

AUDITED FINANCIAL STATEMENTS

CITY OF

FAYETTEVILLE, TENNESSEE

Year Ended June 30, 2018

BASIC FINANCIAL STATEMENTS

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, 2018, and the related notes to the financial statements, which collectively comprise the City of Fayetteville, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note 19, the City of Fayetteville has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the pension information on pages 82 through 88 and the OPEB information on pages 89 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2019 on our consideration of the City of Fayetteville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fayetteville, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fayetteville, Tennessee's internal control over financial reporting and compliance.

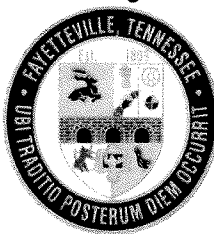
Putman & Hancock, CPAs

Fayetteville, Tennessee
May 17, 2019

City of Fayetteville

Jon Law, Mayor
Gwen Shelton, Vice Mayor
Scott Collins, City Administrator

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Alderman:
Danny Bryant
Violet Harry
Anna Catherine Osteen
Dorothy Small
Michael Whisenant

"Where Tradition Meets Tomorrow"

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MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended June 30, 2018

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, 2018. 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 (Restated)		Business-type Activities (Restated)		Total Primary Government (Restated)	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 19,126,579	\$ 18,872,320	\$ 44,919,410	\$ 46,768,365	\$ 64,045,989	\$ 65,640,685
Capital assets	27,371,439	27,673,365	117,144,053	110,527,123	144,515,492	138,200,488
Total assets	46,498,018	46,545,685	162,063,463	157,295,488	208,561,481	203,841,173
Total deferred outflows of resources	2,650,672	2,875,820	577,415	610,679	3,228,087	3,486,499
Long-term liabilities outstanding	13,520,120	14,558,232	47,052,708	45,946,236	60,572,828	60,504,468
Other liabilities	1,134,070	1,095,070	7,907,259	8,253,909	9,041,329	9,348,979
Total liabilities	14,654,190	15,653,302	54,959,967	54,200,145	69,614,157	69,853,447
Total deferred inflows of resources	4,298,564	4,531,886	-	-	4,298,564	4,531,886
Net position						
Net investment in capital assets	18,508,850	18,377,667	73,263,655	67,946,900	91,772,505	86,324,567
Restricted	3,845,961	4,560,240	3,199,884	3,199,446	7,045,845	7,759,686
Unrestricted	7,841,125	6,298,410	31,217,372	32,559,676	39,058,497	38,858,086
Total net position	\$ 30,195,936	\$ 29,236,317	\$ 107,680,911	\$ 103,706,022	\$ 137,876,847	\$ 132,942,339

Net position of the City's governmental activities increased 3.28 percent in the fiscal year 2018. Net position of the City's business-type activities increased 3.83 percent in the fiscal year 2018.

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

	Governmental Activities (Restated)		Business-type Activities (Restated)		Total Primary Government (Restated)	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues:						
Charges for services	\$ 843,323	\$ 735,744	\$ 66,060,758	\$ 64,319,013	\$ 66,904,081	\$ 65,054,757
Operating grants and contributions	10,485,191	10,451,040	-	-	10,485,191	10,451,040
Capital grants and contributions	26,429	537,563	485,009	1,497,003	511,438	2,034,566
General revenues:						
Property taxes	4,195,495	3,909,261	-	-	4,195,495	3,909,261
Other taxes	5,761,958	6,068,869	-	-	5,761,958	6,068,869
Other general revenues	180,725	127,238	145,190	67,925	325,915	195,163
Total revenues	21,493,121	21,829,715	66,690,957	65,883,941	88,184,078	87,713,656
Program Expenses:						
General government	1,128,256	1,059,049	-	-	1,128,256	1,059,049
Public safety	4,783,159	4,668,040	-	-	4,783,159	4,668,040
Recreation	764,531	750,321	-	-	764,531	750,321
Highways and streets	1,664,509	1,716,234	-	-	1,664,509	1,716,234
Sanitation	-	-	480,801	433,521	480,801	433,521
Housing and community development	899,294	776,317	-	-	899,294	776,317
Garage	189,848	150,201	-	-	189,848	150,201
Education	12,496,430	12,115,520	-	-	12,496,430	12,115,520
Debt issuance costs	18,955	-	-	-	18,955	-
Interest on long-term debt	265,983	273,329	-	-	265,983	273,329
Electric, telecom, water and gas	-	-	60,557,804	57,160,431	60,557,804	57,160,431
Total expenses	22,210,965	21,509,011	61,038,605	57,593,952	83,249,570	79,102,963
Excess (deficiency) before transfers	(717,844)	320,704	5,652,352	8,289,989	4,934,508	8,610,693
Transfers	1,677,463	1,445,543	(1,677,463)	(1,445,543)	-	-
Increase in net position	\$ 959,619	\$ 1,766,247	\$ 3,974,889	\$ 6,844,446	\$ 4,934,508	\$ 8,610,693

The City's total revenues increased .54 percent from the fiscal year ended June 30, 2017 to the fiscal year ended June 30, 2018, while total expenses increased 5.2 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, 2018 and 2017. 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	
	2018	2017	2018	2017
General government	\$ 1,128,256	\$ 1,059,049	\$ 703,724	\$ 626,444
Public safety	4,783,159	4,668,040	4,022,264	3,791,738
Recreation	764,531	750,321	716,715	644,043
Highways and street	1,664,509	1,716,234	1,426,272	1,341,150
Housing and community development	899,294	776,317	899,294	775,217
Garage	189,848	150,201	189,848	150,201
Education	12,496,430	12,115,520	2,612,967	2,182,542
Debt issuance cost	18,955	-	18,955	-
Interest on long-term debt	265,983	273,329	265,983	273,329
Total Net Expenditures	<u>\$ 22,210,965</u>	<u>\$ 21,509,011</u>	<u>\$ 10,856,022</u>	<u>\$ 9,784,664</u>

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2018 and 2017. These revenues are required to cover the net expenditures listed above.

Revenues by Source

	2018	2017
Property taxes	\$ 4,195,495	\$ 3,909,261
In lieu of taxes	397,088	640,206
Sales taxes	3,552,977	3,610,830
Alcoholic beverage taxes	547,408	546,467
Other local taxes	438,233	459,017
Other state taxes	826,252	812,349
Other	137,576	192,499
Unrestricted investment earnings	29,032	22,950
Gain (loss) on sale of assets	14,117	(88,211)
Transfers	1,677,463	1,445,543
Total General Revenues and Transfers	<u>\$ 11,815,641</u>	<u>\$ 11,550,911</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, 2018						
Total Assets and Deferred						
Outflows of Resources	\$ 22,793,982	\$ 84,643,155	\$ 50,804,341	\$ 3,722,493	\$ 1,055,400	\$ 163,019,371
Net Position	19,528,487	62,509,531	22,555,884	2,285,529	801,480	107,680,911
Change in Net Position	831,221	2,380,970	102,047	703,020	(42,369)	3,974,889
Return on Ending Total Assets	3.65%	2.81%	0.20%	18.89%	-4.01%	2.44%
Return on Ending Net Position	4.26%	3.81%	0.45%	30.76%	-5.29%	3.69%
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, as restated	18,697,266	60,128,561	22,453,837	1,582,509	843,849	103,706,022
Change in Net Position	365,045	3,516,895	1,728,017	686,384	77,105	6,373,446
Return on Ending Total Assets	1.65%	4.20%	3.59%	19.09%	8.08%	4.02%
Return on Ending Net Position	1.95%	5.85%	7.70%	43.37%	9.14%	6.15%

CAPITAL ASSETS

As of June 30, 2018, the City has \$144 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 \$6,315,004 or 4.57 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2018 and 2017, for governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,664,266	\$ 3,658,466	\$ 1,098,495	\$ 1,098,495	\$ 4,762,761	\$ 4,756,961
Buildings	21,671,099	21,671,099	9,995,333	4,295,505	31,666,432	25,966,604
Improvements other than buildings	2,570,399	2,534,112	-	-	2,570,399	2,534,112
Machinery and equipment	9,590,229	9,182,320	160,363,398	158,087,465	169,953,627	167,269,785
Infrastructure	6,743,961	6,363,352	675,075	648,547	7,419,036	7,011,899
	<u>44,239,954</u>	<u>43,409,349</u>	<u>172,132,301</u>	<u>164,130,012</u>	<u>216,372,255</u>	<u>207,539,361</u>
Total plant and equipment in service						
Construction work in progress	219,632	237,023	15,281,110	13,486,238	15,500,742	13,723,261
	<u>44,459,586</u>	<u>43,646,372</u>	<u>187,413,411</u>	<u>177,616,250</u>	<u>231,872,997</u>	<u>221,262,622</u>
Less accumulated depreciation	(17,088,147)	(15,973,007)	(70,269,358)	(67,089,127)	(87,357,505)	(83,062,134)
	<u>\$ 27,371,439</u>	<u>\$ 27,673,365</u>	<u>\$ 117,144,053</u>	<u>\$ 110,527,123</u>	<u>\$ 144,515,492</u>	<u>\$ 138,200,488</u>

DEBT ADMINISTRATION

Debt, considered a liability of governmental and business-type activities, increased in fiscal year 2018 by \$2,076,379.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Bonds						
General Obligation	\$ 8,730,427	\$ 9,205,000	\$ 3,569,573	\$ 4,625,000	\$ 12,300,000	\$ 13,830,000
Revenue	-	-	26,182,125	27,555,754	26,182,125	27,555,754
Deferred amounts	123,988	89,656	398,462	312,376	522,450	402,032
Total Bonds	<u>8,854,415</u>	<u>9,294,656</u>	<u>30,150,160</u>	<u>32,493,130</u>	<u>39,004,575</u>	<u>41,787,786</u>
Loans						
Tennessee utility relocation loan	-	-	968,013	1,106,900	968,013	1,106,900
Tennessee revolving fund loan	-	-	13,067,583	9,457,903	13,067,583	9,457,903
US Bank sanitation truck loan	-	-	144,014	-	144,014	-
RUS economic development loan	-	-	84,105	103,161	84,105	103,161
Total Loans	<u>-</u>	<u>-</u>	<u>14,263,715</u>	<u>10,667,964</u>	<u>14,263,715</u>	<u>10,667,964</u>
Postemployment benefit obligation	2,514,896	2,355,127	1,472,991	1,386,249	3,987,887	3,741,376
Advances from TVA	-	-	489,729	647,647	489,729	647,647
Compensated absences	671,951	633,194	676,113	751,246	1,348,064	1,384,440
Net pension liability	1,316,122	2,099,410	-	-	1,316,122	2,099,410
Landfill postclosure costs	162,736	175,845	-	-	162,736	175,845
Totals	<u>\$ 13,520,120</u>	<u>\$ 14,558,232</u>	<u>\$ 47,052,708</u>	<u>\$ 45,946,236</u>	<u>\$ 60,572,828</u>	<u>\$ 60,504,468</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the last year, the Board of Mayor and Alderman approved and or continued several projects. These approvals include major items: such as building and developing a greenway along the Elk River, including Phase I and Phase II of the Fayetteville Greenway Master Plan. During Fiscal year 2018, the City finished a remodeling project of the Municipal Building and upgraded the vehicle fleet. In addition, a phased plan was initiated to renovate a major play area and replace substandard scoreboards on the ballfields. A third industrial facility (spec building) in the park and infrastructure within the back portion of the industrial park was completed. 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.

As the City closed fiscal year 2018, 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 minor increase in expenses in the fiscal year 2018 budget due to pay increases for employees. Residential building has continued to increase within the City limits. Personnel benefits, retirement and health insurance costs continue to have slight increases every year. However, with enrollment in the State of Tennessee health insurance program, the increases have been negligible.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

STATEMENT OF NET POSITION
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,309,321	\$ 30,353,735	\$ 44,663,056
Receivables	4,592,487	6,659,003	11,251,490
Internal balances	75,810	(75,810)	-
Inventory	29,681	1,650,312	1,679,993
Prepaid expenses	53,159	1,617,170	1,670,329
Restricted assets	-	3,455,926	3,455,926
Net pension asset - teacher retirement plan	18,588	-	18,588
Net pension asset - teacher legacy plan	47,533	-	47,533
Other assets	-	1,259,074	1,259,074
Capital assets (net of accumulated depreciation)			
Land	3,664,266	1,098,495	4,762,761
Buildings and improvements	15,383,664	7,687,933	23,071,597
Machinery and equipment	3,681,492	93,067,721	96,749,213
Infrastructure	4,422,385	8,794	4,431,179
Construction in progress	219,632	15,281,110	15,500,742
TOTAL ASSETS	<u>46,498,018</u>	<u>162,063,463</u>	<u>208,561,481</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	54,651	-	54,651
Deferred outflows related to pensions	2,596,021	-	2,596,021
Excess consideration provided for acquisition	-	128,045	128,045
Deferred charge on refunding	-	449,370	449,370
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,650,672</u>	<u>577,415</u>	<u>3,228,087</u>
LIABILITIES			
Accounts payable and accrued expenses	1,070,630	5,614,817	6,685,447
Accrued interest payable	20,952	55,579	76,531
Unearned revenue	42,488	-	42,488
Deposits	-	2,236,863	2,236,863
Noncurrent liabilities:			
Due in one year	862,420	3,462,508	4,324,928
Due in more than one year	12,657,700	43,590,200	56,247,900
TOTAL LIABILITIES	<u>14,654,190</u>	<u>54,959,967</u>	<u>69,614,157</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	2,884,704	-	2,884,704
Deferred inflows related to pensions	1,361,994	-	1,361,994
Deferred inflows related to OPEB	43,692	-	43,692
Deferred credit on refunding	8,174	-	8,174
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,298,564</u>	<u>-</u>	<u>4,298,564</u>
NET POSITION			
Net investment in capital assets	18,508,850	73,263,655	91,772,505
Restricted for:			
Debt service	-	2,405,786	2,405,786
Teacher retirement plan pension	18,588	-	18,588
Teacher legacy plan pension	47,533	-	47,533
Improvements and construction	-	794,098	794,098
Drug education and enforcement	55,214	-	55,214
Capital projects	425,400	-	425,400
Education	3,299,226	-	3,299,226
Unrestricted	7,841,125	31,217,372	39,058,497
TOTAL NET POSITION	<u>\$ 30,195,936</u>	<u>\$ 107,680,911</u>	<u>\$ 137,876,847</u>

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

STATEMENT OF ACTIVITIES
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2018

Function/ Program	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<u>Governmental activities:</u>							
General government	\$ 1,128,256	\$ 422,032	\$ 2,500	\$ -	\$ (703,724)	\$ -	\$ (703,724)
Public safety	4,783,159	127,691	616,075	17,129	(4,022,264)	-	(4,022,264)
Recreation	764,531	47,816	-	-	(716,715)	-	(716,715)
Highways and streets	1,664,509	-	228,937	9,300	(1,426,272)	-	(1,426,272)
Housing and community development	899,294	-	-	-	(899,294)	-	(899,294)
Garage	189,848	-	-	-	(189,848)	-	(189,848)
Education	12,496,430	245,784	9,637,679	-	(2,612,967)	-	(2,612,967)
Debt issuance costs	18,955	-	-	-	(18,955)	-	(18,955)
Interest on long-term debt	265,983	-	-	-	(265,983)	-	(265,983)
Total governmental activities	22,210,965	843,323	10,485,191	26,429	(10,856,022)	-	(10,856,022)
<u>Business-type activities:</u>							
Electric	44,249,647	48,384,205	-	355,185	-	4,489,743	4,489,743
Gas	6,075,777	7,177,704	-	3,021	-	1,104,948	1,104,948
Telecom	3,853,467	4,498,349	-	53,427	-	698,309	698,309
Water and sewer	4,850,531	5,452,185	-	73,376	-	675,030	675,030
Sanitation	480,801	548,315	-	-	-	67,514	67,514
Total business-type activities	59,510,223	66,060,758	-	485,009	-	7,035,544	7,035,544
Total Government	\$ 81,721,188	\$ 66,904,081	\$ 10,485,191	\$ 511,438	(10,856,022)	7,035,544	(3,820,478)
<u>General revenues:</u>							
Property taxes					4,195,495	-	4,195,495
Business taxes					237,070	-	237,070
In lieu of tax					397,088	-	397,088
Sales taxes					3,552,977	-	3,552,977
Occupancy taxes					94,321	-	94,321
Alcoholic beverage taxes					547,408	-	547,408
Franchise taxes					106,223	-	106,223
Other local taxes					619	-	619
State shared revenues					826,252	-	826,252
Other					137,576	-	137,576
Gain (loss) on sale of capital assets					14,117	(1,528,382)	(1,514,265)
Unrestricted investment earnings					29,032	145,190	174,222
Transfers					1,677,463	(1,677,463)	-
Total general revenues and transfers					11,815,641	(3,060,655)	8,754,986
Change in net position					959,619	3,974,889	4,934,508
Net position - beginning, as restated					29,236,317	103,706,022	132,942,339
Net position - ending					\$ 30,195,936	\$ 107,680,911	\$ 137,876,847

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

BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

	General	School General	Total Nonmajor Funds	Total Governmental Funds
Assets:				
Cash	\$ 7,913,501	\$ 4,299,528	\$ 2,096,292	\$ 14,309,321
Receivables	3,150,123	2,002	17,304	3,169,429
Due from other funds	79,519	-	40,944	120,463
Due from other governments	1,008,251	414,407	400	1,423,058
Inventory	15,826	-	13,855	29,681
Prepaid expenses	51,612	1,547	-	53,159
TOTAL ASSETS	\$ 12,218,832	\$ 4,717,484	\$ 2,168,795	\$ 19,105,111
Liabilities:				
Accounts payable	\$ 172,406	\$ 18,722	\$ 25,082	\$ 216,210
Other accrued expenses	66,762	787,657	-	854,419
Due to other funds	40,944	-	3,710	44,654
Unearned revenue	-	-	42,488	42,488
TOTAL LIABILITIES	280,112	806,379	71,280	1,157,771
Deferred Inflows of Resources:				
Unavailable revenue - state and local taxes	308,078	125,256	-	433,334
Unavailable revenue - property taxes	3,000,839	-	-	3,000,839
Unavailable revenue - other	372,195	-	-	372,195
TOTAL DEFERRED INFLOWS OF RESOURCES	3,681,112	125,256	-	3,806,368
Fund Balances:				
Nonspendable				
Inventory and prepayments	77,620	-	13,855	91,475
Restricted:				
Capital projects	-	-	425,400	425,400
Public safety	-	-	55,214	55,214
Committed:				
Education	-	-	80,000	80,000
Assigned:				
Industrial park	-	-	1,673	1,673
Capital projects	-	-	954,929	954,929
Education	-	3,785,849	263,960	4,049,809
Debt service	-	-	302,484	302,484
Unassigned	8,179,988	-	-	8,179,988
TOTAL FUND BALANCES	8,257,608	3,785,849	2,097,515	14,140,972
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,218,832	\$ 4,717,484	\$ 2,168,795	

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.	27,371,439
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	921,664
OPEB obligation is not due and payable in the current period, and deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized and recognized as components of healthcare expense in future years; therefore, OPEB related amounts are not reported in the fund financial statements.	(2,503,937)
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.	(15,974)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,718,228)
Net position of governmental activities	<u>\$ 30,195,936</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, 2018

	General	School General	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$ 2,918,681	\$ -	\$ -	\$ 2,918,681
Business	241,765	-	-	241,765
Wholesale beer	332,107	-	-	332,107
Alcoholic beverage	162,537	-	-	162,537
Sales	2,516,883	-	-	2,516,883
Occupancy	94,321	-	-	94,321
Tax equivalency	397,088	-	-	397,088
Licenses and permits	105,991	-	-	105,991
Fines	102,107	-	25,584	127,691
Franchise fees	105,633	-	-	105,633
Intergovernmental	1,624,852	10,456,771	1,537,463	13,619,086
Charges for services and use of property	316,041	86,361	160,685	563,087
Investment earnings	7,249	21,039	744	29,032
Recreation activities	47,816	-	-	47,816
Other revenue	54,945	26,690	-	81,635
TOTAL REVENUES	9,028,016	10,590,861	1,724,476	21,343,353
EXPENDITURES				
Current				
General government	970,921	-	19,867	990,788
Public safety	4,582,641	-	12,501	4,595,142
Recreation	664,519	-	-	664,519
Highways and streets	1,570,050	-	-	1,570,050
Housing and community development	894,390	-	-	894,390
Garage	194,584	-	-	194,584
Education	-	10,983,859	1,623,455	12,607,314
Debt service				
Principal	-	215,000	240,000	455,000
Interest	-	142,100	122,408	264,508
Debt issuance costs	-	-	18,955	18,955
Capital outlay	-	160,734	505,151	665,885
TOTAL EXPENDITURES	8,877,105	11,501,693	2,542,337	22,921,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	150,911	(910,832)	(817,861)	(1,577,782)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,677,463	871,482	641,877	3,190,822
Transfers out	(1,433,359)	(80,000)	-	(1,513,359)
Refunding debt issued	-	-	975,427	975,427
Payment to refunded debt escrow agent	-	-	(1,012,186)	(1,012,186)
Premiums on debt issued	-	-	55,714	55,714
Insurance proceeds	6,589	36,193	-	42,782
Proceeds from disposition of capital assets	22,889	2,400	-	25,289
TOTAL OTHER FINANCING SOURCES (USES)	273,582	830,075	660,832	1,764,489
NET CHANGE IN FUND BALANCES	424,493	(80,757)	(157,029)	186,707
Fund balance - beginning	7,833,115	3,866,606	2,254,544	13,954,265
Fund balance - ending	\$ 8,257,608	\$ 3,785,849	\$ 2,097,515	\$ 14,140,972

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, 2018

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

Net change in fund balances - total governmental funds	\$ 186,707
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.	(299,734)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(2,193)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,434
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.	433,108
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.	792,292
Governmental funds report health insurance contributions including any implicit subsidies for retirees (OPEB) as expenditures. However, in the statement of activities, OPEB expense attributable to the current period is derived from the actuarial present value of the projected benefit payments. This amount is the difference in the treatment of OPEB and related items.	(148,809)
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.	(24,186)
Change in net position of governmental activities	<u>\$ 959,619</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, 2018

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash for general use	\$ 22,123,361	\$ 229,920	\$ 22,353,281
Accounts receivable	6,147,307	42,549	6,189,856
Other receivables	469,147	-	469,147
Inventories	1,650,312	-	1,650,312
Prepaid expenses	1,617,170	-	1,617,170
Total current assets	32,007,297	272,469	32,279,766
Special and Restricted Funds	11,456,380	-	11,456,380
Capital Assets, net of accumulated depreciation	116,361,122	782,931	117,144,053
Other Assets	1,259,074	-	1,259,074
TOTAL ASSETS	161,083,873	1,055,400	162,139,273
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Excess consideration provided for acquisition	128,045	-	128,045
Deferred charge on refunding	449,370	-	449,370
TOTAL DEFERRED OUTFLOWS OF RESOURCES	577,415	-	577,415
<u>LIABILITIES</u>			
Current Liabilities			
Current maturities of long-term debt payable from current assets	2,882,359	68,183	2,950,542
Accounts payable	4,916,762	14,534	4,931,296
Due to other funds	-	75,810	75,810
Customer deposits	2,236,863	-	2,236,863
Accrued interest	55,579	-	55,579
Other accrued liabilities	1,065,706	811	1,066,517
Total current liabilities	11,157,269	159,338	11,316,607
Other Liabilities			
Advances from TVA	489,729	-	489,729
Long-term debt payable from special funds	128,970	-	128,970
OPEB liabilities, net	1,472,992	-	1,472,992
Compensated absences	274,366	18,751	293,117
Total other liabilities	2,366,057	18,751	2,384,808
Long-term debt	41,258,531	75,831	41,334,362
TOTAL LIABILITIES	54,781,857	253,920	55,035,777
<u>NET POSITION</u>			
Net investment in capital assets	72,624,738	638,917	73,263,655
Restricted for debt service	2,405,786	-	2,405,786
Restricted for operation, maintenance, and asset management	794,098	-	794,098
Unrestricted	31,054,809	162,563	31,217,372
TOTAL NET POSITION	\$ 106,879,431	\$ 801,480	\$ 107,680,911

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, 2018

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Funds	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ 63,436,702	\$ 543,334	\$ 63,980,036
Other	1,490,218	4,981	1,495,199
TOTAL OPERATING REVENUE	64,926,920	548,315	65,475,235
<u>OPERATING EXPENSES</u>			
Cost of utility services	43,168,384	-	43,168,384
Pumping, distribution and collection	4,955,062	406,423	5,361,485
Customer billing and collecting	1,288,561	-	1,288,561
General and administrative	2,247,105	-	2,247,105
Taxes and tax equivalents	500,984	-	500,984
Provision for depreciation	4,901,802	41,567	4,943,369
Other	323,862	28,676	352,538
TOTAL OPERATING EXPENSES	57,385,760	476,666	57,862,426
INCOME FROM OPERATIONS	7,541,160	71,649	7,612,809
<u>OTHER INCOME AND EXPENSE</u>			
Interest income	145,073	117	145,190
Interest expense	(1,015,243)	(4,135)	(1,019,378)
Amortization	(19,062)	-	(19,062)
Debt issuance costs	(56,474)	-	(56,474)
Gain (loss) on disposition of assets	(1,528,382)	-	(1,528,382)
Miscellaneous	32,640	-	32,640
Other Income (Expense) -net	(2,441,448)	(4,018)	(2,445,466)
Income before contributions and transfers	5,099,712	67,631	5,167,343
Capital contributions	485,009	-	485,009
Transfers out	(1,567,463)	(110,000)	(1,677,463)
CHANGE IN NET POSITION	4,017,258	(42,369)	3,974,889
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	102,862,173	843,849	103,706,022
TOTAL NET POSITION, END OF YEAR	\$ 106,879,431	\$ 801,480	\$ 107,680,911

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, 2018

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (including other funds)	\$ 64,786,548	\$ 546,235	\$ 65,332,783
Payments to suppliers and others	(47,672,073)	(354,354)	(48,026,427)
Payments to employees	(4,341,070)	(80,852)	(4,421,922)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,773,405	111,029	12,884,434
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	(1,567,463)	(110,000)	(1,677,463)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,567,463)	(110,000)	(1,677,463)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets, net	(13,192,176)	(205,139)	(13,397,315)
Removal costs of capital assets	(530,012)	-	(530,012)
Materials salvaged from retirement of capital assets	20,906	-	20,906
Proceeds from disposal of assets	127,355	-	127,355
Capital contributions received	481,708	-	481,708
Long-term borrowings, net	4,031,234	205,000	4,236,234
Borrowings repaid	(2,909,070)	(60,986)	(2,970,056)
Issue costs paid	(250)	-	(250)
Interest paid, net	(1,049,296)	(4,135)	(1,053,431)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(13,019,601)	(65,260)	(13,084,861)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	141,929	117	142,046
Other nonoperating income, net	32,638	-	32,638
NET CASH PROVIDED BY INVESTING ACTIVITIES	174,567	117	174,684
(DECREASE) IN CASH, NET	(1,639,092)	(64,114)	(1,703,206)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	35,218,833	294,034	35,512,867
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 33,579,741	\$ 229,920	\$ 33,809,661
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operations	\$ 7,541,160	\$ 71,649	\$ 7,612,809
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	5,264,195	41,567	5,305,762
Loss on disallowance of plant	355,185	-	355,185
Conservation loans collected - customers	207,196	-	207,196
Conservation advances repaid to TVA	(199,099)	-	(199,099)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(433,536)	(2,080)	(435,616)
Inventories	5,466	-	5,466
Prepaid expenses and other assets	360,125	-	360,125
Accounts payable	(557,513)	(787)	(558,300)
Accrued employee benefits	86,743	-	86,743
Customer deposits	127,149	-	127,149
Due to other funds	-	786	786
Other current liabilities and compensated absences	16,334	(106)	16,228
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 12,773,405	\$ 111,029	\$ 12,884,434
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:			
Series 2009 general obligation bonds refunded	\$ (2,955,000)		
Series 2017 bond proceeds used to refund Series 2009 bonds	2,874,573		
Series 2017 bond premium	185,558		
Series 2017 bond issuance costs	(56,374)		

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, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes				
Property	\$ 3,086,550	\$ 3,086,550	\$ 2,918,681	\$ (167,869)
Business	232,000	232,000	241,765	9,765
Wholesale beer	355,000	355,000	332,107	(22,893)
Alcoholic beverage	137,000	137,000	162,537	25,537
Sales	2,580,000	2,580,000	2,516,883	(63,117)
Tax equivalency	190,500	190,500	397,088	206,588
Occupancy	98,000	98,000	94,321	(3,679)
Licenses and permits	44,600	44,600	105,991	61,391
Fines	68,000	68,000	102,107	34,107
Franchise fees	108,000	108,000	105,633	(2,367)
Intergovernmental				
State sales tax allocation	545,000	545,000	588,502	43,502
State income tax allocation	90,000	90,000	35,228	(54,772)
State beer tax allocation	3,200	3,200	3,185	(15)
State mixed drink tax allocation	15,250	15,250	17,187	1,937
State gasoline and motor fuel tax	135,318	135,318	165,578	30,260
State gasoline and motor fuel tax (Gas 1989)	17,411	17,411	21,304	3,893
State gasoline and motor fuel tax (Gas 3 Cent)	32,271	32,271	39,487	7,216
State gas and motor fuel tax (Petroleum Special)	13,500	13,500	13,756	256
State excise tax allocation	65,000	65,000	66,821	1,821
State TVA in-lieu of tax	77,000	77,000	77,467	467
Lincoln County Emergency Communications	680,400	680,400	592,065	(88,335)
State and federal grants	138,024	138,024	4,272	(133,752)
Charges for services and use of property	338,280	338,280	316,041	(22,239)
Investment earnings	5,000	5,000	7,249	2,249
Recreation activities	48,500	48,500	47,816	(684)
Other revenue	35,450	35,450	54,945	19,495
TOTAL REVENUES	<u>9,139,254</u>	<u>9,139,254</u>	<u>9,028,016</u>	<u>(111,238)</u>
Expenditures:				
General government				
Salaries	523,320	523,320	487,421	35,899
Supplies	10,750	10,750	9,609	1,141
Utilities	38,860	38,860	37,241	1,619
Repairs and maintenance	9,440	9,440	16,841	(7,401)
Health insurance	78,550	78,550	72,052	6,498
Workers compensation	4,775	4,775	3,792	983
Payroll taxes	44,629	44,629	40,175	4,454
Employee education	16,575	16,575	7,772	8,803
Professional services	75,006	75,006	60,578	14,428
Travel	27,900	27,900	11,176	16,724
Retirement	44,450	44,450	41,198	3,252
Other insurance	24,367	24,367	24,644	(277)
Board and commission	36,510	36,510	36,510	-
Other general government	127,810	145,218	121,912	23,306
	<u>1,062,942</u>	<u>1,080,350</u>	<u>970,921</u>	<u>109,429</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, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Public safety				
Salaries	\$ 2,900,595	\$ 2,900,595	\$ 2,983,328	\$ (82,733)
Supplies	92,275	92,275	54,360	37,915
Utilities	110,200	110,200	97,387	12,813
Repairs and maintenance	65,400	65,400	65,790	(390)
Health insurance	588,350	588,350	562,048	26,302
Workers compensation	101,500	101,500	90,732	10,768
Payroll taxes	223,711	223,711	215,746	7,965
Employee education	22,900	22,900	10,519	12,381
Travel	12,400	12,400	11,423	977
Retirement	284,300	284,300	264,270	20,030
Other insurance	94,790	94,790	75,107	19,683
Fuel	76,000	76,000	69,045	6,955
Professional services	3,110	3,110	2,300	810
Other public safety	85,210	105,210	80,586	24,624
	<u>4,660,741</u>	<u>4,680,741</u>	<u>4,582,641</u>	<u>98,100</u>
Recreation				
Salaries	322,050	322,050	314,324	7,726
Supplies	44,450	44,450	51,361	(6,911)
Utilities	74,300	74,300	68,081	6,219
Repairs and maintenance	19,400	19,400	21,525	(2,125)
Health insurance	80,000	80,000	67,399	12,601
Workers compensation	8,000	8,000	9,152	(1,152)
Payroll taxes	26,755	26,755	23,351	3,404
Professional services	29,750	29,750	25,411	4,339
Travel	1,500	1,500	747	753
Retirement	31,000	31,000	23,247	7,753
Other insurance	12,300	12,300	9,368	2,932
Fuel	11,600	11,600	10,643	957
Other recreation	43,925	53,925	39,910	14,015
	<u>705,030</u>	<u>715,030</u>	<u>664,519</u>	<u>50,511</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Highways and streets				
Salaries	\$ 676,700	\$ 676,700	\$ 569,240	\$ 107,460
Supplies	18,250	18,250	20,791	(2,541)
Utilities	25,000	25,000	23,968	1,032
Repairs and maintenance	43,500	43,500	22,944	20,556
Health insurance	200,000	200,000	138,599	61,401
Workers compensation	29,000	29,000	19,298	9,702
Payroll taxes	52,720	52,720	42,540	10,180
Professional services	14,000	14,000	278,764	(264,764)
Retirement	66,000	66,000	46,935	19,065
Other insurance	10,600	10,600	7,593	3,007
Fuel	44,500	44,500	42,719	1,781
Street lighting	180,000	180,000	171,768	8,232
Paving and resurfacing	384,208	384,208	131,619	252,589
Other highways and streets	110,400	120,400	53,272	67,128
	<u>1,854,878</u>	<u>1,864,878</u>	<u>1,570,050</u>	<u>294,828</u>
Housing and community development				
Nonprofit allocations	263,035	263,035	264,036	(1,001)
Fuel	300,000	300,000	289,705	10,295
Industrial development	92,500	92,500	92,500	-
Other housing and community development	221,300	221,300	248,149	(26,849)
	<u>876,835</u>	<u>876,835</u>	<u>894,390</u>	<u>(17,555)</u>
Garage				
Salaries	114,425	114,425	109,135	5,290
Repairs and maintenance	9,200	9,200	7,231	1,969
Health insurance	26,000	26,000	24,155	1,845
Workers compensation	7,000	7,000	5,715	1,285
Payroll taxes	8,710	8,710	7,600	1,110
Retirement	8,600	8,600	10,214	(1,614)
Supplies	7,850	7,850	8,971	(1,121)
Fuel	3,500	3,500	2,423	1,077
Other garage	12,060	22,060	19,140	2,920
	<u>197,345</u>	<u>207,345</u>	<u>194,584</u>	<u>12,761</u>
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>9,357,771</u>	<u>9,425,179</u>	<u>8,877,105</u>	<u>548,074</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(218,517)</u>	<u>(285,925)</u>	<u>150,911</u>	<u>436,836</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,595,000	\$ 1,595,000	\$ 1,677,463	\$ 82,463
Transfers out	(1,440,339)	(1,534,337)	(1,433,359)	100,978
Insurance proceeds	-	-	6,589	6,589
Sale of capital assets	2,000	2,000	22,889	20,889
TOTAL OTHER FINANCING SOURCES (USES)	<u>156,661</u>	<u>62,663</u>	<u>273,582</u>	<u>210,919</u>
NET CHANGE IN FUND BALANCES	(61,856)	(223,262)	424,493	647,755
Fund balance - beginning	7,833,115	7,833,115	7,833,115	-
Fund balance - ending	<u>\$ 7,771,259</u>	<u>\$ 7,609,853</u>	<u>\$ 8,257,608</u>	<u>\$ 647,755</u>

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

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Lincoln County	\$ 2,356,100	\$ 2,356,100	\$ 2,351,075	\$ (5,025)
State of Tennessee	7,965,197	8,039,873	8,102,004	62,131
Federal	8,000	8,000	3,692	(4,308)
Charges for services and use of property	103,204	103,204	86,361	(16,843)
Investment earnings	14,000	14,000	21,039	7,039
Other revenue	11,000	11,000	26,690	15,690
TOTAL REVENUES	<u>10,457,501</u>	<u>10,532,177</u>	<u>10,590,861</u>	<u>58,684</u>
EXPENDITURES				
Instruction				
Regular instruction program	5,653,944	5,526,599	5,474,788	51,811
Special education program	738,380	750,802	748,745	2,057
Vocational education program	232,630	276,481	272,888	3,593
Student body education program	3,000	3,000	299	2,701
Support services				
Attendance	26,055	26,055	22,038	4,017
Health services	200,550	200,550	154,053	46,497
Other student support	234,565	234,565	225,636	8,929
Regular instruction program	447,625	512,440	508,215	4,225
Special education program	111,659	99,237	68,668	30,569
Board of education	195,436	195,436	186,046	9,390
Office of the superintendent	203,382	203,382	200,187	3,195
Office of the principal	881,265	904,765	904,606	159
Fiscal services	178,787	178,787	173,351	5,436
Operation of plant	721,530	721,530	673,916	47,614
Maintenance of plant	205,510	205,510	195,216	10,294
Transportation	205,615	385,615	341,043	44,572
Technology	327,700	327,700	300,998	26,702
Community services	109,072	109,072	80,656	28,416
Early childhood education	395,000	464,855	452,510	12,345
Debt service				
Principal on notes	215,000	215,000	215,000	-
Interest on notes	142,100	142,100	142,100	-
Capital outlay	130,000	171,850	160,734	11,116
TOTAL EXPENDITURES	<u>11,558,805</u>	<u>11,855,331</u>	<u>11,501,693</u>	<u>353,638</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,101,304)</u>	<u>(1,323,154)</u>	<u>(910,832)</u>	<u>412,322</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	870,196	950,196	871,482	(78,714)
Transfers out	-	(80,000)	(80,000)	-
Insurance recovery	500	500	36,193	35,693
Sale of capital assets	4,600	4,600	2,400	(2,200)
Total Other Financing Sources (Uses)	<u>875,296</u>	<u>875,296</u>	<u>830,075</u>	<u>(45,221)</u>
Net changes in fund balances	<u>(226,008)</u>	<u>(447,858)</u>	<u>(80,757)</u>	<u>367,101</u>
Fund balance - beginning	3,866,606	3,866,606	3,866,606	-
Fund balance - ending	<u>\$ 3,640,598</u>	<u>\$ 3,418,748</u>	<u>\$ 3,785,849</u>	<u>\$ 367,101</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund balance policies

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

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

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

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance passed by the Fayetteville Board of Mayor and Aldermen, the government's highest level of decision-making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. For the Fayetteville City Schools committed balances arise pursuant to constraints imposed by formal action of the Board of Education in the form of a motion with a majority vote of approval and cannot be used for any other purposes unless the Board rescinds or modifies the specified use by taking the same action that was employed when the funds were initially committed. At June 30, 2018, the Fayetteville City School System had committed resources of \$80,000 to establish an operating reserve in the Title Fund.

Assigned – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. This classification also includes the remaining positive fund balance for all special revenue funds. The Fayetteville Board of Mayor and Aldermen has not authorized anyone to make assignments. For the Fayetteville City Schools this intent can be expressed by the Board of Education or through the Board delegating this responsibility to the Director of Schools through the budgetary process.

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred outflows/inflows of resources

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

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

10. Net position flow assumption

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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 \$1,042,435. Of this, \$27,192 was capitalized with the remainder charged to expense. The School System's net interest cost incurred in the current year totaled \$138,808 of which \$0 was capitalized. The government's net interest cost incurred in the current year totaled \$111,568 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, 2018

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 "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$27,371,439 difference are as follows:

Land	\$ 3,664,266
Construction in progress	219,632
Buildings and improvements	24,241,498
Less: Accumulated depreciation-building and improvements	(8,857,834)
Machinery and equipment	9,590,229
Less: Accumulated depreciation-machinery and equipment	(5,908,737)
Infrastructure	6,743,961
Less: Accumulated depreciation-infrastructure	<u>(2,321,576)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 27,371,439</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds and loans payable are not due and payable in the current period and therefore are not reported in the funds." The details of this \$9,718,228 difference are identified as follows:

Bonds and notes payable	\$ 8,730,427
Add: Issuance premium (to be amortized over life of debt)	123,988
Add: Deferred credit on refunding	8,174
Accrued interest payable	20,952
Compensated absences	671,951
Landfill post closure costs	<u>162,736</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 9,718,228</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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 \$158,962 in the current year. The details of this \$(299,734) difference are as follows:

Capital outlay	\$ 1,009,344
Depreciation expense	<u>(1,309,078)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (299,734)</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 \$(2,193) 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.	\$ (19,322)
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	<u>17,129</u>
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,193)</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$433,108 difference are as follows on the next page:

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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)

Principal Repayment:

General obligation bond	\$	455,000
Difference between carrying value of old debt and new debt		19,573
Premiums on debt issued		(55,714)
Amortization of debt premiums		<u>14,249</u>
Net adjustment to increase net changes in fund balance- total governmental funds to arrive at changes in net position of governmental activities	\$	<u>433,108</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 \$(24,186) difference are as follows:

Compensated absences	\$	(38,757)
Landfill postclosure costs		13,109
Accrued interest		<u>1,462</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	\$	<u>(24,186)</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, 2018

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, 2018:

General use:

On deposit and on hand	\$ 35,831,238
Negotiable certificates of deposit	200,000
Government sponsored securities	631,364

Restricted and other special funds:

On deposit-restricted (externally)	\$ 3,455,926	
On deposit-special funds (internally restricted)	8,000,454	11,456,380

Total	\$ 48,118,982
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A portion of the restricted assets shown on deposit above are maintained in the government's Fayetteville Public Utilities enterprise fund. These assets include amounts which are required to be maintained pursuant to ordinances relating to bond indebtedness (construction, reserve and sinking funds), as well as bond or grant funds restricted for improvement and construction projects and retained amounts due to contractors pursuant to agreement. At June 30, 2018, the following restricted funds were maintained:

Externally restricted:

Bond sinking and debt service reserve funds	\$ 2,405,786
Operation and maintenance reserve	747,098
Asset management reserve	47,000
Improvements and construction funds	256,042
Total	\$ 3,455,926

Special funds totaling \$8,000,454 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, 2018, the government has invested \$200,000 in negotiable certificates of deposits, which are covered by FDIC insurance. As of June 30, 2018, the government has also invested \$631,364 in government sponsored securities. Government sponsored securities do create an exposure to credit risk because they are only implicitly federally backed. The government's government sponsored securities have not been rated. U.S. obligations are explicitly 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, 2018

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, 2018, 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, 2018, the government's cash consists of deposits in financial institutions with bank balances of \$48,813,248 and carrying amounts of \$48,107,684 plus cash on hand of \$11,298. Of the amounts on deposit, \$45,490,420 is fully insured by the FDIC, the SIPC, or the Tennessee Bank Collateral Pool. The remaining \$2,617,264 is collateralized by securities pledged by financial institutions in the name of the government.

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

(B) Receivables

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

	<u>General</u>	<u>School General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 3,103,489	\$ -	\$ -	\$ 3,103,489
Accounts	78,838	2,002	17,304	98,144
Intergovernmental	<u>1,008,251</u>	<u>414,407</u>	<u>400</u>	<u>1,423,058</u>
Gross receivables	4,190,578	416,409	17,704	4,624,691
Less: Allowance for Uncollectibles	<u>(32,204)</u>	<u>-</u>	<u>-</u>	<u>(32,204)</u>
Net total receivables	<u>\$ 4,158,374</u>	<u>\$ 416,409</u>	<u>\$ 17,704</u>	<u>\$ 4,592,487</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, 2018

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets

Capital asset activity for the year ended June 30, 2018, 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	\$ 3,658,466	\$ 5,800	\$ -	\$ 3,664,266
Construction in progress	<u>237,023</u>	<u>374,323</u>	<u>(391,714)</u>	<u>219,632</u>
Total capital assets, not being depreciated	<u>3,895,489</u>	<u>380,123</u>	<u>(391,714)</u>	<u>3,883,898</u>
Capital assets, being depreciated:				
Buildings	21,671,099	-	-	21,671,099
Improvements other than buildings	2,534,112	36,287	-	2,570,399
Machinery and equipment	9,182,320	621,168	(213,259)	9,590,229
Infrastructure	<u>6,363,352</u>	<u>380,609</u>	<u>-</u>	<u>6,743,961</u>
Total capital assets being depreciated	<u>39,750,883</u>	<u>1,038,064</u>	<u>(213,259)</u>	<u>40,575,688</u>
Less accumulated depreciation for:				
Buildings	(7,323,589)	(480,606)	-	(7,804,195)
Improvements other than buildings	(929,771)	(123,868)	-	(1,053,639)
Machinery and equipment	(5,664,538)	(438,137)	193,938	(5,908,737)
Infrastructure	<u>(2,055,109)</u>	<u>(266,467)</u>	<u>-</u>	<u>(2,321,576)</u>
Total accumulated depreciation	<u>(15,973,007)</u>	<u>(1,309,078)</u>	<u>193,938</u>	<u>(17,088,147)</u>
Total capital assets, being depreciated, net	<u>23,777,876</u>	<u>(271,014)</u>	<u>(19,321)</u>	<u>23,487,541</u>
Governmental activities capital assets, net	<u>\$ 27,673,365</u>	<u>\$ 109,109</u>	<u>\$ (411,035)</u>	<u>\$ 27,371,439</u>

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

Governmental Activities:	
General government	\$ 81,873
Public safety	214,719
Recreation	125,624
Highways and streets	338,512
Housing and community development	4,904
Education	543,446
Total depreciation expense - governmental activities	<u>\$ 1,309,078</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets (Continued)

Capital asset activity for the year ended June 30, 2018, 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	13,486,238	23,840,421	(22,045,549)	15,281,110
Total capital assets, not being depreciated	<u>14,584,733</u>	<u>23,840,421</u>	<u>(22,045,549)</u>	<u>16,379,605</u>
Capital assets, being depreciated:				
Structures and improvements	4,295,505	5,699,828	-	9,995,333
Machinery and equipment	158,087,465	5,532,527	(3,256,594)	160,363,398
Infrastructure	648,547	42,095	(15,567)	675,075
Total capital assets being depreciated	<u>163,031,517</u>	<u>11,274,450</u>	<u>(3,272,161)</u>	<u>171,033,806</u>
Less accumulated depreciation for:				
Structures and improvements	(2,083,863)	(223,537)	-	(2,307,400)
Machinery and equipment	(64,358,024)	(5,044,169)	2,106,516	(67,295,677)
Infrastructure	(647,240)	(38,055)	19,014	(666,281)
Total accumulated depreciation	<u>(67,089,127)</u>	<u>(5,305,761)</u>	<u>2,125,530</u>	<u>(70,269,358)</u>
Total capital assets, being depreciated, net	<u>95,942,390</u>	<u>5,968,689</u>	<u>(1,146,631)</u>	<u>100,764,448</u>
Business-type activities capital assets, net	<u>\$ 110,527,123</u>	<u>\$ 29,809,110</u>	<u>\$ (23,192,180)</u>	<u>\$117,144,053</u>

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

Business-type Activities:	
Public utilities	\$ 5,264,195
Sanitation fund	41,566
Total depreciation expense - business-type activities	<u>\$ 5,305,761</u>

The amount of \$362,393 of depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

Construction commitments

At June 30, 2018, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding engineering and construction contract commitments totaling \$5,006,735.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018, 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	\$ 75,810	\$ 3,710	\$ -	\$ -	\$ 79,520
School general fund	-	-	-	-	-
Capital projects fund	-	-	-	39,707	39,707
Drug fund	-	-	-	1,237	1,237
	<u>\$ 75,810</u>	<u>\$ 3,710</u>	<u>\$ -</u>	<u>\$ 40,944</u>	<u>\$ 120,464</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, 2018 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	\$ -	\$ 871,482	\$ 561,877	\$ 1,433,359
School general fund	-	-	80,000	80,000
Other governmental funds	-	-	-	-
Subtotal - governmental funds	<u>\$ -</u>	<u>\$ 871,482</u>	<u>\$ 641,877</u>	<u>\$ 1,513,359</u>
 Fayetteville Public Utilities	 \$ 1,567,463	 \$ -	 \$ -	 \$ 1,567,463
Sanitation fund	110,000	-	-	110,000
Subtotal - proprietary funds	<u>1,677,463</u>	<u>-</u>	<u>-</u>	<u>1,677,463</u>
	<u>\$ 1,677,463</u>	<u>\$ 871,482</u>	<u>\$ 641,877</u>	<u>\$ 3,190,822</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, 2018

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 2017, \$3,850,000 general obligation bonds, issued September 2017 to advance refund debt totaling \$3,950,000, as further described in advance refundings below. The bonds mature serially at annual interest rates of 5% with final maturity in 2020. \$ 3,850,000

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. 830,000

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. 1,835,000

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. 695,000

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. 5,090,000

Total general obligation bonds \$ 12,300,000

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>
2019	\$ 460,635	\$ 251,421	\$ 979,365	\$ 117,836
2020	472,517	238,620	987,483	80,254
2021	514,193	225,508	310,807	41,378
2022	516,215	210,125	323,785	25,838
2023	528,702	199,174	326,298	19,362
2024-2028	2,338,165	821,387	641,835	19,386
2029-2033	2,345,000	491,538	-	-
2034-2037	1,555,000	119,963	-	-
Total	\$ 8,730,427	\$ 2,557,736	\$ 3,569,573	\$ 304,054

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018, 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%.

\$ 4,250,000

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%.

9,690,000

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.

3,193,784

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.

4,692,994

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.

2,511,230

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.

1,844,117

Total revenue bonds

\$ 26,182,125

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds (Continued)

Year Ending <u>June 30,</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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	1,600,153	496,530
2024-2028	8,960,426	1,859,653
2029-2033	1,576,746	1,188,234
2034-2038	1,800,421	964,559
2039-2043	2,056,332	708,648
2044-2048	2,349,040	415,940
2049-2053	1,785,514	104,642
2054-2055	83,484	1,311
Total	<u>\$ 26,182,125</u>	<u>\$ 8,172,890</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, 2018.

(C) Loans

The government has the following loans outstanding at June 30, 2018:

City of Fayetteville (Sanitation Fund)

Installment note agreement, entered into July 18, 2017, to finance the cost of sanitation equipment. The original term of the loan is 3 years and bears interest at 2.5%.

\$144,014

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%.

968,012

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%.

3,477,951

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%.

601,973

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%.

3,530,030

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(C) Loans (Continued)

Fayetteville Public Utilities (Water Department)

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

1,393,342

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.

84,106

Total Loans

\$ 10,199,428

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

Year Ending June 30,	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 680,540	\$ 136,168
2020	690,766	125,938
2021	635,342	116,241
2022	638,137	107,526
2023	635,825	98,664
2024-2028	2,705,502	373,927
2029-2033	2,635,326	206,844
2034-2038	1,577,990	44,308
2039	-	9
Total	<u>\$ 10,199,428</u>	<u>\$ 1,209,625</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 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 wastewater system. The loan will mature 20 years from project completion. The loan bears interest at a rate of 1.12%. FPU has received \$3,990,399 in advances as of June 30, 2018.

FPU entered into loan agreements on November 29, 2017, with the Tennessee Department of Environment and Conservation to borrow \$1,000,000 of which \$100,000 is to be forgiven. 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 1.31%. FPU has received \$73,888 in advances as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

FPU entered into loan agreements on November 29, 2017, with the Tennessee Department of Environment and Conservation to borrow \$3,000,000. 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 1.31%. FPU had received no advances as of June 30, 2018.

(D) Advance refundings

On September 28, 2017, the government issued \$3,850,000 in general obligation bonds with an average interest rate of 2.90% to advance refund \$3,950,000 of outstanding Series 2009 general obligation refunding bonds with an average interest rate of 4.12%. The net proceeds of \$4,063,527 (after payment of \$75,179 in underwriting fees and other issuance costs plus a bond premium of \$241,272) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2009 general obligation bonds. As a result, the Series 2009 general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The advance refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$44,538. These differences, together with deferred outflows from the prior refundings are reported in the accompanying financial statements as deferred outflows in deferred charges on refundings. These deferred outflows are being charged to operations through the year 2025 using the effective-interest method. The amortization periods reflect the shorter of the remaining original amortization periods or life of this latest refunding debt. The government completed the advance refunding to reduce its total debt service payments over the next 7 years by \$272,813 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$259,128. On June 30, 2018, \$3,950,000 of bonds outstanding are considered defeased.

(E) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds - fixed rate	\$ 9,205,000	\$ 975,427	\$ (1,450,000)	\$ 8,730,427	\$ 460,635
Unamortized bond premium	89,655	55,714	(21,381)	123,988	-
Total bonds payable	9,294,655	1,031,141	(1,471,381)	8,854,415	460,635
Landfill postclosure costs	175,845	-	(13,109)	162,736	-
Postemployment benefit obligation	1,537,019	1,082,178	(104,301)	2,514,896	-
Net pension liability	2,099,410	(229,671)	(553,617)	1,316,122	-
Compensated absences	633,194	417,368	(378,611)	671,951	401,785
Governmental Activities Long-Term Liabilities	<u>\$ 13,740,123</u>	<u>\$ 2,301,016</u>	<u>\$ (2,521,019)</u>	<u>\$ 13,520,120</u>	<u>\$ 862,420</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 27,555,754	\$ -	\$ (1,373,629)	\$ 26,182,125	\$ 1,419,606
General obligation bonds	4,625,000	2,874,573	(3,930,000)	3,569,573	979,365
Unamortized bond premium	312,376	144,229	(58,143)	398,462	-
Total bonds payable	32,493,130	3,018,802	(5,361,772)	30,150,160	2,398,971
Loans:					
Tennessee Utility Relocation Loan	1,106,900	-	(138,887)	968,013	141,460
Tennessee revolving fund program loan	9,457,903	4,031,234	(421,554)	13,067,583	451,842
US Bank sanitation truck loan	-	205,000	(60,986)	144,014	68,183
RUS Rural Development Loan	103,161	-	(19,056)	84,105	19,056
Total loans payable	10,667,964	4,236,234	(640,483)	14,263,715	680,541
Postemployment benefit obligation	1,386,250	97,153	(10,412)	1,472,991	-
Advances from TVA	647,647	41,181	(199,099)	489,729	-
Compensated absences	751,246	289,567	(364,700)	676,113	382,996
Business-type Activities Long-Term Liabilities	\$ 45,946,237	\$ 7,682,937	\$ (6,576,466)	\$ 47,052,708	\$ 3,462,508

(F) Other long-term liability information

From time to time, the government has issued Industrial Development Revenue Bonds (IDRB) to provide assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2018, there were two series of IDRB outstanding. The aggregate principal amount payable was \$8,370,000. 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, 2018, includes the following:

Equipment	\$ 19,425
Less: Accumulated depreciation	<u>(13,436)</u>
Total	<u>\$ 5,989</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.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 6 - LEASING ACTIVITY (CONTINUED)

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 <u>June 30,</u>	Future Minimum <u>Payments</u>
2019	\$ 12,204
2020	4,068
	<u>\$ 16,272</u>

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

Year Ending <u>June 30,</u>	Future Minimum <u>Payments</u>
2019	\$ 24,110
2020	24,110
	<u>\$ 48,220</u>

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>	
2019	\$ 22,163
2020	20,163
2021	10,251
2022	6,242
2023	1,936
	<u>\$ 60,755</u>

Lease expenditures for the year ending June 30, 2018 totaled \$38,494.

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 on the following page.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 7 - SEGMENT INFORMATION (CONTINUED)

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Net Position</u>				
Assets				
Current assets	\$ 28,335,961	\$ 2,354,029	\$ 428,021	\$ 889,286
Special funds	2,500,593	2,748,670	207,052	6,000,065
Capital assets	51,943,159	17,492,989	3,046,265	43,878,709
Other assets	1,189,420	21,768	17,585	30,301
Due from other divisions	302,683	-	-	-
	<u>84,271,816</u>	<u>22,617,456</u>	<u>3,698,923</u>	<u>50,798,361</u>
Deferred Outflows of Resources	<u>371,339</u>	<u>176,526</u>	<u>23,570</u>	<u>5,980</u>
Liabilities				
Current liabilities	7,509,528	960,158	635,155	2,052,428
Other liabilities	1,568,635	280,058	147,920	369,444
Long term debt	13,055,461	2,025,279	351,206	25,826,585
Due to other divisions	-	-	302,683	-
	<u>22,133,624</u>	<u>3,265,495</u>	<u>1,436,964</u>	<u>28,248,457</u>
Net Position (Deficit)				
Net investment in capital assets	38,134,087	15,216,995	2,373,629	16,900,027
Restricted	1,776,082	-	-	1,423,802
Unrestricted	<u>22,599,362</u>	<u>4,311,492</u>	<u>(88,100)</u>	<u>4,232,055</u>
	<u>\$ 62,509,531</u>	<u>\$ 19,528,487</u>	<u>\$ 2,285,529</u>	<u>\$ 22,555,884</u>
<u>Condensed Statement of Revenues, Expenses, and Changes in Net Position</u>				
Operating revenues	\$ 48,384,205	\$ 7,177,704	\$ 4,498,349	\$ 5,452,185
Depreciation expense	2,540,403	558,925	317,646	1,484,828
Other operating expenses	<u>41,290,199</u>	<u>5,413,934</u>	<u>3,520,500</u>	<u>2,844,848</u>
Operating income	4,553,603	1,204,845	660,203	1,122,509
Nonoperating revenue (expenses):				
Investment income	121,372	8,911	349	14,441
Interest expense	(393,782)	(84,652)	(20,293)	(516,516)
Gain (loss) on disposition of assets	(1,258,076)	1,374	4,362	(276,042)
Other	(25,263)	(18,266)	4,972	(4,339)
Contributions/Transfers - net	<u>(616,884)</u>	<u>(280,991)</u>	<u>53,427</u>	<u>(238,006)</u>
Change in net position	2,380,970	831,221	703,020	102,047
Beginning net position, as restated	<u>60,128,561</u>	<u>18,697,266</u>	<u>1,582,509</u>	<u>22,453,837</u>
Ending net position	<u>\$ 62,509,531</u>	<u>\$ 19,528,487</u>	<u>\$ 2,285,529</u>	<u>\$ 22,555,884</u>
<u>Condensed Statement of Cash Flows</u>				
Net cash provided (used) by:				
Operating activities	\$ 7,454,949	\$ 1,993,158	\$ 958,527	\$ 2,366,771
Noncapital financing activities	(724,896)	(284,012)	(247,173)	(311,382)
Capital and related financing activities	(9,344,205)	(931,997)	(696,965)	(2,046,434)
Investing activities	<u>115,764</u>	<u>32,608</u>	<u>17,614</u>	<u>8,581</u>
Net increase (decrease)	(2,498,388)	809,757	32,003	17,536
Beginning cash and cash equivalents	<u>25,402,825</u>	<u>3,387,106</u>	<u>233,475</u>	<u>6,195,427</u>
Ending cash and cash equivalents	<u>\$ 22,904,437</u>	<u>\$ 4,196,863</u>	<u>\$ 265,478</u>	<u>\$ 6,212,963</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 - CONTINGENT LIABILITIES

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

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

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

The City of Fayetteville and Lincoln County, Tennessee, operated a landfill as a joint venture for the residents of Lincoln County that was closed in February 1995. The government acts as administrator of the postclosure activities. Based upon the most recent information available for financial assurance provided by the Tennessee Department of Environment and Conservation, the total remaining closure and postclosure care costs are estimated to be \$325,473 as of June 30, 2018. These costs will be shared equally by the government and Lincoln County, Tennessee. The government's share of this estimated liability is \$162,736 and is included as a liability in the statement of net position. The government's current year share of required funding was \$28,676 and is reported as an expenditure of the Sanitation Fund.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018, for all plans is as follows:

	Pension Liabilities (Assets)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Public Employee Retirement Plan	\$ 1,316,122	\$ 1,482,400	\$ 315,729	\$ 260,414
Teacher Legacy Pension Plan	(47,533)	1,077,541	1,043,331	20,742
Teacher Retirement Plan	(18,588)	36,080	2,934	8,841
Fayetteville City Schools 401(k) Plan	-	-	-	32,954
NRECA Retirement Security Plan	-	-	-	1,004,858
NRECA 401(k) Plan	-	-	-	72,640
Total for All Plans	<u>\$ 1,250,001</u>	<u>\$ 2,596,021</u>	<u>\$ 1,361,994</u>	<u>\$ 1,400,449</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, 2018

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

Employees covered by benefit terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	105
Active employees	164
	<u>379</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, 2018, the employer contributions for Fayetteville were \$553,602 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, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

Changes of assumptions

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

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

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U. S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2016	\$ 18,656,295	\$ 17,506,290	\$ 1,150,005
Changes for the year:			
Service cost	\$ 485,992	\$ -	\$ 485,992
Interest	1,397,207	-	1,397,207
Differences between expected and actual experience	556,317		556,317
Changes in assumptions	558,241		558,241
Contributions-employer	-	546,808	(546,808)
Contributions-employees	-	324,370	(324,370)
Net investment income	-	1,974,307	(1,974,307)
Benefit payments, including refunds of employee contributions	(1,025,719)	(1,025,719)	-
Administrative expenses	-	(13,845)	13,845
Other changes	-	-	-
Net changes	\$ 1,972,038	\$ 1,805,921	\$ 166,117
Balance June 30, 2017	\$ 20,628,333	\$ 19,312,211	\$ 1,316,122

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 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Fayetteville's net pension liability (asset)	\$ 3,943,155	\$ 1,316,122	\$ (864,907)

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018, the government recognized pension expense of \$260,414.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2018, 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	\$ 463,597	\$ 309,789
Net difference between projected and actual earnings on pension plan investments	-	5,940
Changes in assumptions	465,201	-
Contributions subsequent to the measurement date of June 30, 2017	553,602	N/A
	<u>\$ 1,482,400</u>	<u>\$ 315,729</u>

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," 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,	
2019	\$ (5,603)
2020	266,485
2021	126,450
2022	39,979
2023	185,758
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, 2018

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

PAYABLE TO THE PENSION PLAN

At June 30, 2018, the government recorded a payable of \$32,755 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

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 <http://www.treasury.state.tn.us/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, 2018

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, 2018 to the Teacher Legacy Pension Plan were \$543,610 which is 9.08 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, 2018, the government reported a liability (asset) of \$(47,533) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The government's proportion of the net pension liability was based on the government's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the government's proportion was 0.145281 percent. The proportion measured as of June 30, 2016, was 0.151918 percent.

Pension expense

For the year ended June 30, 2018, the government recognized pension expense of \$20,742.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2018, 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	\$ 28,657	\$ 981,345
Changes in assumptions	402,582	-
Net difference between projected and actual earnings on pension plan investments	7,215	-
Changes in proportion of net pension liability (asset)	95,477	61,986
Contributions subsequent to the measurement date of June 30, 2017	543,610	N/A
	<u>\$ 1,077,541</u>	<u>\$ 1,043,331</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

The government's employer contributions of \$543,610, 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, 2019. 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,	
2019	\$ (319,935)
2020	166,343
2021	(102,308)
2022	(253,501)
2023	-
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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions

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

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U. S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount rate

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

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

The following presents Fayetteville City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Fayetteville City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 4,265,117	\$ (47,533)	\$(3,612,224)

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018, the government recorded a payable of \$129,749 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

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 <http://www.treasury.state.tn.us/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, 2018

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, 2018 to the Teacher Retirement Plan were \$27,717, 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, 2018, the government reported a liability (asset) of (\$18,588) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The government's proportion of the net pension liability (asset) was based on Fayetteville City Schools' share of contributions to the pension plan relative to the contribution of all participating LEAs. At the measurement date of June 30, 2017 Fayetteville City Schools' proportion was 0.070453 percent. The proportion measured at June 30, 2016 was 0.125359 percent.

Pension expense

For the year ended June 30, 2018, the government recognized pension expense of \$8,841.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2018, 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, 2018

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	\$ 651	\$ 1,398
Net difference between projected and actual earnings on pension plan investments	-	1,000
Changes in assumptions	1,633	-
Changes in proportion of net pension liability (asset)	6,079	536
Fayetteville City Schools' contributions subsequent to the measurement date of June 30, 2017	27,717	N/A
	<u>\$ 36,080</u>	<u>\$ 2,934</u>

Employer contributions of \$26,546 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, 2019. 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,

2019	\$ 321
2020	321
2021	264
2022	7
2023	479
Thereafter	4,037

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

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

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

Changes of assumptions

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

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

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U. S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount rate

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

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

The following presents Fayetteville City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Fayetteville City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	6.25%	7.25%	8.25%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 3,709	\$ (18,588)	\$ (34,943)

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, 2018, the government reported a payable of \$7,203 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

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 \$405 for the year ended June 30, 2018. The System recognized pension expense under the defined contribution plan of \$32,954 for the year ended June 30, 2018.

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, 2018, Fayetteville City Schools reported a payable of \$5,580 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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 \$47,590 for the year ended June 30, 2018.

CITY OF FAYETTEVILLE DEFERRED COMPENSATION

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

The Section 457 plan is administered through a third-party administrator, Voya, while the 401(k) plan is administered through the State of Tennessee. The City does not provide for a matching employer contribution and does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liabilities to plan participants have been excluded from the City's financial statements. As of June 30, 2018, there were no participants in either of these plans.

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, 2018, FPU had 99 employees covered by the RS plan.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018 was 19.79% 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, 2018 was \$1,004,858.

NRECA 401(K) PLAN

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

Benefit terms, including contribution requirements, for the NRECA 401(k) pension plan are established and may be amended by the NRECA Board. Under the Plan, FPU matches employee contributions of 1.25% of the employees' base pay. The employee must contribute 1.25% of their base pay in order to receive FPU's matching contribution. After-tax Roth 401K employee contributions are permitted by the Plan up to limits imposed by the Internal Revenue Code. Employee contributions to the Plan totaled \$214,200 for the year ended June 30, 2018. FPU recognized pension expense under the defined contribution plan of \$72,640 for the year ended June 30, 2018.

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

The following is a summary of each of these plans:

FAYETTEVILLE PUBLIC UTILITIES OPEB

Plan Description

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)

Benefits provided

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

Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	2
Active plan members	<u>110</u>
	<u>112</u>

Total OPEB Liability

The System's total OPEB liability of \$1,472,991 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00% per annum
Healthcare cost trend rates	Medical: 8.0% to grade uniformly to 5.0% over a 10 year period
Retirees' share of benefit-related costs	Retirees are not required to make any contributions to the postretirement benefit. Spouses are required to make annual contributions of \$5,650. Contributions are assumed to increase at the health care cost trend rate.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2018.

Mortality rates were based on the RP-2014 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP2014.

Changes in the Total OPEB Liability

Balance at 6/30/17	\$ 1,386,250
Service cost	51,064
Interest	46,089
Benefit payments	<u>(10,412)</u>
Net changes	<u>86,741</u>
Balance at 6/30/18	<u>\$ 1,472,991</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)

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

The following presents the total OPEB liability of the System, as well as what the System's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.23 percent) or 1-percentage-point higher (4.23 percent) than the current discount rate:

	1 % Decrease	Discount Rate	1% Increase
	2.23%	3.23%	4.23%
Total OPEB liability	\$ 1,564,793	\$ 1,472,991	\$ 1,386,650

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

The following presents the total OPEB liability of the System, as well as what the System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.5 percent decreasing to 4.5 percent) or 1-percentage-point higher (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1 % Decrease	Healthcare Cost Trend Rates	1% Increase
	7% decreasing to 4% over 10 years	8% decreasing to 5% over 10 years	9% decreasing to 6% over 10 years
Total OPEB liability	\$ 1,355,708	\$ 1,472,991	\$ 1,606,496

For the year ended June 30, 2018, the System recognized OPEB expense of \$97,153. Currently, there are no amounts to be recognized as deferred outflows or deferred inflows of resources.

GENERAL GOVERNMENT OPEB

Plan description

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 \$13,260, for the difference between the family premium rate and the employee only medical premium rate as of June 30, 2018. The Board of Mayor and Alderman may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

GENERAL GOVERNMENT OPEB (CONTINUED)

Benefits provided

The government pays the full cost of coverage for the healthcare benefits provided to qualified retirees under the plan. Dependent coverage may be purchased by the retiree at their cost. The government has chosen to fund the healthcare benefits on a pay as you go basis.

Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	2
Active plan members	<u>95</u>
	<u>97</u>

Total OPEB Liability

The government's total OPEB liability of \$1,512,108 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	4.00% per annum
Healthcare cost trend rates	Medical: 8.0% per year
Retirees' share of benefit-related costs	Retirees are not required to make any contributions to the postretirement benefit for individual coverage but must pay elected coverage rates in excess of the individual coverage rate.

The discount rate was based on the Bond Buyer GO-20 bond index as of June 30, 2018.

Mortality rates were based on the RPH-2014 Total Table with Projection MP-2018.

Changes in the Total OPEB Liability

Balance at 6/30/17	\$ 1,393,782
Service cost	87,041
Interest	56,756
Benefit payments	<u>(25,471)</u>
Net changes	<u>118,326</u>
Balance at 6/30/18	<u>\$ 1,512,108</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

GENERAL GOVERNMENT OPEB (CONTINUED)

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

The following presents the total OPEB liability of the government, as well as what the government's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.88 percent) or 1-percentage-point higher (4.88 percent) than the current discount rate:

	1 % Decrease	Discount Rate	1% Increase
	2.88%	3.88%	4.88%
Total OPEB liability	\$ 1,646,378	\$ 1,512,108	\$ 1,368,170

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

The following presents the total OPEB liability of the government, as well as what the government's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current healthcare cost trend rates:

	1 % Decrease	Healthcare Cost Trend Rates	1% Increase
	4.00%	5.00%	6.00%
Total OPEB liability	\$ 1,312,071	\$ 1,512,108	\$ 1,726,911

For the year ended June 30, 2018, the government recognized OPEB expense of \$143,797. Currently, there are no amounts to be recognized as deferred outflows or deferred inflows of resources.

FAYETTEVILLE CITY SCHOOLS OPEB

CLOSED TEACHER GROUP OPEB PLAN (TGOP)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description

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

Benefits provided

The State offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Fayetteville City Schools does not directly subsidize and are only subject to the implicit subsidy. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At July 1, 2017, the following employees of Fayetteville City Schools was covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>172</u> <u>181</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Fayetteville City Schools paid \$54,651 to the TGOP for OPEB benefits as they came due.

TOTAL OPEB LIABILITY

Actuarial assumptions

The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

Inflation	2.25 %
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.71 % for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Actuarial assumptions

The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS (CONTINUED)

CHANGES IN COLLECTIVE TOTAL OPEB LIABILITY

TGOP - (expressed in thousands)

	<u>Total OPEB Liability</u>
Balances at June 30, 2016	<u>\$ 1,594</u>
Changes for the year:	
Service cost	93
Interest	48
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	(76)
Benefit payments	<u>(87)</u>
Net changes	<u>(22)</u>
Balances at June 30, 2017	<u><u>\$ 1,572</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 569
Employer's proportionate share of the collective total OPEB liability	\$ 1,003
Employer's proportion of the collective total OPEB liability	63.78%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0% from the prior measurement date. The System recognized \$48,347 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Fayetteville City Schools' retirees.

Changes in assumptions

The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

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

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

(expressed in thousands)

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of collective total OPEB liability	\$ 1,079	\$ 1,003	\$ 931

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

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate. (expressed in thousands)

	1% Decrease (6.50% decreasing to 2.71%)	Healthcare Cost Trend Rates (7.50% decreasing to 3.71%)	1% Increase (8.50% decreasing to 4.71%)
Proportionate share of collective total OPEB liability	\$ 889	\$ 1,003	\$ 1,140

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

OPEB expense

For the fiscal year ended June, 30, 2018, Fayetteville City Schools recognized OPEB expense of \$133,480.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June, 30, 2018, Fayetteville City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

TGOP - (expressed in thousands)

	Deferred Outflows of resources	Deferred Inflows of resources
	<u>resources</u>	<u>resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	44
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	-	-
Employer payments subsequent to the measurement date	55	-
Total	<u>\$ 55</u>	<u>\$ 44</u>

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

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

TGOP - (expressed in thousands)

For the year ended June 30:

2019	\$ (4.5)
2020	(4.5)
2021	(4.5)
2022	(4.5)
2023	(4.5)
Thereafter	(21.2)

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

CLOSED TENNESSEE PLAN (TNP)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description

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

Benefits provided

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

Employees covered by benefit terms

At July 1, 2017, the following employees of Fayetteville City Schools were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	24
Inactive employees entitled to but not yet receiving benefit payments	10
Active employees	106
	<u>140</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

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

TOTAL OPEB LIABILITY

Actuarial assumptions

The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate

The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

CHANGES IN COLLECTIVE TOTAL OPEB LIABILITY

TNP - (expressed in thousands)

	Total OPEB Liability
Balances at June 30, 2016	\$ 367
Changes for the year:	
Service cost	8
Interest	11
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	(32)
Benefit payments	(13)
Net changes	(26)
Balances at June 30, 2017	\$ 341
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 341
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0%

The Fayetteville City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Fayetteville City Schools' proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Fayetteville City Schools' proportion of 0% did not change from the prior measurement date. Fayetteville City Schools recognized \$15,916 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Fayetteville City Schools' retired employees.

Changes in assumptions

The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

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

OPEB expense

For the fiscal year ended June, 30, 2018, Fayetteville City Schools recognized OPEB expense of \$15,916.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	\$ 226,369
City street and transportation	13,756
Total	<u>\$ 240,125</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, 2018, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2018, the government received \$66,821 from the State of Tennessee for this shared revenue.

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 \$109,950 to the operations of the library during the year ended June 30, 2018.

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 \$24,856 to the operations of the airport during the year ended June 30, 2018.

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

NOTE 15 - JOINT VENTURES (CONTINUED)

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. The City of Fayetteville has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. The City of Fayetteville contributed \$92,500 to the operations of the Industrial Development Board during the year ended June 30, 2018.

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

Fayetteville Lincoln County Airport
37 Airport Road
Fayetteville, TN 37334

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

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

The Fayetteville City Schools participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of 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 (Dickson County School Department) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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	\$ 48,384,205	\$ 1,546,038	3.2%	\$ 15,790,185	2028
Gas	7,177,704	386,443	5.4%	2,443,406	2025
Telecom	4,498,349	357,965	8.0%	714,865	2020
Water & Wastewater	5,452,185	1,663,062	30.5%	34,521,414	2055
	<u>\$ 65,512,443</u>	<u>\$ 3,953,508</u>	<u>6.0%</u>	<u>\$ 53,469,870</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, 2018, credits resulting from solar power generation totaled \$1,408,205. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2018, the liability for such amounts due to customers was \$266,492 which is included in accounts payable on the statement of net position. FPU is credited on its wholesale power cost by TVA for the solar generated power.

NOTE 18 - ON-BEHALF PAYMENTS

Employees of Fayetteville City Schools participate in various state administered group insurance plans including the Teacher Group Plan and the Tennessee Plan. The State of Tennessee makes contributions on-behalf of Fayetteville City School retiree participants. For the year ended June 30, 2018 these contributions totaled \$13,034 to the Tennessee Plan and \$36,741 to the Teacher Group Plan which are reflected in the financial statements as intergovernmental revenues and education expenditures.

NOTE 19 - GASB STATEMENT (GASBS) NUMBER 75 IMPLEMENTATION

The City of Fayetteville, Fayetteville City Schools, and Fayetteville Public Utilities implemented the provisions of GASBS 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current period. This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense / expenditures. The cumulative effect of applying this Statement has been reported as a restatement of beginning net position as shown on the next page:

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

NOTE 19 - GASB STATEMENT (GASBS) NUMBER 75 IMPLEMENTATION (CONTINUED)

Governmental Activities:

	<u>City of Fayetteville</u>	<u>Fayetteville City Schools</u>	<u>Total Governmental Activities</u>
Net position June 30, 2017 as previously reported	\$ 20,376,795	\$ 10,396,541	\$ 30,773,336
GASB 75 implementation:			
Reverse existing OPEB liability	771,108	47,000	818,108
Beginning deferred outflows for contributions subsequent to the measurement date	-	55,583	55,583
Record OPEB liability (GASBS 75)	<u>(1,393,781)</u>	<u>(1,016,929)</u>	<u>(2,410,710)</u>
Net position June 30, 2017, restated	<u>\$ 19,754,122</u>	<u>\$ 9,482,195</u>	<u>\$ 29,236,317</u>

Business Type Activities:

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>	<u>Total</u>
<u>Fayetteville Public Utilities</u>					
Net position June 30, 2017 as previously reported	\$ 60,376,003	\$ 18,774,986	\$ 1,622,849	\$ 22,559,335	\$ 103,333,173
GASB 75 implementation:					
Reverse existing OPEB liability	480,831	151,025	78,389	205,005	915,250
Record OPEB liability (GASBS 75)	<u>(728,273)</u>	<u>(228,745)</u>	<u>(118,729)</u>	<u>(310,503)</u>	<u>(1,386,250)</u>
Net position June 30, 2017, restated	<u>\$ 60,128,561</u>	<u>\$ 18,697,266</u>	<u>\$ 1,582,509</u>	<u>\$ 22,453,837</u>	<u>\$ 102,862,173</u>

NOTE 20 - SUBSEQUENT EVENTS

Subsequent to year-end, the Lincoln County Commission approved a \$32.2 million bond issue for the Lincoln County Board of Education. Under state law, approximately \$8.6 million of this came to Fayetteville City Schools.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF SYSTEM CONTRIBUTIONS

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,004,858	\$ 961,403	\$ 909,076	\$ 886,106	\$ 802,092	\$ 795,514	\$ 1,064,897	\$ 1,270,135	\$ 851,556	\$ 682,529
Contributions in relation to the contractually required contribution	(1,004,858)	(961,403)	(909,076)	(886,106)	(802,092)	(795,514)	(1,064,897)	(1,270,135)	(851,556)	(682,529)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Optional contribution prepayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,477,617	\$ -	\$ -	\$ -	\$ -

Notes to Schedule

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year ending June 30,

	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
Service cost	\$ 409,344	\$ 406,371	\$ 448,740	\$ 485,992
Interest	1,289,974	1,330,008	1,343,918	1,397,207
Changes in benefit terms	-	-	-	-
Differences between actual & expected experience	(61,339)	(480,678)	(73,505)	556,317
Change of assumptions	-	-	-	558,241
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)	(1,025,719)
Net change in total pension liability	594,724	96,529	653,105	1,972,038
Total pension liability-beginning	17,311,937	17,906,661	18,003,190	18,656,295
Total pension liability-ending (a)	\$ 17,906,661	\$ 18,003,190	\$ 18,656,295	\$ 20,628,333
PLAN FIDUCIARY NET POSITION				
Contributions-employer	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808
Contributions-employee	243,467	250,391	270,532	324,370
Net investment income	2,478,367	524,049	455,674	1,974,307
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)	(1,025,719)
Administrative expense	(6,306)	(7,832)	(12,647)	(13,845)
Other	-	-	26,014	-
Net change in plan fiduciary net position	2,152,604	90,691	194,407	1,805,921
Plan fiduciary net position-beginning	15,068,588	17,221,192	17,311,883	17,506,290
Plan fiduciary net position-ending (b)	\$ 17,221,192	\$ 17,311,883	\$ 17,506,290	\$ 19,312,211
Net pension liability (asset)-ending (a) - (b)	\$ 685,469	\$ 691,307	\$ 1,150,005	\$ 1,316,122
Plan fiduciary net position as a percentage of total pension liability	96.17%	96.16%	93.84%	93.62%
Covered payroll	\$ 4,866,570	\$ 5,007,817	\$ 5,397,739	\$ 5,666,405
Net pension liability (asset) as a percentage of covered employee payroll	14.09%	13.80%	21.31%	23.23%

Notes to Schedule:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS

BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

	Last Fiscal Year ending June 30,				
	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 480,331	\$ 483,255	\$ 520,882	\$ 553,617	\$ 553,602
Contributions in relation to the actuarially determined contribution	480,331	483,255	520,882	553,617	553,602
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 4,866,570	\$ 5,007,817	\$ 5,397,739	\$ 5,736,956	\$ 5,736,852
Contributions as a percentage of covered-employee payroll	9.87%	9.65%	9.65%	9.65%	9.65%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	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, *

	2014	2015	2016	2017
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (24,618)	\$ 64,059	\$ 949,405	\$ (47,533)
Fayetteville City Schools's proportion of the net pension liability (asset)	0.151502%	0.156381%	0.151918%	0.145281%
Fayetteville City Schools's covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.41%	1.09%	17.31%	-0.92%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%

* 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,

	2014	2015	2016	2017	2018
Contractually required	\$ 528,043	\$ 529,211	\$ 495,749	\$ 464,260	\$ 543,610
Contribution in relation to the contractually required contribution	528,043	529,211	495,749	464,260	543,610
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817	\$ 6,008,152
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	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, *

	2015	2016	2017
Fayetteville City Schools's proportion of the net pension liability (asset)	0.106705%	0.125359%	0.070453%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (4,293)	\$ (13,050)	\$ (18,588)
Fayetteville City Schools's covered payroll	\$ 221,703	\$ 551,590	\$ 458,224
Fayetteville City Schools's proportionate share of the net pension liability	-1.94%	-2.37%	-4.06%
(asset) as a percentage of its covered payroll	127.46%	121.88%	126.81%
Plan fiduciary net position as a percentage of the total pension liability			

* 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	2018
Contractually required	\$ 222	\$ 13,807	\$ 18,497	\$ 27,717
Contribution in relation to the contractually required contribution	8,868	22,063	18,497	27,717
Contribution deficiency (excess)	<u>\$ (8,646)</u>	<u>\$ (8,256)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 705,126
Contributions as a percentage of covered-employee payroll	4.00%	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.

FAYETTEVILLE PUBLIC UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SYSTEM'S TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30,

	<u>2018</u>
Total OPEB liability	
Service cost	51,064
Interest	46,089
Benefit payments	<u>(10,412)</u>
Net change in total OPEB liability	86,741
Total OPEB liability - beginning	<u>1,386,250</u>
Total OPEB liability - ending	<u>\$ 1,472,991</u>
Covered-employee payroll	5,786,362
 Total OPEB liability as a percentage of covered-employee payroll	 25.5%

Notes to Schedule

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

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

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

TGOP

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 93
Interest	48
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(76)
Benefit payments	(87)
Net change in total OPEB liability	\$ (22)
Total OPEB liability - beginning	1,594
Total OPEB liability - ending	<u>\$ 1,572</u>
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 569
 Employer's proportionate share of the collective total OPEB liability	 \$ 1,003
 Covered-employee payroll	 7,145
 Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	 14.04%

Notes to Schedule

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

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

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

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

TNP

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 8
Interest	11
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(32)
Benefit payments	(13)
Net change in total OPEB liability	\$ (26)
Total OPEB liability - beginning	367
Total OPEB liability - ending	<u>\$ 341</u>

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 341
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Employer's proportionate share of the collective total OPEB liability	\$ -
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Covered-employee payroll	N/A
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Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	0.00%
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Notes to Schedule

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

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

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

CITY OF FAYETTEVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE GOVERNMENT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30,

	<u>2018</u>
Total OPEB liability	
Service cost	87,041
Interest	56,756
Benefit payments	<u>(25,471)</u>
Net change in total OPEB liability	118,326
Total OPEB liability - beginning	<u>1,393,782</u>
Total OPEB liability - ending	<u>\$ 1,512,108</u>
Covered-employee payroll	3,960,051
 Total OPEB liability as a percentage of covered-employee payroll	 38.2%

Notes to Schedule

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

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

NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

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, 2018

Special Revenue Funds					
	School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Assets:					
Cash in bank	\$ 79,960	\$ 263,784	\$ 58,068	\$ 401,812	\$ 302,484
Accounts receivable	-	176	-	176	-
Due from other funds	-	-	1,237	1,237	-
Due from other governments	400	-	-	400	-
Inventory	-	13,855	-	13,855	-
TOTAL ASSETS	<u>\$ 80,360</u>	<u>\$ 277,815</u>	<u>\$ 59,305</u>	<u>\$ 417,480</u>	<u>\$ 302,484</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 381	\$ 381	\$ -
Due to other funds	-	-	3,710	3,710	-
Unearned revenues	360	-	-	360	-
TOTAL LIABILITIES	<u>360</u>	<u>-</u>	<u>4,091</u>	<u>4,451</u>	<u>-</u>
Fund Balances:					
Nonspendable - inventory	-	13,855	-	13,855	-
Restricted:					
Public safety	-	-	55,214	55,214	-
Committed					
Education	80,000	-	-	80,000	-
Assigned					
Education	-	263,960	-	263,960	-
Debt service	-	-	-	-	302,484
TOTAL FUND BALANCES	<u>80,000</u>	<u>277,815</u>	<u>55,214</u>	<u>413,029</u>	<u>302,484</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 80,360</u>	<u>\$ 277,815</u>	<u>\$ 59,305</u>	<u>\$ 417,480</u>	<u>\$ 302,484</u>

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Assets:						
Cash in bank	\$ 1,673	\$ 18,224	\$ 407,176	\$ 964,923	\$ 1,391,996	\$ 2,096,292
Accounts receivable	-	-	-	17,128	17,128	17,304
Due from other funds	-	-	-	39,707	39,707	40,944
Due from other governments	-	-	-	-	-	400
Inventory	-	-	-	-	-	13,855
TOTAL ASSETS	<u>\$ 1,673</u>	<u>\$ 18,224</u>	<u>\$ 407,176</u>	<u>\$ 1,021,758</u>	<u>\$ 1,448,831</u>	<u>\$ 2,168,795</u>
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 24,701	\$ 24,701	\$ 25,082
Due to other funds	-	-	-	-	-	3,710
Unearned revenues	-	-	-	42,128	42,128	42,488
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,829</u>	<u>66,829</u>	<u>71,280</u>
Fund Balances:						
Nonspendable - inventory	-	-	-	-	-	13,855
Restricted						
Public safety	-	-	-	-	-	55,214
Capital projects	-	18,224	407,176	-	425,400	425,400
Committed						
Education	-	-	-	-	-	80,000
Assigned						
Education	-	-	-	-	-	263,960
Debt service	-	-	-	-	-	302,484
Industrial park	1,673	-	-	-	1,673	1,673
Capital projects	-	-	-	954,929	954,929	954,929
TOTAL FUND BALANCES	<u>1,673</u>	<u>18,224</u>	<u>407,176</u>	<u>954,929</u>	<u>1,382,002</u>	<u>2,097,515</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,673</u>	<u>\$ 18,224</u>	<u>\$ 407,176</u>	<u>\$ 1,021,758</u>	<u>\$ 1,448,831</u>	<u>\$ 2,168,795</u>

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2018

		Special Revenue Funds				
		School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Revenues:						
Intergovernmental		\$ 869,897	\$ 659,066	\$ -	\$ 1,528,963	\$ -
Charges for services		-	160,685	-	160,685	-
Investment earnings		-	100	19	119	102
Fines and confiscations		-	-	25,584	25,584	-
	TOTAL REVENUES	869,897	819,851	25,603	1,715,351	102
Expenditures:						
Current:						
General government		-	-	-	-	3,956
Public safety		-	-	12,501	12,501	-
Education		869,897	753,558	-	1,623,455	-
Debt Service:						
Principal		-	-	-	-	240,000
Interest		-	-	-	-	122,408
Debt issuance costs		-	-	-	-	18,955
Capital outlay		-	7,612	8,788	16,400	-
	TOTAL EXPENDITURES	869,897	761,170	21,289	1,652,356	385,319
Excess (deficiency) of revenues over expenditures		-	58,681	4,314	62,995	(385,217)
Other Financing Sources (Uses):						
Refunding debt issued		-	-	-	-	975,427
Payment to refunded debt escrow agent		-	-	-	-	(1,012,186)
Premiums on debt issued		-	-	-	-	55,714
Transfers in		80,000	-	-	80,000	361,877
Transfers out		-	-	-	-	-
	TOTAL OTHER FINANCING SOURCES (USES)	80,000	-	-	80,000	380,832
Net change in fund balances		80,000	58,681	4,314	142,995	(4,385)
Fund balances - July 1, 2017		-	219,134	50,900	270,034	306,869
Fund balances - June 30, 2018		\$ 80,000	\$ 277,815	\$ 55,214	\$ 413,029	\$ 302,484

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2018

	Capital Projects Funds					Total Other Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 8,500	\$ 8,500	\$ 1,537,463
Charges for services	-	-	-	-	-	160,685
Investment earnings	1	9	136	377	523	744
Fines and forfeitures	-	-	-	-	-	25,584
TOTAL REVENUES	1	9	136	8,877	9,023	1,724,476
Expenditures:						
Current:						
General government	-	15,911	-	-	15,911	19,867
Public safety	-	-	-	-	-	12,501
Education	-	-	-	-	-	1,623,455
Debt service:						
Principal	-	-	-	-	-	240,000
Interest	-	-	-	-	-	122,408
Capital outlay	-	-	-	488,751	488,751	505,151
TOTAL EXPENDITURES	-	15,911	-	488,751	504,662	2,523,382
Excess (deficiency) of revenues over expenditures	1	(15,902)	136	(479,874)	(495,639)	(798,906)
Other Financing Sources (Uses):						
Transfers in	-	-	-	200,000	200,000	641,877
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	200,000	200,000	641,877
Net change in fund balances	1	(15,902)	136	(279,874)	(295,639)	(157,029)
Fund balances - July 1, 2017	1,672	34,126	407,040	1,234,803	1,677,641	2,254,544
Fund balances - June 30, 2018	\$ 1,673	\$ 18,224	\$ 407,176	\$ 954,929	\$ 1,382,002	\$ 2,097,515

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Title programs	\$ 422,953	\$ 489,792	\$ 489,792	\$ -
Vocational education programs	20,029	20,844	20,844	-
Summer reading program	-	51,863	51,863	-
Special education programs	330,473	307,398	307,398	-
Total Revenues	<u>773,455</u>	<u>869,897</u>	<u>869,897</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	303,250	324,919	324,919	-
Supplies	14,880	38,079	38,079	-
Equipment	17,377	30,000	30,000	-
Other	2,536	2,059	2,059	-
Special education program				
Salaries and benefits	211,369	189,708	189,708	-
Equipment	3,000	1,963	1,963	-
Contracted services	7,000	5,550	5,550	-
Supplies	11,500	27,044	27,044	-
Vocational education program				
Supplies	6,023	6,383	6,383	-
Equipment	3,000	5,154	5,154	-
Support services:				
Regular instruction program				
Salaries and benefits	80,701	74,124	74,124	-
Travel	500	-	-	-
Supplies	1,293	562	562	-
In service	24,115	58,201	58,201	-
Special education program				
Contracted services	45,462	62,815	62,815	-
In service	8,000	7,481	7,481	-
Supplies	3,014	2,925	2,925	-
Other Student Support				
Travel	4,006	3,280	3,280	-
Supplies	11,000	7,676	7,676	-
Equipment	1,624	1,445	1,445	-
Contracted services	31,000	-	-	-
In service	7,000	9,789	9,789	-
Transportation				
Salaries and benefits	5,004	6,257	6,257	-
Other	3,500	3,500	3,500	-
Health services				
Supplies	-	754	754	-
Board of education				
Other	-	229	229	-
Total Expenditures	<u>806,154</u>	<u>869,897</u>	<u>869,897</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(32,699)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	80,000	80,000	80,000	-
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net Change in Fund Balance	47,301	80,000	80,000	-
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	<u>\$ 47,301</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>

SCHOOL CAFETERIA SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2018

	<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	\$ 482,100	\$ 409,562	\$ (72,538)
School breakfast program	187,000	189,900	175,335	(14,565)
After school snacks	-	-	2,900	2,900
USDA commodities	64,206	64,206	64,206	-
Other	8,000	8,000	7,063	(937)
Charges for services	204,470	204,470	160,685	(43,785)
Investment earnings	100	100	100	-
Total Revenues	<u>948,776</u>	<u>948,776</u>	<u>819,851</u>	<u>(128,925)</u>
EXPENDITURES				
Current:				
Salaries and benefits	427,770	425,366	328,443	96,923
Repairs and maintenance	9,000	9,000	3,987	5,013
Travel	3,000	5,404	5,404	-
Contracted services	8,000	8,000	7,701	299
Food and preparation supplies	469,206	469,206	404,761	64,445
Supplies	2,500	2,500	983	1,517
Other	5,000	5,000	2,279	2,721
Capital outlay	25,000	25,000	7,612	17,388
Total Expenditures	<u>949,476</u>	<u>949,476</u>	<u>761,170</u>	<u>188,306</u>
Excess (Deficiency) of Revenues over Expenditures	(700)	(700)	58,681	59,381
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	-	-	58,681	58,681
Fund Balance - beginning	<u>219,134</u>	<u>219,134</u>	<u>219,134</u>	<u>-</u>
Fund Balance - ending	<u>\$ 219,134</u>	<u>\$ 219,134</u>	<u>\$ 277,815</u>	<u>\$ 58,681</u>

DRUG SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2018

	<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	\$ 19	\$ 4
Fines	23,000	23,000	23,725	725
Confiscations	-	-	1,859	1,859
Total Revenues	23,015	23,015	25,603	2,588
EXPENDITURES				
Current:				
Operating				
Salaries	12,500	12,500	7,402	5,098
Education and training	5,000	5,000	100	4,900
Travel	5,000	5,000	1,002	3,998
Supplies	5,900	5,900	1,376	4,524
Contractual	3,000	3,000	-	3,000
Telephone	1,800	1,800	1,199	601
Professional services	1,000	1,000	1,233	(233)
Equipment	15,500	15,500	8,788	6,712
Investigative transactions	10,000	10,000	-	10,000
Other drug fund	2,000	2,000	189	1,811
Total Expenditures	61,700	61,700	21,289	40,411
Net Change in Fund Balance	(38,685)	(38,685)	4,314	42,999
Fund Balance - beginning	50,900	50,900	50,900	-
Fund Balance - ending	\$ 12,215	\$ 12,215	\$ 55,214	\$ 42,999

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2018

	<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	\$ 102	\$ 12
Total Revenues	<u>90</u>	<u>90</u>	<u>102</u>	<u>12</u>
EXPENDITURES				
Current:				
Operating - agent fees	2,000	2,000	3,956	(1,956)
Debt Service:				
Principal	240,000	240,000	240,000	-
Interest	126,857	126,857	122,408	4,449
Debt issuance costs	-	-	18,955	(18,955)
Total Expenditures	<u>368,857</u>	<u>368,857</u>	<u>385,319</u>	<u>(16,462)</u>
Excess (Deficiency) of Revenues over Expenditures	(368,767)	(368,767)	(385,217)	(16,450)
OTHER FINANCING SOURCES (USES)				
Refunding debt issued	-	-	975,427	975,427
Payment to refunded debt escrow agent	-	-	(1,012,186)	(1,012,186)
Premiums on debt issued	-	-	55,714	55,714
Transfers in	368,857	368,857	361,877	(6,980)
Total Other Financing Sources (Uses)	<u>368,857</u>	<u>368,857</u>	<u>380,832</u>	<u>11,975</u>
Net Change in Fund Balance	90	90	(4,385)	(4,475)
Fund Balance - beginning	<u>306,869</u>	<u>306,869</u>	<u>306,869</u>	<u>-</u>
Fund Balance - ending	<u>\$ 306,959</u>	<u>\$ 306,959</u>	<u>\$ 302,484</u>	<u>\$ (4,475)</u>

INDUSTRIAL PARK CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2018

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
Total Revenues	-	-	1	1
EXPENDITURES				
Current:				
Contribution to IDB	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	1	1
Fund Balance - beginning	1,672	1,672	1,672	-
Fund Balance - ending	\$ 1,672	\$ 1,672	\$ 1,673	\$ 1

CDBG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2018

	<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	\$ 10	\$ 9	\$ (1)
Total Revenues	<u>10</u>	<u>10</u>	<u>9</u>	<u>(1)</u>
EXPENDITURES				
Current:				
Operating	30,000	30,000	15,911	14,089
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>15,911</u>	<u>14,089</u>
Net Change in Fund Balance	(29,990)	(29,990)	(15,902)	14,088
Fund Balance - beginning	<u>34,126</u>	<u>34,126</u>	<u>34,126</u>	<u>-</u>
Fund Balance - ending	<u>\$ 4,136</u>	<u>\$ 4,136</u>	<u>\$ 18,224</u>	<u>\$ 14,088</u>

UDAG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2018

	<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	\$ 136	\$ 36
Total Revenues	<u>100</u>	<u>100</u>	<u>136</u>	<u>36</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)	136	1,036
Fund Balance - beginning	<u>407,040</u>	<u>407,040</u>	<u>407,040</u>	<u>-</u>
Fund Balance - ending	<u>\$ 406,140</u>	<u>\$ 406,140</u>	<u>\$ 407,176</u>	<u>\$ 1,036</u>

**INTERNAL CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2018

	<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	\$ 250	\$ 250	\$ 377	\$ 127
Intergovernmental	257,000	257,000	8,500	(248,500)
Total Revenues	257,250	257,250	8,877	(248,373)
EXPENDITURES				
Capital outlay	675,864	675,864	488,751	187,113
Total Expenditures	675,864	675,864	488,751	187,113
(Deficiency) of Revenues over Expenditures	(418,614)	(418,614)	(479,874)	(61,260)
OTHER FINANCING SOURCES				
Transfers in	200,000	200,000	200,000	-
Total Other Financing Sources	200,000	200,000	200,000	-
Net Change in Fund Balance	(218,614)	(218,614)	(279,874)	(61,260)
Fund Balance - beginning	1,234,803	1,234,803	1,234,803	-
Fund Balance - ending	\$ 1,016,189	\$ 1,016,189	\$ 954,929	\$ (61,260)

For the year ended June 30, 2018

* Excludes FPU non-amortizing debt

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

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

Year Ending	General		General		General		General		General	
	Obligation Bonds		Obligation Bonds		Obligation Bonds		Obligation Bonds		Obligation Bonds	
	Series 2013		Series 2013 B		Series 2014		Series 2017		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,										
2019	\$ 220,000	\$ 137,800	\$ 40,000	\$ 31,142	\$ 85,000	\$ 51,500	\$ 115,635	\$ 30,979	\$ 460,635	\$ 251,421
2020	225,000	133,400	45,000	30,223	85,000	49,800	117,517	25,197	472,517	238,620
2021	225,000	128,900	50,000	29,187	90,000	48,100	149,193	19,321	514,193	225,508
2022	230,000	124,400	50,000	27,563	90,000	46,300	146,215	11,862	516,215	210,125
2023	235,000	119,800	50,000	25,937	95,000	44,500	148,702	8,937	528,702	199,174
2024	240,000	115,100	50,000	24,312	95,000	42,600	150,676	5,963	535,676	187,975
2025	245,000	110,300	55,000	22,688	100,000	40,700	147,489	2,950	547,489	176,638
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
	\$ 5,090,000	\$ 1,609,838	\$ 830,000	\$ 291,177	\$ 1,835,000	\$ 551,512	\$ 975,427	\$ 105,209	\$ 8,730,427	\$ 2,557,736

FAYETTEVILLE PUBLIC UTILITIES

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

Year Ending June 30,	Series 2009		Series 2016		RUS Rural Economic Development Loan (LCHS)		Total Electric	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 4,250,000</u>	<u>\$ 479,385</u>	<u>\$ 9,690,000</u>	<u>\$ 1,370,800</u>	<u>\$ 84,106</u>	<u>\$ -</u>	<u>\$ 14,024,106</u>	<u>\$ 1,850,185</u>

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

June 30, 2018

Year Ending June 30.	TDOT Utility Reloc Loan		Series 2017		CW0 2013-315		CG1 2013-316		CG4 2015-350		CG2 2015-351	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 141,460	\$ 16,713	\$ 335,169	\$ 33,278	\$ 34,212	\$ 6,864	\$ 177,342	\$ 39,744	\$ 165,276	\$ 47,676	\$ 75,012	\$ 22,308
2020	144,100	14,073	330,389	16,520	34,620	6,456	179,430	37,656	167,580	45,372	76,056	21,264
2021	146,788	11,385	-	-	35,028	6,048	181,542	35,544	169,908	43,044	77,112	20,208
2022	149,527	8,646	-	-	35,436	5,640	183,678	33,408	172,260	40,692	78,180	19,140
2023	152,317	5,856	-	-	35,856	5,220	185,838	31,248	174,660	38,292	79,272	18,048
2024	155,159	3,014	-	-	36,276	4,800	188,022	29,064	177,084	35,868	80,376	16,944
2025	78,661	425	-	-	36,696	4,380	190,230	26,856	179,544	33,408	81,492	15,828
2026	-	-	-	-	37,128	3,948	192,474	24,612	182,028	30,924	82,620	14,700
2027	-	-	-	-	37,572	3,504	194,730	22,356	184,560	28,392	83,760	13,560
2028	-	-	-	-	38,016	3,060	197,022	20,064	187,128	25,824	84,924	12,396
2029	-	-	-	-	38,460	2,616	199,338	17,748	189,720	23,232	86,112	11,208
2030	-	-	-	-	38,916	2,160	201,690	15,396	192,360	20,592	87,300	10,020
2031	-	-	-	-	39,372	1,704	204,066	13,020	195,024	17,928	88,512	8,808
2032	-	-	-	-	39,828	1,248	206,466	10,620	197,736	15,216	89,748	7,572
2033	-	-	-	-	40,308	768	208,890	8,196	200,484	12,468	90,996	6,324
2034	-	-	-	-	40,788	288	211,350	5,736	203,268	9,684	92,256	5,064
2035	-	-	-	-	3,461	-	213,834	3,252	206,088	6,864	59,614	3,780
2036	-	-	-	-	-	-	162,009	794	208,956	3,996	-	2,484
2037	-	-	-	-	-	-	-	-	176,366	1,118	-	1,164
2038	-	-	-	-	-	-	-	-	-	-	-	84
2039	-	-	-	-	-	-	-	-	-	-	-	9
2040	-	-	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 968,012</u>	<u>\$ 60,112</u>	<u>\$ 665,558</u>	<u>\$ 49,798</u>	<u>\$ 601,973</u>	<u>\$ 58,704</u>	<u>\$ 3,477,951</u>	<u>\$ 375,314</u>	<u>\$ 3,530,030</u>	<u>\$ 480,590</u>	<u>\$ 1,393,342</u>	<u>\$ 230,913</u>

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

June 30, 2018

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
2019	\$ 68,703	\$ 71,157	\$	\$ 83,864	\$ 139,648	\$	\$ 46,661	\$ 62,251	\$	\$ 30,378	\$ 50,334	\$	\$ 1,158,077	\$ 489,973
2020	70,074	69,786		86,038	137,474		47,674	61,238		31,088	49,624		1,167,049	459,463
2021	71,858	68,002		89,032	134,480		49,047	59,865		32,090	48,622		852,405	427,198
2022	73,491	66,368		91,740	131,772		50,287	58,625		32,984	47,729		867,583	412,020
2023	75,162	64,698		94,530	128,982		51,559	57,353		33,902	46,810		883,096	396,507
2024	76,698	63,162		97,059	126,453		52,709	56,203		34,720	45,992		898,103	381,500
2025	78,615	61,245		100,357	123,155		54,196	54,716		35,813	44,899		835,604	364,912
2026	80,402	59,458		103,410	120,102		55,566	53,346		36,811	43,901		770,439	350,991
2027	82,229	57,630		106,555	116,957		56,971	51,941		37,836	42,876		784,213	337,216
2028	83,946	55,914		109,484	114,028		58,274	50,638		38,775	41,937		797,569	323,861
2029	86,007	53,853		113,126	110,386		59,886	49,026		39,969	40,743		812,618	308,812
2030	87,963	51,897		116,567	106,945		61,400	47,512		41,082	39,630		827,278	294,152
2031	89,962	49,898		120,112	103,400		62,953	45,959		42,226	38,486		842,227	279,203
2032	91,877	47,983		123,492	100,020		64,424	44,488		43,300	37,412		856,871	264,559
2033	94,096	45,764		127,522	95,990		66,174	42,738		44,608	36,104		873,078	248,352
2034	96,235	43,625		131,400	92,112		67,848	41,064		45,851	34,861		888,996	232,434
2035	98,423	41,437		135,397	88,115		69,563	39,349		47,127	33,585		833,507	216,382
2036	100,554	39,306		139,286	84,226		71,220	37,692		48,352	32,360		730,377	200,858
2037	102,946	36,914		143,752	79,760		73,123	35,789		49,787	30,925		545,974	185,670
2038	105,287	34,573		148,124	75,388		74,973	33,939		51,173	29,539		379,557	173,523
2039	107,680	32,180		152,630	70,882		76,869	32,043		52,598	28,114		389,777	163,228
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
	\$ 3,193,783	\$ 1,294,578	\$	\$ 4,692,995	\$ 2,725,783	\$	\$ 2,511,230	\$ 1,236,745	\$	\$ 1,844,117	\$ 1,065,599	\$	\$ 22,878,991	\$ 7,578,136

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

June 30, 2018

Residential

Customer Charge	\$22.40 per month
Energy Charge	7.550 cents per KWH
TVA Total Monthly Fuel Cost	2.014 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	\$39.00 per month
Energy Charge		8.593 cents per KWH
TVA Total Monthly Fuel Cost		1.984 cents per KWH

51 KW TO 1,000 KW

Customer Charge		\$225.00 per month
Demand Charge	First 50 KW	\$4.00 per KW
	Excess over 50 KW	\$15.92 per KW
Energy Charge	First 15,000 KWH	7.703 cents per KWH
	Additional KWH	4.251 cents per KWH
TVA Total Monthly Fuel Cost	First 15,000 KWH	1.984 cents per KWH
	Additional KWH	1.949 cents per KWH

1,001 KW TO 5,000 KW

Customer Charge		\$450.00 per month
Demand Charge	First 1,000 KW	\$16.89 per KW
	Excess over 1,000 KW	\$19.32 per KW
Energy Charge		4.242 cents per KWH.
TVA Total Monthly Fuel Cost		1.949 cents per KWH

Manufacturing Services

5,001 KW TO 15,000 KW

Customer Charge		\$1,850 per delivery point
Demand Charge	Onpeak	\$9.97 per KW
	Maximum	\$2.18 per KW
	Excess over Contract	\$9.97 per KW
Energy Charge	Onpeak	5.618 cents per KWH
	Offpeak first 200 hours	3.184 cents per KWH
	Offpeak next 200 hours	0.292 cents per KWH
	Offpeak additional KWH	0.044 cents per KWH
TVA Total Monthly Fuel Cost		1.754 cents per KWH

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF GAS UTILITY RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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	\$	0.441
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Firm Industrial

Monthly minimum	\$	100.00
Per ccf consumed per month		0.591

Note: ccf represents 100 cubic feet.

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF TELECOM RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

Cable TV Service

Budget basic	\$ 29.40
Basic plus	63.53
Basic digital	78.62
Digital service with DVR only	85.09
Digital service with HD only	80.72
Complete digital package	86.18

Digital Premium Channels

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

Additional Cable Equipment Available

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

Internet Services

3 Meg	\$ 46.49
5 Meg	66.49
10 Meg	79.09
30 Meg	46.49
34 Meg	66.49
40 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, 2018

	<u>RESIDENTIAL</u>		<u>COMMERCIAL</u>		<u>Frito Lay</u>	<u>WHOLESALE</u>	
	<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>		<u>With Contracts</u>	<u>Without Contracts</u>
<u>Water Rates</u>							
First 100 cubic feet	\$ 9.46	\$ 12.30	\$ 10.40	\$ 13.52	\$ 10.40	\$ 9.83	\$ 10.13
All over 100 cubic feet*	4.02	5.22					
Next 900 cubic feet*			4.43	5.76	4.43	4.12	4.42
All over 1,000 cubic feet*			3.24	4.23	N/A	3.09	3.39
Next 119,000 cubic feet*					3.54		
All over 120,000 cubic feet*					2.36		

Wastewater Rates

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>2018</u>	<u>2017</u>
Water	4,635	4,600
Sewer	3,531	3,510

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF SANITATION RATES IN EFFECT
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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, 2018

	June 30,	
	<u>2018</u>	<u>2017</u>
Electric	18,369	18,300
Gas	6,353	6,290
Telecom division -Cable	2,742	2,974
Telecom division -Internet	2,606	2,538
Telecom division -Phone	297	299
Water	4,635	4,600
Wastewater	3,531	3,510
Sanitation	2,699	2,683

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

<u>Year</u>	<u>Balance</u> <u>July 1, 2017</u>	<u>Taxes</u> <u>Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2018</u>
2018	\$ -	\$ 2,884,704	\$ -	\$ -	\$ 2,884,704
2017	2,866,182	-	54,969	(2,788,017)	133,134
2016	118,637	-	(2,770)	(101,278)	14,589
2015	25,232	-	7,311	(27,277)	5,266
2014	4,664	-	-	(781)	3,883
2013	3,484	-	-	-	3,484
2012	2,533	-	-	-	2,533
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	-	-	-	-	-
2008	-	-	-	-	-
2007	-	-	-	-	-
2006	-	-	-	-	-
	<u>\$ 3,020,732</u>	<u>\$ 2,884,704</u>	<u>\$ 59,510</u>	<u>\$ (2,917,353)</u>	<u>3,047,593</u>
Less allowance for uncollectible taxes					(32,204)
Balance, end of year, net of allowance					<u>\$ 3,015,389</u>

All uncollectible real estate taxes for tax years prior to 2017 have been turned over to the Clerk and Master for collection.

DIRECTORY OF OFFICIALS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2018

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 - Stacy Rozell *

Director of Schools - Janine Wilson

Fayetteville Public Utilities:

CEO/ General Manager - Britt Dye

Secretary/Treasurer - Glenn Oldham

Assistant Manager - Kim Posey

* Designated with financial oversight responsibility.

UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2018

During the year ended June 30, 2018, the government turned over \$23,401 of 2016 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, 2018

<u>Tax Year</u>	<u>Total Assessed Value</u>	<u>City Property Tax Rate</u>	<u>Levy</u>
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
2018	171,408,879	1.6500	2,884,704

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
CITY OF FAYETTEVILLE, TENNESSEE
 Year Ended June 30, 2018

<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 /	Highway Planning and				
TN Dept of Transportation	Construction Cluster	20.205	STP4322(10)	\$ -	\$ 3,300
U.S. Dept of Transportation /	Highway Planning and				
TN Dept of Transportation	Construction Cluster	20.205	STP3316(10)	-	23,128
Total Highway Planning and Construction Cluster				-	26,428
U.S. Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	972
Total Federal Awards				-	27,400
<u>State Financial Assistance</u>					
None				-	-
Total State Awards				-	-
Total Federal & State Awards				\$ -	\$ 27,400

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, 2018. Separate Schedules of Expenditures of Federal Awards and State Financial Assistance for Fayetteville Public Utilities and Fayetteville City Schools are included in their separately issued, publicly available financial reports. This schedule is presented using the modified accrual basis of accounting.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

	Click to access definition
	Click to add a comment

Water Audit Report for: **Fayetteville Public Utilities (0000242)**
Reporting Year: **2018** **7/2017 - 6/2018**

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: 9 697.074 MG/Yr
Water imported: n/a 0.000 MG/Yr
Water exported: 9 109.319 MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' -----> Pcnt: Value:
 7 0.78% 7 MG/Yr
 5 0.01% 5 MG/Yr

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

WATER SUPPLIED: **582.371** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 10 440.154 MG/Yr
Billed unmetered: n/a MG/Yr
Unbilled metered: 10 8.703 MG/Yr
Unbilled unmetered: 10 19.471 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **468.328** MG/Yr

Click here: for help using option buttons below

Pcnt: Value:
 10 19.471 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value:
0.25% 10 MG/Yr

2.00% 10 MG/Yr
0.25% 10 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

114.043 MG/Yr

Apparent Losses

Unauthorized consumption: 5 1.456 MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 8 9.160 MG/Yr
Systematic data handling errors: 5 1.100 MG/Yr

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

Apparent Losses: **11.717** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **102.326** MG/Yr

WATER LOSSES: **114.043** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **142.217** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 9 142.7 miles
Number of active AND inactive service connections: 9 5,106
Service connection density: 36 conn./mile main

Are customer meters typically located at the curbstop or property line? **Yes**

Average length of customer service line: 10 (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 \$3,510,853 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$4.15 \$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses): 10 \$420.94 \$/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: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association

Water Audit Report for: **Fayetteville Public Utilities (0000242)**
Reporting Year: **2018** **7/2017 - 6/2018**

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

System Attributes:

Apparent Losses:	11.717	MG/Yr
+ Real Losses:	102.326	MG/Yr
= Water Losses:	114.043	MG/Yr
? Unavoidable Annual Real Losses (UARL):	41.81	MG/Yr
Annual cost of Apparent Losses:	\$65,001	
Annual cost of Real Losses:	\$43,073	

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:	24.4%
	Non-revenue water as percent by cost of operating system:	3.4%
Operational Efficiency:	Apparent Losses per service connection per day:	6.29 gallons/connection/day
	Real Losses per service connection per day:	54.91 gallons/connection/day
	Real Losses per length of main per day*:	N/A
	Real Losses per service connection per day per psi pressure:	0.74 gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		102.33 million gallons/year
? Infrastructure Leakage Index (ILI) [CARL/UARL]:		2.45

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

INTERNAL CONTROL AND COMPLIANCE SECTION

PUTMAN & HANCOCK
Certified Public Accountants

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P.O. Box 722
Fayetteville, Tennessee 37334

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

Board of Mayor and Aldermen
City of Fayetteville
Fayetteville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2018, 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 May 17, 2019.

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 the City of Fayetteville, Tennessee's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fayetteville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

City of Fayetteville, Tennessee's Response to Findings

City of Fayetteville, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Fayetteville, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 17, 2019

SCHEDULE OF FINDINGS AND RESPONSES
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2018

Finding 2018-001

Condition and Criteria: We noted the City's Housing and Community Development function had actual expenditures in excess of budgeted expenditures.

Effect: Actual expenditures in excess of budgeted expenditures are in violation of Tennessee Code Annotated 7-86-120.

Auditors' Recommendation: Budgets should be monitored and amended as necessary to reflect authorization of the Board to incur expenditures.

Management Response: We concur with the finding. Due to turnover in staff, budgets were not amended as they should have been. Budgets will be amended in the future as required.

City of Fayetteville

Jon Law, Mayor
Gwen Shelton, Vice Mayor
Scott Collins, City Administrator

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Alderman:
Danny Bryant
Violet Harry
Anna Catherine Osteen
Dorothy Small
Michael Whisenant

"Where Tradition Meets Tomorrow"

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MANAGEMENT'S CORRECTIVE ACTION PLAN For the Fiscal Year Ended June 30, 2018

The City of Fayetteville, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2018.

NONCOMPLIANCE

Finding 2018-001

Condition and Criteria: We noted the City's Housing and Community Development function had actual expenditures in excess of budgeted expenditures.

Recommendations: Budgets should be monitored and amended as necessary to reflect authorization of the Board to incur expenditures. Budget amendments must be adopted to authorize increases in spending before spending occurs. No provision is made to permit the City to spend after the fact.

Planned Corrective Action: Budgets will be closely monitored by each department and budget amendments will be introduced as needed.

Responsible Person: Stacy Rozell, Finance Director

Anticipated Completion Date: Corrective action is currently in place.

 5/17/19

Stacy Rozell, Finance Director

May 17, 2019

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE

For the Fiscal Year Ended June 30, 2018

Financial Statement Findings

There were no prior year findings reported.

Federal Award Findings and Questioned Costs

Not applicable