

**AUDITED FINANCIAL STATEMENTS**

**CITY OF**

**FAYETTEVILLE, TENNESSEE**

**Year Ended June 30, 2019**

# CITY OF FAYETTEVILLE, TENNESSEE

## TABLE OF CONTENTS

### FINANCIAL SECTION

Independent Auditors' Report.....	3-4
Management's Discussion and Analysis .....	5-11
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position .....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	14
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position – Proprietary Funds .....	17
Statement of Revenues, Expenses, and Changes in Net	
Position – Proprietary Funds .....	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Revenues, Expenditures, and Changes in Fund	
Balance – Budget and Actual – General Fund .....	20-23
Statement of Revenues, Expenditures, and Changes in Fund	
Balance – Budget and Actual – School General Fund.....	24
Notes to the Financial Statements.....	25-86
Required Supplementary Information:	
Schedule of Contributions – NRECA RS Plan.....	87
Schedule of Changes in Net Pension Liability and Related Ratios –	
Public Employee Pension Plan of TCRS .....	88
Schedule of Contributions – Public Employee Pension Plan of TCRS .....	89
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Teacher	
Legacy Pension Plan of TCRS.....	90
Schedule of Contributions – Teacher Legacy Plan of TCRS.....	91
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Teacher	
Retirement Plan of TCRS.....	92
Schedule of Contributions – Teacher Retirement Plan of TCRS.....	93
Schedule of Changes in FPU's Total OPEB Liability and Related Ratios.....	94
Schedule of Changes in Proportionate Share of Collective OPEB Liability	
And Related Ratios – Teacher Group Plan .....	95
Schedule of Changes in Proportionate Share of Collective OPEB Liability	
And Related Ratios – Tennessee Plan .....	96
Schedule of Changes in the Government's Total OPEB Liability and Related Ratios.....	97

# CITY OF FAYETTEVILLE, TENNESSEE

## TABLE OF CONTENTS (CONTINUED)

### FINANCIAL SECTION (Continued)

#### Supplementary Information:

Nonmajor Governmental Funds .....	98
Combining and Individual Fund Financial Statements and Budgetary Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds .....	99-100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	101-102
Budgetary Comparison Schedules:	
School Title Special Revenue Fund .....	103
School Cafeteria Special Revenue Fund .....	104
Drug Special Revenue Fund .....	105
Debt Service Fund .....	106
Industrial Park Capital Projects Fund .....	107
CDBG Capital Projects Fund .....	108
UDAG Capital Projects Fund .....	109
Internal Capital Projects Fund .....	110
School Capital Projects Fund .....	111
Other Financial Schedules:	
Schedule of Combined Long-Term Debt Principal and Interest Requirements .....	112
Schedule of General Long-Term Debt Principal and Interest Requirements .....	113
Schedule of Long-Term Debt Principal and Interest Requirements - Electric Department .....	114
Schedule of Long-Term Debt Principal and Interest Requirements - Water Department .....	115-117
Schedule of Changes in Long-Term Debt by Individual Issue .....	118-119
Schedule of Electric Utility Rates in Effect .....	120
Schedule of Gas Utility Rates in Effect .....	121
Schedule of Telecommunications Rates in Effect .....	122
Schedule of Water and Sewer Utility Rates in Effect .....	123
Schedule of Sanitation Rates in Effect .....	124
Schedule of Number of Utility Customers .....	125
Schedule of Changes in Property Taxes Receivable .....	126
Directory of Officials .....	127
Uncollected Delinquent Taxes Filed in Accordance With Applicable Laws .....	128
Property Tax Rates and Assessments - Last Ten Years .....	129
Schedule of Expenditures of Federal Awards and State Financial Assistance .....	130

#### Other Information:

AWWA Reporting Worksheet .....	131
AWWA System Attributes and Performance Indicators .....	132

### INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	133-134
Schedule of Findings and Questioned Costs .....	135
Corrective Action Plan .....	136
Schedule of Prior Year Findings and Questioned Costs .....	137

**PUTMAN & HANCOCK**  
*Certified Public Accountants*

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

(931) 433-1040  
Fax (931) 433-9290  
[www.putmanandhancock.com](http://www.putmanandhancock.com)

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the School General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 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  
December 17, 2019

# City of Fayetteville

Michael Whisenant, Mayor  
Dorothy Small, Vice Mayor  
Scott Collins, City Administrator

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



Alderman:  
Jeff Alder  
Tonya Allen  
Danny Bryant  
Donna Hartman  
Rachael Martinez

110 Elk Avenue South

*"Where Tradition Meets Tomorrow"*  
Fayetteville, TN 37334

[www.fayettevilletn.com](http://www.fayettevilletn.com)

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended June 30, 2019

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, 2019. 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), recreation, highways and streets, housing and community development, garage, and education. Property taxes, in lieu payments, sales taxes, alcoholic beverage taxes, franchise fees, state and federal grants, business taxes, and fines finance most of these activities.

### **Business-Type Activities**

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

## **REPORT ON THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

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

### **Governmental Funds**

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

### **Proprietary Funds**

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

## THE CITY AS A WHOLE

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 29,525,910	\$ 19,126,579	\$ 45,889,155	\$ 44,919,410	\$ 75,415,065	\$ 64,045,989
Capital assets	26,938,585	27,371,439	120,968,487	117,144,053	147,907,072	144,515,492
Total assets	56,464,495	46,498,018	166,857,642	162,063,463	223,322,137	208,561,481
Total deferred outflows of resources	3,310,097	2,650,672	519,716	577,415	3,829,813	3,228,087
Long-term liabilities outstanding	11,717,702	13,520,120	46,160,444	47,052,708	57,878,146	60,572,828
Other liabilities	1,448,880	1,134,070	7,883,587	7,907,259	9,332,467	9,041,329
Total liabilities	13,166,582	14,654,190	54,044,031	54,959,967	67,210,613	69,614,157
Total deferred inflows of resources	4,858,010	4,298,564	-	-	4,858,010	4,298,564
Net position						
Net investment in capital assets	18,066,141	18,508,850	77,766,418	73,263,655	95,832,559	91,772,505
Restricted	12,819,761	3,845,961	3,200,315	3,199,884	16,020,076	7,045,845
Unrestricted	10,864,098	7,841,125	32,366,594	31,217,372	43,230,692	39,058,497
Total net position	\$ 41,750,000	\$ 30,195,936	\$ 113,333,327	\$ 107,680,911	\$ 155,083,327	\$ 137,876,847

Net position of the City's governmental activities increased 38.26 percent in the fiscal year 2019. Net position of the City's business-type activities increased 5.25 percent in the fiscal year 2019.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ 802,372	\$ 843,323	\$ 67,072,796	\$ 66,060,758	\$ 67,875,168	\$ 66,904,081
Operating grants and contributions	10,964,049	10,485,191	-	-	10,964,049	10,485,191
Capital grants and contributions	9,220,373	26,429	492,378	485,009	9,712,751	511,438
General revenues:						
Property taxes	4,135,157	4,195,495	-	-	4,135,157	4,195,495
Other taxes	6,182,722	5,761,958	-	-	6,182,722	5,761,958
Other general revenues	237,334	180,725	157,526	145,190	394,860	325,915
Total revenues	31,542,007	21,493,121	67,722,700	66,690,957	99,264,707	88,184,078
Program Expenses:						
General government	1,155,431	1,128,256	-	-	1,155,431	1,128,256
Public safety	4,925,772	4,783,159	-	-	4,925,772	4,783,159
Recreation	826,505	764,531	-	-	826,505	764,531
Highways and streets	1,729,722	1,664,509	-	-	1,729,722	1,664,509
Sanitation	-	-	469,019	480,801	469,019	480,801
Housing and community development	863,532	899,294	-	-	863,532	899,294
Garage	162,939	189,848	-	-	162,939	189,848
Education	13,346,050	12,496,430	-	-	13,346,050	12,496,430
Debt issuance costs	-	18,955	-	-	-	18,955
Interest on long-term debt	241,254	265,983	-	-	241,254	265,983
Electric, telecom, water and gas	-	-	59,850,111	60,557,804	59,850,111	60,557,804
Total expenses	23,251,205	22,210,965	60,319,130	61,038,605	83,570,335	83,249,570
Excess (deficiency) before transfers	8,290,802	(717,844)	7,403,570	5,652,352	15,694,372	4,934,508
Transfers	1,751,154	1,677,463	(1,751,154)	(1,677,463)	-	-
Increase in net position	\$ 10,041,956	\$ 959,619	\$ 5,652,416	\$ 3,974,889	\$ 15,694,372	\$ 4,934,508

The City's total revenues increased 12.57 percent from the fiscal year ended June 30, 2018 to the fiscal year June 30, 2019, while total expenses increased 0.39 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, 2019 and 2018. 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	
	2019	2018	2019	2018
General government	\$ 1,155,431	\$ 1,128,256	\$ 267,870	\$ 703,724
Public safety	4,925,772	4,783,159	4,189,067	4,022,264
Recreation	826,505	764,531	746,522	716,715
Highways and street	1,729,722	1,664,509	1,456,295	1,426,272
Housing and community development	863,532	899,294	863,532	899,294
Garage	162,939	189,848	162,939	189,848
Education	13,346,050	12,496,430	(5,663,068)	2,612,967
Debt issuance cost	-	18,955	-	18,955
Interest on long-term debt	241,254	265,983	241,254	265,983
Total Net Expenditures	<u>\$ 23,251,205</u>	<u>\$ 22,210,965</u>	<u>\$ 2,264,411</u>	<u>\$ 10,856,022</u>

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2019 and 2018. These revenues are required to cover the net expenditures listed above.

#### Revenues by Source

	2019	2018
Property taxes	\$ 4,135,157	\$ 4,195,495
In lieu of taxes	509,150	397,088
Sales taxes	3,723,120	3,552,977
Alcoholic beverage taxes	554,834	547,408
Other local taxes	493,041	438,233
Other state taxes	902,577	826,252
Other	115,968	137,576
Unrestricted investment earnings	126,263	29,032
Gain (loss) on sale of assets	(4,897)	14,117
Transfers	1,751,154	1,677,463
Total General Revenues and Transfers	<u>\$ 12,306,367</u>	<u>\$ 11,815,641</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 on the following page, which demonstrates return on ending assets and return on ending net position.

	Gas	Electric	Water	Telecom	Sanitation	Total
<b>Fiscal Year Ended June 30, 2019</b>						
Total Assets and Deferred						
Outflows of Resources	\$ 24,131,160	\$ 85,763,890	\$ 52,542,313	\$ 4,072,052	\$ 1,023,654	\$ 167,533,069
Net Position	20,503,129	66,319,955	22,680,405	3,059,618	770,220	113,333,327
Change in Net Position	974,642	3,810,424	124,521	774,089	(31,260)	5,652,416
Return on Ending Total Assets	4.04%	4.44%	0.24%	19.01%	-3.05%	3.37%
Return on Ending Net Position	4.75%	5.75%	0.55%	25.30%	-4.06%	4.99%
<b>Fiscal Year Ended June 30, 2018</b>						
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%

## CAPITAL ASSETS

As of June 30, 2019, the City has \$148 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 \$3,391,580 or 2.35 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2019 and 2018, for governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,672,030	\$ 3,664,266	\$ 1,098,495	\$ 1,098,495	\$ 4,770,525	\$ 4,762,761
Buildings	21,671,099	21,671,099	10,016,536	9,995,333	31,687,635	31,666,432
Improvements other than buildings	2,614,690	2,570,399	-	-	2,614,690	2,570,399
Machinery and equipment	10,070,522	9,590,229	179,503,370	160,363,398	189,573,892	169,953,627
Infrastructure	6,743,961	6,743,961	694,077	675,075	7,438,038	7,419,036
Total plant and equipment in service	44,772,302	44,239,954	191,312,478	172,132,301	236,084,780	216,372,255
Construction work in progress	538,275	219,632	4,066,839	15,281,110	4,605,114	15,500,742
	45,310,577	44,459,586	195,379,317	187,413,411	240,689,894	231,872,997
Less accumulated depreciation	(18,371,992)	(17,088,147)	(74,410,830)	(70,269,358)	(92,782,822)	(87,357,505)
	\$ 26,938,585	\$ 27,371,439	\$ 120,968,487	\$ 117,144,053	\$ 147,907,072	\$ 144,515,492

## DEBT ADMINISTRATION

Debt, considered a liability of governmental and business-type activities, decreased in fiscal year 2019 by \$2,583,604.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Bonds</b>						
General Obligation	\$ 8,269,792	\$ 8,730,427	\$ 2,590,208	\$ 3,569,573	\$ 10,860,000	\$ 12,300,000
Revenue	-	-	24,762,518	26,182,125	24,762,518	26,182,125
Deferred amounts	113,744	123,988	333,003	398,462	446,747	522,450
<b>Total Bonds</b>	<b>8,383,536</b>	<b>8,854,415</b>	<b>27,685,729</b>	<b>30,150,160</b>	<b>36,069,265</b>	<b>39,004,575</b>
<b>Loans</b>						
Capital Outlay Note	481,926	-	-	-	481,926	-
Tennessee utility relocation loan	-	-	826,552	968,013	826,552	968,013
Tennessee revolving fund loan	-	-	14,997,479	13,067,583	14,997,479	13,067,583
US Bank sanitation truck loan	-	-	75,845	144,014	75,845	144,014
RUS economic development loan	-	-	65,049	84,105	65,049	84,105
<b>Total Loans</b>	<b>481,926</b>	<b>-</b>	<b>15,964,925</b>	<b>14,263,715</b>	<b>16,446,851</b>	<b>14,263,715</b>
Postemployment benefit obligation	1,463,099	2,514,896	1,574,010	1,472,991	3,037,109	3,987,887
Advances from TVA	-	-	343,317	489,729	343,317	489,729
Compensated absences	653,157	671,951	703,541	676,113	1,356,698	1,348,064
Net pension liability	586,153	1,316,122	-	-	586,153	1,316,122
Landfill postclosure costs	149,831	162,736	-	-	149,831	162,736
<b>Totals</b>	<b>\$ 11,717,702</b>	<b>\$ 13,520,120</b>	<b>\$ 46,271,522</b>	<b>\$ 47,052,708</b>	<b>\$ 57,989,224</b>	<b>\$ 60,572,828</b>

## 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. Construction on Phase I of the Greenway was initiated during the fiscal year and is expected to be completed on or before February 2020. During Fiscal year 2019, the City continued to move forward on the funded Phase II of the Greenway and made plans to apply for Phase III during the next grant cycle. The Board of Mayor and Aldermen approved to upgrade the vehicle fleet for the Police Department with a budget amendment for a capital outlay note, a three year note to debt service in the amount of \$590,135. However, due to delays with the manufacturer, the vehicles will not be received until after June 30, 2019. In addition, The Board of mayor and Aldermen approved three progressive actions with the implementation of the Downtown Master Plan, a Branding Initiative and a Recreation and Aquatic Center Feasibility Study. Although initiated in FY 2019, the programs will not conclude until 2020. A high priority of the City continues with the development of Camp Blount along the banks of the Elk River.

As the City closed fiscal year 2019, 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 2019 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 2019 budget due to pay increases for employees and job reclassification adjustments. Residential and commercial 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](mailto:stacy.rozell@fayettevilletn.com).



## **BASIC FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,192,801	\$ 31,571,081	\$ 55,763,882
Receivables	4,471,580	7,154,414	11,625,994
Internal balances	155,697	(155,697)	-
Inventory	36,965	1,685,007	1,721,972
Prepaid expenses	3,245	1,429,775	1,433,020
Restricted assets	-	3,262,791	3,262,791
Restricted asset - TCRS stabilization reserve trust	27,139	-	27,139
Net pension asset - teacher retirement plan	36,423	-	36,423
Net pension asset - teacher legacy plan	602,060	-	602,060
Other assets	-	941,784	941,784
Capital assets (net of accumulated depreciation)			
Land	3,672,030	1,098,495	4,770,525
Buildings and improvements	14,852,209	7,487,949	22,340,158
Machinery and equipment	3,726,616	108,308,163	112,034,779
Infrastructure	4,149,455	7,041	4,156,496
Construction in progress	538,275	4,066,839	4,605,114
<b>TOTAL ASSETS</b>	<b>56,464,495</b>	<b>166,857,642</b>	<b>223,322,137</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB	783,588	13,060	796,648
Deferred outflows related to pensions	2,526,509	-	2,526,509
Excess consideration provided for acquisition	-	123,120	123,120
Deferred charge on refunding	-	383,536	383,536
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,310,097</b>	<b>519,716</b>	<b>3,829,813</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,388,890	5,485,699	6,874,589
Accrued interest payable	19,885	47,659	67,544
Unearned revenue	40,105	-	40,105
Deposits	-	2,350,229	2,350,229
Noncurrent liabilities:			
Due in one year	879,879	3,822,965	4,702,844
Due in more than one year	10,837,823	42,337,479	53,175,302
<b>TOTAL LIABILITIES</b>	<b>13,166,582</b>	<b>54,044,031</b>	<b>67,210,613</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	2,898,443	-	2,898,443
Deferred inflows related to pensions	1,580,357	-	1,580,357
Deferred inflows related to OPEB	372,228	-	372,228
Deferred credit on refunding	6,982	-	6,982
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,858,010</b>	<b>-</b>	<b>4,858,010</b>
<b>NET POSITION</b>			
Net investment in capital assets	18,066,141	77,766,418	95,832,559
Restricted for:			
Debt service	-	2,406,217	2,406,217
TCRS stabilization reserve trust	27,139	-	27,139
Teacher retirement plan pension	36,423	-	36,423
Teacher legacy plan pension	602,060	-	602,060
Improvements and construction	-	794,098	794,098
Drug education and enforcement	73,533	-	73,533
Capital projects	417,849	-	417,849
Education	11,662,757	-	11,662,757
Unrestricted	10,864,098	32,366,594	43,230,692
<b>TOTAL NET POSITION</b>	<b>\$ 41,750,000</b>	<b>\$ 113,333,327</b>	<b>\$ 155,083,327</b>

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

STATEMENT OF ACTIVITIES  
CITY OF FAYETTEVILLE, TENNESSEE  
For the year ended June 30, 2019

Function/ Program	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<u>Governmental activities:</u>							
General government	\$ 1,155,431	\$ 386,361	\$ 1,200	\$ 500,000	\$ (267,870)	\$ -	\$ (267,870)
Public safety	4,925,772	109,288	627,417	-	(4,189,067)	-	(4,189,067)
Recreation	826,505	79,983	-	-	(746,522)	-	(746,522)
Highways and streets	1,729,722	-	239,755	33,672	(1,456,295)	-	(1,456,295)
Housing and community development	863,532	-	-	-	(863,532)	-	(863,532)
Garage	162,939	-	-	-	(162,939)	-	(162,939)
Education	13,346,050	226,740	10,095,677	8,686,701	5,663,068	-	5,663,068
Interest on long-term debt	241,254	-	-	-	(241,254)	-	(241,254)
Total governmental activities	23,251,205	802,372	10,964,049	9,220,373	(2,264,411)	-	(2,264,411)
<u>Business-type activities:</u>							
Electric	44,645,231	48,958,928	-	338,041	-	4,651,738	4,651,738
Gas	5,982,557	7,202,815	-	15,698	-	1,235,956	1,235,956
Telecom	3,964,108	4,687,240	-	50,510	-	773,642	773,642
Water and sewer	5,258,215	5,676,175	-	88,129	-	506,089	506,089
Sanitation	469,019	547,638	-	-	-	78,619	78,619
Total business-type activities	60,319,130	67,072,796	-	492,378	-	7,246,044	7,246,044
Total Government	\$ 83,570,335	\$ 67,875,168	\$ 10,964,049	\$ 9,712,751	(2,264,411)	7,246,044	4,981,633
General revenues:							
Property taxes					4,135,157	-	4,135,157
Business taxes					264,073	-	264,073
In lieu of tax					509,150	-	509,150
Sales taxes					3,723,120	-	3,723,120
Occupancy taxes					114,620	-	114,620
Alcoholic beverage taxes					554,834	-	554,834
Franchise taxes					113,689	-	113,689
Other local taxes					659	-	659
State shared revenues					902,577	-	902,577
Other					115,968	-	115,968
(Loss) on sale of capital assets					(4,897)	(144,525)	(149,422)
Unrestricted investment earnings					126,263	302,051	428,314
Transfers					1,751,154	(1,751,154)	-
Total general revenues and transfers					12,306,367	(1,593,628)	10,712,739
Change in net position					10,041,956	5,652,416	15,694,372
Net position - beginning, as restated					31,708,044	107,680,911	139,388,955
Net position - ending					\$ 41,750,000	\$ 113,333,327	\$ 155,083,327

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>Assets:</b>					
Cash	\$ 8,092,452	\$ 4,764,222	\$ 7,964,107	\$ 3,372,020	\$ 24,192,801
Investments	-	-	-	-	-
Receivables	3,161,808	-	-	16,902	3,178,710
Due from other funds	164,543	-	-	44,811	209,354
Due from other governments	867,603	405,751	-	19,516	1,292,870
Inventory	21,081	-	-	15,884	36,965
Prepaid expenses	-	3,245	-	-	3,245
Restricted assets - TCRS stabilization reserve trust	-	27,139	-	-	27,139
<b>TOTAL ASSETS</b>	<b>\$ 12,307,487</b>	<b>\$ 5,200,357</b>	<b>\$ 7,964,107</b>	<b>\$ 3,469,133</b>	<b>\$ 28,941,084</b>
<b>Liabilities:</b>					
Accounts payable	\$ 130,665	\$ 19,134	\$ 262,268	\$ 21,985	\$ 434,052
Other accrued expenses	118,623	836,215	-	-	954,838
Due to other funds	44,825	-	-	8,832	53,657
Unearned revenue	-	-	-	40,105	40,105
<b>TOTAL LIABILITIES</b>	<b>294,113</b>	<b>855,349</b>	<b>262,268</b>	<b>70,922</b>	<b>1,482,652</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - state and local taxes	331,071	123,135	-	-	454,206
Unavailable revenue - property taxes	3,020,624	-	-	-	3,020,624
Unavailable revenue - other	186,494	-	-	-	186,494
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,538,189</b>	<b>123,135</b>	<b>-</b>	<b>-</b>	<b>3,661,324</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory and prepayments	21,081	-	-	15,884	36,965
<b>Restricted:</b>					
TCRS stabilization reserve trust	-	27,139	-	-	27,139
Capital projects	-	-	-	926,983	926,983
Education	-	-	7,701,839	-	7,701,839
Public safety	-	-	-	73,533	73,533
<b>Committed:</b>					
Education	-	-	-	80,000	80,000
<b>Assigned:</b>					
Budget reserve	514,091	-	-	-	514,091
Industrial park	-	-	-	1,673	1,673
Capital projects	-	-	-	1,706,070	1,706,070
Education	-	4,194,734	-	324,380	4,519,114
Debt service	-	-	-	269,688	269,688
Unassigned	7,940,013	-	-	-	7,940,013
<b>TOTAL FUND BALANCES</b>	<b>8,475,185</b>	<b>4,221,873</b>	<b>7,701,839</b>	<b>3,398,211</b>	<b>23,797,108</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,307,487</b>	<b>\$ 5,200,357</b>	<b>\$ 7,964,107</b>	<b>\$ 3,469,133</b>	

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.	26,938,585
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	762,881
OPEB obligation is not due and payable in the current period, and deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized and recognized as components of healthcare expense in future years; therefore, OPEB related amounts are not reported in the fund financial statements.	(1,051,739)
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.	998,482
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,695,317)
Net position of governmental activities	<u>\$ 41,750,000</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, 2019

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 2,870,892	\$ -	\$ -	\$ -	\$ 2,870,892
Business	261,494	-	-	-	261,494
Wholesale beer	327,717	-	-	-	327,717
Alcoholic beverage	169,961	-	-	-	169,961
Sales	2,646,956	-	-	-	2,646,956
Occupancy	114,620	-	-	-	114,620
Tax equivalency	509,150	-	-	-	509,150
Licenses and permits	44,582	-	-	-	44,582
Fines	78,731	-	-	30,557	109,288
Franchise fees	113,343	-	-	-	113,343
Intergovernmental	1,941,194	10,792,157	-	2,185,576	14,918,927
Shared bond proceeds from Lincoln County	-	-	8,599,216	-	8,599,216
Charges for services and use of property	341,779	79,846	-	150,247	571,872
Private grants and contributions	-	10,000	87,485	-	97,485
Investment earnings	18,103	39,860	65,588	2,712	126,263
Recreation activities	79,983	-	-	-	79,983
Other revenue	72,638	6,570	-	-	79,208
<b>TOTAL REVENUES</b>	<b>9,591,143</b>	<b>10,928,433</b>	<b>8,752,289</b>	<b>2,369,092</b>	<b>31,640,957</b>
<b>EXPENDITURES</b>					
Current					
General government	1,053,378	-	-	11,223	1,064,601
Public safety	4,879,753	-	-	12,271	4,892,024
Recreation	710,307	-	-	-	710,307
Highways and streets	1,427,744	-	-	-	1,427,744
Housing and community development	890,502	-	-	-	890,502
Garage	164,738	-	-	-	164,738
Education	-	11,359,646	-	1,741,709	13,101,355
Debt service					
Principal	-	-	220,000	267,844	487,844
Interest	-	-	137,800	115,956	253,756
Capital outlay	-	36,058	692,650	532,784	1,261,492
<b>TOTAL EXPENDITURES</b>	<b>9,126,422</b>	<b>11,395,704</b>	<b>1,050,450</b>	<b>2,681,787</b>	<b>24,254,363</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>464,721</b>	<b>(467,271)</b>	<b>7,701,839</b>	<b>(312,695)</b>	<b>7,386,594</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,751,154	897,626	-	1,104,257	3,753,037
Transfers out	(2,001,883)	-	-	-	(2,001,883)
Capital outlay notes issued	-	-	-	509,134	509,134
Insurance proceeds	2,882	-	-	-	2,882
Proceeds from disposition of capital assets and surplus equipment	703	5,669	-	-	6,372
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(247,144)</b>	<b>903,295</b>	<b>-</b>	<b>1,613,391</b>	<b>2,269,542</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>217,577</b>	<b>436,024</b>	<b>7,701,839</b>	<b>1,300,696</b>	<b>9,656,136</b>
Fund balance - beginning	8,257,608	3,785,849	-	2,097,515	14,140,972
Fund balance - ending	<u>\$ 8,475,185</u>	<u>\$ 4,221,873</u>	<u>\$ 7,701,839</u>	<u>\$ 3,398,211</u>	<u>\$ 23,797,108</u>

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

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$ 9,656,136
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.	(435,654)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	2,800
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(158,783)
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.	(9,855)
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.	1,014,456
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.	(59,910)
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.	32,766
Change in net position of governmental activities	<u>\$ 10,041,956</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, 2019

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash for general use	\$ 22,907,720	\$ 245,110	\$ 23,152,830
Accounts receivable	6,064,737	42,864	6,107,601
Other receivables	1,046,813	-	1,046,813
Due from other funds	-	14	14
Inventories	1,685,007	-	1,685,007
Prepaid expenses	1,429,775	-	1,429,775
Total current assets	33,134,052	287,988	33,422,040
Special and Restricted Funds	11,681,042	-	11,681,042
Capital Assets, net of accumulated depreciation	120,232,821	735,666	120,968,487
Other Assets	941,784	-	941,784
TOTAL ASSETS	165,989,699	1,023,654	167,013,353
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Excess consideration provided for acquisition	123,120	-	123,120
Deferred outflows related to OPEB	13,060	-	13,060
Deferred charges on refunding	383,536	-	383,536
TOTAL DEFERRED OUTFLOWS OF RESOURCES	519,716	-	519,716
<u>LIABILITIES</u>			
Current Liabilities			
Current maturities of long-term debt			
payable from current assets	3,204,237	68,183	3,272,420
Accounts payable	4,641,409	18,188	4,659,597
Due to other funds	13,780	141,931	155,711
Customer deposits	2,350,229	-	2,350,229
Accrued interest	47,659	-	47,659
Other accrued liabilities	1,246,757	1,141	1,247,898
Total current liabilities	11,504,071	229,443	11,733,514
Other Liabilities			
Advances from TVA	250,306	-	250,306
Long-term debt payable from special funds	128,749	-	128,749
OPEB liabilities, net	1,555,943	-	1,555,943
Compensated absences	265,415	16,329	281,744
Total other liabilities	2,200,413	16,329	2,216,742
Long-term debt	40,241,824	7,662	40,249,486
TOTAL LIABILITIES	53,946,308	253,434	54,199,742
<u>NET POSITION</u>			
Net investment in capital assets	77,106,597	659,821	77,766,418
Restricted for debt service	2,406,217	-	2,406,217
Restricted for operation, maintenance, and asset management	794,098	-	794,098
Unrestricted	32,256,195	110,399	32,366,594
TOTAL NET POSITION	\$ 112,563,107	\$ 770,220	\$ 113,333,327

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, 2019

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Funds	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ 64,348,352	\$ 546,364	\$ 64,894,716
Other	1,492,589	1,274	1,493,863
TOTAL OPERATING REVENUE	65,840,941	547,638	66,388,579
<u>OPERATING EXPENSES</u>			
Cost of utility services	43,377,517	-	43,377,517
Pumping, distribution and collection	5,070,922	375,973	5,446,895
Customer billing and collecting	1,348,048	-	1,348,048
General and administrative	2,142,215	-	2,142,215
Taxes and tax equivalents	516,465	-	516,465
Provision for depreciation	5,354,227	47,265	5,401,492
Other	369,221	42,318	411,539
TOTAL OPERATING EXPENSES	58,178,615	465,556	58,644,171
INCOME FROM OPERATIONS	7,662,326	82,082	7,744,408
<u>OTHER INCOME AND EXPENSE</u>			
Interest income	301,930	121	302,051
Interest expense	(997,875)	(3,463)	(1,001,338)
Amortization	(11,684)	-	(11,684)
(Loss) on disposition of assets	(144,525)	-	(144,525)
Miscellaneous	22,280	-	22,280
Other Income (Expense) -net	(829,874)	(3,342)	(833,216)
Income before contributions and transfers	6,832,452	78,740	6,911,192
Capital contributions	492,378	-	492,378
Transfers out	(1,641,154)	(110,000)	(1,751,154)
CHANGE IN NET POSITION	5,683,676	(31,260)	5,652,416
TOTAL NET POSITION, BEGINNING OF YEAR	106,879,431	801,480	107,680,911
TOTAL NET POSITION, END OF YEAR	\$ 112,563,107	\$ 770,220	\$ 113,333,327

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, 2019

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (including other funds)	\$ 65,603,635	\$ 547,309	\$ 66,150,944
Payments to suppliers and others	(47,563,822)	(281,499)	(47,845,321)
Payments to employees	(4,470,898)	(69,109)	(4,540,007)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,568,915	196,701	13,765,616
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Noncapital borrowings repaid	(19,056)	-	(19,056)
Collections on loans to other organizations	19,056	-	19,056
Transfers (to) from other funds	(1,641,154)	(110,000)	(1,751,154)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,641,154)	(110,000)	(1,751,154)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to capital assets, net	(9,712,830)	-	(9,712,830)
Removal costs of capital assets	(452,667)	-	(452,667)
Materials salvaged from retirement of capital assets	45,863	-	45,863
Proceeds from disposal of assets	3,709	-	3,709
Capital contributions received	496,479	-	496,479
Long-term borrowings, net	2,497,560	-	2,497,560
Borrowings repaid	(3,108,095)	(68,169)	(3,176,264)
Interest paid, net	(1,005,795)	(3,463)	(1,009,258)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(11,235,776)	(71,632)	(11,307,408)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	294,755	121	294,876
Other nonoperating income, net	22,281	-	22,281
NET CASH PROVIDED BY INVESTING ACTIVITIES	317,036	121	317,157
INCREASE IN CASH, NET	1,009,021	15,190	1,024,211
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,579,741	229,920	33,809,661
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 34,588,762	\$ 245,110	\$ 34,833,872
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Income from operations	\$ 7,662,326	\$ 82,082	\$ 7,744,408
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	5,761,661	47,265	5,808,926
Loss on disallowance of plant	338,041	-	338,041
Conservation loans collected - customers	172,276	-	172,276
Conservation advances repaid to TVA	(177,339)	-	(177,339)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(492,022)	(315)	(492,337)
Inventories	(34,695)	-	(34,695)
Prepaid expenses and other assets	337,896	-	337,896
Accounts payable	(275,353)	3,654	(271,699)
Accrued employee benefits	87,958	-	87,958
Customer deposits	113,366	-	113,366
Due to / from other funds, net	-	66,108	66,108
Other current liabilities and compensated absences	74,800	(2,093)	72,707
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 13,568,915	\$ 196,701	\$ 13,765,616

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, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes				
Property	\$ 3,170,000	\$ 2,943,000	\$ 2,870,892	\$ (72,108)
Business	223,000	258,000	261,494	3,494
Wholesale beer	310,000	320,000	327,717	7,717
Alcoholic beverage	144,000	164,000	169,961	5,961
Sales	2,525,000	2,625,000	2,646,956	21,956
Tax equivalency	384,500	515,500	509,150	(6,350)
Occupancy	97,500	107,500	114,620	7,120
Licenses and permits	44,900	44,900	44,582	(318)
Fines	88,100	77,100	78,731	1,631
Franchise fees	106,000	116,000	113,343	(2,657)
Intergovernmental				
State sales tax allocation	565,000	605,000	606,339	1,339
State income tax allocation	25,000	25,000	55,272	30,272
State beer tax allocation	3,400	3,400	3,160	(240)
State mixed drink tax allocation	(50)	14,950	17,268	2,318
State gasoline and motor fuel tax	179,047	179,047	179,822	775
State gasoline and motor fuel tax (Gas 1989)	20,664	20,664	20,753	89
State gasoline and motor fuel tax (Gas 3 Cent)	38,289	38,289	38,454	165
State gas and motor fuel tax (Petroleum Special)	14,000	14,000	13,556	(444)
State excise tax allocation	66,359	81,359	77,323	(4,036)
State TVA in-lieu of tax	77,100	80,600	80,898	298
Lincoln County Emergency Communications	592,100	592,100	813,477	221,377
State and federal grants	616,618	454,618	34,872	(419,746)
Charges for services and use of property	313,700	338,700	341,779	3,079
Investment earnings	10,000	16,000	18,103	2,103
Recreation activities	48,000	74,500	79,983	5,483
Other revenue	45,000	55,300	72,638	17,338
<b>TOTAL REVENUES</b>	<u>9,707,227</u>	<u>9,764,527</u>	<u>9,591,143</u>	<u>(173,384)</u>
Expenditures:				
General government				
Salaries	567,174	548,974	539,934	9,040
Supplies	11,300	12,025	12,735	(710)
Utilities	37,560	37,560	46,149	(8,589)
Repairs and maintenance	6,100	8,850	10,410	(1,560)
Health insurance	83,406	75,806	75,975	(169)
Workers compensation	5,525	5,525	2,443	3,082
Payroll taxes	46,633	46,833	44,030	2,803
Employee education	16,815	24,815	19,737	5,078
Professional services	46,656	69,126	64,927	4,199
Travel	27,500	28,800	19,049	9,751
Retirement	51,570	50,570	42,039	8,531
Other insurance	25,159	25,159	28,059	(2,900)
Board and commission	36,510	36,510	36,510	-
Other general government	126,680	124,180	111,381	12,799
	<u>1,088,588</u>	<u>1,094,733</u>	<u>1,053,378</u>	<u>41,355</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Public safety				
Salaries	\$ 3,079,319	\$ 3,206,419	\$ 3,171,234	\$ 35,185
Supplies	88,100	69,100	50,220	18,880
Utilities	107,900	107,900	102,505	5,395
Repairs and maintenance	69,900	69,900	60,750	9,150
Health insurance	608,080	623,080	618,950	4,130
Workers compensation	98,500	80,500	74,917	5,583
Payroll taxes	237,874	245,374	242,546	2,828
Employee education	26,600	31,100	27,639	3,461
Travel	17,500	17,500	11,821	5,679
Retirement	303,227	286,427	287,043	(616)
Other insurance	82,375	54,375	73,932	(19,557)
Fuel	80,000	71,000	64,232	6,768
Professional services	4,350	4,350	6,377	(2,027)
Capital outlay	-	-	18,998	(18,998)
Other public safety	94,980	103,980	68,589	35,391
	<u>4,898,705</u>	<u>4,971,005</u>	<u>4,879,753</u>	<u>91,252</u>
Recreation				
Salaries	304,867	346,867	335,197	11,670
Supplies	48,450	65,450	74,717	(9,267)
Utilities	74,700	74,700	80,918	(6,218)
Repairs and maintenance	25,000	31,000	17,807	13,193
Health insurance	61,146	66,146	66,271	(125)
Workers compensation	9,400	7,400	6,753	647
Payroll taxes	23,605	25,655	24,869	786
Professional services	31,850	31,850	21,001	10,849
Travel	1,500	1,500	420	1,080
Retirement	27,523	27,523	25,876	1,647
Other insurance	11,255	11,255	9,301	1,954
Fuel	11,500	11,500	11,534	(34)
Other recreation	48,175	38,175	35,643	2,532
	<u>678,971</u>	<u>739,021</u>	<u>710,307</u>	<u>28,714</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, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Highways and streets				
Salaries	\$ 638,970	\$ 564,670	\$ 546,222	\$ 18,448
Supplies	21,600	30,600	28,948	1,652
Utilities	25,000	25,000	23,372	1,628
Repairs and maintenance	40,100	30,100	28,059	2,041
Health insurance	139,524	145,524	142,527	2,997
Workers compensation	21,069	23,069	21,137	1,932
Payroll taxes	49,680	41,680	40,229	1,451
Professional services	14,300	9,300	7,906	1,394
Retirement	63,215	47,215	46,134	1,081
Other insurance	8,805	8,805	10,150	(1,345)
Fuel	49,500	64,500	60,562	3,938
Street lighting	180,000	160,000	157,251	2,749
Paving and resurfacing	700,000	600,000	139,824	460,176
Other highways and streets	103,250	183,750	175,423	8,327
	<u>2,055,013</u>	<u>1,934,213</u>	<u>1,427,744</u>	<u>506,469</u>
Housing and community development				
Nonprofit allocations	328,940	316,940	317,026	(86)
Fuel	300,000	310,000	301,927	8,073
Industrial development	92,500	92,500	92,500	-
Other housing and community development	189,773	155,273	179,049	(23,776)
	<u>911,213</u>	<u>874,713</u>	<u>890,502</u>	<u>(15,789)</u>
Garage				
Salaries	113,714	103,514	100,599	2,915
Repairs and maintenance	10,550	10,550	9,799	751
Health insurance	23,365	21,365	21,426	(61)
Workers compensation	7,000	4,000	3,523	477
Payroll taxes	8,861	8,861	7,300	1,561
Retirement	11,293	11,293	9,471	1,822
Supplies	9,700	7,700	7,483	217
Fuel	3,500	3,500	2,494	1,006
Other garage	11,820	11,820	2,643	9,177
	<u>199,803</u>	<u>182,603</u>	<u>164,738</u>	<u>17,865</u>
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>9,832,293</u>	<u>9,796,288</u>	<u>9,126,422</u>	<u>669,866</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(125,066)</u>	<u>(31,761)</u>	<u>464,721</u>	<u>496,482</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,677,400	\$ 1,736,900	\$ 1,751,154	\$ 14,254
Transfers out	(1,501,883)	(2,031,427)	(2,001,883)	29,544
Insurance proceeds	5,000	3,000	2,882	(118)
Sale of capital assets	5,000	11,000	703	(10,297)
TOTAL OTHER FINANCING SOURCES (USES)	<u>185,517</u>	<u>(280,527)</u>	<u>(247,144)</u>	<u>33,383</u>
NET CHANGE IN FUND BALANCES	60,451	(312,288)	217,577	529,865
Fund balance - beginning	8,257,608	8,257,608	8,257,608	-
Fund balance - ending	<u>\$ 8,318,059</u>	<u>\$ 7,945,320</u>	<u>\$ 8,475,185</u>	<u>\$ 529,865</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental				
Lincoln County	\$ 2,345,580	\$ 2,375,085	\$ 2,377,690	\$ 2,605
State of Tennessee	8,436,650	8,400,713	8,410,333	9,620
Federal	4,000	4,000	4,134	134
Charges for services and use of property	82,704	86,204	79,846	(6,358)
Private grants and contributions	-	-	10,000	10,000
Investment earnings	19,000	38,500	39,860	1,360
Other revenue	4,000	4,000	6,570	2,570
<b>TOTAL REVENUES</b>	<b>10,891,934</b>	<b>10,908,502</b>	<b>10,928,433</b>	<b>19,931</b>
<b>EXPENDITURES</b>				
Instruction				
Regular instruction program	6,088,784	6,133,088	5,868,831	264,257
Special education program	835,844	835,844	765,178	70,666
Vocational education program	242,297	270,797	267,926	2,871
Student body education program	3,000	3,000	2,999	1
Support services				
Attendance	27,225	27,225	23,833	3,392
Health services	165,135	165,135	156,003	9,132
Other student support	241,509	299,116	175,020	124,096
Regular instruction program	558,785	579,701	565,724	13,977
Special education program	73,505	73,505	54,358	19,147
Board of education	218,830	218,830	201,318	17,512
Office of the superintendent	213,060	213,060	206,572	6,488
Office of the principal	1,007,391	1,007,391	990,367	17,024
Fiscal services	193,504	193,504	178,651	14,853
Operation of plant	763,005	763,005	705,977	57,028
Maintenance of plant	229,055	284,115	242,629	41,486
Transportation	209,930	216,662	177,520	39,142
Technology	417,596	361,169	289,216	71,953
Community services	92,049	92,049	75,500	16,549
Early childhood education	444,666	448,494	412,024	36,470
Debt service				
Principal on notes	225,000	92,903	-	92,903
Interest on notes	133,400	133,400	-	133,400
Capital outlay	130,000	120,900	36,058	84,842
<b>TOTAL EXPENDITURES</b>	<b>12,513,570</b>	<b>12,532,893</b>	<b>11,395,704</b>	<b>1,137,189</b>
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,621,636)</b>	<b>(1,624,391)</b>	<b>(467,271)</b>	<b>1,157,120</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	977,627	979,382	897,626	(81,756)
Transfers out	(80,000)	(80,000)	-	80,000
Sale of surplus equipment	4,600	5,600	5,669	69
<b>Total Other Financing Sources (Uses)</b>	<b>902,227</b>	<b>904,982</b>	<b>903,295</b>	<b>(1,687)</b>
<b>Net changes in fund balances</b>	<b>(719,409)</b>	<b>(719,409)</b>	<b>436,024</b>	<b>1,155,433</b>
Fund balance - beginning	3,785,849	3,785,849	3,785,849	-
Fund balance - ending	<u>\$ 3,066,440</u>	<u>\$ 3,066,440</u>	<u>\$ 4,221,873</u>	<u>\$ 1,155,433</u>

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

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### 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, 2019

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The school capital projects fund accounts for the financial resources provided through debt issuance or other sources to be used for capital improvement projects.

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, 2019

---

#### 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, 2019

---

#### 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

Governmental and business-type activities - Certain resources set aside for the repayment of revenue bonds and various reserves are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. In addition, unexpended bond and grant funds and retainages due contractors are restricted because their use is restricted by applicable agreements. In addition, the School System has contributed funds to a Stabilization Reserve Trust established by TCRS for the Hybrid pension plan that is classified as a restricted asset.

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, 2019

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, 2019.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

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, 2019, 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, 2019

---

#### 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 1<sup>st</sup> 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, 2019

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Capitalized interest

For Fayetteville City Schools and the general government, 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. The School System's net interest cost incurred in the current year totaled \$134,499 of which \$0 was capitalized. The government's net interest cost incurred in the current year totaled \$106,755 of which \$0 was capitalized.

12. New accounting pronouncements

During the year, FPU early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASBS No. 89). This standard supersedes the guidance on capitalizing interest in GASBS No. 62 and requires enterprise funds and business-type activities to expense interest incurred prior to and during a construction period. GASBS No. 89 is effective for reporting periods beginning after December 15, 2019, with earlier implementation encouraged. Changes to conform to the provisions of this statement are applied prospectively; therefore, no adjustments related to prior periods are required.

During the year, the government implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASBS No. 88). This standard defines what GASB means by "Debt", and also requires separate disclosures for Direct Borrowings and Direct Placements. GASBS No. 88 is effective for reporting periods beginning after June 15, 2018. Changes to conform to the provisions of this statement are mainly disclosure-related; therefore, no adjustments related to prior periods are required.

13. 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.

14. 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*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.

*National Rural Electric Cooperative Association (NRECA) RS Plan*

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

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 \$26,938,585 difference are as follows:

Land	\$ 3,672,030
Construction in progress	538,275
Buildings and improvements	24,285,789
Less: Accumulated depreciation-building and improvements	(9,433,580)
Machinery and equipment	10,070,522
Less: Accumulated depreciation-machinery and equipment	(6,343,906)
Infrastructure	6,743,961
Less: Accumulated depreciation-infrastructure	<u>(2,594,506)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 26,938,585</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

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

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

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 \$9,695,317 difference are identified as follows:

Bonds and notes payable	\$ 8,751,718
Add: Issuance premium (to be amortized over life of debt)	113,743
Add: Deferred credit on refunding	6,983
Accrued interest payable	19,885
Compensated absences	653,157
Landfill post closure costs	<u>149,831</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 9,695,317</u>

(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 \$375,740 in the current year. The details of this \$(435,654) difference are as follows:

Capital outlay	\$ 885,752
Depreciation expense	<u>(1,321,406)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (435,654)</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 \$2,800 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.	\$ (5,600)
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>8,400</u>
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,800</u>



NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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

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

Another element of that reconciliation 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 \$(9,855) difference are as follows:

Principal Repayment:	
General obligation bond	\$ 460,635
Capital outlay notes	27,209
Capital outlay notes issued	(509,134)
Amortization of debt premiums	<u>11,435</u>
Net adjustment to increase net changes in fund balance-	
total governmental funds to arrive at changes in net position	
of governmental activities	<u>\$ (9,855)</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 \$32,766 difference are as follows:

Compensated absences	\$ 18,794
Landfill postclosure costs	12,905
Accrued interest	<u>1,067</u>
Net adjustment to decrease net changes in fund balances-	
total governmental funds to arrive at changes in net position	
of governmental activities	<u>\$ 32,766</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.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

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

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.

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, 2019:

##### General use:

On deposit and on hand	\$ 46,503,997
Negotiable certificates of deposit	200,000
Government sponsored securities	641,634

##### Restricted and other special funds:

On deposit-restricted (externally)	\$ 3,262,791	
On deposit-special funds (internally restricted)	8,418,251	11,681,042

Total		<u>\$ 59,026,673</u>
-------	--	----------------------

A portion of the restricted assets shown on deposit above are maintained in the government's Fayetteville Public Utilities enterprise fund. These assets include amounts which are required to be maintained pursuant to ordinances relating to bond indebtedness (construction, reserve and sinking funds), as well as bond or grant funds restricted for improvement and construction projects and retained amounts due to contractors pursuant to agreement. At June 30, 2019, the following restricted funds were maintained:

##### Externally restricted:

Bond sinking and debt service reserve funds	\$ 2,406,217
Operation and maintenance reserve	747,098
Asset management reserve	47,000
Improvements and construction funds	62,476
Total	<u>\$ 3,262,791</u>

Special funds totaling \$8,418,251 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, 2019, the government has invested \$200,000 in negotiable

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

### NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### (A) Deposits and investments (Continued)

certificates of deposits, which are covered by FDIC insurance. As of June 30, 2019, the government has also invested \$641,634 in U.S. treasury obligations and therefore are not considered to have credit risk. Governmental accounting standards require disclosure of credit quality ratings for external investment pools; however, the Local Government Investment Pool is unrated.

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

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, 2019, 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, 2019, the government's cash consists of deposits in financial institutions with bank balances of \$59,598,951 and carrying amounts of \$59,022,236 plus cash on hand of \$4,437. Of the amounts on deposit, \$56,281,649 is fully insured by the FDIC, the SIPC, or the Tennessee Bank Collateral Pool. The remaining \$2,740,587 is collateralized by securities pledged by financial institutions in the name of the government.

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

#### (B) Receivables

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

	<u>General</u>	<u>School General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes - property	\$ 3,057,668	\$ -	\$ -	\$ 3,057,668
Taxes - other	54,883	-	-	54,883
Accounts	81,358	-	16,902	98,260
Intergovernmental	<u>867,603</u>	<u>405,751</u>	<u>19,516</u>	<u>1,292,870</u>
Gross receivables	4,061,512	405,751	36,418	4,503,681
Less: Allowance for Uncollectibles	<u>(32,101)</u>	<u>-</u>	<u>-</u>	<u>(32,101)</u>
Net total receivables	<u>\$ 4,029,411</u>	<u>\$ 405,751</u>	<u>\$ 36,418</u>	<u>\$ 4,471,580</u>

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2019**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**(B) Receivables (Continued)**

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 \$45,262.

**(C) Capital assets**

Capital asset activity for the year ended June 30, 2019, for governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,664,266	\$ 7,764	\$ -	\$ 3,672,030
Construction in progress	219,632	339,592	(20,949)	538,275
Total capital assets, not being depreciated	<u>3,883,898</u>	<u>347,356</u>	<u>(20,949)</u>	<u>4,210,305</u>
Capital assets, being depreciated:				
Buildings	21,671,099	-	-	21,671,099
Improvements other than buildings	2,570,399	44,291	-	2,614,690
Machinery and equipment	9,590,229	523,454	(43,161)	10,070,522
Infrastructure	6,743,961	-	-	6,743,961
Total capital assets being depreciated	<u>40,575,688</u>	<u>567,745</u>	<u>(43,161)</u>	<u>41,100,272</u>
Less accumulated depreciation for:				
Buildings	(7,804,195)	(458,044)	-	(8,262,239)
Improvements other than buildings	(1,053,639)	(117,702)	-	(1,171,341)
Machinery and equipment	(5,908,737)	(472,730)	37,561	(6,343,906)
Infrastructure	(2,321,576)	(272,930)	-	(2,594,506)
Total accumulated depreciation	<u>(17,088,147)</u>	<u>(1,321,406)</u>	<u>37,561</u>	<u>(18,371,992)</u>
Total capital assets, being depreciated, net	<u>23,487,541</u>	<u>(753,661)</u>	<u>(5,600)</u>	<u>22,728,280</u>
Governmental activities capital assets, net	<u>\$ 27,371,439</u>	<u>\$ (406,305)</u>	<u>\$ (26,549)</u>	<u>\$ 26,938,585</u>

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

<b>Governmental Activities:</b>	
General government	\$ 79,203
Public safety	224,358
Recreation	123,595
Highways and streets	342,527
Housing and community development	4,904
Education	546,819
Total depreciation expense - governmental activities	<u>\$ 1,321,406</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets (Continued)

Capital asset activity for the year ended June 30, 2019, for business-type activities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,098,495	\$ -	\$ -	\$ 1,098,495
Construction in progress	15,281,110	8,009,042	(19,223,313)	4,066,839
Total capital assets, not being depreciated	16,379,605	8,009,042	(19,223,313)	5,165,334
Capital assets, being depreciated:				
Structures and improvements	9,995,333	21,203	-	10,016,536
Machinery and equipment	160,363,398	20,523,998	(1,384,026)	179,503,370
Infrastructure	675,075	43,859	(24,857)	694,077
Total capital assets being depreciated	171,033,806	20,589,060	(1,408,883)	190,213,983
Less accumulated depreciation for:				
Structures and improvements	(2,307,400)	(221,187)	-	(2,528,587)
Machinery and equipment	(67,295,677)	(5,537,185)	1,637,655	(71,195,207)
Infrastructure	(666,281)	(50,552)	29,797	(687,036)
Total accumulated depreciation	(70,269,358)	(5,808,924)	1,667,452	(74,410,830)
Total capital assets, being depreciated, net	100,764,448	14,780,136	258,569	115,803,153
Business-type activities capital assets, net	\$ 117,144,053	\$ 22,789,178	\$ (18,964,744)	\$ 120,968,487

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

Business-type Activities:	
Public utilities	\$ 5,761,659
Sanitation fund	47,265
Total depreciation expense - business-type activities	\$ 5,808,924

The amount of \$407,432 of depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

Construction commitments

At June 30, 2019, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding engineering and construction contract commitments totaling \$1,689,969.

At June 30, 2019, the general government had outstanding engineering and construction contract commitments totaling \$433,106.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2019**

**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, 2019, is as follows:

	Due from					
	Fayetteville Public Utilities	Sanitation Fund	Drug Fund	Capital Projects Fund	General Fund	Total
Due to:						
General fund	\$ 13,780	\$ 141,931	\$ 3,812	\$ 5,020	\$ -	\$ 164,543
School general fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	41,046	41,046
Sanitation fund	-	-	-	-	14	14
Drug fund	-	-	-	-	3,765	3,765
	<u>\$ 13,780</u>	<u>\$ 141,931</u>	<u>\$ 3,812</u>	<u>\$ 5,020</u>	<u>\$ 44,825</u>	<u>\$ 209,368</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, 2019 is as follows:

	Transfers In			
	General Fund	School General Fund	Other Governmental Funds	Total
Transfers Out:				
General fund	\$ -	\$ 897,626	\$ 1,104,257	\$ 2,001,883
School general fund	-	-	-	-
Other governmental funds	-	-	-	-
Subtotal - governmental funds	<u>\$ -</u>	<u>\$ 897,626</u>	<u>\$ 1,104,257</u>	<u>\$ 2,001,883</u>
 Fayetteville Public Utilities	 \$ 1,641,154	 \$ -	 \$ -	 \$ 1,641,154
Sanitation fund	110,000	-	-	110,000
Subtotal - proprietary funds	<u>1,751,154</u>	<u>-</u>	<u>-</u>	<u>1,751,154</u>
	<u>\$ 1,751,154</u>	<u>\$ 897,626</u>	<u>\$ 1,104,257</u>	<u>\$ 3,753,037</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, 2019

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. The bonds mature serially at annual interest rates of 5% with final maturity in 2020. (Allocation: Government: \$859,792, FPU Water: \$330,389, FPU Gas \$1,909,819). \$ 3,100,000

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. 790,000

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. 1,750,000

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. 350,000

Fayetteville City Schools (Government):

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. 4,870,000

Total general obligation bonds \$ 10,860,000

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>
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	535,676	187,975	314,324	12,836
2025-2029	2,247,489	760,750	327,511	6,550
2030-2034	2,345,000	415,412	-	-
2035-2037	1,110,000	68,751	-	-
Total	<u>\$ 8,269,792</u>	<u>\$ 2,306,315</u>	<u>\$ 2,590,208</u>	<u>\$ 186,218</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

### 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, 2019, 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%.

\$ 3,090,000

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%.

9,660,000

##### 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.

3,125,081

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.

4,609,130

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.

2,464,568

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.

1,813,739

Total revenue bonds

\$ 24,762,518

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



NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds (Continued)

Year Ending June 30,	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,464,873	\$ 633,109
2021	1,522,027	580,356
2022	1,563,502	538,881
2023	1,600,153	496,530
2024	1,651,186	453,610
2025-2029	7,608,228	1,660,051
2030-2034	1,619,092	1,145,888
2035-2039	1,848,864	916,116
2040-2044	2,111,471	653,509
2045-2049	2,412,771	352,209
2050-2054	1,356,276	61,595
2055	4,075	9
Total	<u>\$ 24,762,518</u>	<u>\$ 7,491,863</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, 2019.

(C) Loans

The government has the following loans outstanding at June 30, 2019:

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%.

\$75,845

City of Fayetteville (General Government)

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

481,926

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%.

826,552

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%.

3,300,609

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%.

567,761

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%.

3,364,754

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

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%.

1,415,401

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

4,937,044

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

893,432

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.

65,050

Total Loans

\$ 15,928,374

Debt service requirements to maturity on these loans 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>
2020	\$ 151,648	\$ 10,844	\$ 950,554	\$ 189,382
2021	170,085	7,179	898,131	176,697
2022	160,193	2,077	903,925	164,970
2023	-	-	904,673	153,048
2024	-	-	908,837	141,002
2025-2029	-	-	3,989,359	548,057
2030-2034	-	-	4,159,146	299,184
2035-2039	-	-	2,731,823	62,587
Total	<u>\$ 481,926</u>	<u>\$ 20,100</u>	<u>\$ 15,446,448</u>	<u>\$ 1,734,927</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 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 has received \$518,478 in advances as of June 30, 2019.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

### NOTE 5 - LONG-TERM DEBT (CONTINUED)

#### (D) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds payable:</b>					
General obligation bonds - fixed rate	\$ 8,730,427	\$ -	\$ (460,635)	\$ 8,269,792	\$ 472,517
Unamortized bond premium	123,988	-	(10,244)	113,744	-
Total bonds payable	8,854,415	-	(470,879)	8,383,536	472,517
<b>Loans payable:</b>					
Capital outlay note	-	509,135	(27,209)	481,926	151,648
Total loans payable	-	509,135	(27,209)	481,926	151,648
Landfill postclosure costs	162,736	-	(12,905)	149,831	-
Postemployment benefit obligation	2,514,896	(960,405)	(91,392)	1,463,099	-
Net pension liability	1,316,122	(141,148)	(588,821)	586,153	-
Compensated absences	671,951	244,278	(263,072)	653,157	255,714
Governmental Activities Long-Term Liabilities	\$ 13,520,120	\$ (348,140)	\$ (1,454,278)	\$ 11,717,702	\$ 879,879
<b>Business-type Activities:</b>					
<b>Bonds payable:</b>					
Revenue bonds	\$ 26,182,125	\$ -	\$ (1,419,607)	\$ 24,762,518	\$ 1,464,873
General obligation bonds	3,569,573	-	(979,365)	2,590,208	987,483
Unamortized bond premium	398,462	-	(65,459)	333,003	-
Total bonds payable	30,150,160	-	(2,464,431)	27,685,729	2,452,356
<b>Loans:</b>					
Tennessee Utility Relocation Loan	968,013	-	(141,461)	826,552	144,100
Tennessee revolving fund program loan	13,067,583	2,497,560	(567,664)	14,997,479	717,474
US Bank sanitation truck loan	144,014	-	(68,169)	75,845	68,183
RUS Rural Development Loan	84,105	-	(19,056)	65,049	19,056
Total loans payable	14,263,715	2,497,560	(796,350)	15,964,925	948,813
Postemployment benefit obligation	1,472,991	101,019	-	1,574,010	18,067 *
Advances from TVA	489,729	-	(146,412)	343,317	93,011 *
Compensated absences	676,113	444,672	(417,244)	703,541	421,796
Business-type Activities Long-Term Liabilities	\$ 47,052,708	\$ 3,043,251	\$ (3,824,437)	\$ 46,271,522	\$ 3,934,043

\* Current portions of these liabilities amounting to \$111,078 are included in accrued expenses on FPU's statement of net position.

#### (E) Other long-term liability information

From time to time, the government has issued Industrial Development Revenue Bonds (IDRB) to provide assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2019, there were two series of IDRB outstanding. The aggregate principal amount payable was \$7,685,000. The original issue amounts totaled \$15,615,000.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

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, 2019, includes the following:

Equipment	\$	19,425
Less:		
Accumulated depreciation		(15,379)
Total	\$	<u>4,046</u>

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

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

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

Year Ending <u>June 30,</u>	Future Minimum <u>Payments</u>
2020	\$ 24,000
2021	24,000
2022	24,000
2023	24,000
2024	24,000
	<u>120,000</u>
Thereafter	120,000
Aggregate	<u>\$ 240,000</u>

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

Year Ending <u>June 30,</u>	Future Minimum <u>Payments</u>
2020	\$ 50,968
2021	26,858
2022	1,547
	<u>\$ 79,373</u>

Lease expenditures for Fayetteville City Schools for the year ending June 30, 2019 totaled \$43,796.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

NOTE 6 - LEASING ACTIVITY (CONTINUED)

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

Year Ending June 30,	
2020	\$ 30,762
2021	10,340
2022	6,323
2023	1,974
2024	-
	<u>\$ 49,399</u>

Lease expenditures for FPU for the year ending June 30, 2019 totaled \$38,939.

NOTE 7 - SEGMENT INFORMATION

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

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Net Position</u>				
<b>Assets</b>				
Current assets	\$ 29,496,359	\$ 2,255,549	\$ 635,175	\$ 746,969
Special funds	2,592,671	3,200,931	232,109	5,655,331
Capital assets	52,457,581	18,489,627	3,178,225	46,107,388
Other assets	878,030	18,140	15,954	29,660
Due from other divisions	1,344,964	-	-	-
	<u>86,769,605</u>	<u>23,964,247</u>	<u>4,061,463</u>	<u>52,539,348</u>
Deferred Outflows of Resources	<u>339,249</u>	<u>166,913</u>	<u>10,589</u>	<u>2,965</u>
<b>Liabilities</b>				
Current liabilities	7,630,557	957,040	654,115	2,262,359
Other liabilities	1,378,422	264,623	155,427	401,941
Long term debt	11,779,920	1,701,493	517	26,759,894
Due to other divisions	-	704,875	202,375	437,714
	<u>20,788,899</u>	<u>3,628,031</u>	<u>1,012,434</u>	<u>29,861,908</u>
<b>Net Position (Deficit)</b>				
Net investment in capital assets	39,822,796	16,521,882	2,838,297	17,923,622
Restricted	1,776,513	-	-	1,423,802
Unrestricted	24,720,646	3,981,247	221,321	3,332,981
	<u>\$ 66,319,955</u>	<u>\$ 20,503,129</u>	<u>\$ 3,059,618</u>	<u>\$ 22,680,405</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

NOTE 7 - SEGMENT INFORMATION (CONTINUED)

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Revenues, Expenses, and Changes in Net Position</u>				
Operating revenues	\$ 48,958,928	\$ 7,202,815	\$ 4,687,240	\$ 5,676,175
Depreciation expense	2,560,599	557,949	346,799	1,888,880
Other operating expenses	<u>41,691,014</u>	<u>5,370,224</u>	<u>3,601,509</u>	<u>2,845,858</u>
Operating income	4,707,315	1,274,642	738,932	941,437
Nonoperating revenue (expenses):				
Investment income	259,413	16,186	447	25,884
Interest expense	(355,259)	(70,642)	(17,579)	(554,395)
Gain (loss) on disposition of assets	(98,286)	-	-	(46,239)
Other	(38,359)	16,258	1,779	30,918
Contributions/Transfers - net	<u>(664,400)</u>	<u>(261,802)</u>	<u>50,510</u>	<u>(273,084)</u>
Change in net position	3,810,424	974,642	774,089	124,521
Beginning net position	<u>62,509,531</u>	<u>19,528,487</u>	<u>2,285,529</u>	<u>22,555,884</u>
Ending net position	<u>\$ 66,319,955</u>	<u>\$ 20,503,129</u>	<u>\$ 3,059,618</u>	<u>\$ 22,680,405</u>
<u>Condensed Statement of Cash Flows</u>				
Net cash provided (used) by:				
Operating activities	\$ 7,794,276	\$ 1,905,487	\$ 1,118,117	\$ 2,751,035
Noncapital financing activities	(2,044,722)	427,375	(100,308)	76,501
Capital and related financing activities	(5,052,390)	(1,963,640)	(810,280)	(3,409,466)
Investing activities	<u>237,396</u>	<u>27,793</u>	<u>14,517</u>	<u>37,330</u>
Net increase (decrease)	934,560	397,015	222,046	(544,600)
Beginning cash and cash equivalents	<u>22,904,437</u>	<u>4,196,863</u>	<u>265,478</u>	<u>6,212,963</u>
Ending cash and cash equivalents	<u>\$ 23,838,997</u>	<u>\$ 4,593,878</u>	<u>\$ 487,524</u>	<u>\$ 5,668,363</u>

NOTE 8 - RISK MANAGEMENT

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

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

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

### 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 \$299,663 as of June 30, 2019. These costs will be shared equally by the government and Lincoln County, Tennessee. The government's share of this estimated liability is \$149,831 and is included as a liability in the statement of net position. The government's current year share of required funding was \$42,318 and is reported as an expenditure of the Sanitation Fund.

### NOTE 10 - PENSION AND BENEFIT PLANS

#### AGGREGATE FOR ALL PLANS

The total of the government's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the year ended June 30, 2019, for all plans is as follows:

	Pension Liabilities (Assets)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Public Employee Retirement Plan	\$ 586,153	\$ 1,331,859	\$ 584,227	\$ 277,891
Teacher Legacy Pension Plan	(602,060)	1,159,345	989,749	(141,900)
Teacher Retirement Plan	(36,423)	35,305	6,381	12,301
TCRS stabilization reserve trust	(27,139)	-	-	-
Fayetteville City Schools 401(k) Plan	-	-	-	62,064
NRECA Retirement Security Plan	-	-	-	1,092,701
NRECA 401(k) Plan	-	-	-	73,332
Total for All Plans	\$ (79,469)	\$ 2,526,509	\$ 1,580,357	\$ 1,376,389

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

The following is a summary of each of these plans:

##### PUBLIC EMPLOYEE RETIREMENT PLAN

##### GENERAL INFORMATION ABOUT THE PLAN

###### *Plan Description*

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

###### *Benefits provided*

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

###### *Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	115
Active employees	171
	<hr/>
	394



NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

**PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)**

*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, 2019, the employer contributions for Fayetteville were \$588,821 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, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

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

*Discount Rate*

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

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

**PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**CHANGES IN THE NET PENSION LIABILITY (ASSET)**

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a)-(b)
Balance June 30, 2017	<u>\$ 20,628,333</u>	<u>\$ 19,312,211</u>	<u>\$ 1,316,122</u>
Changes for the year:			
Service cost	\$ 559,925	\$ -	\$ 559,925
Interest	1,495,006	-	1,495,006
Differences between expected and actual experience	(358,564)		-
Changes in assumptions	-		-
Contributions-employer	-	560,546	(560,546)
Contributions-employees	-	290,854	(290,854)
Net investment income	-	1,590,608	(1,590,608)
Benefit payments, including refunds of employee contributions	(1,134,981)	(1,134,981)	-
Administrative expenses	-	(15,672)	15,672
Other changes	-	-	-
Net changes	<u>\$ 561,386</u>	<u>\$ 1,291,355</u>	<u>\$ (729,969)</u>
Balance June 30, 2018	<u>\$ 21,189,719</u>	<u>\$ 20,603,566</u>	<u>\$ 586,153</u>

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

The following presents the net pension liability (asset) of the City of Fayetteville calculated using the discount rate of 7.25 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)	\$ 3,273,729	\$ 586,153	\$(1,646,620)

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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, 2019, the government recognized pension expense of \$277,891.

**DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

For the year ended June 30, 2019, 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	\$ 370,877	\$ 506,005
Net difference between projected and actual earnings on pension plan investments	-	78,222
Changes in assumptions	372,161	-
Contributions subsequent to the measurement date of June 30, 2018	588,821	N/A
	<u>\$ 1,331,859</u>	<u>\$ 584,227</u>

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2018," 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,	
2020	\$ 166,460
2021	26,425
2022	(60,046)
2023	85,735
2024	(59,761)
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, 2019

---

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

**PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**PAYABLE TO THE PENSION PLAN**

At June 30, 2019, the government recorded a payable of \$40,484 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**TEACHER LEGACY PENSION PLAN**

*Plan description*

The Tennessee Consolidated Retirement System (TCRS) was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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

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.

*Benefits provided*

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for 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, 2019

### 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, 2019 to the Teacher Legacy Pension Plan were \$515,705 which is 10.46 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

##### *Pension liabilities (assets)*

At June 30, 2019, the government reported a liability (asset) of \$(602,060) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, 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, 2018, the government's proportion was 0.171093 percent. The proportion measured as of June 30, 2017, was 0.145281 percent.

##### *Pension expense (negative pension expense)*

For the year ended June 30, 2019, the government recognized pension expense (negative pension expense) of \$(141,518).

##### *Deferred outflows of resources and deferred inflows of resources*

For the year ended June 30, 2019, 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	\$ 121,697	\$ 812,227
Changes in assumptions	355,580	-
Net difference between projected and actual earnings on pension plan investments	-	131,033
Changes in proportion of net pension liability (asset)	134,057	46,489
Contributions subsequent to the measurement date of June 30, 2018	548,011	N/A
	<u>\$ 1,159,345</u>	<u>\$ 989,749</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

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

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

*Discount rate*

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Fayetteville City Schools'			
proportionate share of the net			
pension liability (asset)	\$ 4,641,060	\$ (602,060)	\$(4,940,011)

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### 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, 2019, the government recorded a payable of \$127,330 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

##### TEACHER RETIREMENT PLAN

###### *Plan description*

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

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

###### *Benefits provided*

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.



NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

*Contributions*

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the government for the year ended June 30, 2019 to the Teacher Retirement Plan were \$25,913, which is 1.94 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liabilities (assets)*

At June 30, 2019, the government reported a liability (asset) of (\$36,423) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, 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 (asset) was based on Fayetteville City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018 Fayetteville City Schools' proportion was 0.080310 percent. The proportion measured at June 30, 2017 was 0.070453 percent.

*Pension expense (negative pension expense)*

For the year ended June 30, 2019, the government recognized pension expense (negative pension expense) of \$12,301.

*Deferred outflows of resources and deferred inflows of resources*

For the year ended June 30, 2019, 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, 2019

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,063	\$ 1,451
Net difference between projected and actual earnings on pension plan investments	-	2,057
Changes in assumptions	1,718	-
Changes in proportion of net pension liability (asset)	5,611	2,873
Fayetteville City Schools' contributions subsequent to the measurement date of June 30, 2018	<u>25,913</u>	<u>N/A</u>
	<u>\$ 35,305</u>	<u>\$ 6,381</u>

Employer contributions of \$25,913 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) to the net pension liability (asset) in the year ended June 30, 2020. 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,

2020	\$ (50)
2021	(115)
2022	(408)
2023	130
2024	404
Thereafter	3,051

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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<b>Asset Class</b>	<b>Long-term Expected Real Rate of Return</b>	<b>Target Allocation</b>
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, 2019

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% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 5,631	\$ (36,423)	\$ (67,406)

*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, 2019, the government reported a payable of \$14,330 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**TCRS STABILIZATION TRUST**

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

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Fayetteville City Schools may not impose any restrictions on investments placed by the trust on their behalf.

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

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

**TCRS STABILIZATION TRUST (CONTINUED)**

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

**TCRS STABILIZATION TRUST (CONTINUED)**

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

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

At June 30, 2019, the Fayetteville City Schools had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S Equity	N/A	N/A	\$ 8,413
Developed Market International Equity	N/A	N/A	3,799
Emerging Market International Equity	N/A	N/A	1,086
U. S. Fixed Income	N/A	N/A	5,428
Real Estate	N/A	N/A	2,714
Short-term Securities	N/A	N/A	271
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	5,428
Total			<u>\$ 27,139</u>
	<u>Fair Value Measurements Using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investment by Fair Value Level</u>	<u>Fair Value 6/30/2019</u>		<u>Amortized Cost</u>
			NAV
U.S Equity	\$ 8,413	\$ 8,413	\$ -
Developed Market International Equity	3,799	3,799	-
Emerging Market International Equity	1,086	1,086	-
U. S. Fixed Income	5,428	-	5,428
Real Estate	2,714	-	2,714
Short-term Securities	271	-	271
Private Equity and Strategic Lending	5,428	-	-
Total	\$ 27,139	\$ 13,298	\$ 5,699
		\$ 2,714	\$ 5,428

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

##### TCRS STABILIZATION TRUST (CONTINUED)

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

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

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

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

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

For further information concerning the System's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf>

##### *Payable to the stabilization trust*

At June 30, 2019, Fayetteville City Schools reported a payable of \$4,314 for the outstanding amount of contributions to the trust required at the year ended June 30, 2019.

##### 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 \$8,098 for the year ended June 30, 2019. The System recognized pension expense under the defined contribution plan of \$62,064 for the year ended June 30, 2019.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

##### **FAYETTEVILLE CITY SCHOOLS 401(K) PLAN (CONTINUED)**

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

At June 30, 2019, Fayetteville City Schools reported a payable of \$11,883 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

##### **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 \$48,082 for the year ended June 30, 2019.

##### **CITY OF FAYETTEVILLE DEFERRED COMPENSATION**

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

Both the Section 457 plan and the 401(k) plan are administered through the State of Tennessee. The City does not provide for a matching employer contribution and does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liabilities to plan participants have been excluded from the City's financial statements. Employee contributions to the 457 plan totaled \$9,899 and employee contributions to the 401(k) plan totaled \$1,000 for the year ended June 30, 2019.

##### **NRECA RETIREMENT SECURITY PLAN**

###### *Plan description*

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



NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

**NRECA RETIREMENT SECURITY PLAN (CONTINUED)**

*Benefits provided*

NRECA provides retirement, disability, and death benefits. Benefits are determined by a formula using the member's high five-year average salary, years of service and benefit rate of 1.7%. Members become eligible to retire at the age of 62. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members who become totally disabled. Members become vested after five years of service. Benefit terms are established and may be amended by the NRECA Board. At June 30, 2019, FPU had 97 employees covered by the RS plan.

*Contributions*

Contribution requirements of the active employees and the participating employers are established and may be amended by the NRECA Board. The RS plan does not require member contributions. FPU is required to contribute an actuarially determined normal cost annually and a past service adjustment cost which provides for crediting retirement benefits for past service on a uniform basis for all participants. FPU's contractually required contribution rate for the year ended June 30, 2019 was 19.54% 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, 2019 was \$1,092,701.

**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 \$271,165 for the year ended June 30, 2019. FPU recognized pension expense under the defined contribution plan of \$73,332 for the year ended June 30, 2019.

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 City of Fayetteville, and the Fayetteville City Schools.

A summary of each of these plans is shown on the next page:

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

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

**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.

*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, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	3
Active plan members	<u>109</u>
	<u>112</u>

*Total OPEB Liability*

The System's total OPEB liability of \$1,574,010 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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

**FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)**

*Changes in the Total OPEB Liability (expressed in thousands)*

Balance at 6/30/18	\$ 1,472.991
Service cost	53.617
Interest	47.402
Benefit payments	-
Net changes	<u>101.019</u>
Balance at 6/30/19	<u>\$ 1,574.010</u>

*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 (expressed in thousands):

	1 % Decrease 2.23%	Discount Rate 3.23%	1% Increase 4.23%
<b>Total OPEB liability</b>	<b>\$ 1,604.471</b>	<b>\$ 1,574.010</b>	<b>\$ 1,430.692</b>

*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 (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent decreasing to 6 percent) than the current healthcare cost trend rates (expressed in thousands):

	1 % Decrease 7% decreasing to 4% over 10 years	Healthcare Cost Trend Rates 8% decreasing to 5% over 10 years	1% Increase 9% decreasing to 6% over 10 years
<b>Total OPEB liability</b>	<b>\$ 1,387.144</b>	<b>\$ 1,574.010</b>	<b>\$ 1,660.816</b>

For the year ended June 30, 2019, the System recognized OPEB expense of \$101,019.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date of June 30, 2018 (expressed in thousands)	<u>\$ 13.060</u>	<u>\$ -</u>
	<u>\$ 13.060</u>	<u>\$ -</u>

Contributions of \$13,060 reported as deferred outflows of resources resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

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

**CITY OF FAYETTEVILLE - GENERAL GOVERNMENT OPEB**

The City of Fayetteville closed its previous OPEB plan in the current year and enrolled in the State of Tennessee plan as described below.

**LOCAL GOVERNMENT OPEB PLAN**

**GENERAL INFORMATION ABOUT THE OPEB PLAN**

*Plan description*

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

*Benefits provided*

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

*Employees covered by benefit terms*

At July 1, 2018, the following employees of the government were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	98
Total	<u>101</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2019, the government paid \$35,969 to the LGOP for OPEB benefits as they became due.

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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

**GENERAL GOVERNMENT OPEB (CONTINUED)**

*Total OPEB Liability*

*Actuarial assumptions*

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:

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	6.75% for 2019, decreasing annually over a 32 year period to an ultimate rate of 3.81%
Retirees' share of benefit-related costs	The government pays the full cost of coverage for the healthcare benefits provided to qualified retirees under the plan

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 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 3.62 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.

*Changes in the Total OPEB Liability*

LGOP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ -
Changes for the year:	
Service cost	-
Interest	-
Changes of benefit terms	-
Differences between expected and actual experience	759.296
Change in assumptions	(107.467)
Benefit payments	-
Net changes	651.829
Total OPEB liability - ending balance	\$ 651.829

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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

**GENERAL GOVERNMENT OPEB (CONTINUED)**

*Changes in assumptions*

The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability. It was also decided to change the status of the LGOP from a closed plan to one that is open to all eligible employees regardless of initial hire date. This change in status will increase the OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near term health trend rates.

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

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

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$ 703.810	\$ 651.829	\$ 602.737

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

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

	1% Decrease (5.75% decreasing to 2.81%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.81%)	1% Increase (7.75% decreasing to 4.81%)
Total OPEB liability	\$ 575.459	\$ 651.829	\$ 741.931

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

*OPEB expense*

For the fiscal year ended June, 30, 2019, the government recognized OPEB expense of \$69,343.

*Deferred outflows of resources and deferred inflows of resources*

For the fiscal year ended June, 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

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

**GENERAL GOVERNMENT OPEB (CONTINUED)**

LGOP - (expressed in thousands)

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 678.520	\$ -
Changes of assumptions	-	96.034
Employer payments subsequent to the measurement date	35.969	-
Total	<u>\$ 714.489</u>	<u>\$ 96.034</u>

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

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

LGOP - (expressed in thousands)

For the year ended June 30:

2020	\$ 69.343
2021	69.343
2022	69.343
2023	69.343
2024	69.343
Thereafter	235.771

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

**FAYETTEVILLE CITY SCHOOLS OPEB**

**CLOSED TEACHER GROUP OPEB PLAN (TGOP)**

**GENERAL INFORMATION ABOUT THE OPEB PLAN**

*Plan description*

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

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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

**FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)**

*Benefits provided*

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

*Employees covered by benefit terms*

At July 1, 2018, the following employees of Fayetteville City Schools was covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>160</u> <u>167</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Fayetteville City Schools paid \$40,929 to the TGOP for OPEB benefits as they came due.

**TOTAL OPEB LIABILITY**

*Actuarial assumptions*

The collective 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:



NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

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	6.75% for 2019, decreasing annually to an ultimate rate of 3.85% for 2050 and later
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 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, 2019

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

FAYETTEVILLE CITY SCHOOLS (CONTINUED)

CHANGES IN COLLECTIVE TOTAL OPEB LIABILITY

TGOP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 1,572
Changes for the year:	
Service cost	86
Interest	57
Changes of benefit terms	-
Differences between expected and actual experience	(401)
Change in assumptions	28
Benefit payments	(91)
Net changes	(321)
Total OPEB liability - ending balance	\$ 1,252
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 440
Employer's proportionate share of the collective total OPEB liability	\$ 811
Employer's proportion of the collective total OPEB liability	64.82%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 1.04% from the prior measurement date. The System recognized \$34,874 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Fayetteville City Schools' retirees.

*Changes in assumptions*

The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2019

**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 (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate.

(expressed in thousands)

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Proportionate share of collective total OPEB liability	\$ 870	\$ 811	\$ 756

*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 (5.75% decreasing to 2.85%) or 1-percentage-point higher (7.75% decreasing to 4.85%) than the current healthcare cost trend rate.

	1% Decrease (5.75% decreasing to 2.85%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.85%)	1% Increase (7.75% decreasing to 4.85%)
Proportionate share of collective total OPEB liability	\$ 723	\$ 811	\$ 917

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

*OPEB expense*

For the fiscal year ended June, 30, 2019, Fayetteville City Schools recognized OPEB expense of \$102,340.

*Deferred outflows of resources and deferred inflows of resources*

For the fiscal year ended June, 30, 2019, Fayetteville City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources (expressed in thousands):

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ -	\$ 236
Changes of assumptions	17	40
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.	11	-
Employer payments subsequent to the measurement date	41	-
Total	<u>\$ 69</u>	<u>\$ 276</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	\$ (25.2)
2020	(25.2)
2021	(25.2)
2022	(25.2)
2023	(25.2)
Thereafter	(122.1)

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

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### 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, 2018, the following employees of Fayetteville City Schools were covered by the benefit terms of the TNP:

Inactive employees entitled to but not yet receiving benefit payments	11
Active employees	102
	<u>138</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

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, 2018 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 3.62 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, 2019

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

**FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)**

CHANGES IN COLLECTIVE TOTAL OPEB LIABILITY

TNP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 341
Changes for the year:	
Service cost	7
Interest	12
Changes of benefit terms	-
Differences between expected and actual experience	(48)
Change in assumptions	(2)
Benefit payments	(13)
Net changes	(45)
Total OPEB liability - ending balance	\$ 297

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 297
--	--------

Employer's proportionate share of the collective total OPEB liability	\$ -
---	------

Employer's proportion of the collective total OPEB	0.00%
--	-------

The Fayetteville City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Fayetteville City Schools' proportionate share of the collective total OPEB liability was based on a projection of the 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 \$10,202 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Fayetteville City Schools' retired employees.

*Changes in assumptions*

The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. 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, 2019, Fayetteville City Schools recognized OPEB expense of \$10,202.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### 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, 2019, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	\$ 239,029
City street and transportation	<u>13,556</u>
Total	<u>\$ 252,585</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, 2019, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2019, the government received \$77,323 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 \$111,250 to the operations of the library during the year ended June 30, 2019.

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 \$69,866 to the operations of the airport during the year ended June 30, 2019.

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, 2019

---

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, 2019.

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, Perry County, Stewart County, and Wayne 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.

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

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

NOTES TO FINANCIAL STATEMENTS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

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	\$ 48,958,928	\$ 1,547,637	3.2%	\$ 14,242,548	2028
Gas	7,202,815	370,889	5.1%	2,072,517	2025
Telecom	4,687,240	357,865	7.6%	357,000	2020
Water & Wastewater	5,676,175	1,829,798	32.2%	35,916,572	2055
	<u>\$ 66,525,158</u>	<u>\$ 4,106,189</u>	<u>6.2%</u>	<u>\$ 52,588,637</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, 2019, credits resulting from solar power generation totaled \$1,424,599. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2019, the liability for such amounts due to customers was \$282,052 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, 2019 these contributions totaled \$13,918 to the Tennessee Plan and \$27,940 to the Teacher Group Plan which are reflected in the financial statements as intergovernmental revenues and education expenditures.

NOTE 19 - PRIOR PERIOD ADJUSTMENT FOR CHANGE IN OPEB PLAN

The City of Fayetteville closed its previous OPEB plan in the current year and enrolled with the State of Tennessee for this employee benefit. Since the prior plan closed with no further obligation to employees, it was necessary to remove the prior recorded liability. The cumulative effect of this change 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, 2019

---

NOTE 19 - PRIOR PERIOD ADJUSTMENT FOR CHANGE IN OPEB PLAN (CONTINUED)

	Total Governmental <u>Activities</u>
Net position June 30, 2018 as previously reported	\$ 30,195,936
Change in OPEB Plans: Reverse existing OPEB liability	<u>1,512,108</u>
Net position June 30, 2018, restated	<u>\$ 31,708,044</u>

NOTE 20 - SHARED BOND PROCEEDS

In the prior year, the Lincoln County Commission approved a \$32.2 million bond issue for the Lincoln County Board of Education. Under state law (Tennessee Code Annotated § 49-3-1003), \$8,599,216 of this was shared with Fayetteville City Schools. These funds are restricted for capital projects and accordingly, the Fayetteville City Schools has included the funds in the Capital Projects Fund and reflected them as shared bond proceeds from Lincoln County in the Statement of Revenues, Expenditures, and Changes in Fund Balances. The City of Fayetteville has reported these funds in the Statement of Net Position as restricted for education.

NOTE 21 - SUBSEQUENT EVENTS

Subsequent to year-end, FPU's electric department issued Series 2019 revenue bonds in the amount of \$3,116,000 to advance refund \$3,090,000 of Series 2009 revenue bonds and to pay \$26,000 of issuance costs. The refunding was undertaken to reduce future debt service of FPU by approximately \$114,122 resulting in net present value benefits of approximately \$109,260.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FAYETTEVILLE PUBLIC UTILITIES**

**SCHEDULE OF SYSTEM CONTRIBUTIONS**

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,092,701	\$ 1,004,858	\$ 961,403	\$ 909,076	\$ 886,106	\$ 802,092	\$ 795,514	\$ 1,064,897	\$ 1,270,135	\$ 851,556
Contributions in relation to the contractually required contribution	(1,092,701)	(1,004,858)	(961,403)	(909,076)	(886,106)	(802,092)	(795,514)	(1,064,897)	(1,270,135)	(851,556)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Optional contribution prepayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,477,617	\$ -	\$ -	\$ -

**Notes to Schedule**

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

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

	2014	2015	2016	2017	2018
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 409,344	\$ 406,371	\$ 448,740	\$ 485,992	\$ 559,925
Interest	1,289,974	1,330,008	1,343,918	1,397,207	1,495,006
Changes in benefit terms	-	-	-	-	-
Differences between actual & expected experience	(61,339)	(480,678)	(73,505)	556,317	(358,564)
Change of assumptions	-	-	-	558,241	-
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)	(1,025,719)	(1,134,981)
Net change in total pension liability	594,724	96,529	653,105	1,972,038	561,386
Total pension liability-beginning	17,311,937	17,906,661	18,003,190	18,656,295	20,628,333
Total pension liability-ending (a)	\$ 17,906,661	\$ 18,003,190	\$ 18,656,295	\$ 20,628,333	\$ 21,189,719
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions-employer	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808	\$ 560,546
Contributions-employee	243,467	250,391	270,532	324,370	290,854
Net investment income	2,478,367	524,049	455,674	1,974,307	1,590,608
Benefit payments, including refunds of employee contributions	(1,043,255)	(1,159,172)	(1,066,048)	(1,025,719)	(1,134,981)
Administrative expense	(6,306)	(7,832)	(12,647)	(13,845)	(15,672)
Other	-	-	26,014	-	-
Net change in plan fiduciary net position	2,152,604	90,691	194,407	1,805,921	1,291,355
Plan fiduciary net position-beginning	15,068,588	17,221,192	17,311,883	17,506,290	19,312,211
Plan fiduciary net position-ending (b)	\$ 17,221,192	\$ 17,311,883	\$ 17,506,290	\$ 19,312,211	\$ 20,603,566
<b>Net pension liability (asset)-ending (a) - (b)</b>	<b>\$ 685,469</b>	<b>\$ 691,307</b>	<b>\$ 1,150,005</b>	<b>\$ 1,316,122</b>	<b>\$ 586,153</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>96.17%</b>	<b>96.16%</b>	<b>93.84%</b>	<b>93.62%</b>	<b>97.23%</b>
<b>Covered payroll</b>	<b>\$ 4,866,570</b>	<b>\$ 5,007,817</b>	<b>\$ 5,397,739</b>	<b>\$ 5,666,405</b>	<b>\$ 5,808,757</b>
<b>Net pension liability (asset) as a percentage of covered employee payroll</b>	<b>14.09%</b>	<b>13.80%</b>	<b>21.31%</b>	<b>23.23%</b>	<b>10.09%</b>

**Notes to Schedule:**

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

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

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

	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808	\$ 560,546	\$ 588,821
Contributions in relation to the actuarially determined contribution	480,331	483,255	520,882	546,808	560,546	588,821
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,866,570	\$ 5,007,817	\$ 5,397,739	\$ 5,666,405	\$ 5,808,757	\$ 6,101,772
Contributions as a percentage of covered-employee payroll	9.87%	9.65%	9.65%	9.65%	9.65%	9.65%

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

**Notes to Schedule**

*Valuation date:*

Actuarially determined contribution rates for fiscal year 2019 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	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

*Changes of assumptions:*

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

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

	2014	2015	2016	2017	2018
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (24,618)	\$ 64,059	\$ 949,405	\$ (47,533)	\$ (602,060)
Fayetteville City Schools's proportion of the net pension liability (asset)	0.151502%	0.156381%	0.151918%	0.145281%	0.171093%
Fayetteville City Schools's covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817	\$ 5,991,092
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.41%	1.09%	17.31%	-0.92%	-10.05%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%

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

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FAYETTEVILLE, TENNESSEE**

**SCHEDULE OF CONTRIBUTIONS**

**TEACHER LEGACY PLAN OF TCRS**

Fiscal Year ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required	\$ 528,043	\$ 529,211	\$ 495,749	\$ 464,260	\$ 543,992	\$ 515,705
Contribution in relation to the contractually required contribution	528,043	529,211	495,749	464,260	543,992	515,705
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817	\$ 5,991,092	\$ 4,921,795
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%

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	2018
Fayetteville City Schools's proportion of the net pension liability (asset)	0.106705%	0.125359%	0.070453%	0.080310%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (4,293)	\$ (13,050)	\$ (18,588)	\$ (36,423)
Fayetteville City Schools's covered payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%	-4.06%	-5.19%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEACHER RETIREMENT PLAN OF TCRS**  
**Fiscal Year ending June 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required	\$ 222	\$ 13,807	\$ 18,497	\$ 11,445	\$ 24,306
Contribution in relation to the contractually required contribution	8,868	22,063	18,497	28,072	24,306
Contribution deficiency (excess)	<u>\$ (8,646)</u>	<u>\$ (8,256)</u>	<u>\$ -</u>	<u>\$ (16,627)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808	\$ 1,182,574
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%	4.00%	1.94%

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

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,  
(dollar amounts in thousands)

	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>		
Service cost	\$ 51.064	\$ 53.617
Interest	46.089	47.402
Benefit payments	<u>(10.412)</u>	<u>-</u>
Net change in total OPEB liability	86.741	101.019
Total OPEB liability - beginning	<u>1,386.250</u>	<u>1,472.991</u>
Total OPEB liability - ending	<u>\$ 1,472.991</u>	<u>\$ 1,574.010</u>
 Covered-employee payroll	 \$ 5,786.362	 \$ 5,959.953
 Total OPEB liability as a percentage of covered-employee payroll	  25.5%	  26.4%

**Notes to Schedule**

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

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

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

**TGOP**

	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>		
Service cost	\$ 93	\$ 86
Interest	48	57
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(401)
Changes of assumptions	(76)	28
Benefit payments	(87)	(91)
<b>Net change in total OPEB liability</b>	\$ (22)	\$ (321)
<b>Total OPEB liability - beginning</b>	1,594	1,572
<b>Total OPEB liability - ending</b>	<u>\$ 1,572</u>	<u>\$ 1,251</u>
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	\$ 569	\$ 440
<b>Employer's proportionate share of the collective total OPEB liability</b>	\$ 1,003	\$ 811
<b>Covered-employee payroll</b>	\$ 7,145	\$ 6,072
<b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	14.04%	13.36%

**Notes to Schedule**

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

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

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

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

**TNP**

	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>		
Service cost	\$ 8	\$ 7
Interest	11	12
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(48)
Changes of assumptions	(32)	(2)
Benefit payments	(13)	(13)
<b>Net change in total OPEB liability</b>	<b>\$ (26)</b>	<b>\$ (44)</b>
<b>Total OPEB liability - beginning</b>	<b>367</b>	<b>341</b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 341</u></b>	<b><u>\$ 297</u></b>
 <b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	 <b>\$ 341</b>	 <b>\$ 297</b>
 <b>Employer's proportionate share of the collective total OPEB liability</b>	 <b>\$ -</b>	 <b>\$ -</b>
 <b>Covered-employee payroll</b>	 <b>N/A</b>	 <b>N/A</b>
 <b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	 <b>0.00%</b>	 <b>0.00%</b>

**Notes to Schedule**

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

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

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

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

**LGOP**

	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>		
Service cost	\$ 87.041	\$ -
Interest	56.756	-
Differences between expected and actual experience	-	759.296
Changes of assumptions	-	(107.467)
Benefit payments	<u>(25.471)</u>	<u>-</u>
Net change in total OPEB liability	118.326	651.829
Total OPEB liability - beginning	<u>1,393.782</u>	<u>-</u> *
Total OPEB liability - ending	<u>1,512.108</u>	<u>\$ 651.829</u>
Covered-employee payroll	\$ 3,960.051	\$ 3,919.620
 Total OPEB liability as a percentage of covered-employee payroll	 38.2%	 16.6%

\* The City of Fayetteville closed its previous plan in the current year, with no further obligation to employees under the previous plan.

**Notes to Schedule**

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

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

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

## NONMAJOR GOVERNMENTAL FUNDS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### 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, 2019

Special Revenue Funds					
	School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
<b>Assets:</b>					
Cash in bank	\$ 61,189	\$ 323,128	\$ 73,773	\$ 458,090	\$ 778,822
Accounts receivable	-	2,502	-	2,502	-
Due from other funds	-	-	3,765	3,765	-
Due from other governments	19,516	-	-	19,516	-
Inventory	-	15,884	-	15,884	-
<b>TOTAL ASSETS</b>	<b>\$ 80,705</b>	<b>\$ 341,514</b>	<b>\$ 77,538</b>	<b>\$ 499,757</b>	<b>\$ 778,822</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 1,250	\$ 193	\$ 1,443	\$ -
Due to other funds	-	-	3,812	3,812	-
Unearned revenues	705	-	-	705	-
<b>TOTAL LIABILITIES</b>	<b>705</b>	<b>1,250</b>	<b>4,005</b>	<b>5,960</b>	<b>-</b>
<b>Fund Balances:</b>					
Nonspendable - inventory	-	15,884	-	15,884	-
Restricted:					
Public safety	-	-	73,533	73,533	-
Capital projects	-	-	-	-	509,134
Committed					
Education	80,000	-	-	80,000	-
Assigned					
Education	-	324,380	-	324,380	-
Debt service	-	-	-	-	269,688
<b>TOTAL FUND BALANCES</b>	<b>80,000</b>	<b>340,264</b>	<b>73,533</b>	<b>493,797</b>	<b>778,822</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 80,705</b>	<b>\$ 341,514</b>	<b>\$ 77,538</b>	<b>\$ 499,757</b>	<b>\$ 778,822</b>

**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2019**

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
<b>Assets:</b>						
Cash in bank	\$ 1,673	\$ 10,469	\$ 407,380	\$ 1,715,586	\$ 2,135,108	\$ 3,372,020
Accounts receivable	-	-	-	14,400	14,400	16,902
Due from other funds	-	-	-	41,046	41,046	44,811
Due from other governments	-	-	-	-	-	19,516
Inventory	-	-	-	-	-	15,884
<b>TOTAL ASSETS</b>	<u>\$ 1,673</u>	<u>\$ 10,469</u>	<u>\$ 407,380</u>	<u>\$ 1,771,032</u>	<u>\$ 2,190,554</u>	<u>\$ 3,469,133</u>
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 20,542	\$ 20,542	\$ 21,985
Due to other funds	-	-	-	5,020	5,020	8,832
Unearned revenues	-	-	-	39,400	39,400	40,105
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,962</u>	<u>64,962</u>	<u>70,922</u>
<b>Fund Balances:</b>						
Nonspendable - inventory	-	-	-	-	-	15,884
Restricted						
Public safety	-	-	-	-	-	73,533
Capital projects	-	10,469	407,380	-	417,849	417,849
Committed						
Education	-	-	-	-	-	80,000
Assigned						
Education	-	-	-	-	-	324,380
Debt service	-	-	-	-	-	778,822
Industrial park	1,673	-	-	-	1,673	1,673
Capital projects	-	-	-	1,706,070	1,706,070	1,706,070
<b>TOTAL FUND BALANCES</b>	<u>1,673</u>	<u>10,469</u>	<u>407,380</u>	<u>1,706,070</u>	<u>2,125,592</u>	<u>3,398,211</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,673</u>	<u>\$ 10,469</u>	<u>\$ 407,380</u>	<u>\$ 1,771,032</u>	<u>\$ 2,190,554</u>	<u>\$ 3,469,133</u>

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2019

Special Revenue Funds					
	School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Revenues:					
Intergovernmental	\$ 1,001,174	\$ 684,402	\$ -	\$ 1,685,576	\$ -
Charges for services	-	150,247	-	150,247	-
Investment earnings	-	133	33	166	207
Fines and confiscations	-	-	30,557	30,557	-
<b>TOTAL REVENUES</b>	<b>1,001,174</b>	<b>834,782</b>	<b>30,590</b>	<b>1,866,546</b>	<b>207</b>
Expenditures:					
Current:					
General government	-	-	-	-	3,460
Public safety	-	-	12,271	12,271	-
Education	1,001,174	740,535	-	1,741,709	-
Debt Service:					
Principal	-	-	-	-	267,844
Interest	-	-	-	-	115,956
Debt issuance costs	-	-	-	-	-
Capital outlay	-	31,798	-	31,798	-
<b>TOTAL EXPENDITURES</b>	<b>1,001,174</b>	<b>772,333</b>	<b>12,271</b>	<b>1,785,778</b>	<b>387,260</b>
Excess (deficiency) of revenues over expenditures	-	62,449	18,319	80,768	(387,053)
Other Financing Sources (Uses):					
Capital outlay notes issued	-	-	-	-	509,134
Payment to refunded debt escrow agent	-	-	-	-	-
Premiums on debt issued	-	-	-	-	-
Transfers in	-	-	-	-	354,257
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>863,391</b>
Net change in fund balances	-	62,449	18,319	80,768	476,338
Fund balances - July 1, 2018	80,000	277,815	55,214	413,029	302,484
Fund balances - June 30, 2019	<u>\$ 80,000</u>	<u>\$ 340,264</u>	<u>\$ 73,533</u>	<u>\$ 493,797</u>	<u>\$ 778,822</u>

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2019

	Capital Projects Funds					Total Other Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 2,185,576
Shared bond proceeds from Lincoln County	-	-	-	-	-	-
Private grants and contributions	-	-	-	-	-	-
Charges for services	-	-	-	-	-	150,247
Investment earnings	-	8	204	2,127	2,339	2,712
Fines and forfeitures	-	-	-	-	-	30,557
TOTAL REVENUES	-	8	204	502,127	502,339	2,369,092
Expenditures:						
Current:						
General government	-	7,763	-	-	7,763	11,223
Public safety	-	-	-	-	-	12,271
Education	-	-	-	-	-	1,741,709
Debt service:						
Principal	-	-	-	-	-	267,844
Interest	-	-	-	-	-	115,956
Capital outlay	-	-	-	500,986	500,986	532,784
TOTAL EXPENDITURES	-	7,763	-	500,986	508,749	2,681,787
Excess (deficiency) of revenues over expenditures	-	(7,755)	204	1,141	(6,410)	(312,695)
Other Financing Sources (Uses):						
Capital outlay notes issued	-	-	-	-	-	509,134
Transfers in	-	-	-	750,000	750,000	1,104,257
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	750,000	750,000	1,613,391
Net change in fund balances	-	(7,755)	204	751,141	743,590	1,300,696
Fund balances - July 1, 2018	1,673	18,224	407,176	954,929	1,382,002	2,097,515
Fund balances - June 30, 2019	\$ 1,673	\$ 10,469	\$ 407,380	\$ 1,706,070	\$ 2,125,592	\$ 3,398,211

SCHOOL TITLE SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Title programs	\$ 553,875	\$ 529,685	\$ 529,685	\$ -
Vocational education programs	20,332	19,961	19,961	-
Summer reading program	42,000	8,156	8,156	-
Gear up program	93,000	102,996	102,996	-
Special education programs	397,160	340,376	340,376	-
Total Revenues	<u>1,106,367</u>	<u>1,001,174</u>	<u>1,001,174</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	522,089	494,732	494,732	-
Contracted services	-	2,188	2,188	-
Supplies	57,700	48,964	48,964	-
Equipment	9,730	9,499	9,499	-
Other	1,336	714	714	-
Special education program				
Salaries and benefits	220,195	217,280	217,280	-
Equipment	14,234	20,709	20,709	-
Supplies	33,823	22,327	22,327	-
Vocational education program				
Supplies	6,023	6,023	6,023	-
Equipment	3,000	7,636	7,636	-
Support services:				
Regular instruction program				
Salaries and benefits	39,245	35,396	35,396	-
Travel	948	312	312	-
Supplies	2,000	1,238	1,238	-
In service	33,300	25,563	25,563	-
Special education program				
Contracted services	73,809	49,097	49,097	-
Equipment	28,000	6,408	6,408	-
In service	16,000	12,923	12,923	-
Supplies	969	969	969	-
Other	5,000	5,000	5,000	-
Other Student Support				
Travel	17,356	18,798	18,798	-
Supplies	3,000	2,433	2,433	-
In service	12,303	7,302	7,302	-
Transportation				
Salaries and benefits	6,307	5,117	5,117	-
Other	-	546	546	-
Total Expenditures	<u>1,106,367</u>	<u>1,001,174</u>	<u>1,001,174</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - beginning	80,000	80,000	80,000	-
Fund Balances - ending	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>

SCHOOL CAFETERIA SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE  
Year ended June 30, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Intergovernmental				
National school lunch program	\$ 485,000	\$ 474,000	\$ 424,099	\$ (49,901)
School breakfast program	187,000	194,000	193,728	(272)
After school snacks	-	4,000	3,381	(619)
USDA commodities	56,251	56,251	56,251	-
Other	8,000	8,000	6,943	(1,057)
Charges for services	204,500	204,500	150,247	(54,253)
Investment earnings	100	100	133	33
Total Revenues	<u>940,851</u>	<u>940,851</u>	<u>834,782</u>	<u>(106,069)</u>
EXPENDITURES				
Current:				
Salaries and benefits	415,100	415,100	330,383	84,717
Repairs and maintenance	9,000	9,100	9,095	5
Travel	4,000	4,300	4,283	17
Contracted services	8,000	13,000	10,640	2,360
Food and preparation supplies	461,251	455,551	382,254	73,297
Supplies	1,200	1,500	1,420	80
Other	3,000	3,000	2,460	540
Capital outlay	40,000	40,000	31,798	8,202
Total Expenditures	<u>941,551</u>	<u>941,551</u>	<u>772,333</u>	<u>169,218</u>
Excess (Deficiency) of Revenues over Expenditures	(700)	(700)	62,449	63,149
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	700	700	-	(700)
Total Other Financing Sources (Uses)	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Net Change in Fund Balance	-	-	62,449	62,449
Fund Balance - beginning	<u>277,815</u>	<u>277,815</u>	<u>277,815</u>	<u>-</u>
Fund Balance - ending	<u>\$ 277,815</u>	<u>\$ 277,815</u>	<u>\$ 340,264</u>	<u>\$ 62,449</u>

**DRUG SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
Year ended June 30, 2019

	<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	\$ 33	\$ 18
Fines	20,000	20,000	22,284	2,284
Confiscations	6,000	6,000	8,273	2,273
Total Revenues	<u>20,015</u>	<u>20,015</u>	<u>30,590</u>	<u>4,575</u>
EXPENDITURES				
Current:				
Operating				
Salaries	12,500	12,500	8,185	4,315
Education and training	500	500	250	250
Travel	5,000	5,000	806	4,194
Supplies	5,900	5,900	901	4,999
Contractual	3,000	3,000	-	3,000
Telephone	1,800	1,800	1,207	593
Professional services	1,000	1,000	872	128
Equipment	16,572	16,572	-	16,572
Other drug fund	2,000	2,000	50	1,950
Total Expenditures	<u>48,272</u>	<u>48,272</u>	<u>12,271</u>	<u>36,001</u>
Net Change in Fund Balance	(28,257)	(28,257)	18,319	40,576
Fund Balance - beginning	<u>55,214</u>	<u>55,214</u>	<u>55,214</u>	<u>-</u>
Fund Balance - ending	<u>\$ 26,957</u>	<u>\$ 26,957</u>	<u>\$ 73,533</u>	<u>\$ 40,576</u>

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE  
Year ended June 30, 2019

	<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	\$ 207	\$ 117
Total Revenues	90	90	207	117
EXPENDITURES				
Current:				
Operating - agent fees	4,000	4,000	3,460	540
Debt Service:				
Principal	241,000	267,814	267,844	(30)
Interest	112,152	117,882	115,956	1,926
Debt issuance costs	-	-	-	-
Total Expenditures	357,152	389,696	387,260	2,436
Excess (Deficiency) of Revenues over Expenditures	(357,062)	(389,606)	(387,053)	2,553
OTHER FINANCING SOURCES (USES)				
Capital outlay notes issued	-	509,135	509,135	-
Transfers in	357,000	386,544	354,257	(32,287)
Total Other Financing Sources (Uses)	357,000	895,679	863,392	(32,287)
Net Change in Fund Balance	(62)	506,073	476,339	(29,734)
Fund Balance - beginning	302,484	302,484	302,484	-
Fund Balance - ending	\$ 302,422	\$ 808,557	\$ 778,823	\$ (29,734)



INDUSTRIAL PARK CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE  
Year ended June 30, 2019

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

CDBG CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE  
Year ended June 30, 2019

	<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	\$ 8	\$ (2)
Total Revenues	<u>10</u>	<u>10</u>	<u>8</u>	<u>(2)</u>
EXPENDITURES				
Current:				
Operating	<u>10,500</u>	<u>10,500</u>	<u>7,763</u>	<u>2,737</u>
Total Expenditures	<u>10,500</u>	<u>10,500</u>	<u>7,763</u>	<u>2,737</u>
Net Change in Fund Balance	(10,490)	(10,490)	(7,755)	2,735
Fund Balance - beginning	<u>18,224</u>	<u>18,224</u>	<u>18,224</u>	<u>-</u>
Fund Balance - ending	<u>\$ 7,734</u>	<u>\$ 7,734</u>	<u>\$ 10,469</u>	<u>\$ 2,735</u>

UDAG CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE  
Year ended June 30, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 204	\$ 104
Total Revenues	<u>100</u>	<u>100</u>	<u>204</u>	<u>104</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)	204	1,104
Fund Balance - beginning	<u>407,176</u>	<u>407,176</u>	<u>407,176</u>	<u>-</u>
Fund Balance - ending	<u>\$ 406,276</u>	<u>\$ 406,276</u>	<u>\$ 407,380</u>	<u>\$ 1,104</u>

INTERNAL CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Investment earnings	\$ 250	\$ 250	\$ 2,127	\$ 1,877
Intergovernmental	15,000	500,000	500,000	-
Total Revenues	15,250	500,250	502,127	1,877
EXPENDITURES				
Capital outlay	455,555	465,555	500,986	(35,431)
Total Expenditures	455,555	465,555	500,986	(35,431)
(Deficiency) of Revenues over Expenditures	(440,305)	34,695	1,141	(33,554)
OTHER FINANCING SOURCES				
Transfers in	200,000	750,000	750,000	-
Total Other Financing Sources	200,000	750,000	750,000	-
Net Change in Fund Balance	(240,305)	784,695	751,141	(33,554)
Fund Balance - beginning	954,929	954,929	954,929	-
Fund Balance - ending	\$ 714,624	\$ 1,739,624	\$ 1,706,070	\$ (33,554)

SCHOOL CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE  
Year ended June 30, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Shared bond proceeds from Lincoln County	\$ 8,599,216	\$ 8,599,216	\$ 8,599,216	\$ -
Private grants and contributions	-	-	87,485	87,485
Investment earnings	100,000	100,000	65,588	(34,412)
Total Revenues	<u>8,699,216</u>	<u>8,699,216</u>	<u>8,752,289</u>	<u>53,073</u>
EXPENDITURES				
Current:				
Debt service:				
Principal on bonds	220,000	220,000	220,000	-
Interest on bonds	137,800	137,800	137,800	-
Capital outlay	8,341,416	8,341,416	692,650	7,648,766
Total Expenditures	<u>8,699,216</u>	<u>8,699,216</u>	<u>1,050,450</u>	<u>7,648,766</u>
Net Change in Fund Balance	-	-	7,701,839	7,701,839
Fund Balance - beginning	-	-	-	-
Fund Balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,701,839</u>	<u>\$ 7,701,839</u>

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

**CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2019

Fayetteville Public Utilities																
General Debt		Sanitation Capital Outlay Note		Electric Department Total For All Debt		Gas Department Series 2017		Telecom Department Series 2011		Water & Sewer Department Total For All Debt		Total		Total		Total *
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 624,165	\$ 249,464	\$ 69,924	\$ 1,117	\$ 1,249,056	\$ 314,987	\$ 307,094	\$ 56,734	\$ 350,000	\$ 7,000	\$ 1,426,837	\$ 522,907	\$ 4,027,076	\$ 1,152,209	\$ 5,179,285	
2021	684,278	232,687	5,921	12	1,299,056	269,387	310,807	41,378	-	-	1,115,181	487,654	3,415,243	1,031,118	4,446,361	
2022	676,408	212,202	-	-	1,334,056	234,387	323,785	25,838	-	-	1,133,371	469,464	3,467,620	941,891	4,409,511	
2023	528,702	199,174	-	-	1,352,882	198,687	326,298	19,362	-	-	1,151,944	450,891	3,359,826	868,114	4,227,940	
2024	535,676	187,975	-	-	1,390,000	161,800	314,324	12,836	-	-	1,170,023	432,812	3,410,023	795,423	4,205,446	
2025	547,489	176,638	-	-	1,490,000	123,800	327,511	6,550	-	-	1,110,632	413,116	3,475,632	720,104	4,195,736	
2026	410,000	163,637	-	-	1,530,000	94,000	-	-	-	-	1,048,635	396,027	2,988,635	653,664	3,642,299	
2027	415,000	152,300	-	-	1,565,000	63,400	-	-	-	-	1,065,613	379,048	3,045,613	594,748	3,640,361	
2028	430,000	140,837	-	-	1,605,000	32,100	-	-	-	-	1,082,197	362,465	3,117,197	535,402	3,652,599	
2029	445,000	127,338	-	-	-	-	-	-	-	-	1,100,510	344,152	1,545,510	471,490	2,017,000	
2030	450,000	113,387	-	-	-	-	-	-	-	-	1,118,470	326,192	1,568,470	439,579	2,008,049	
2031	470,000	98,988	-	-	-	-	-	-	-	-	1,136,767	307,895	1,606,767	406,883	2,013,650	
2032	480,000	83,912	-	-	-	-	-	-	-	-	1,154,795	289,867	1,634,795	373,779	2,008,574	
2033	500,000	67,913	-	-	-	-	-	-	-	-	1,174,410	270,252	1,674,410	338,165	2,012,575	
2034	445,000	51,212	-	-	-	-	-	-	-	-	1,193,796	250,866	1,638,796	302,078	1,940,874	
2035	450,000	36,413	-	-	-	-	-	-	-	-	1,175,737	231,310	1,625,737	267,723	1,893,460	
2036	325,000	21,450	-	-	-	-	-	-	-	-	1,137,045	212,258	1,462,045	233,708	1,695,753	
2037	335,000	10,888	-	-	-	-	-	-	-	-	957,526	193,506	1,292,526	204,394	1,496,920	
2038	-	-	-	-	-	-	-	-	-	-	737,710	177,691	737,710	177,691	915,401	
2039	-	-	-	-	-	-	-	-	-	-	572,669	163,938	572,669	163,938	736,607	
2040	-	-	-	-	-	-	-	-	-	-	399,861	153,135	399,861	153,135	552,996	
2041	-	-	-	-	-	-	-	-	-	-	411,050	141,946	411,050	141,946	552,996	
2042	-	-	-	-	-	-	-	-	-	-	422,130	130,866	422,130	130,866	552,996	
2043	-	-	-	-	-	-	-	-	-	-	433,514	119,482	433,514	119,482	552,996	
2044	-	-	-	-	-	-	-	-	-	-	444,916	108,080	444,916	108,080	552,996	
2045	-	-	-	-	-	-	-	-	-	-	457,214	95,782	457,214	95,782	552,996	
2046	-	-	-	-	-	-	-	-	-	-	469,558	83,438	469,558	83,438	552,996	
2047	-	-	-	-	-	-	-	-	-	-	482,238	70,758	482,238	70,758	552,996	
2048	-	-	-	-	-	-	-	-	-	-	495,114	57,882	495,114	57,882	552,996	
2049	-	-	-	-	-	-	-	-	-	-	508,647	44,349	508,647	44,349	552,996	
2050	-	-	-	-	-	-	-	-	-	-	522,399	30,597	522,399	30,597	552,996	
2051	-	-	-	-	-	-	-	-	-	-	408,326	17,653	408,326	17,653	425,979	
2052	-	-	-	-	-	-	-	-	-	-	224,195	8,311	224,195	8,311	232,506	
2053	-	-	-	-	-	-	-	-	-	-	121,947	3,732	121,947	3,732	125,679	
2054	-	-	-	-	-	-	-	-	-	-	79,409	1,302	79,409	1,302	80,711	
2055	-	-	-	-	-	-	-	-	-	-	4,075	9	4,075	9	4,084	
	\$ 8,751,718	\$ 2,326,415	\$ 75,845	\$ 1,129	\$ 12,815,050	\$ 1,492,548	\$ 1,909,819	\$ 162,698	\$ 350,000	\$ 7,000	\$ 27,648,461	\$ 7,749,633	\$ 51,550,893	\$ 11,739,423	\$ 63,290,316	

\* Excludes FPU non-amortizing debt

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

**CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2019

Year	General		General		General		General		General		Total General	
	Obligation Bonds		Obligation Bonds		Obligation Bonds		Obligation Bonds		Capital Outlay		Total General	
	Series 2013		Series 2013 B		Series 2014		Series 2017		Note 2019		Total	Total
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,												
2020	\$ 225,000	\$ 133,400	\$ 45,000	\$ 30,223	\$ 85,000	\$ 49,800	\$ 117,517	\$ 25,197	\$ 151,648	\$ 10,844	\$ 624,165	\$ 249,464
2021	225,000	128,900	50,000	29,187	90,000	48,100	149,193	19,321	170,085	7,179	684,278	232,687
2022	230,000	124,400	50,000	27,563	90,000	46,300	146,215	11,862	160,193	2,077	676,408	212,202
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
	<u>\$ 4,870,000</u>	<u>\$ 1,472,038</u>	<u>\$ 790,000</u>	<u>\$ 260,035</u>	<u>\$ 1,750,000</u>	<u>\$ 500,012</u>	<u>\$ 859,792</u>	<u>\$ 74,230</u>	<u>\$ 481,926</u>	<u>\$ 20,100</u>	<u>\$ 8,751,718</u>	<u>\$ 2,326,415</u>

**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
June 30, 2019

Year Ending June 30,	Series 2009		Series 2016		RUS Rural Economic Development Loan (LCHS)		Total Electric	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 3,090,000</u>	<u>\$ 315,548</u>	<u>\$ 9,660,000</u>	<u>\$ 1,177,000</u>	<u>\$ 65,050</u>	<u>\$ -</u>	<u>\$ 12,815,050</u>	<u>\$ 1,492,548</u>



**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
June 30, 2019

Year Ending June 30,	RUS Phase I Series 2008		RUS Phase II Series 2009		RUS Phase III Series 2013		RUS Phase IV Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 70,074	\$ 69,786	\$ 86,038	\$ 137,474	\$ 47,674	\$ 61,238	\$ 31,088	\$ 49,624
2021	71,858	68,002	89,032	134,480	49,047	59,865	32,090	48,622
2022	73,491	66,368	91,740	131,772	50,287	58,625	32,984	47,729
2023	75,162	64,698	94,530	128,982	51,559	57,353	33,902	46,810
2024	76,698	63,162	97,059	126,453	52,709	56,203	34,720	45,992
2025	78,615	61,245	100,357	123,155	54,196	54,716	35,813	44,899
2026	80,402	59,458	103,410	120,102	55,566	53,346	36,811	43,901
2027	82,229	57,630	106,555	116,957	56,971	51,941	37,836	42,876
2028	83,946	55,914	109,484	114,028	58,274	50,638	38,775	41,937
2029	86,007	53,853	113,126	110,386	59,886	49,026	39,969	40,743
2030	87,963	51,897	116,567	106,945	61,400	47,512	41,082	39,630
2031	89,962	49,898	120,112	103,400	62,953	45,959	42,226	38,486
2032	91,877	47,983	123,492	100,020	64,424	44,488	43,300	37,412
2033	94,096	45,764	127,522	95,990	66,174	42,738	44,608	36,104
2034	96,235	43,625	131,400	92,112	67,848	41,064	45,851	34,861
2035	98,423	41,437	135,397	88,115	69,563	39,349	47,127	33,585
2036	100,554	39,306	139,286	84,226	71,220	37,692	48,352	32,360
2037	102,946	36,914	143,752	79,760	73,123	35,789	49,787	30,925
2038	105,287	34,573	148,124	75,388	74,973	33,939	51,173	29,539
2039	107,680	32,180	152,630	70,882	76,869	32,043	52,598	28,114
2040	110,048	29,812	157,092	66,420	78,731	30,181	53,990	26,722
2041	112,630	27,230	162,050	61,462	80,803	28,109	55,567	25,145
2042	115,190	24,670	166,979	56,533	82,847	26,065	57,114	23,598
2043	117,809	22,051	172,058	51,454	84,942	23,970	58,705	22,007
2044	120,435	19,425	177,166	46,346	87,031	21,881	60,284	20,428
2045	123,225	16,635	182,680	40,832	89,291	19,621	62,018	18,694
2046	126,027	13,833	188,236	35,276	91,549	17,363	63,746	16,966
2047	128,892	10,968	193,961	29,551	93,864	15,048	65,521	15,191
2048	131,801	8,059	199,799	23,713	96,204	12,708	67,310	13,402
2049	134,818	5,042	205,938	17,574	98,671	10,241	69,220	11,492
2050	137,883	1,977	212,202	11,310	101,166	7,746	71,148	9,564
2051	12,817	26	218,656	4,856	103,724	5,188	73,129	7,583
2052	-	-	42,701	181	106,342	2,570	75,152	5,560
2053	-	-	-	-	44,688	279	77,259	3,453
2054	-	-	-	-	-	-	79,409	1,302
2055	-	-	-	-	-	-	4,075	9
	<u>\$ 3,125,080</u>	<u>\$ 1,223,421</u>	<u>\$ 4,609,131</u>	<u>\$ 2,586,135</u>	<u>\$ 2,464,569</u>	<u>\$ 1,174,494</u>	<u>\$ 1,813,739</u>	<u>\$ 1,015,265</u>

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

June 30, 2019

Year Ending June 30,	State Revolving Fund Loan CW0 2013-315		State Revolving Fund Loan CG1 2013-316		State Revolving Fund Loan CG4 2015-350		State Revolving Fund Loan CG2 2015-351	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 34,620	\$ 6,456	\$ 179,430	\$ 37,656	\$ 167,580	\$ 45,372	\$ 68,316	\$ 19,104
2021	35,028	6,048	181,542	35,544	169,908	43,044	69,264	18,156
2022	35,436	5,640	183,678	33,408	172,260	40,692	70,224	17,196
2023	35,856	5,220	185,838	31,248	174,660	38,292	71,208	16,212
2024	36,276	4,800	188,022	29,064	177,084	35,868	72,192	15,228
2025	36,696	4,380	190,230	26,856	179,544	33,408	73,188	14,232
2026	37,128	3,948	192,474	24,612	182,028	30,924	74,208	13,212
2027	37,572	3,504	194,730	22,356	184,560	28,392	75,240	12,180
2028	38,016	3,060	197,022	20,064	187,128	25,824	76,284	11,136
2029	38,460	2,616	199,338	17,748	189,720	23,232	77,352	10,068
2030	38,916	2,160	201,690	15,396	192,360	20,592	78,420	9,000
2031	39,372	1,704	204,066	13,020	195,024	17,928	79,512	7,908
2032	39,828	1,248	206,466	10,620	197,736	15,216	80,616	6,804
2033	40,308	768	208,890	8,196	200,484	12,468	81,732	5,688
2034	40,788	288	211,350	5,736	203,268	9,684	82,872	4,548
2035	3,461	-	213,834	3,252	206,088	6,864	84,024	3,396
2036	-	-	162,009	794	208,956	3,996	85,188	2,232
2037	-	-	-	-	176,366	1,118	86,364	1,056
2038	-	-	-	-	-	-	29,197	76
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-
	<u>\$ 567,761</u>	<u>\$ 51,840</u>	<u>\$ 3,300,609</u>	<u>\$ 335,570</u>	<u>\$ 3,364,754</u>	<u>\$ 432,914</u>	<u>\$ 1,415,401</u>	<u>\$ 187,432</u>

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

June 30, 2019

Year Ending June 30,	State Revolving Fund Loan DWF 2016-175		State Revolving Fund Loan CW6 2018-407		Series 2017		TDOT Utility Reloc Loan		Total Water	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 227,820	\$ 54,132	\$ 39,708	\$ 11,472	\$ 330,389	\$ 16,520	\$ 144,100	\$ 14,073	\$ 1,426,837	\$ 522,907
2021	230,388	51,564	40,236	10,944	-	-	146,788	11,385	1,115,181	487,654
2022	232,980	48,972	40,764	10,416	-	-	149,527	8,646	1,133,371	469,464
2023	235,608	46,344	41,304	9,876	-	-	152,317	5,856	1,151,944	450,891
2024	238,260	43,692	41,844	9,336	-	-	155,159	3,014	1,170,023	432,812
2025	240,936	41,016	42,396	8,784	-	-	78,661	425	1,110,632	413,116
2026	243,648	38,304	42,960	8,220	-	-	-	-	1,048,635	396,027
2027	246,396	35,556	43,524	7,656	-	-	-	-	1,065,613	379,048
2028	249,168	32,784	44,100	7,080	-	-	-	-	1,082,197	362,465
2029	251,976	29,976	44,676	6,504	-	-	-	-	1,100,510	344,152
2030	254,808	27,144	45,264	5,916	-	-	-	-	1,118,470	326,192
2031	257,676	24,276	45,864	5,316	-	-	-	-	1,136,767	307,895
2032	260,580	21,372	46,476	4,704	-	-	-	-	1,154,795	289,867
2033	263,508	18,444	47,088	4,092	-	-	-	-	1,174,410	270,252
2034	266,484	15,468	47,700	3,480	-	-	-	-	1,193,796	250,866
2035	269,484	12,468	48,336	2,844	-	-	-	-	1,175,737	231,310
2036	272,508	9,444	48,972	2,208	-	-	-	-	1,137,045	212,258
2037	275,580	6,372	49,608	1,572	-	-	-	-	957,526	193,506
2038	278,688	3,264	50,268	912	-	-	-	-	737,710	177,691
2039	140,548	462	42,344	257	-	-	-	-	572,669	163,938
2040	-	-	-	-	-	-	-	-	399,861	153,135
2041	-	-	-	-	-	-	-	-	411,050	141,946
2042	-	-	-	-	-	-	-	-	422,130	130,866
2043	-	-	-	-	-	-	-	-	433,514	119,482
2044	-	-	-	-	-	-	-	-	444,916	108,080
2045	-	-	-	-	-	-	-	-	457,214	95,782
2046	-	-	-	-	-	-	-	-	469,558	83,438
2047	-	-	-	-	-	-	-	-	482,238	70,758
2048	-	-	-	-	-	-	-	-	495,114	57,882
2049	-	-	-	-	-	-	-	-	508,647	44,349
2050	-	-	-	-	-	-	-	-	522,399	30,597
2051	-	-	-	-	-	-	-	-	408,326	17,653
2052	-	-	-	-	-	-	-	-	224,195	8,311
2053	-	-	-	-	-	-	-	-	121,947	3,732
2054	-	-	-	-	-	-	-	-	79,409	1,302
2055	-	-	-	-	-	-	-	-	4,075	9
	<u>\$ 4,937,044</u>	<u>\$ 561,054</u>	<u>\$ 893,432</u>	<u>\$ 121,589</u>	<u>\$ 330,389</u>	<u>\$ 16,520</u>	<u>\$ 826,552</u>	<u>\$ 43,399</u>	<u>\$ 27,648,461</u>	<u>\$ 7,749,633</u>

CITY OF FAYETTEVILLE, TENNESSEE  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
<u>Payable through General Government</u>									
<u>BONDS PAYABLE</u>									
General Obligation, Series 2013B	\$ 1,045,000	1.0% to 4.5%	10/1/2013	6/1/2033	\$ 830,000	\$ -	\$ 40,000	\$ -	\$ 790,000
General Obligation, Series 2014	2,000,000	2.0% to 3.5%	12/1/2014	6/1/2035	1,835,000	-	85,000	-	1,750,000
General Obligation, Series 2017	975,427	2.0% to 5.0%	9/28/2017	6/1/2025	975,427	-	115,635	-	859,792
Total Bonds Payable through General Government					<u>\$ 3,640,427</u>	<u>\$ -</u>	<u>\$ 240,635</u>	<u>\$ -</u>	<u>\$ 3,399,792</u>
<u>OTHER LOANS PAYABLE</u>									
Bank Capital Outlay Note	\$ 509,135	2.80%	5/2/2019	5/2/2022	\$ -	\$ 509,135	\$ 27,209	\$ -	\$ 481,926
Total Loans Payable through General Government					<u>\$ -</u>	<u>\$ 509,135</u>	<u>\$ 27,209</u>	<u>\$ -</u>	<u>\$ 481,926</u>
<u>Payable through Electric Department</u>									
<u>BONDS PAYABLE</u>									
Revenue Bonds, Series 2009	\$ 12,525,000	3.0% to 4.125%	8/28/2009	6/1/2024	\$ 4,250,000	\$ -	\$ 1,160,000	\$ -	\$ 3,090,000
Revenue Bonds, Series 2016	9,750,000	2.00%	5/27/2016	6/1/2028	9,690,000	-	30,000	-	9,660,000
Total Bonds Payable through Electric Department					<u>\$ 13,940,000</u>	<u>\$ -</u>	<u>\$ 1,190,000</u>	<u>\$ -</u>	<u>\$ 12,750,000</u>
<u>OTHER LOANS PAYABLE</u>									
USDA Rural Economic Development Loan	\$ 133,334	0.00%	11/30/2015	12/8/2022	\$ 84,106	\$ -	\$ 19,056	\$ -	\$ 65,050
Total Loans Payable through Electric Department					<u>\$ 84,106</u>	<u>\$ -</u>	<u>\$ 19,056</u>	<u>\$ -</u>	<u>\$ 65,050</u>
<u>Payable through Gas Department</u>									
<u>BONDS PAYABLE</u>									
General Obligation, Series 2017	\$ 2,209,015	2.0% to 5.0%	9/28/2017	6/1/2025	\$ 2,209,015	\$ -	\$ 299,196	\$ -	\$ 1,909,819
Total Bonds Payable through Gas Department					<u>\$ 2,209,015</u>	<u>\$ -</u>	<u>\$ 299,196</u>	<u>\$ -</u>	<u>\$ 1,909,819</u>
<u>Payable through Telecom Department</u>									
<u>BONDS PAYABLE</u>									
General Obligation, Series 2011	\$ 3,600,000	1.0% to 2.0%	12/20/2011	4/1/2020	\$ 695,000	\$ -	\$ 345,000	\$ -	\$ 350,000
Total Bonds Payable through Telecom Department					<u>\$ 695,000</u>	<u>\$ -</u>	<u>\$ 345,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>

**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE (CONTINUED)**  
June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
<u>Payable through Water Department</u>									
<b>BONDS PAYABLE</b>									
USDA Revenue & Tax Bond Series 2008	\$ 3,500,000	2.25%	9/19/2013	9/19/2050	\$ 3,193,784	\$ -	\$ 68,703	\$ -	\$ 3,125,081
USDA Revenue & Tax Bond Series 2009	4,980,000	3.00%	10/15/2014	10/15/2051	4,692,994	-	83,864	-	4,609,130
USDA Revenue & Tax Bond Series 2009A	2,623,000	2.50%	1/24/2015	11/30/2052	2,511,230	-	46,661	-	2,464,569
USDA Revenue & Tax Bond Series 2015	1,900,000	2.75%	7/20/2016	7/31/2054	1,844,117	-	30,378	-	1,813,739
General Obligation, Series 2017	665,558	5.00%	9/28/2017	6/1/2020	665,558	-	335,169	-	330,389
Total Bonds Payable through Water Department					\$ 12,907,683	\$ -	\$ 564,775	\$ -	\$ 12,342,908
 <b>OTHER LOANS PAYABLE</b>									
State Revolving Fund Loan (CW0)	\$ 972,360	1.17%	2/4/2013	7/20/2034	\$ 601,973	\$ -	\$ 34,212	\$ -	\$ 567,761
State Revolving Fund Loan (CG1)	4,300,000	1.17%	2/4/2013	3/20/2036	3,477,951	-	177,342	-	3,300,609
State Revolving Fund Loan (CG4)	4,000,000	1.38%	1/23/2015	4/20/2037	3,530,030	-	165,276	-	3,364,754
State Revolving Fund Loan (CG2)	1,700,000	1.38%	1/23/2015	10/20/2037	1,393,342	93,369	71,310	-	1,415,401
State Revolving Fund Loan (DWF)	5,050,000	1.12%	5/10/2016	12/20/2038	3,990,399	1,059,601	112,956	-	4,937,044
State Revolving Fund Loan (CW6)	1,000,000	1.31%	11/29/2017	4/20/2039	73,888	826,112	6,568	-	893,432
State Revolving Fund Loan (SRF)	3,000,000	1.31%	11/29/2017	(1)	-	518,478	-	-	518,478
TDOT Utility Relocation Loan	2,070,465	1.85%	8/22/2005	12/20/2024	968,012	-	141,460	-	826,552
Total Loans Payable through Water Department					\$ 14,035,595	\$ 2,497,560	\$ 709,124	\$ -	\$ 15,824,031
 <u>Payable through Sanitation Department</u>									
<b>OTHER LOANS PAYABLE</b>									
Bank Installment Note	\$ 205,000	2.50%	7/18/2017	7/18/2020	\$ 144,014	\$ -	\$ 68,169	\$ -	\$ 75,845
Total Loans Payable through Sanitation Department					\$ 144,014	\$ -	\$ 68,169	\$ -	\$ 75,845
 <u>Payable through Fayetteville City Schools</u>									
<b>BONDS PAYABLE</b>									
General Obligation Bonds, Series 2013	6,140,000	2.0%-3.25%	5/1/2013	6/1/1937	5,090,000	-	220,000	-	4,870,000
Total Bonds Payable through Fayetteville City Schools					\$ 5,090,000	\$ -	\$ 220,000	\$ -	\$ 4,870,000

(1) Total amount approved was \$3,000,000, of which \$2,481,522 remains available for draws as of June 30, 2019.

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

June 30, 2019

Residential

Customer Charge	\$23.40 per month
Energy Charge	7.654 cents per KWH
TVA Total Monthly Fuel Cost	1.871 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		8.836 cents per KWH
TVA Total Monthly Fuel Cost		1.842 cents per KWH

51 KW TO 1,000 KW

Customer Charge		\$225.00 per month
Demand Charge	First 50 KW	\$5.00 per KW
	Excess over 50 KW	\$16.24 per KW
Energy Charge	First 15,000 KWH	7.589 cents per KWH
	Additional KWH	4.391 cents per KWH
TVA Total Monthly Fuel Cost	First 15,000 KWH	1.842 cents per KWH
	Additional KWH	1.810 cents per KWH

1,001 KW TO 5,000 KW

Customer Charge		\$450.00 per month
Demand Charge	First 1,000 KW	\$17.26 per KW
	Excess over 1,000 KW	\$19.76 per KW
Energy Charge		4.374 cents per KWH.
TVA Total Monthly Fuel Cost		1.810 cents per KWH

Manufacturing Services

5,001 KW TO 15,000 KW

Customer Charge		\$1,850 per delivery point
Demand Charge	Onpeak	\$10.24 per KW
	Maximum	\$2.26 per KW
	Excess over Contract	\$10.24 per KW
Energy Charge	Onpeak	5.779 cents per KWH
	Offpeak first 200 hours	3.279 cents per KWH
	Offpeak next 200 hours	0.310 cents per KWH
	Offpeak additional KWH	0.055 cents per KWH
TVA Total Monthly Fuel Cost		1.671 cents per KWH

FAYETTEVILLE PUBLIC UTILITIES  
SCHEDULE OF GAS UTILITY RATES IN EFFECT  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

<u>Residential</u>		
Monthly minimum	\$	5.00
Per ccf consumed per month		1.05
<u>General Commercial and Industrial (average usage under 500 ccf per day)</u>		
Monthly minimum	\$	5.66
Per ccf consumed per month		1.10
<u>General Commercial and Industrial</u>		
Monthly minimum	\$	5.66
Per ccf consumed per month		0.990
<u>Housing Authority</u>		
Monthly minimum	\$	5.00
Per ccf consumed per month		0.971
<u>Interruptible Service</u>		
Per ccf consumed per month	\$	0.417
<u>Firm Industrial</u>		
Monthly minimum	\$	100.00
Per ccf consumed per month		0.567

*Note: ccf represents 100 cubic feet.*

FAYETTEVILLE PUBLIC UTILITIES  
SCHEDULE OF TELECOM RATES IN EFFECT  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

Cable TV Service

	\$ 30.87
Budget basic	68.00
Basic plus	80.62
Basic digital	87.09
Digital service with DVR only	82.72
Digital service with HD only	88.18
Complete digital package	
Digital Premium Channels	17.46
HBO	10.95
Cinemax	24.00
HBO/Cinemax package	14.95
Showtime/Movie channel/FLIX package	7.95
Encore	11.95
Encore/Starz package	
Additional Cable Equipment Available	7.50
Digital converter w/ remote	12.00
HD box	13.00
HD box with DVR	2.50
Cable card	4.00
Inside wire maintenance	

Internet Services

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

VOIP Phone Services

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



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

June 30, 2019

	<u>RESIDENTIAL</u>		<u>COMMERCIAL</u>				<u>WHOLESALE</u>	
	<u>Inside</u> <u>City</u>	<u>Outside</u> <u>City</u>	<u>Inside</u> <u>City</u>	<u>Outside</u> <u>City</u>	<u>Industrial</u>	<u>Frito Lay</u>	<u>With</u> <u>Contracts</u>	<u>Without</u> <u>Contracts</u>
<u>Water Rates</u>								
First 100 cubic feet	\$ 10.03	\$ 13.04	\$ 11.02	\$ 14.33	\$ 10.53	\$ 11.02	\$ 10.43	\$ 10.73
All over 100 cubic feet*	4.26	5.53						
Next 900 cubic feet*			4.70	6.11	4.47	4.70	4.37	4.67
All over 1,000 cubic feet*			3.43	4.48	3.38	N/A	3.28	3.58
Next 119,000 cubic feet*						3.75		
All over 120,000 cubic feet*						2.50		
<u>Wastewater Rates</u>								
First 100 cubic feet	15.84	18.22	18.05		18.05			
All over 100 cubic feet*	6.73	7.74	7.67		7.67			

\*Per 100 cubic feet

Number of water and wastewater customers at June 30,

	<u>2019</u>	<u>2018</u>
Water	4,658	4,635
Sewer	3,543	3,531

CITY OF FAYETTEVILLE, TENNESSEE  
SCHEDULE OF SANITATION RATES IN EFFECT

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

Residential

Per household  
Per apartment

\$ 14  
14

Each additional cart purchased is an additional \$10.

Commercial and Industrial

1 cart

Twice/wk  
Once/wk

38  
19

2 carts

Twice/wk  
Once/wk

68  
34

3 carts

Twice/wk  
Once/wk

98  
49

4 carts

Twice/wk  
Once/wk

128  
64

6 carts

Twice/wk  
Once/wk

188  
94

# SCHEDULE OF NUMBER OF UTILITY CUSTOMERS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

	June 30,	
	<u>2019</u>	<u>2018</u>
Electric	18,477	18,369
Gas	6,381	6,353
Telecom division -Cable	2,555	2,742
Telecom division -Internet	2,718	2,606
Telecom division -Phone	321	297
Water	4,658	4,635
Wastewater	3,543	3,531
Sanitation	2,720	2,699

# SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

<u>Year</u>	<u>Balance</u> <u>July 1, 2018</u>	<u>Taxes</u> <u>Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2019</u>
2019	\$ -	\$ 2,898,443	\$ -	\$ -	\$ 2,898,443
2018	2,884,704	-	(4,778)	(2,754,161)	125,765
2017	133,134	-	1,191	(115,537)	18,788
2016	14,589	-	-	(13,035)	1,554
2015	5,266	-	-	(1,537)	3,729
2014	3,883	-	-	(212)	3,671
2013	3,484	-	-	-	3,484
2012	2,533	-	-	(299)	2,234
2011	-	-	-	-	-
2010	-	-	-	-	-
	<u>\$ 3,047,593</u>	<u>\$ 2,898,443</u>	<u>\$ (3,587)</u>	<u>\$ (2,884,781)</u>	<u>3,057,668</u>
Less allowance for uncollectible taxes					(32,101)
Balance, end of year, net of allowance					<u>\$ 3,025,567</u>

All uncollectible real estate taxes for tax years prior to 2018 have been turned over to the Clerk and Master for collection.

DIRECTORY OF OFFICIALS  
CITY OF FAYETTEVILLE, TENNESSEE  
June 30, 2019

---

Mayor - Michael Whisenant, beginning November 27, 2018 (Jon Law, through November 27, 2018)

Board of Alderman

Dorothy Small - Vice Mayor

Danny Bryant

Gwen Shelton, through October 2018

Anna Catherine Osteen, through November 27, 2018

Violet Harry, through November 27, 2018

Michael Whisenant, through November 27, 2018

Donna Hartman, beginning November 27, 2018

Jeff Alder, beginning November 27, 2018

Tonya Allen, beginning November 27, 2018

Rachael Martinez, beginning November 27, 2018

City Administrator - Scott Collins

City Attorney - Johnny D. Hill, Jr.

City Judge - J. Rhea Thompson, III

City Finance Director - Stacy Rozell, CMFO \*

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, 2019**

---

During the year ended June 30, 2019, the government turned over \$50,934 of 2017 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, 2019

---

<u>Tax Year</u>	<u>Total Assessed Value</u>	<u>City Property Tax Rate</u>	<u>Levy</u>
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
2019	193,229,552	1.5000	2,898,443

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
CITY OF FAYETTEVILLE, TENNESSEE  
Year Ended June 30, 2019

<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	STP-M-3316(10)	\$ -	\$ 30,944
Total Highway Planning and Construction Cluster				-	30,944
Total Federal Awards				-	30,944
<u>State Financial Assistance</u>					
None				-	-
Total State Awards				-	-
Total Federal & State Awards				\$ -	\$ 30,944

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, 2019. 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  
Copyright © 2014. All Rights Reserved

? Click to access definition  
+ Click to add a comment

Water Audit Report for: **Fayetteville Public Utilities (0000242)**  
Reporting Year: **2019** **7/2018 - 6/2019**

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

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

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

## WATER SUPPLIED

Volume from own sources: + ? 10 698.001 MG/Yr  
Water imported: + ? n/a 0.000 MG/Yr  
Water exported: + ? 10 98.623 MG/Yr

WATER SUPPLIED: 593.630 MG/Yr

## Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' -----  
Pcnt: 7 0.79% Value: MG/Yr  
+ ? 7 0.79% MG/Yr  
+ ? 5 -0.28% MG/Yr

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

## AUTHORIZED CONSUMPTION

Billed metered: + ? 10 436.360 MG/Yr  
Billed unmetered: + ? n/a 0.000 MG/Yr  
Unbilled metered: + ? 10 7.207 MG/Yr  
Unbilled unmetered: + ? 10 20.098 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 463.665 MG/Yr

Click here: ?  
for help using option  
buttons below

Pcnt: 1.25% Value: 20.098 MG/Yr

Use buttons to select  
percentage of water supplied  
OR  
value

## WATER LOSSES (Water Supplied - Authorized Consumption)

129.965 MG/Yr

## Apparent Losses

Unauthorized consumption: + ? 1.484 MG/Yr

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

Customer metering inaccuracies: + ? 8 9.052 MG/Yr

Systematic data handling errors: + ? 1.091 MG/Yr

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

Apparent Losses: 11.627 MG/Yr

Pcnt: 0.25% Value: MG/Yr

2.00% MG/Yr  
0.25% MG/Yr

## Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 118.338 MG/Yr

WATER LOSSES: 129.965 MG/Yr

## NON-REVENUE WATER

NON-REVENUE WATER: 157.270 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

## SYSTEM DATA

Length of mains: + ? 9 144.4 miles  
Number of active AND inactive service connections: + ? 9 5,174  
Service connection density: 36 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: + ? 6 74.5 psi

## COST DATA

Total annual cost of operating water system: + ? 10 \$3,557,347 \$/Year  
Customer retail unit cost (applied to Apparent Losses): + ? 10 \$4.12 \$/100 cubic feet (ccf)  
Variable production cost (applied to Real Losses): + ? 10 \$385.93 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

## WATER AUDIT DATA VALIDITY SCORE:

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

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

## PRIORITY AREAS FOR ATTENTION:

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

1: Unauthorized consumption

2: Systematic data handling errors

3: Customer metering inaccuracies





## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0  
American Water Works Association  
Copyright © 2014, All Rights Reserved.

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

Reporting Year: **2019** **7/2018 - 6/2019**

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

### System Attributes:

Apparent Losses:	11.627	MG/Yr
+ Real Losses:	118.338	MG/Yr
= <b>Water Losses:</b>	<b>129.965</b>	<b>MG/Yr</b>

? Unavoidable Annual Real Losses (UARL): 42.35 MG/Yr

Annual cost of Apparent Losses: \$64,039

Annual cost of Real Losses: \$45,670

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: 26.5%

Non-revenue water as percent by cost of operating system: 3.4% Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 6.16 gallons/connection/day

Real Losses per service connection per day: 62.66 gallons/connection/day

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

Real Losses per service connection per day per psi pressure: 0.84 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 118.34 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.79

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

**INTERNAL CONTROL AND COMPLIANCE SECTION**

**PUTMAN & HANCOCK**  
*Certified Public Accountants*

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

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

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

Board of Mayor and Aldermen  
City of Fayetteville  
Fayetteville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Fayetteville, Tennessee's basic financial statements, and have issued our report thereon dated December 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**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 responses. 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  
December 17, 2019

## SCHEDULE OF FINDINGS AND RESPONSES

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2019

---

#### 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

Michael Whisenant, Mayor  
Dorothy Small, Vice Mayor  
Scott Collins, City Administrator

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



Alderman:  
Jeff Alder  
Tonya Allen  
Danny Bryant  
Donna Hartman  
Rachael Martinez

110 Elk Avenue South     *"Where Tradition Meets Tomorrow"*  
Fayetteville, TN 37334     [www.fayettevilletn.com](http://www.fayettevilletn.com)

## MANAGEMENT'S CORRECTIVE ACTION PLAN For the Fiscal Year Ended June 30, 2019

The City of Fayetteville, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2019.

### NONCOMPLIANCE

#### Finding 2018-001

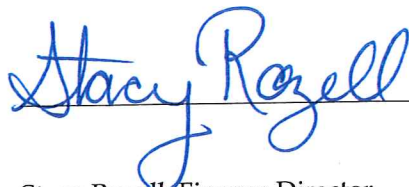

*Condition and Criteria:* We noted the City's Housing and Community Development function had actual expenditures in excess of budgeted expenditures.

*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.

Stacy Rozell, Finance Director

December 17, 2019

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE

For the Fiscal Year Ended June 30, 2019

---

Financial Statement Findings

Finding Number	Finding Title	Status
2018-001	Budgets	Repeated

Federal Award Findings and Questioned Costs

Not applicable