public safety	86,885	282,885	241,057	41,828
	<u>4,472,016</u>	<u>4,699,016</u>	<u>4,492,554</u>	<u>206,462</u>
Recreation				
Salaries	303,000	317,500	311,382	6,118
Supplies	43,100	44,100	44,198	(98)
Utilities	69,800	67,800	72,321	(4,521)
Repairs and maintenance	18,900	18,500	13,483	5,017
Health insurance	52,000	55,000	52,807	2,193
Workers compensation	9,150	9,070	8,188	882
Payroll taxes	25,716	25,816	23,550	2,266
Professional services	28,660	27,660	24,730	2,930
Travel	1,500	1,500	925	575
Retirement	28,500	28,500	27,625	875
Other insurance	10,900	13,512	10,941	2,571
Fuel	15,490	9,490	8,276	1,214
Other recreation	53,385	62,750	56,097	6,653
	<u>660,101</u>	<u>681,198</u>	<u>654,523</u>	<u>26,675</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, 2017

	<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	\$ 651,650	\$ 625,150	\$ 602,792	\$ 22,358
Supplies	18,000	18,000	14,376	3,624
Utilities	25,500	25,500	22,028	3,472
Repairs and maintenance	41,800	41,800	46,708	(4,908)
Health insurance	181,500	171,500	154,161	17,339
Workers compensation	27,000	25,200	24,647	553
Payroll taxes	52,220	52,420	44,854	7,566
Professional services	10,700	92,700	98,329	(5,629)
Retirement	64,500	59,500	52,825	6,675
Other insurance	15,150	10,150	6,588	3,562
Fuel	45,000	51,500	30,819	20,681
Street lighting	180,000	180,000	170,247	9,753
Paving and resurfacing	650,000	600,000	101,919	498,081
Other highways and streets	69,350	75,875	52,276	23,599
	<u>2,032,370</u>	<u>2,029,295</u>	<u>1,422,569</u>	<u>606,726</u>
Housing and community development				
Nonprofit allocations	263,474	278,768	263,583	15,185
Fuel	300,000	300,000	262,168	37,832
Industrial development	90,000	90,000	90,000	-
Other housing and community development	198,757	265,364	238,843	26,521
	<u>852,231</u>	<u>934,132</u>	<u>854,594</u>	<u>79,538</u>
Garage				
Salaries	110,350	100,350	80,049	20,301
Repairs and maintenance	9,200	9,200	6,027	3,173
Health insurance	36,500	34,500	32,714	1,786
Workers compensation	5,000	6,350	6,350	-
Payroll taxes	8,510	8,510	5,855	2,655
Retirement	10,700	10,700	7,921	2,779
Supplies	7,850	7,850	7,186	664
Fuel	3,400	2,900	1,842	1,058
Other garage	5,265	15,565	12,664	2,901
	<u>196,775</u>	<u>195,925</u>	<u>160,608</u>	<u>35,317</u>
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>9,176,809</u>	<u>9,534,309</u>	<u>8,481,446</u>	<u>1,052,863</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(427,178)</u>	<u>(744,857)</u>	<u>609,846</u>	<u>1,354,703</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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,500,000	\$ 1,518,000	\$ 1,480,858	\$ (37,142)
Transfers out	(1,432,098)	(1,555,035)	(1,553,934)	1,101
Insurance proceeds	-	15,240	15,249	9
Sale of capital assets	5,000	2,285	44,503	42,218
TOTAL OTHER FINANCING SOURCES (USES)	<u>72,902</u>	<u>(19,510)</u>	<u>(13,324)</u>	<u>6,186</u>
NET CHANGE IN FUND BALANCES	(354,276)	(764,367)	596,522	1,360,889
Fund balance - beginning	7,236,593	7,236,593	7,236,593	-
Fund balance - ending	<u>\$ 6,882,317</u>	<u>\$ 6,472,226</u>	<u>\$ 7,833,115</u>	<u>\$ 1,360,889</u>

The accompanying notes are in integral part of these financial statements.

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Lincoln County	\$ 2,356,125	\$ 2,356,125	\$ 2,301,607	\$ (54,518)
State of Tennessee	8,044,197	8,049,197	8,108,979	59,782
Federal	10,000	10,000	3,444	(6,556)
Charges for services and use of property	140,204	140,204	99,936	(40,268)
Private grants and contributions	10,000	10,000	10,000	-
Investment earnings	12,000	12,000	15,901	3,901
Other revenue	15,600	15,600	78,154	62,554
TOTAL REVENUES	10,588,126	10,593,126	10,618,021	24,895
EXPENDITURES				
Instruction				
Regular instruction program	5,831,900	5,763,262	5,505,288	257,974
Special education program	693,545	693,545	680,048	13,497
Vocational education program	229,040	229,040	215,822	13,218
Support services				
Attendance	25,065	25,065	22,692	2,373
Health services	190,316	190,316	164,380	25,936
Other student support	234,735	234,735	216,514	18,221
Regular instruction program	560,232	562,570	501,248	61,322
Special education program	84,205	84,205	68,064	16,141
Vocational education program	10,000	10,000	10,000	-
Board of education	187,760	187,760	167,796	19,964
Office of the superintendent	195,489	195,489	192,164	3,325
Office of the principal	784,680	787,680	785,204	2,476
Fiscal services	157,235	157,235	148,517	8,718
Operation of plant	723,325	723,325	657,214	66,111
Maintenance of plant	230,050	230,050	172,551	57,499
Transportation	192,860	192,860	165,591	27,269
Technology	263,770	263,770	226,390	37,380
Community services	113,452	113,452	85,000	28,452
Early childhood education	377,525	445,825	426,729	19,096
Debt service				
Principal on notes	215,000	215,000	215,000	-
Interest on notes	146,400	146,400	146,400	-
Capital outlay	122,000	122,000	105,573	16,427
TOTAL EXPENDITURES	11,568,584	11,573,584	10,878,185	695,399
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(980,458)	(980,458)	(260,164)	720,294
OTHER FINANCING SOURCES (USES)				
Transfers in	871,763	871,763	846,121	(25,642)
Transfers out	(25,000)	(25,000)	(150)	24,850
Insurance recovery	500	500	1,469	969
Total Other Financing Sources (Uses)	847,263	847,263	847,440	177
Net changes in fund balances	(133,195)	(133,195)	587,276	720,471
Fund balance - beginning	3,279,330	3,279,330	3,279,330	-
Fund balance - ending	\$ 3,146,135	\$ 3,146,135	\$ 3,866,606	\$ 720,471

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Similar, 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, 2017

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, in a departure from the 30 day period defined above, the consideration to defer recognition of revenue 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 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, 2017

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 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

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.

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Assets, liabilities, net position and fund equity (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, 2017.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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 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. The government has no committed funds as of June 30, 2017.

Assigned - includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. 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. This classification also includes the remaining positive fund balance for all special revenue funds.

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, 2017

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 three 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 item is the aggregate total of deferred outflows related to pensions which are described in Note 10.

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 three 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. In the governmental funds the government has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the government funds balance sheet. The governmental funds report 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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Capitalized interest

Interest cost incurred, net of interest earned, on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. FPU's net interest cost incurred in the current year totaled \$1,041,612. Of this, \$27,277 was capitalized with the remainder charged to expense. The School System's net interest cost incurred in the current year totaled \$143,109 of which \$0 was capitalized. The government's net interest cost incurred in the current year totaled \$130,219 of which \$0 was capitalized.

12. 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.

13. 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 in the Tennessee Consolidated Retirement System (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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

National Rural Electric Cooperative Association (NRECA) RS Plan

During a prior year, the government early implemented GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*, to be concurrent with the implementation of GASB Statements 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Accordingly, 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.

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 "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 \$10,945,258 difference are identified as follows:

Bonds and notes payable	\$ 9,205,000
Add: Issuance premium (to be amortized over life of debt)	89,656
Add: Deferred credit on refunding	1,042
Accrued interest payable	22,413
Compensated absences	633,194
Other postemployment benefit obligations	818,108
Landfill post closure costs	175,845
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 10,945,258</u>

Another 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 \$27,673,365 difference are as follows:

Land	\$ 3,658,466
Construction in progress	237,023
Buildings and improvements	24,205,211
Less: Accumulated depreciation-building and improvements	(8,253,360)
Machinery and equipment	9,182,320
Less: Accumulated depreciation-machinery and equipment	(5,664,538)
Infrastructure	6,363,352
Less: Accumulated depreciation-infrastructure	(2,055,109)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 27,673,365</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

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

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 \$153,158 in the current year. The details of this \$(645,051) difference are as follows:

Capital outlay	\$ 625,189
Depreciation expense	<u>(1,270,240)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (645,051)</u>

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 \$(143,509) difference are as follows:

Compensated absences	\$ (64,959)
Net OPEB obligation	(92,977)
Landfill postclosure costs	13,524
Accrued interest	<u>903</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (143,509)</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 \$93,564 difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital 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.	\$ (150,345)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources	279,224
Reassignment of capital assets between governmental and business-type activities are reported as transfers. Since governmental funds do not report capital assets, reassignment of such assets is not reported.	<u>(35,315)</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

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

Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	\$ <u>93,564</u>
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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 \$455,569 difference are as follows:

Principal Repayment:	
General obligation bond	\$ 450,000
Amortization of debt premiums	<u>5,569</u>
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 455,569</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).

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

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

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

(A) Deposits and investments

The following is a summary of cash and investments as of June 30, 2017:

General use:

On deposit and on hand	\$ 38,625,170
Negotiable certificates of deposit	200,000

Restricted and other special funds:

On deposit-restricted (externally)	\$ 3,698,247	
On deposit-special funds (internally restricted)	<u>7,047,629</u>	<u>10,745,876</u>
Total		<u>\$ 49,571,046</u>

A portion of the restricted assets shown on deposit above are maintained in the government's Fayetteville Public Utilities enterprise fund. These assets include amounts which are required to be maintained pursuant to ordinances relating to bond indebtedness (construction, reserve and sinking funds), as well as bond or grant funds restricted for improvement and construction projects and retained amounts due to contractors pursuant to agreement. At June 30, 2017, the following restricted funds were maintained:

Externally restricted:

Bond sinking and debt service reserve funds	\$ 2,405,348
Operation and maintenance reserve	747,098
Asset management reserve	47,000
Improvements and construction funds	<u>498,801</u>
Total	<u>\$ 3,698,247</u>

Special funds totaling \$7,047,629 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, 2017, the government has invested \$200,000 in negotiable certificates of deposits, which are covered by FDIC insurance. The government's government sponsored securities have not been rated. U.S. obligations are implicitly guaranteed by the U.S. government 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.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(A) Deposits and investments (Continued)

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

Custodial credit risk – deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At June 30, 2017, 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, 2017, the government's cash consists of deposits in financial institutions with bank balances of \$50,027,682 and carrying amounts of \$49,564,351 plus cash on hand of \$6,695. Of the amounts on deposit, \$43,027,549 is fully insured by the FDIC or the Tennessee Bank Collateral Pool. The remaining \$6,536,802 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. The government does not have any investments as of June 30, 2017.

(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	\$ 3,146,293	\$ -	\$ -	\$ 3,146,293
Accounts	59,665	769	-	60,434
Intergovernmental	<u>1,023,595</u>	<u>376,495</u>	<u>58,417</u>	<u>1,458,507</u>
Gross receivables	4,229,553	377,264	58,417	4,665,234
Less: Allowance for Uncollectibles	<u>(26,536)</u>	<u>-</u>	<u>-</u>	<u>(26,536)</u>
Net total receivables	<u>\$ 4,203,017</u>	<u>\$ 377,264</u>	<u>\$ 58,417</u>	<u>\$ 4,638,698</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 \$65,271.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets

Capital asset activity for the year ended June 30, 2017, for governmental activities follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,561,266	\$ 115,200	\$ (18,000)	\$ 3,658,466
Construction in progress	554,077	236,011	(553,065)	237,023
Total capital assets, not being depreciated	<u>4,115,343</u>	<u>351,211</u>	<u>(571,065)</u>	<u>3,895,489</u>
Capital assets, being depreciated:				
Buildings	21,731,744	96,855	(157,500)	21,671,099
Improvements other than buildings	2,534,112	-	-	2,534,112
Machinery and equipment	8,968,181	791,365	(577,226)	9,182,320
Infrastructure	6,145,304	218,048	-	6,363,352
Total capital assets being depreciated	<u>39,379,341</u>	<u>1,106,268</u>	<u>(734,726)</u>	<u>39,750,883</u>
Less accumulated depreciation for:				
Buildings	(6,968,837)	(477,662)	122,910	(7,323,589)
Improvements other than buildings	(815,096)	(114,675)	-	(929,771)
Machinery and equipment	(5,680,146)	(428,547)	444,155	(5,664,538)
Infrastructure	(1,805,753)	(249,356)	-	(2,055,109)
Total accumulated depreciation	<u>(15,269,832)</u>	<u>(1,270,240)</u>	<u>567,065</u>	<u>(15,973,007)</u>
Total capital assets, being depreciated, net	<u>24,109,509</u>	<u>(163,972)</u>	<u>(167,661)</u>	<u>23,777,876</u>
Governmental activities capital assets, net	<u>\$ 28,224,852</u>	<u>\$ 187,239</u>	<u>\$ (738,726)</u>	<u>\$ 27,673,365</u>

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

Governmental Activities:	
General government	\$ 80,620
Public safety	215,949
Recreation	117,456
Highways and streets	315,305
Housing and community development	4,904
Education	536,006
Total depreciation expense - governmental activities	<u>\$ 1,270,240</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets (Continued)

Capital asset activity for the year ended June 30, 2017, 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	14,244,097	14,562,759	(15,320,618)	13,486,238
Total capital assets, not being depreciated	<u>15,342,592</u>	<u>14,562,759</u>	<u>(15,320,618)</u>	<u>14,584,733</u>
Capital assets, being depreciated:				
Structures and improvements	4,286,553	8,952	-	4,295,505
Machinery and equipment	145,828,331	16,235,693	(3,976,559)	158,087,465
Infrastructure	635,747	23,869	(11,069)	648,547
Total capital assets being depreciated	<u>150,750,631</u>	<u>16,268,514</u>	<u>(3,987,628)</u>	<u>163,031,517</u>
Less accumulated depreciation for:				
Structures and improvements	(1,974,049)	(109,814)	-	(2,083,863)
Machinery and equipment	(63,506,505)	(4,988,012)	4,136,493	(64,358,024)
Infrastructure	(627,363)	(36,667)	16,790	(647,240)
Total accumulated depreciation	<u>(66,107,917)</u>	<u>(5,134,493)</u>	<u>4,153,283</u>	<u>(67,089,127)</u>
Total capital assets, being depreciated, net	<u>84,642,714</u>	<u>11,134,021</u>	<u>165,655</u>	<u>95,942,390</u>
Business-type activities capital assets, net	<u>\$ 99,985,306</u>	<u>\$ 25,696,780</u>	<u>\$ (15,154,963)</u>	<u>\$ 110,527,123</u>

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

Business-type Activities:	
Public utilities	\$ 5,113,123
Sanitation fund	21,370
Total depreciation expense - business-type activities	<u>\$ 5,134,493</u>

The amount of \$306,030 of depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

Construction commitments

At June 30, 2017, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding engineering and construction contract commitments totaling \$3,690,827.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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, 2017, is as follows:

	Due from				
	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>School Title Fund</u>	<u>General Fund</u>	<u>Total</u>
Due to:					
General fund	\$ 75,024	\$ 3,590	\$ -	\$ -	\$ 78,614
School general fund	-	-	272	-	272
Capital projects fund	-	-	-	34,969	34,969
Drug fund	-	-	-	2,328	2,328
	<u>\$ 75,024</u>	<u>\$ 3,590</u>	<u>\$ 272</u>	<u>\$ 37,297</u>	<u>\$ 116,183</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, 2017 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	\$ -	\$ 846,096	\$ 707,838	\$ 1,553,934
School general fund	-	-	150	150
Other governmental funds	-	25	-	25
Subtotal - governmental funds	<u>\$ -</u>	<u>\$ 846,121</u>	<u>\$ 707,988</u>	<u>\$ 1,554,109</u>
 Fayetteville Public Utilities	 \$ 1,412,492	 \$ -	 \$ -	 \$ 1,412,492
Sanitation fund	<u>68,366</u>	<u>-</u>	<u>-</u>	<u>68,366</u>
Subtotal - proprietary funds	<u>1,480,858</u>	<u>-</u>	<u>-</u>	<u>1,480,858</u>
	<u>\$ 1,480,858</u>	<u>\$ 846,121</u>	<u>\$ 707,988</u>	<u>\$ 3,034,967</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, 2017

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 (Water and Gas Departments):

Series 2009, \$10,100,000 general obligation bonds, issued June 2009 to refund revenue bonds totaling \$8,105,000 and general obligation bonds totaling \$915,000. The bonds mature serially at annual interest rates ranging from 3.00% to 4.125% with final maturity in 2025. The bonds are subject to redemption prior to maturity beginning in 2018 at a redemption price of 100%. \$ 4,700,000

City of Fayetteville (Government):

Series 2013B, \$1,045,000 general obligation bonds, issued October 2013 to finance certain public facility construction and improvements and related costs. The bonds mature serially at annual interest rates ranging from 1.00% to 4.5% with final maturity in 2033. 870,000

Series 2014, \$2,000,000 general obligation bonds, issued December 2014 to finance certain construction, improvements and equipping of a law enforcement facility. The bonds mature serially at annual interest rates ranging from 2.0% to 3.5% with final maturity in 2035. 1,920,000

Fayetteville Public Utilities (Telecom Department):

Series 2011, \$2,660,000 general obligation bonds, issued December 2011 to refund revenue bonds totaling \$3,600,000. The bonds are additionally payable from telecom system revenues. The bonds mature serially at annual interest rates ranging from 1.00% to 2.00% with final maturity in 2020. The bonds are not subject to redemption prior to maturity. 1,035,000

Fayetteville City Schools:

Series 2013, \$6,140,000 general obligation bonds, issued May 2013 to refund capital outlay notes totaling \$6,000,000 being used to finance school system capital outlay projects. The bonds mature serially at annual interest rates ranging from 2.00% to 3.25% with final maturity in 2037. 5,305,000

Total general obligation bonds \$ 13,830,000

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>
2018	\$ 455,000	\$ 268,957	\$ 975,000	\$ 148,573
2019	465,000	258,010	1,010,000	121,245
2020	475,000	247,092	1,010,000	93,768
2021	515,000	235,655	310,000	63,668
2022	515,000	222,295	320,000	52,432
2023-2027	2,450,000	899,456	1,000,000	81,896
2028-2032	2,275,000	564,462	-	-
2033-2037	2,055,000	187,876	-	-
Total	<u>\$ 9,205,000</u>	<u>\$ 2,883,803</u>	<u>\$ 4,625,000</u>	<u>\$ 561,582</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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, 2017, are as follows:

Fayetteville Public Utilities (Electric Department):

Series 2009, \$12,525,000 revenue bonds, issued in August 2009 to currently refund debt totaling \$7,050,000, as well as finance the improvements and extensions of the electric distribution system. The bonds mature serially at annual interest rates ranging from 3.00% to 4.125% with final maturity in 2024. The bonds are subject to redemption prior to maturity on or after June 1, 2019, at a redemption price of 100%.

\$ 5,370,000

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%.

9,720,000

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.

3,260,960

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.

4,774,382

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.

2,556,740

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.

1,873,672

Total revenue bonds

\$ 27,555,754

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds (Continued)

Year Ending June 30,	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,373,629	\$ 725,405
2019	1,419,606	681,027
2020	1,464,874	633,109
2021	1,522,027	580,356
2022	1,563,502	538,881
2023-2027	8,665,100	2,061,566
2028-2032	3,139,825	1,262,255
2033-2037	1,753,264	1,011,716
2038-2042	2,002,375	762,605
2043-2047	2,287,440	477,540
2048-2052	2,158,681	158,792
2053-2055	205,431	5,043
Total	<u>\$ 27,555,754</u>	<u>\$ 8,898,295</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, 2017.

(C) Loans

The government has the following loans outstanding at June 30, 2017:

Fayetteville Public Utilities (Water Department)

State of Tennessee Utility Relocation Loan, entered into August 9, 2005, to finance the cost of certain water department utility lines. The original term of the loan is 15 years and bears interest at 1.85%. \$1,106,899

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%. 3,653,229

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%. 635,789

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%. 3,693,050

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(C) Loans (Continued)

Fayetteville Public Utilities (Water Department)

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

103,162

Total Loans

\$ 9,192,129

Debt service requirements to maturity on these loans are as follows:

Year Ending <u>June 30,</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 530,039	\$ 118,304
2019	537,346	110,997
2020	544,786	103,557
2021	552,322	96,021
2022	559,957	88,386
2023-2027	2,426,735	332,167
2028-2032	2,165,142	190,428
2033-2037	<u>1,875,802</u>	<u>53,164</u>
Total	<u>\$ 9,192,129</u>	<u>\$ 1,093,024</u>

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 loan agreements on January 23, 2015, with the Tennessee Department of Environment and Conservation to borrow \$1,700,000. This loan will be used to finance the cost of certain improvements to the wastewater system. The loan will mature 20 years from project completion. The loan bears interest at a rate of 1.38%. FPU has received \$743,205 in advances as of June 30, 2017.

FPU entered into loan agreements on May 10, 2016, with the Tennessee Department of Environment and Conservation to borrow \$5,050,000. This loan will be used to finance the cost of certain improvements to the water system. The loan will mature 20 years from project completion. The loan bears interest at a rate of 1.12%. FPU has received \$732,630 in advances as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(D) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds - fixed rate	\$ 9,655,000	\$ -	\$ (450,000)	\$ 9,205,000	\$ 455,000
Unamortized bond premium	95,075	-	(5,419)	89,656	-
Total bonds payable	9,750,075	-	(455,419)	9,294,656	455,000
Landfill postclosure costs	189,369	-	(13,524)	175,845	-
Postemployment benefit obligation	725,131	240,523	(147,546)	818,108	-
Net pension liability	751,073	2,365,457	(1,017,120)	2,099,410	-
Compensated absences	568,235	287,633	(222,674)	633,194	248,130
Governmental Activities Long-Term Liabilities	<u>\$ 11,983,883</u>	<u>\$ 2,893,613</u>	<u>\$ (1,856,283)</u>	<u>\$ 13,021,213</u>	<u>\$ 703,130</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 28,785,008	\$ 101,131	\$ (1,330,385)	\$ 27,555,754	\$ 1,373,629
General obligation bonds	5,575,000	-	(950,000)	4,625,000	975,000
Unamortized bond premium	348,575	-	(36,199)	312,376	-
Total bonds payable	34,708,583	101,131	(2,316,584)	32,493,130	2,348,629
Loans:					
Tennessee Utility Relocation Loan	1,243,208	-	(136,308)	1,106,900	138,870
Tennessee revolving fund program loan	4,726,016	4,965,640	(233,753)	9,457,903	372,114
Tennessee municipal bond fund	62,300	-	(62,300)	-	-
RUS Rural Development Loan	122,217	-	(19,056)	103,161	19,056
Total loans payable	6,153,741	4,965,640	(451,417)	10,667,964	530,040
Postemployment benefit obligation	810,974	106,566	(2,291)	915,249	-
Advances from TVA	856,517	53,026	(261,896)	647,647	-
Compensated absences	855,001	302,125	(405,880)	751,246	374,371
Business-type Activities Long-Term Liabilities	<u>\$ 43,384,816</u>	<u>\$ 5,528,488</u>	<u>\$ (3,438,068)</u>	<u>\$ 45,475,236</u>	<u>\$ 3,253,040</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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, 2017, there were two series of IDRB outstanding. The aggregate principal amount payable was \$9,045,000. The original issue amounts totaled \$15,615,000.

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, 2017, includes the following:

Equipment	\$ 19,425
Less: Accumulated depreciation	<u>(11,493)</u>
Total	<u>\$ 7,932</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 \$1,017. The agreement was for an original duration of five years with extensions for three additional five year terms subject to cancellation with three months' notice prior to the end of the applicable term.

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

Year Ending	Future
<u>June 30,</u>	<u>Minimum</u>
	<u>Payments</u>
2018	\$ 12,204
2019	12,204
2020	<u>4,068</u>
	<u>\$ 28,476</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 6 - LEASING ACTIVITY (CONTINUED)

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>	
2018	\$ 19,676
2019	16,023
2020	16,023
2021	6,316
2022	2,909
	<u>\$ 60,947</u>

Lease expenditures for the year ending June 30, 2017 totaled \$33,170.

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 and on the following page.

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Net Position</u>				
Assets				
Current assets	\$ 30,956,319	\$ 2,224,099	\$ 383,460	\$ 1,064,606
Special funds	2,502,823	2,209,911	173,837	5,859,305
Capital assets	48,236,036	17,559,334	2,978,269	41,134,125
Other assets	1,037,352	31,463	23,745	41,966
Due from other departments	549,856	-	-	-
	<u>83,282,386</u>	<u>22,024,807</u>	<u>3,559,311</u>	<u>48,100,002</u>
Deferred Outflows of Resources	<u>413,536</u>	<u>153,313</u>	<u>36,551</u>	<u>7,279</u>
Liabilities				
Current liabilities	7,563,417	908,670	626,164	2,263,754
Other liabilities	1,465,501	213,036	100,098	271,091
Long term debt	14,291,001	2,281,428	696,895	23,013,101
Due to other departments	-	-	549,856	-
	<u>23,319,919</u>	<u>3,403,134</u>	<u>1,973,013</u>	<u>25,547,946</u>
Net Position (Deficit)				
Net investment in capital assets	33,292,677	14,998,249	1,977,925	17,058,690
Restricted	1,775,644	-	-	1,423,802
Unrestricted	25,307,682	3,776,737	(355,076)	4,076,843
	<u>\$ 60,376,003</u>	<u>\$ 18,774,986</u>	<u>\$ 1,622,849</u>	<u>\$ 22,559,335</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 7 - SEGMENT INFORMATION (CONTINUED)

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Revenues, Expenses, and Changes in Net Position</u>				
Operating revenues	\$ 47,323,495	\$ 6,093,681	\$ 4,392,715	\$ 5,967,880
Depreciation expense	2,372,802	593,297	383,960	1,457,034
Other operating expenses	<u>40,494,865</u>	<u>4,753,608</u>	<u>3,311,487</u>	<u>2,764,169</u>
Operating income	4,455,828	746,776	697,268	1,746,677
Nonoperating revenue (expenses):				
Investment income	72,062	5,486	229	8,180
Interest expense	(427,723)	(104,901)	(24,770)	(456,941)
Gain (loss) on disposition of assets	6,702	-	-	(27,169)
Other	(18,158)	1,627	4,656	(2,999)
Contributions/Transfers - net	<u>(324,374)</u>	<u>(206,223)</u>	<u>49,341</u>	<u>565,767</u>
Change in net position	3,764,337	442,765	726,724	1,833,515
Beginning net position	<u>56,611,666</u>	<u>18,332,221</u>	<u>896,125</u>	<u>20,725,820</u>
Ending net position	<u>\$ 60,376,003</u>	<u>\$ 18,774,986</u>	<u>\$ 1,622,849</u>	<u>\$ 22,559,335</u>
<u>Condensed Statement of Cash Flows</u>				
Net cash provided (used) by:				
Operating activities	\$ 7,905,495	\$ 1,128,778	\$ 1,020,271	\$ 3,470,310
Noncapital financing activities	(594,762)	(271,941)	(297,142)	(248,647)
Capital and related financing activities	(8,889,347)	(910,244)	(724,723)	(2,631,121)
Investing activities	<u>74,013</u>	<u>14,437</u>	<u>17,174</u>	<u>5,632</u>
Net increase (decrease)	(1,504,601)	(38,970)	15,580	596,174
Beginning cash and cash equivalents	<u>27,320,962</u>	<u>3,446,419</u>	<u>254,446</u>	<u>5,606,532</u>
Ending cash and cash equivalents	<u>\$ 25,816,361</u>	<u>\$ 3,407,449</u>	<u>\$ 270,026</u>	<u>\$ 6,202,706</u>

NOTE 8 - RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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 \$351,690 as of June 30, 2017. These costs will be shared equally by the government and Lincoln County, Tennessee. The government's share of this estimated liability is \$175,845 and is included as a liability in the statement of net position. The government's current year share of required funding was \$36,907 and is reported as an expenditure of the Sanitation Fund.

NOTE 10 - PENSION AND BENEFIT PLANS

AGGREGATE FOR ALL PLANS

The total of the government's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the year ended June 30, 2017, for all plans is as follows on the next page:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

	Pension Liabilities (Assets)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Public Employee Retirement Plan	\$ 1,150,005	\$ 1,126,551	\$ 412,376	\$ 162,332
Teacher Legacy Pension Plan	949,405	1,726,199	1,183,260	136,943
Teacher Retirement Plan	(13,050)	23,070	2,090	10,877
Fayetteville City Schools 401(k) Plan	-	-	-	24,641
NRECA Retirement Security Plan	-	-	-	961,403
NRECA 401(k) Plan	-	-	-	62,473
Total for All Plans	<u>\$ 2,086,360</u>	<u>\$ 2,875,820</u>	<u>\$ 1,597,726</u>	<u>\$ 1,358,669</u>

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 www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 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 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 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, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

Employees covered by benefit terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	93
Active employees	167
	<u>365</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, 2017, the employer contributions for Fayetteville were \$553,617 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)

The government's net pension liability (asset) was measured as of June 30, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return 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	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U. S. fixed income	0.98%	29%
Real estate	4.73%	7%
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 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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, 2017

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, 2015	<u>\$ 18,003,190</u>	<u>\$ 17,311,883</u>	<u>\$ 691,307</u>
Changes for the year:			
Service cost	\$ 448,740	\$ -	\$ 448,740
Interest	1,343,918	-	1,343,918
Differences between expected and actual experience	(73,505)		-
Contributions-employer	-	520,882	(520,882)
Contributions-employees	-	270,532	(270,532)
Net investment income	-	455,674	(455,674)
Benefit payments, including refunds of employee contributions	(1,066,048)	(1,066,048)	-
Administrative expenses	-	(12,647)	12,647
Other changes	-	26,014	(26,014)
Net changes	<u>\$ 653,105</u>	<u>\$ 194,407</u>	<u>\$ 458,698</u>
Balance June 30, 2016	<u>\$ 18,656,295</u>	<u>\$ 17,506,290</u>	<u>\$ 1,150,005</u>

Sensitivity of the net position 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 7.5 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Fayetteville's net pension liability (asset)	\$ 3,471,906	\$ 1,150,005	\$ (778,120)

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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, 2017, the government recognized pension expense of \$162,332.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2017, 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	\$ -	\$ 412,376
Net difference between projected and actual earnings on pension plan investments	572,934	-
Contributions subsequent to the measurement date of June 30, 2016	<u>553,617</u>	<u>N/A</u>
	<u>\$ 1,126,551</u>	<u>\$ 412,376</u>

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2016," 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,

2018	\$ (57,833)
2019	(57,833)
2020	214,255
2021	74,220
2022	(12,251)
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, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

PAYABLE TO THE PENSION PLAN

At June 30, 2017, the government recorded a payable of \$96,345 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

TEACHER LEGACY PENSION PLAN

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of the government 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. Beginning July 1, 2014, the Teacher Retirement Plan became effective 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. 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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 year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and 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 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 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. Under the Teacher Legacy Pension 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, 2017

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, 2017 to the Teacher Legacy Pension Plan were \$498,920 which is 9.04 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, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension liabilities (assets)

At June 30, 2017, the government reported a liability of \$949,405 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability 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, 2016, the government's proportion was 0.151918 percent. The proportion measured as of June 30, 2015, was 0.156381 percent.

Pension expense

For the year ended June 30, 2017, the government recognized pension expense of \$136,943.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, 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	\$ 39,954	\$ 1,149,415
Net difference between projected and actual earnings on pension plan investments	1,060,024	-
Changes in proportion of net pension liability (asset)	127,302	33,845
Contributions subsequent to the measurement date of June 30, 2016	<u>498,919</u>	<u>N/A</u>
	<u>\$ 1,726,199</u>	<u>\$ 1,183,260</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

The government's employer contributions of \$498,919, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. 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,	
2018	\$ (152,593)
2019	(152,593)
2020	355,900
2021	74,977
2022	(81,671)
Thereafter	-

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

Actuarial assumptions

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

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012, actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. 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, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

allocation and best estimates of arithmetic real rates of return 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	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U. S. fixed income	0.98%	29%
Real estate	4.73%	7%
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 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 5,213,346	\$ 949,405	\$(2,582,652)

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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, 2017, the government recorded a payable of \$127,164 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

TEACHER RETIREMENT PLAN

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the government 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. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing multiple-employer defined benefit plan. 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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 year 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, 2017

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 Local Education Agencies (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 for 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, 2017 to the Teacher Retirement Plan were \$19,668, which is 4 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, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension liabilities (assets)

At June 30, 2017, the government reported an asset of \$13,050 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The government's proportion of the net pension asset was based on Fayetteville City Schools' share of contributions to the pension plan relative to the contribution of all participating LEAs. At the measurement date of June 30, 2016 Fayetteville City Schools' proportion was 0.125359 percent. The proportion measured at June 30, 2015 was 0.104502 percent.

Pension expense

For the year ended June 30, 2017, the government recognized pension expense of \$10,877.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, 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, 2017

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	\$ 1,265	\$ 1,505
Net difference between projected and actual earnings on pension plan investments	2,137	-
Changes in proportion of net pension liability (asset)	-	585
Fayetteville City Schools's contributions subsequent to the measurement date of June 30, 2016	19,668	N/A
	<u>\$ 23,070</u>	<u>\$ 2,090</u>

Employer contributions of \$19,668 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. 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,

2018	\$ 479
2019	479
2020	479
2021	378
2022	(80)
Thereafter	(423)

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. 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, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return 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	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U. S. fixed income	0.98%	29%
Real estate	4.73%	7%
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 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 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 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, 2017

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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	6.50%	7.50%	8.50%
Fayetteville City Schools'			
proportionate share of the net			
pension liability (asset)	\$ 6,163	\$ (13,050)	\$ (27,206)

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, 2017, the government reported a payable of \$7,204 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

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 \$200 for the year ended June 30, 2017. The System recognized pension expense under the defined contribution plan of \$24,641 for the year ended June 30, 2017.

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, 2017, Fayetteville City Schools reported a payable of \$3,977 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

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 \$46,817 for the year ended June 30, 2017.

CITY OF FAYETTEVILLE DEFERRED COMPENSATION

The City offers an optional deferred compensation plan to its employees created in accordance with Section 457 of the Internal Revenue Code. This plan is 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.

The plan is administered through a third-party administrator, Voya. The City 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.

NRECA RETIREMENT SECURITY PLAN

Plan description

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

Benefits provided

NRECA provides retirement, disability, and death benefits. Benefits are determined by a formula using the member's high five-year average salary, years of service and benefit rate of 1.7%. Members become eligible to retire at the age of 62. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members who become totally disabled. Members become vested after five years of service. Benefit terms are established and may be amended by the NRECA Board. At June 30, 2017, FPU had 95 employees covered by the RS plan.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

NRECA RETIREMENT SECURITY PLAN (CONTINUED)

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, 2017, was 19.29% 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, 2017 was \$961,403.

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 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 \$179,997 for the year ended June 30, 2017. FPU recognized pension expense under the defined contribution plan of \$62,473 for the year ended June 30, 2017.

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 one state-administered agent multiple-employer defined post-employment healthcare plans. The plans cover the employees of Fayetteville Public Utilities, the general government and the Fayetteville City Schools.

The following is a summary of each of these plans:

PLAN DESCRIPTION-FAYETTEVILLE PUBLIC UTILITIES

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 10 years of service with FPU or who have 30 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

PLAN DESCRIPTION-GOVERNMENT

The government administers a single-employer defined benefit healthcare plan which provides postemployment healthcare and life insurance benefits for employees that retire from service who are eligible for retirement under TCRS, participated in the health insurance program for at least twelve months immediately prior to retirement and meets at least one of the following conditions (a) attained the age of 55 years with a minimum of 20 years of service, (b) completion of 30 years of service at any age or, (c) have a minimum of 10 years of continuous service and be covered through the TCRS as a disabled retiree. The government pays 80% of the employee only medical coverage for these benefits for the shorter period of 24 months from the time of retirement or the retiree is eligible for Medicare insurance, with an exception for extension for qualifying disabled retirees. Also, if included in the plan, the retiree's spouse is required to make annual contributions equal to the difference of the family premium rate and the employee only medical premium rate which as of June 30, 2017, was \$12,020. The Board of Mayor and Alderman may amend the benefit provisions. A separate report was not issued for the plan.

PLAN DESCRIPTION - FAYETTEVILLE CITY SCHOOLS

Fayetteville City Schools participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/news/22812>.

FUNDING POLICY - FAYETTEVILLE PUBLIC UTILITIES AND GOVERNMENT

Retirees are not required to make any contributions to either postretirement benefit plan. The benefits of the postretirement benefit plans are unfunded, and no assets have been segregated and restricted to provide for postretirement medical or life insurance benefits. For the year ended June 30, 2017, FPU contributed \$2,291 and the government contributed \$48,255 to fund premiums for retirees receiving benefits.

FUNDING POLICY - FAYETTEVILLE CITY SCHOOLS

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. For active plan members electing family coverage, plan members contribute on average 40% of premiums and the Fayetteville City Schools contributes on average 60% of premiums. For active plan members electing single coverage, plan members contribute on average 30% of premiums and the Fayetteville City Schools contributes on average 70% of premiums. The Fayetteville City Schools makes no contributions for premiums for retired plan members.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

ANNUAL OPEB COST, NET OPEB OBLIGATION AND FUNDED STATUS - ALL PLANS

All three plans' annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed 30 years.

The table below shows the components of OPEB cost for the year, the amount actually contributed to the plans, and changes in the net OPEB obligation:

	<u>FPU</u>	<u>City</u>	<u>Teacher Group Plan</u>
Annual required contribution	\$ 109,241	\$ 146,560	\$ 86,000
Interest on net OPEB obligation	29,524	30,021	2,200
Adjustment to the annual required contribution	(32,199)	(24,349)	(2,200)
Annual OPEB cost (expense)	106,566	152,232	86,000
Contributions made	(2,291)	(48,255)	(97,000)
Increase in net OPEB obligation	104,275	103,977	(11,000)
Net OPEB obligation - beginning of year	810,974	667,131	58,000
Net OPEB obligation - end of year	<u>\$ 915,249</u>	<u>\$ 771,108</u>	<u>\$ 47,000</u>

The percentage of annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

	<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
<u>FPU</u>				
	6/30/2015	\$ 110,530	0.0%	\$ 693,945
	6/30/2016	117,029	0.0%	810,974
	6/30/2017	106,566	2.15%	915,249
<u>City</u>				
	6/30/2015	\$ 112,572	48.3%	\$ 599,273
	6/30/2016	115,974	41.5%	667,131
	6/30/2017	152,232	31.7%	771,108
<u>Teacher Group</u>				
	6/30/2015	\$ 54,000	138.9%	\$ 49,000
	6/30/2016	83,000	89.2%	58,000
	6/30/2017	86,000	112.8%	47,000

All three plans were not funded as of the most recent actuarial valuation dates listed on the following page.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

ACTUARIAL METHODS AND ASSUMPTIONS – FAYETTEVILLE PUBLIC UTILITIES AND GOVERNMENT

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial accrued unfunded liability (UAAL) for benefits at June 30, 2017, as well as actuarial methods and assumptions for both plans, was as follows:

	FPU	City	Teacher Group Plan
Actuarial valuation date	7/1/2016	7/1/2016	7/1/2015
Actuarial accrued liability (AAL) - Projected Unit Credit	\$ 1,125,912	\$ 1,626,105	\$ 746,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 1,125,912	\$ 1,626,105	\$ 746,000
Actuarial Value of Assets as a % of the AAL	0.0%	0.0%	0.0%
Covered payroll (active plan members)	\$ 5,429,093	\$ 4,118,029	\$ 5,944,000
UAAL as a percentage of covered payroll	20.7%	39.5%	12.6%

For the government the actuarial assumptions include an annual medical cost trend increase of a level 5.0%. For FPU the actuarial assumptions include an annual medical cost trend increase of 8% initially with future annual increases assumed to grade uniformly to 5% over a 6 year period. The valuations did not include an investment rate of return on plan assets as there were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2016, was twenty-two years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

ACTUARIAL METHODS AND ASSUMPTIONS – FAYETTEVILLE CITY SCHOOLS

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The rate decreased to 6.0 percent in fiscal year 2016 and then will be reduced by decrements to an ultimate rate of 4.645 percent by fiscal year 2051. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

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, 2017, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	\$ 189,567
City street and transportation	<u>13,798</u>
Total	<u>\$ 203,365</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, 2017, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2017, the government received \$63,073 from the State of Tennessee for this shared revenue.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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 \$105,000 to the operations of the library during the year ended June 30, 2017.

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 \$21,500 to the operations of the airport during the year ended June 30, 2017.

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.

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 \$90,000 to the operations of the Industrial Development Board during the year ended June 30, 2017.

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 15 - JOINT VENTURES (CONTINUED)

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 Bedford County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Lincoln County, Lewis County, Manchester City, Marshall County, and Stewart County. 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 (Fayetteville City School Department through March 2017 and Dickson County School Department beginning April 2017) 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.

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	\$ 47,323,495	\$ 1,547,711	3.3%	\$ 17,336,223	2028
Gas	6,093,681	405,769	6.7%	3,007,728	2025
Telecom	4,392,715	357,320	8.1%	1,072,830	2020
Water & Wastewater	5,967,880	1,394,222	23.4%	31,881,676	2055
	<u>\$ 63,777,771</u>	<u>\$ 3,705,022</u>	<u>5.8%</u>	<u>\$ 53,298,457</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, 2017, credits resulting from solar power generation totaled \$1,614,942. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2017, the liability for such amounts due to customers was \$282,181 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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

NOTE 18 - ON-BEHALF PAYMENTS

Employees of Fayetteville City Schools participate in various state administered group insurance plans including the Teacher Group Plan, the Local Education Employee Group Plan, and the Medicare Supplement Plan. The State of Tennessee makes contributions on-behalf of Fayetteville City School retiree participants. For the year ended June 30, 2017 these contributions totaled \$10,250 to the Medicare Supplement Plan and \$23,648 to the Local Education Employee Group Plan which are reflected in the financial statements as intergovernmental revenues and education expenditures.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to year-end, the City of Fayetteville issued Series 2017 general obligation refunding bonds in the amount of \$3,850,000 to advance refund \$3,950,000 of Series 2009 general obligation bonds of the City and FPU's gas and water departments. The refunding was undertaken to reduce future combined debt service of the City and FPU by approximately \$273,000 resulting in net present value benefits of approximately \$77,000, \$169,000, and \$13,000 for the City's general fund and FPU's gas and water departments, respectively.

Subsequent to year-end, the City of Fayetteville entered into an installment note agreement in the amount of \$205,000 to purchase a garbage truck for the City's sanitation fund. Monthly principal and interest payments of \$5,920 will begin in August 2017 and will continue until July 2020. The note bears interest at an annual rate of 2.5%. The note may be prepaid in full or in part at any time without indemnity.

REQUIRED SUPPLEMENTARY INFORMATION

POST-EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

Teacher Group Insurance Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ -	\$ 746	\$ 746	0.00%	\$ 5,944	12.6%
July 1, 2013	\$ -	\$ 460	\$ 460	0.00%	\$ 5,857	7.9%
July 1, 2011	\$ -	\$ 693	\$ 693	0.00%	\$ 4,680	14.8%

Fayetteville Public Utilities retiree health care plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2016	\$ -	\$ 1,126	\$ 1,126	0.00%	\$ 5,429	20.7%
July 1, 2014	\$ -	\$ 1,109	\$ 1,109	0.00%	\$ 4,970	22.3%
July 1, 2012	\$ -	\$ 1,192	\$ 1,192	0.00%	\$ 4,993	23.9%

City of Fayetteville post-employment health and life insurance benefits plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2016	\$ -	\$ 1,626	\$ 1,626	0.00%	\$ 4,118	39.5%
July 1, 2014	\$ -	\$ 1,183	\$ 1,183	0.00%	\$ 3,647	32.4%
July 1, 2012	\$ -	\$ 1,641	\$ 1,641	0.00%	\$ 3,495	47.0%

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
TOTAL PENSION LIABILITY			
Service cost	\$ 409,344	\$ 406,371	\$ 448,740
Interest	1,289,974	1,330,008	1,343,918
Changes in benefit terms	-	-	-
Differences between actual & expected experience	(61,339)	(480,678)	(73,505)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)
Net change in total pension liability	594,724	96,529	653,105
Total pension liability-beginning	17,311,937	17,906,661	18,003,190
Total pension liability-ending (a)	<u>\$ 17,906,661</u>	<u>\$ 18,003,190</u>	<u>\$ 18,656,295</u>
 PLAN FIDUCIARY NET POSITION			
Contributions-employer	\$ 480,331	\$ 483,255	\$ 520,882
Contributions-employee	243,467	250,391	270,532
Net investment income	2,478,367	524,049	455,674
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)
Administrative expense	(6,306)	(7,832)	(12,647)
Other	-	-	26,014
Net change in plan fiduciary net position	2,152,604	90,691	194,407
Plan fiduciary net position-beginning	15,068,588	17,221,192	17,311,883
Plan fiduciary net position-ending (b)	<u>\$ 17,221,192</u>	<u>\$ 17,311,883</u>	<u>\$ 17,506,290</u>
 Net pension liability (asset)-ending (a) - (b)	<u>\$ 685,469</u>	<u>\$ 691,307</u>	<u>\$ 1,150,005</u>
 Plan fiduciary net position as a percentage of total pension liability	96.17%	96.16%	93.84%
 Covered payroll	\$ 4,866,570	\$ 5,007,817	\$ 5,397,739
 Net pension liability (asset) as a percentage of covered employee payroll	14.09%	13.80%	21.31%

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,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 480,331	\$ 483,255	\$ 520,882	\$ 553,617
Contributions in relation to the actuarially determined contribution	480,331	483,255	520,882	553,617
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,866,570	\$ 5,007,817	\$ 5,397,739	\$ 5,736,956
Contributions as a percentage of covered-employee payroll	9.87%	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 2017 were calculated based on the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
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	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 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	2.5 percent

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

	2015	2016	2017
Fayetteville City Schools's proportion of the net pension liability (asset)	0.151502%	0.156381%	0.151918%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (24,618)	\$ 64,059	\$ 949,405
Fayetteville City Schools's covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.413996%	1.094252%	17.312424%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%

* 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>
Actuarially determined contribution	\$ 528,043	\$ 529,211	\$ 495,749	\$ 498,919
Contributions in relation to the actuarially determined contribution	528,043	529,211	495,749	498,919
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,946,414	\$ 5,854,119	\$ 5,483,952	\$ 5,519,009
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%	9.04%

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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS
Fiscal Year ended June 30, *

	<u>2016</u>	<u>2017</u>
Fayetteville City Schools's proportion of the net pension liability (asset)	0.106705%	0.125359%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (4,293)	\$ (13,050)
Fayetteville City Schools's covered-employee payroll	\$ 221,703	\$ 551,590
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-1.94%	-2.37%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

* 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,

	2015	2016	2017
Contractually required	\$ 222	\$ 13,807	\$ 19,668
Contribution in relation to the contractually required contribution	8,868	22,063	19,668
Contribution deficiency (excess)	<u>\$ (8,646)</u>	<u>\$ (8,256)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 221,703	\$ 551,590	\$ 491,700
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%

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.

NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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

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, 2017

		Special Revenue Funds				
		School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Assets:						
Cash in bank		\$ 231	\$ 171,568	\$ 52,709	\$ 224,508	\$ 306,869
Due from other funds		-	-	2,328	2,328	-
Due from other governments		28,417	30,000	-	58,417	-
Inventory		-	17,566	-	17,566	-
TOTAL ASSETS		<u>\$ 28,648</u>	<u>\$ 219,134</u>	<u>\$ 55,037</u>	<u>\$ 302,819</u>	<u>\$ 306,869</u>
Liabilities:						
Accounts payable		\$ 28,145	\$ -	\$ 547	\$ 28,692	\$ -
Due to other funds		272	-	3,590	3,862	-
Unearned revenues		231	-	-	231	-
TOTAL LIABILITIES		<u>28,648</u>	<u>-</u>	<u>4,137</u>	<u>32,785</u>	<u>-</u>
Fund Balances:						
Nonspendable - inventory		-	17,566	-	17,566	-
Restricted:						
Public safety		-	-	50,900	50,900	-
Assigned						
Education		-	201,568	-	201,568	-
Debt service		-	-	-	-	306,869
TOTAL FUND BALANCES		<u>-</u>	<u>219,134</u>	<u>50,900</u>	<u>270,034</u>	<u>306,869</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 28,648</u>	<u>\$ 219,134</u>	<u>\$ 55,037</u>	<u>\$ 302,819</u>	<u>\$ 306,869</u>

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Assets:						
Cash in bank	\$ 1,672	\$ 43,054	\$ 407,040	\$ 1,266,155	\$ 1,717,921	\$ 2,249,298
Due from other funds	-	-	-	34,969	34,969	37,297
Due from other governments	-	-	-	-	-	58,417
Inventory	-	-	-	-	-	17,566
TOTAL ASSETS	\$ 1,672	\$ 43,054	\$ 407,040	\$ 1,301,124	\$ 1,752,890	\$ 2,362,578
Liabilities:						
Accounts payable	\$ -	\$ 8,928	\$ -	\$ 41,321	\$ 50,249	\$ 78,941
Due to other funds	-	-	-	-	-	3,862
Unearned revenues	-	-	-	25,000	25,000	25,231
TOTAL LIABILITIES	-	8,928	-	66,321	75,249	108,034
Fund Balances:						
Nonspendable - inventory	-	-	-	-	-	17,566
Restricted						
Public safety	-	-	-	-	-	50,900
Capital projects	-	34,126	407,040	-	441,166	441,166
Assigned						
Education	-	-	-	-	-	201,568
Debt service	-	-	-	-	-	306,869
Industrial park	1,672	-	-	-	1,672	1,672
Capital projects	-	-	-	1,234,803	1,234,803	1,234,803
TOTAL FUND BALANCES	1,672	34,126	407,040	1,234,803	1,677,641	2,254,544
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,672	\$ 43,054	\$ 407,040	\$ 1,301,124	\$ 1,752,890	\$ 2,362,578

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2017

		Special Revenue Funds				
		School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Revenues:						
Intergovernmental		\$ 893,693	\$ 713,160	\$ -	\$ 1,606,853	\$ -
Charges for services		-	163,470	-	163,470	-
Investment earnings		-	75	17	92	99
Other		-	34,287	-	34,287	-
Fines and confiscations		-	-	32,246	32,246	-
TOTAL REVENUES		893,693	910,992	32,263	1,836,948	99
Expenditures:						
Current:						
General government		-	-	-	-	2,046
Public safety		-	-	11,124	11,124	-
Education		893,818	804,406	-	1,698,224	-
Debt Service:						
Principal		-	-	-	-	235,000
Interest		-	-	-	-	133,401
Capital outlay		-	48,942	22,766	71,708	-
TOTAL EXPENDITURES		893,818	853,348	33,890	1,781,056	370,447
Excess (deficiency) of revenues over expenditures		(125)	57,644	(1,627)	55,892	(370,348)
Other Financing Sources (Uses):						
Transfers in		150	-	-	150	368,901
Transfers out		(25)	-	-	(25)	-
TOTAL OTHER FINANCING SOURCES (USES)		125	-	-	125	368,901
Net change in fund balances		-	57,644	(1,627)	56,017	(1,447)
Fund balances - July 1, 2016		-	161,490	52,527	214,017	308,316
Fund balances - June 30, 2017		\$ -	\$ 219,134	\$ 50,900	\$ 270,034	\$ 306,869

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

NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2017

Capital Projects Funds						
	Industrial			Internal	Total	Total
	Park	CDBG	UDAG	Capital	Capital	Other
Revenues:				Projects	Projects	Governmental
						Funds
Intergovernmental	\$ -	\$ -	\$ -	\$ 60,651	\$ 60,651	\$ 1,667,504
Charges for services	-	-	-	-	-	163,470
Investment earnings	5	15	131	364	515	706
Contributions	-	-	-	-	-	34,287
Fines and forfeitures	-	-	-	-	-	32,246
TOTAL REVENUES	5	15	131	61,015	61,166	1,898,213
Expenditures:						
Current:						
General government	-	15,503	-	-	15,503	17,549
Public safety	-	-	-	-	-	11,124
Education	-	-	-	-	-	1,698,224
Community development	25,843	-	-	-	25,843	25,843
Debt service:						
Principal	-	-	-	-	-	235,000
Interest	-	-	-	-	-	133,401
Capital outlay	-	-	-	356,350	356,350	428,058
TOTAL EXPENDITURES	25,843	15,503	-	356,350	397,696	2,549,199
Excess (deficiency) of revenues over expenditures	(25,838)	(15,488)	131	(295,335)	(336,530)	(650,986)
Other Financing Sources (Uses):						
Transfers in	-	-	-	338,937	338,937	707,988
Transfers out	-	-	-	-	-	(25)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	338,937	338,937	707,963
Net change in fund balances	(25,838)	(15,488)	131	43,602	2,407	56,977
Fund balances - July 1, 2016	27,510	49,614	406,909	1,191,201	1,675,234	2,197,567
Fund balances - June 30, 2017	\$ 1,672	\$ 34,126	\$ 407,040	\$ 1,234,803	\$ 1,677,641	\$ 2,254,544

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Title programs	\$ 557,679	\$ 529,609	\$ 529,609	\$ -
Vocational education programs	19,983	19,983	19,983	-
Summer reading program	32,699	28,417	28,417	-
Special education programs	333,015	315,684	315,684	-
Total Revenues	<u>943,376</u>	<u>893,693</u>	<u>893,693</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	278,714	263,628	263,628	-
Contracted services	36,000	36,000	36,000	-
Supplies	17,353	31,120	31,120	-
Equipment	45,467	70,039	70,039	-
Other	2,536	2,021	2,021	-
Special education program				
Salaries and benefits	220,405	202,680	202,680	-
Equipment	25,700	25,700	25,700	-
Contracted services	6,500	6,500	6,500	-
Supplies	11,291	12,617	12,617	-
Vocational education program				
Salaries and benefits	1,300	1	1	-
Supplies	4,938	6,237	6,237	-
Equipment	1,831	1,831	1,831	-
Support services:				
Regular instruction program				
Salaries and benefits	80,955	69,971	69,971	-
Contracted services	53,000	34,423	34,423	-
Supplies	12,959	3,115	3,115	-
In service	59,644	44,910	44,910	-
Other	750	750	750	-
Special education program				
Salaries and benefits	17,500	21,814	21,814	-
Contracted services	17,982	15,610	15,610	-
In service	8,982	7,211	7,211	-
Supplies	13,780	13,780	13,780	-
Other Student Support				
Salaries and benefits	-	-	-	-
Travel	3,991	3,991	3,991	-
Supplies	3,000	2,025	2,025	-
In service	7,923	7,923	7,923	-
Transportation				
Salaries and benefits	4,875	4,821	4,821	-
Other	6,000	5,100	5,100	-
Total Expenditures	<u>943,376</u>	<u>893,818</u>	<u>893,818</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(125)</u>	<u>(125)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	-	(25)	(25)	-
Transfers from other funds	-	150	150	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>125</u>	<u>125</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHOOL CAFETERIA SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Intergovernmental				
National school lunch program	\$ 485,000	\$ 454,500	\$ 428,335	\$ (26,165)
School breakfast program	173,000	203,500	186,073	(17,427)
USDA commodities	61,182	61,182	61,182	-
NSLP equipment grant	-	-	30,000	30,000
Other	8,000	8,000	7,570	(430)
Charges for services	197,500	197,500	163,470	(34,030)
Investment earnings	100	100	75	(25)
Other revenues	47,720	47,720	34,287	(13,433)
Total Revenues	<u>972,502</u>	<u>972,502</u>	<u>910,992</u>	<u>(61,510)</u>
EXPENDITURES				
Current:				
Salaries and benefits	410,130	377,130	342,327	34,803
Repairs and maintenance	9,000	9,000	5,667	3,333
Travel	3,000	3,000	2,807	193
Contracted services	6,500	11,500	6,698	4,802
Food and preparation supplies	459,182	489,182	443,312	45,870
Supplies	2,000	2,000	721	1,279
Other	10,000	8,000	2,874	5,126
Capital outlay	73,390	73,390	48,942	24,448
Total Expenditures	<u>973,202</u>	<u>973,202</u>	<u>853,348</u>	<u>119,854</u>
Excess (Deficiency) of Revenues over Expenditures	(700)	(700)	57,644	58,344
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(25,000)	(25,000)	-	25,000
Transfers from other funds	25,000	25,000	-	(25,000)
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	-	-	57,644	57,644
Fund Balance - beginning	<u>161,490</u>	<u>161,490</u>	<u>161,490</u>	<u>-</u>
Fund Balance - ending	<u>\$ 161,490</u>	<u>\$ 161,490</u>	<u>\$ 219,134</u>	<u>\$ 57,644</u>

**DRUG SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2017

	<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	\$ 15	\$ 15	\$ 17	\$ 2
Fines	11,000	11,000	30,128	19,128
Confiscations	-	-	2,118	2,118
Total Revenues	<u>11,015</u>	<u>11,015</u>	<u>32,263</u>	<u>21,248</u>
EXPENDITURES				
Current:				
Operating				
Salaries	7,500	7,500	7,456	44
Education and training	5,000	5,000	100	4,900
Travel	5,000	5,000	881	4,119
Supplies	5,900	5,900	783	5,117
Contractual	3,000	3,000	-	3,000
Telephone	780	780	1,335	(555)
Professional services	1,000	1,000	384	616
Equipment	14,143	14,143	22,766	(8,623)
Investigative transactions	10,000	10,000	-	10,000
Other drug fund	2,000	2,000	185	1,815
Total Expenditures	<u>54,323</u>	<u>54,323</u>	<u>33,890</u>	<u>20,433</u>
Net Change in Fund Balance	(43,308)	(43,308)	(1,627)	41,681
Fund Balance - beginning	<u>52,527</u>	<u>52,527</u>	<u>52,527</u>	-
Fund Balance - ending	<u>\$ 9,219</u>	<u>\$ 9,219</u>	<u>\$ 50,900</u>	<u>\$ 41,681</u>

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2017

	<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	\$ 90	\$ 90	\$ 99	\$ 9
Total Revenues	<u>90</u>	<u>90</u>	<u>99</u>	<u>9</u>
EXPENDITURES				
Current:				
Operating - agent fees	1,600	2,050	2,046	4
Debt Service:				
Principal	235,000	235,000	235,000	-
Interest	133,402	133,402	133,401	1
Total Expenditures	<u>370,002</u>	<u>370,452</u>	<u>370,447</u>	<u>5</u>
Excess (Deficiency) of Revenues over Expenditures	(369,912)	(370,362)	(370,348)	14
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>370,002</u>	<u>370,002</u>	<u>368,901</u>	<u>(1,101)</u>
Total Other Financing Sources (Uses)	<u>370,002</u>	<u>370,002</u>	<u>368,901</u>	<u>(1,101)</u>
Net Change in Fund Balance	90	(360)	(1,447)	(1,087)
Fund Balance - beginning	<u>308,316</u>	<u>308,316</u>	<u>308,316</u>	<u>-</u>
Fund Balance - ending	<u>\$ 308,406</u>	<u>\$ 307,956</u>	<u>\$ 306,869</u>	<u>\$ (1,087)</u>

INDUSTRIAL PARK CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2017

	<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	\$ 10	\$ (40)	\$ 5	\$ 45
Total Revenues	<u>10</u>	<u>(40)</u>	<u>5</u>	<u>45</u>
EXPENDITURES				
Current:				
Contribution to IDB	<u>-</u>	<u>25,843</u>	<u>25,843</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>25,843</u>	<u>25,843</u>	<u>-</u>
Net Change in Fund Balance	10	(25,883)	(25,838)	45
Fund Balance - beginning	<u>27,510</u>	<u>27,510</u>	<u>27,510</u>	<u>-</u>
Fund Balance - ending	<u>\$ 27,520</u>	<u>\$ 1,627</u>	<u>\$ 1,672</u>	<u>\$ 45</u>

CDBG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable (Unfavorable)
REVENUES				
Investment earnings	\$ 10	\$ 10	\$ 15	\$ 5
Total Revenues	<u>10</u>	<u>10</u>	<u>15</u>	<u>5</u>
EXPENDITURES				
Current:				
Operating	<u>49,609</u>	<u>49,609</u>	<u>15,503</u>	<u>34,106</u>
Total Expenditures	<u>49,609</u>	<u>49,609</u>	<u>15,503</u>	<u>34,106</u>
Net Change in Fund Balance	(49,599)	(49,599)	(15,488)	34,111
Fund Balance - beginning	<u>49,614</u>	<u>49,614</u>	<u>49,614</u>	<u>-</u>
Fund Balance - ending	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 34,126</u>	<u>\$ 34,111</u>

UDAG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 131	\$ 31
Total Revenues	<u>100</u>	<u>100</u>	<u>131</u>	<u>31</u>
EXPENDITURES				
Current:				
Operating	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balance	(900)	(900)	131	1,031
Fund Balance - beginning	<u>406,909</u>	<u>406,909</u>	<u>406,909</u>	<u>-</u>
Fund Balance - ending	<u>\$ 406,009</u>	<u>\$ 406,009</u>	<u>\$ 407,040</u>	<u>\$ 1,031</u>

**INTERNAL CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2017

	<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	\$ 300	\$ 364	\$ 64
Intergovernmental	242,000	26,950	60,651	33,701
Total Revenues	242,200	27,250	61,015	33,765
EXPENDITURES				
Capital outlay	473,005	523,005	356,350	166,655
Total Expenditures	473,005	523,005	356,350	166,655
(Deficiency) of Revenues over Expenditures	(230,805)	(495,755)	(295,335)	200,420
OTHER FINANCING SOURCES				
Transfers in	200,000	200,000	338,937	138,937
Total Other Financing Sources	200,000	200,000	338,937	138,937
Net Change in Fund Balance	(30,805)	(295,755)	43,602	339,357
Fund Balance - beginning	1,191,201	1,191,201	1,191,201	-
Fund Balance - ending	\$ 1,160,396	\$ 895,446	\$ 1,234,803	\$ 339,357

SCHEDULE OF COMBINED LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2017

Fayetteville Public Utilities														
General Debt		Electric Department		Gas Department		Telecom Department		Water & Sewer Department		Total	Total			
Total For All Debt		Series 2009		Series 2011		Total For All Debt				Principal	Interest			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total *		
2018	\$ 455,000	\$ 268,957	\$ 1,169,056	\$ 396,038	\$ 300,000	\$ 95,270	\$ 340,000	\$ 17,965	\$ 1,069,612	\$ 483,009	\$ 3,333,668	\$ 1,261,239	\$ 4,594,907	
2019	465,000	258,010	1,209,056	357,637	310,000	84,768	345,000	12,865	1,102,896	457,999	3,431,952	1,171,279	4,603,231	
2020	475,000	247,092	1,249,056	314,987	315,000	74,694	350,000	7,000	1,105,604	433,753	3,494,660	1,077,526	4,572,186	
2021	515,000	235,655	1,299,056	269,387	310,000	63,668	-	-	775,293	406,990	2,899,349	975,700	3,875,049	
2022	515,000	222,295	1,334,056	234,387	320,000	52,432	-	-	789,403	392,880	2,958,459	901,994	3,860,453	
2023	530,000	208,831	1,352,882	198,687	330,000	40,432	-	-	803,824	378,459	3,016,706	826,409	3,843,115	
2024	540,000	194,606	1,390,000	161,800	325,000	27,232	-	-	817,727	364,556	3,072,727	748,194	3,820,921	
2025	555,000	180,082	1,490,000	123,800	345,000	14,232	-	-	754,130	349,084	3,144,130	667,198	3,811,328	
2026	410,000	163,637	1,530,000	94,000	-	-	-	-	687,819	336,291	2,627,819	593,928	3,221,747	
2027	415,000	152,300	1,565,000	63,400	-	-	-	-	700,453	323,656	2,680,453	539,356	3,219,809	
2028	430,000	140,837	1,605,000	32,100	-	-	-	-	712,645	311,465	2,747,645	484,402	3,232,047	
2029	445,000	127,338	-	-	-	-	-	-	726,506	297,604	1,171,506	424,942	1,596,448	
2030	450,000	113,387	-	-	-	-	-	-	739,978	284,132	1,189,978	397,519	1,587,497	
2031	470,000	98,988	-	-	-	-	-	-	753,715	270,395	1,223,715	369,383	1,593,098	
2032	480,000	83,912	-	-	-	-	-	-	767,123	256,987	1,247,123	340,899	1,588,022	
2033	500,000	67,913	-	-	-	-	-	-	782,082	242,028	1,282,082	309,941	1,592,023	
2034	445,000	51,212	-	-	-	-	-	-	796,740	227,370	1,241,740	278,582	1,520,322	
2035	450,000	36,413	-	-	-	-	-	-	773,893	212,602	1,223,893	249,015	1,472,908	
2036	325,000	21,450	-	-	-	-	-	-	730,377	198,374	1,055,377	219,824	1,275,201	
2037	335,000	10,888	-	-	-	-	-	-	545,974	184,506	880,974	195,394	1,076,368	
2038	-	-	-	-	-	-	-	-	379,557	173,439	379,557	173,439	552,996	
2039	-	-	-	-	-	-	-	-	389,777	163,219	389,777	163,219	552,996	
2040	-	-	-	-	-	-	-	-	399,861	153,135	399,861	153,135	552,996	
2041	-	-	-	-	-	-	-	-	411,050	141,946	411,050	141,946	552,996	
2042	-	-	-	-	-	-	-	-	422,130	130,866	422,130	130,866	552,996	
2043	-	-	-	-	-	-	-	-	433,514	119,482	433,514	119,482	552,996	
2044	-	-	-	-	-	-	-	-	444,916	108,080	444,916	108,080	552,996	
2045	-	-	-	-	-	-	-	-	457,214	95,782	457,214	95,782	552,996	
2046	-	-	-	-	-	-	-	-	469,558	83,438	469,558	83,438	552,996	
2047	-	-	-	-	-	-	-	-	482,238	70,758	482,238	70,758	552,996	
2048	-	-	-	-	-	-	-	-	495,114	57,882	495,114	57,882	552,996	
2049	-	-	-	-	-	-	-	-	508,647	44,349	508,647	44,349	552,996	
2050	-	-	-	-	-	-	-	-	522,399	30,597	522,399	30,597	552,996	
2051	-	-	-	-	-	-	-	-	408,326	17,653	408,326	17,653	425,979	
2052	-	-	-	-	-	-	-	-	224,195	8,311	224,195	8,311	232,506	
2053	-	-	-	-	-	-	-	-	121,947	3,732	121,947	3,732	125,679	
2054	-	-	-	-	-	-	-	-	79,409	1,302	79,409	1,302	80,711	
2055	-	-	-	-	-	-	-	-	4,075	9	4,075	9	4,084	
	\$ 9,205,000	\$ 2,883,803	\$ 15,193,162	\$ 2,246,223	\$ 2,555,000	\$ 452,728	\$ 1,035,000	\$ 37,830	\$ 22,589,721	\$ 7,816,120	\$ 50,577,883	\$ 13,436,704	\$ 64,014,587	

* Excludes FPU non-amortizing debt

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

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

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Year	General		General		General		General		<u>Total General</u>	
	Obligation Bonds		Obligation Bonds		Obligation Bonds		Obligation Bonds		<u>Total</u>	
	<u>Series 2013</u>		<u>Series 2013 B</u>		<u>Series 2009</u>		<u>Series 2014</u>		<u>Total</u>	
Ending	<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>
June 30,										
2018	\$ 215,000	\$ 142,100	\$ 40,000	\$ 32,063	\$ 115,000	\$ 41,594	\$ 85,000	\$ 53,200	\$ 455,000	\$ 268,957
2019	220,000	137,800	40,000	31,142	120,000	37,568	85,000	51,500	465,000	258,010
2020	225,000	133,400	45,000	30,223	120,000	33,669	85,000	49,800	475,000	247,092
2021	225,000	128,900	50,000	29,187	150,000	29,468	90,000	48,100	515,000	235,655
2022	230,000	124,400	50,000	27,563	145,000	24,032	90,000	46,300	515,000	222,295
2023	235,000	119,800	50,000	25,937	150,000	18,594	95,000	44,500	530,000	208,831
2024	240,000	115,100	50,000	24,312	155,000	12,594	95,000	42,600	540,000	194,606
2025	245,000	110,300	55,000	22,688	155,000	6,394	100,000	40,700	555,000	180,082
2026	250,000	104,787	55,000	20,900	-	-	105,000	37,950	410,000	163,637
2027	255,000	98,538	55,000	18,700	-	-	105,000	35,062	415,000	152,300
2028	260,000	92,162	60,000	16,500	-	-	110,000	32,175	430,000	140,837
2029	270,000	84,363	60,000	14,100	-	-	115,000	28,875	445,000	127,338
2030	275,000	76,262	60,000	11,700	-	-	115,000	25,425	450,000	113,387
2031	285,000	68,013	65,000	9,000	-	-	120,000	21,975	470,000	98,988
2032	290,000	59,462	65,000	6,075	-	-	125,000	18,375	480,000	83,912
2033	300,000	50,763	70,000	3,150	-	-	130,000	14,000	500,000	67,913
2034	310,000	41,762	-	-	-	-	135,000	9,450	445,000	51,212
2035	315,000	31,688	-	-	-	-	135,000	4,725	450,000	36,413
2036	325,000	21,450	-	-	-	-	-	-	325,000	21,450
2037	335,000	10,888	-	-	-	-	-	-	335,000	10,888
	<u>\$ 5,305,000</u>	<u>\$ 1,751,938</u>	<u>\$ 870,000</u>	<u>\$ 323,240</u>	<u>\$ 1,110,000</u>	<u>\$ 203,913</u>	<u>\$ 1,920,000</u>	<u>\$ 604,712</u>	<u>\$ 9,205,000</u>	<u>\$ 2,883,803</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

Year	Series 2009		Series 2016		RUS Rural Economic Development Loan (LCHS)		Total Electric	
Ending							Total	Total
<u>June 30,</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>
2018	\$ 1,120,000	\$ 201,638	\$ 30,000	\$ 194,400	\$ 19,056	\$ -	\$ 1,169,056	\$ 396,038
2019	1,160,000	163,837	30,000	193,800	19,056	-	1,209,056	357,637
2020	1,200,000	121,787	30,000	193,200	19,056	-	1,249,056	314,987
2021	470,000	76,787	810,000	192,600	19,056	-	1,299,056	269,387
2022	470,000	57,987	845,000	176,400	19,056	-	1,334,056	234,387
2023	470,000	39,187	875,000	159,500	7,882	-	1,352,882	198,687
2024	480,000	19,800	910,000	142,000	-	-	1,390,000	161,800
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>\$ 5,370,000</u>	<u>\$ 681,023</u>	<u>\$ 9,720,000</u>	<u>\$ 1,565,200</u>	<u>\$ 103,162</u>	<u>\$ -</u>	<u>\$ 15,193,162</u>	<u>\$ 2,246,223</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

Year Ending June 30,	Series 2009		TDOT Utility Reloc Loan		State Revolving Fund Loan CW0 2013-315		State Revolving Fund Loan CG1 2013-316		State Revolving Fund Loan CG4 2015-350	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 335,000	\$ 35,338	\$ 138,869	\$ 19,304	\$ 33,816	\$ 7,260	\$ 175,278	\$ 41,808	\$ 163,020	\$ 49,932
2019	355,000	23,612	141,460	16,713	34,212	6,864	177,342	39,744	165,276	47,676
2020	345,000	12,074	144,100	14,073	34,620	6,456	179,430	37,656	167,580	45,372
2021	-	-	146,788	11,385	35,028	6,048	181,542	35,544	169,908	43,044
2022	-	-	149,527	8,646	35,436	5,640	183,678	33,408	172,260	40,692
2023	-	-	152,317	5,856	35,856	5,220	185,838	31,248	174,660	38,292
2024	-	-	155,159	3,014	36,276	4,800	188,022	29,064	177,084	35,868
2025	-	-	78,679	425	36,696	4,380	190,230	26,856	179,544	33,408
2026	-	-	-	-	37,128	3,948	192,474	24,612	182,028	30,924
2027	-	-	-	-	37,572	3,504	194,730	22,356	184,560	28,392
2028	-	-	-	-	38,016	3,060	197,022	20,064	187,128	25,824
2029	-	-	-	-	38,460	2,616	199,338	17,748	189,720	23,232
2030	-	-	-	-	38,916	2,160	201,690	15,396	192,360	20,592
2031	-	-	-	-	39,372	1,704	204,066	13,020	195,024	17,928
2032	-	-	-	-	39,828	1,248	206,466	10,620	197,736	15,216
2033	-	-	-	-	40,308	768	208,890	8,196	200,484	12,468
2034	-	-	-	-	40,788	288	211,350	5,736	203,268	9,684
2035	-	-	-	-	3,461	-	213,834	3,252	206,088	6,864
2036	-	-	-	-	-	-	162,009	794	208,956	3,996
2037	-	-	-	-	-	-	-	-	176,366	1,118
2038	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-
	<u>\$ 1,035,000</u>	<u>\$ 71,024</u>	<u>\$ 1,106,899</u>	<u>\$ 79,416</u>	<u>\$ 635,789</u>	<u>\$ 65,964</u>	<u>\$ 3,653,229</u>	<u>\$ 417,122</u>	<u>\$ 3,693,050</u>	<u>\$ 530,522</u>

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER (CONTINUED)
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

Year Ending June 30,	RUS Phase I Series 2008		RUS Phase II Series 2009		RUS Phase III Series 2013		RUS Phase IV Series 2015		Total Water	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest
2018	\$ 67,176	\$ 72,684	\$ 81,388	\$ 142,124	\$ 45,510	\$ 63,402	\$ 29,555	\$ 51,157	\$ 1,069,612	\$ 483,009
2019	68,703	71,157	83,864	139,648	46,661	62,251	30,378	50,334	1,102,896	457,999
2020	70,074	69,786	86,038	137,474	47,674	61,238	31,088	49,624	1,105,604	433,753
2021	71,858	68,002	89,032	134,480	49,047	59,865	32,090	48,622	775,293	406,990
2022	73,491	66,368	91,740	131,772	50,287	58,625	32,984	47,729	789,403	392,880
2023	75,162	64,698	94,530	128,982	51,559	57,353	33,902	46,810	803,824	378,459
2024	76,698	63,162	97,059	126,453	52,709	56,203	34,720	45,992	817,727	364,556
2025	78,615	61,245	100,357	123,155	54,196	54,716	35,813	44,899	754,130	349,084
2026	80,402	59,458	103,410	120,102	55,566	53,346	36,811	43,901	687,819	336,291
2027	82,229	57,630	106,555	116,957	56,971	51,941	37,836	42,876	700,453	323,656
2028	83,946	55,914	109,484	114,028	58,274	50,638	38,775	41,937	712,645	311,465
2029	86,007	53,853	113,126	110,386	59,886	49,026	39,969	40,743	726,506	297,604
2030	87,963	51,897	116,567	106,945	61,400	47,512	41,082	39,630	739,978	284,132
2031	89,962	49,898	120,112	103,400	62,953	45,959	42,226	38,486	753,715	270,395
2032	91,877	47,983	123,492	100,020	64,424	44,488	43,300	37,412	767,123	256,987
2033	94,096	45,764	127,522	95,990	66,174	42,738	44,608	36,104	782,082	242,028
2034	96,235	43,625	131,400	92,112	67,848	41,064	45,851	34,861	796,740	227,370
2035	98,423	41,437	135,397	88,115	69,563	39,349	47,127	33,585	773,893	212,602
2036	100,554	39,306	139,286	84,226	71,220	37,692	48,352	32,360	730,377	198,374
2037	102,946	36,914	143,752	79,760	73,123	35,789	49,787	30,925	545,974	184,506
2038	105,287	34,573	148,124	75,388	74,973	33,939	51,173	29,539	379,557	173,439
2039	107,680	32,180	152,630	70,882	76,869	32,043	52,598	28,114	389,777	163,219
2040	110,048	29,812	157,092	66,420	78,731	30,181	53,990	26,722	399,861	153,135
2041	112,630	27,230	162,050	61,462	80,803	28,109	55,567	25,145	411,050	141,946
2042	115,190	24,670	166,979	56,533	82,847	26,065	57,114	23,598	422,130	130,866
2043	117,809	22,051	172,058	51,454	84,942	23,970	58,705	22,007	433,514	119,482
2044	120,435	19,425	177,166	46,346	87,031	21,881	60,284	20,428	444,916	108,080
2045	123,225	16,635	182,680	40,832	89,291	19,621	62,018	18,694	457,214	95,782
2046	126,027	13,833	188,236	35,276	91,549	17,363	63,746	16,966	469,558	83,438
2047	128,892	10,968	193,961	29,551	93,864	15,048	65,521	15,191	482,238	70,758
2048	131,801	8,059	199,799	23,713	96,204	12,708	67,310	13,402	495,114	57,882
2049	134,818	5,042	205,938	17,574	98,671	10,241	69,220	11,492	508,647	44,349
2050	137,883	1,977	212,202	11,310	101,166	7,746	71,148	9,564	522,399	30,597
2051	12,817	26	218,656	4,856	103,724	5,188	73,129	7,583	408,326	17,653
2052	-	-	42,701	181	106,342	2,570	75,152	5,560	224,195	8,311
2053	-	-	-	-	44,688	279	77,259	3,453	121,947	3,732
2054	-	-	-	-	-	-	79,409	1,302	79,409	1,302
2055	-	-	-	-	-	-	4,075	9	4,075	9
	<u>\$ 3,260,959</u>	<u>\$ 1,367,262</u>	<u>\$ 4,774,383</u>	<u>\$ 2,867,907</u>	<u>\$ 2,556,740</u>	<u>\$ 1,300,147</u>	<u>\$ 1,873,672</u>	<u>\$ 1,116,756</u>	<u>\$ 22,589,721</u>	<u>\$ 7,816,120</u>

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

June 30, 2017

Residential

Customer Charge	\$22.40 per month
Energy Charge	7.391 cents per KWH
TVA Total Monthly Fuel Cost	2.165 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	\$37.25 per month
Energy Charge		8.485 cents per KWH
TVA Total Monthly Fuel Cost		2.132 cents per KWH

51 KW TO 1,000 KW

Customer Charge		\$225.00 per month
Demand Charge	First 50 KW	\$3.00 per KW
	Excess over 50 KW	\$15.64 per KW
Energy Charge	First 15,000 KWH	7.879 cents per KWH
	Additional KWH	4.168 cents per KWH
TVA Total Monthly Fuel Cost	First 15,000 KWH	2.132 cents per KWH
	Additional KWH	2.095 cents per KWH

1,001 KW TO 5,000 KW

Customer Charge		\$450.00 per month
Demand Charge	First 1,000 KW	\$16.57 per KW
	Excess over 1,000 KW	\$18.95 per KW
Energy Charge		4.166 cents per KWH.
TVA Total Monthly Fuel Cost		2.095 cents per KWH

Manufacturing Services

5,001 KW TO 15,000 KW

Customer Charge		\$1,850 per delivery point
Demand Charge	Onpeak	\$9.74 per KW
	Maximum	\$2.16 per KW
	Excess over Contract	\$9.74 per KW
Energy Charge	Onpeak	5.491 cents per KWH
	Offpeak first 200 hours	3.113 cents per KWH
	Offpeak next 200 hours	0.288 cents per KWH
	Offpeak additional KWH	0.045 cents per KWH
TVA Total Monthly Fuel Cost		1.921 cents per KWH

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF GAS UTILITY RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

Residential

Monthly minimum	\$	5.00
Per ccf consumed per month		1.05

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

Monthly minimum	\$	5.66
Per ccf consumed per month		1.10

General Commercial and Industrial

Monthly minimum	\$	5.66
Per ccf consumed per month		0.990

Housing Authority

Monthly minimum	\$	5.00
Per ccf consumed per month		0.971

Interruptible Service

Per ccf consumed per month	\$	0.477
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Firm Industrial

Monthly minimum	\$	100.00
Per ccf consumed per month		0.627

Note: ccf represents 100 cubic feet.

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

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

Cable TV Service

Budget basic	\$ 28.00
Basic plus	60.50
Basic digital	74.88
Digital service with DVR only	81.04
Digital service with HD only	76.88
Complete digital package	82.08

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
Analog converter	2.50
Cable card	2.50
Inside wire maintenance	4.00

Internet Services

3 Meg	\$ 44.49
5 Meg	64.49
10 Meg	77.09
15 Meg	46.49
17 Meg	66.49
20 Meg	79.09
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, 2017

	<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 100 cubic feet	\$ 9.46	\$ 12.30	\$ 10.40	\$ 13.52	\$ 9.93	\$ 10.40	\$ 9.83	\$ 10.13
All over 100 cubic feet*	4.02	5.22						
Next 900 cubic feet*			4.43	5.76	4.22	4.43	4.12	4.42
All over 1,000 cubic feet*			3.24	4.23	3.19	N/A	3.09	3.39
Next 119,000 cubic feet*						3.54		
All over 120,000 cubic feet*						2.36		
<u>Wastewater Rates</u>								
First 100 cubic feet	14.94	17.19	17.03		17.03			
All over 100 cubic feet*	6.35	7.30	7.24		7.24			

**Per 100 cubic feet*

Number of water and wastewater customers at June 30,

	<u>2017</u>	<u>2016</u>
Water	4,600	4,575
Sewer	3,510	3,490

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF SANITATION RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

Residential

Per household	\$ 14
Per apartment	14

Each additional cart purchased is an additional \$10.

Commercial and Industrial

1 cart	Twice/wk	38
	Once/wk	19
2 carts	Twice/wk	68
	Once/wk	34
3 carts	Twice/wk	98
	Once/wk	49
4 carts	Twice/wk	128
	Once/wk	64
6 carts	Twice/wk	188
	Once/wk	94

SCHEDULE OF NUMBER OF UTILITY CUSTOMERS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

	June 30, <u>2017</u>	<u>2016</u>
Electric	18,300	18,139
Gas	6,290	6,237
Telecom division -Cable	2,974	3,130
Telecom division -Internet	2,538	2,364
Telecom division -Phone	299	300
Water	4,600	4,575
Wastewater	3,510	3,490
Sanitation	2,683	2,666



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association
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?

Click to access definition

+

Click to add a comment

Water Audit Report for: **Fayetteville Public Utilities (0000242)**
Reporting Year: **2017** **7/2016 - 6/2017**

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:

+

?

9

 863.697 MG/Yr
Water imported:

+

?

n/a

 0.000 MG/Yr
Water exported:

+

?

9

 205.142 MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' -----
Pcnt: Value:

+

?

7

 1.13%

●

○

 MG/Yr

+

?

7

 0.00%

○

○

 MG/Yr

+

?

5

 0.01%

●

○

 MG/Yr

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

WATER SUPPLIED: **648.925** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:

+

?

10

 473.731 MG/Yr
Billed unmetered:

+

?

n/a

 0.000 MG/Yr
Unbilled metered:

+

?

10

 13.153 MG/Yr
Unbilled unmetered:

+

?

10

 8.232 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **495.116** MG/Yr

Click here:

?

for help using option
buttons below

Pcnt: Value:

○

○

 8.232 MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

Pcnt: Value:

●

○

 0.25% MG/Yr

●

○

 2.00% MG/Yr

●

○

 0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption:

+

?

 1.622 MG/Yr

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

Customer metering inaccuracies:

+

?

8

 9.936 MG/Yr
Systematic data handling errors:

+

?

 1.184 MG/Yr

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

Apparent Losses: **12.743** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:

?

 141.066 MG/Yr

WATER LOSSES: **153.809** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **175.194** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:

+

?

8

 142.3 miles
Number of active AND inactive service connections:

+

?

8

 5,071
Service connection density:

?

 36 conn./mile main

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

Yes

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:

+

?

4

 74.5 psi

COST DATA

Total annual cost of operating water system:

+

?

10

 \$3,237,801 \$/Year
Customer retail unit cost (applied to Apparent Losses):

+

?

10

 \$3.75 \$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses):

+

?

10

 \$349.27 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 89 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: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software:

WAS v5.0

System Attributes and Performance Indicators

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

Reporting Year: **2017** **7/2016 - 6/2017**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 89 out of 100 ***

System Attributes:

Apparent Losses:	12.743	MG/Yr
+ Real Losses:	141.066	MG/Yr
= Water Losses:	153.809	MG/Yr

? Unavoidable Annual Real Losses (UARL): **41.61** MG/Yr

Annual cost of Apparent Losses: **\$63,881**

Annual cost of Real Losses: **\$49,270** 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: **27.0%**
Non-revenue water as percent by cost of operating system: **3.7%** Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: **6.88** gallons/connection/day
Real Losses per service connection per day: **76.21** gallons/connection/day
Real Losses per length of main per day*: **N/A**
Real Losses per service connection per day per psi pressure: **1.02** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **141.07** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **3.39**

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

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2017

<u>Year</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Taxes</u> <u>Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2017</u>
2017	\$ -	\$ 2,866,182	\$ -	\$ -	\$ 2,866,182
2016	2,637,899	-	41,652	(2,560,914)	118,637
2015	72,899	-	13,746	(61,413)	25,232
2014	14,925	-	4,590	(14,851)	4,664
2013	3,714	-	-	(230)	3,484
2012	2,533	-	-	-	2,533
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	-	-	-	-	-
2008	-	-	-	-	-
2007	-	-	-	-	-
2006	-	-	-	-	-
2005	-	-	-	-	-
	<u>\$ 2,731,970</u>	<u>\$ 2,866,182</u>	<u>\$ 59,988</u>	<u>\$ (2,637,408)</u>	<u>3,020,732</u>
Less allowance for uncollectible taxes					(26,536)
Balance, end of year, net of allowance					<u>\$ 2,994,196</u>

All uncollectible real estate taxes for tax years prior to 2016 have been turned over to the Clerk and Master for collection.

DIRECTORY OF OFFICIALS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2017

Mayor - Jon Law

Board of Alderman

Dorothy Small - Vice Mayor

Danny Bryant

Gwen Shelton

Anna Catherine Osteen

Violet Harry

Michael Whisenant

City Administrator - Scott Collins

City Attorney - Johnny D. Hill, Jr.

City Judge - J. Rhea Thompson, III

City Finance Director - Tonya Travis, CFMO

Director of Schools - Janine Wilson

Fayetteville Public Utilities:

CEO/ General Manager - Britt Dye

Secretary/Treasurer - Glenn Oldham

Manager of Finance and Office Services - Kim Posey

UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2017

During the year ended June 30, 2017, the government turned over \$23,360 of 2015 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, 2017

<u>Tax Year</u>	<u>Total Assessed Value</u>	<u>City Property Tax Rate</u>	<u>Levy</u>
2008	\$ 143,742,680	\$ 1.3195	\$ 1,942,293
2009	143,752,986	1.3195	1,941,199
2010	143,917,096	1.3195	1,933,399
2011	143,073,864	1.3195	1,931,385
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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
CITY OF FAYETTEVILLE, TENNESSEE
Year Ended June 30, 2017

<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 Transportation / TN Dept of Transportation	Highway Planning and Construction Cluster	20.205	STP4322(10)	\$ -	\$ 15,900
Total Highway Planning and Construction Cluster				-	15,900
Department of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2015-F0- 03651	-	167,688
Department of the Interior / TN Dept of Environment and Conservation	TN War Commission Grant	15.904	48748	-	42,700
Total Federal Awards				-	226,288
<u>State Financial Assistance</u>					
TN Department of Environment & Conservation	Local Parks and Recreation Fund Grant	N/A	43265	-	17,951
TN Arts Commission	N/A	N/A	31625-29732	-	1,100
Total State Awards				-	19,051
Total Federal & State Awards				\$ -	\$ 245,339

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, 2017. 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.

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

**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 City of Fayetteville, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Fayetteville, Tennessee's basic financial statements and have issued our report thereon dated December 8, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fayetteville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Putman & Hancock

Fayetteville, TN
December 8, 2017

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE

For the Fiscal Year Ended June 30, 2017

Financial Statement Findings

Finding Number	Finding Title	Status
2016-001	Budgets	Corrected

Federal Award Findings and Questioned Costs

Not applicable