

**AUDITED FINANCIAL STATEMENTS**

**CITY OF**

**FAYETTEVILLE, TENNESSEE**

**Year Ended June 30, 2020**

CITY OF FAYETTEVILLE, TENNESSEE

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INDEPENDENT AUDITORS' REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the School General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

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

### ***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020 on our consideration of the City of Fayetteville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fayetteville, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fayetteville, Tennessee's internal control over financial reporting and compliance.

***Putman & Hancock, CPAs***

Fayetteville, Tennessee  
November 18, 2020

# City of Fayetteville

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## MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended June 30, 2020

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, 2020. 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	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 27,135,367	\$ 29,525,910	\$ 46,222,180	\$ 45,889,155	\$ 73,357,547	\$ 75,415,065
Capital assets	29,979,676	26,938,585	123,997,257	120,968,487	153,976,933	147,907,072
Total assets	57,115,043	56,464,495	170,219,437	166,857,642	227,334,480	223,322,137
Total deferred outflows of resources	3,231,732	3,310,097	457,946	519,716	3,689,678	3,829,813
Long-term liabilities outstanding	10,932,686	11,717,702	44,784,902	46,160,444	55,717,588	57,878,146
Other liabilities	1,717,560	1,448,880	7,685,568	7,883,587	9,403,128	9,332,467
Total liabilities	12,650,246	13,166,582	52,470,470	54,044,031	65,120,716	67,210,613
Total deferred inflows of resources	5,675,697	4,858,010	-	-	5,675,697	4,858,010
Net position						
Net investment in capital assets	21,758,287	18,066,141	82,278,304	77,766,418	104,036,591	95,832,559
Restricted	10,922,168	12,819,761	3,193,388	3,200,315	14,115,556	16,020,076
Unrestricted	9,340,377	10,864,098	32,735,221	32,366,594	42,075,598	43,230,692
Total net position	\$ 42,020,832	\$ 41,750,000	\$ 118,206,913	\$ 113,333,327	\$ 160,227,745	\$ 155,083,327

Net position of the City's governmental activities increased 0.65 percent in the fiscal year 2020. Net position of the City's business-type activities increased 4.30 percent in the fiscal year 2020.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues:						
Charges for services	\$ 652,668	\$ 802,372	\$ 64,661,331	\$ 67,072,796	\$ 65,313,999	\$ 67,875,168
Operating grants and contributions	10,991,645	10,964,049	-	-	10,991,645	10,964,049
Capital grants and contributions	815,863	9,220,373	584,158	492,378	1,400,021	9,712,751
General revenues:						
Property taxes	4,109,196	4,135,157	-	-	4,109,196	4,135,157
Other taxes	6,254,271	6,182,722	-	-	6,254,271	6,182,722
Other general revenues	349,303	237,334	379,695	157,526	728,998	394,860
Total revenues	23,172,946	31,542,007	65,625,184	67,722,700	88,798,130	99,264,707
Program Expenses:						
General government	1,452,359	1,155,431	-	-	1,452,359	1,155,431
Public safety	5,277,358	4,925,772	-	-	5,277,358	4,925,772
Recreation	802,899	826,505	-	-	802,899	826,505
Highways and streets	1,495,716	1,729,722	-	-	1,495,716	1,729,722
Sanitation	-	-	547,611	469,019	547,611	469,019
Housing and community developmen	929,582	863,532	-	-	929,582	863,532
Garage	200,461	162,939	-	-	200,461	162,939
Education	14,302,239	13,346,050	-	-	14,302,239	13,346,050
Debt issuance costs	-	-	-	-	-	-
Interest on long-term debt	236,253	241,254	-	-	236,253	241,254
Electric, telecom, water and gas	-	-	58,409,234	59,850,111	58,409,234	59,850,111
Total expenses	24,696,867	23,251,205	58,956,845	60,319,130	83,653,712	83,570,335
Excess (deficiency) before transfers	(1,523,921)	8,290,802	6,668,339	7,403,570	5,144,418	15,694,372
Transfers	1,794,753	1,751,154	(1,794,753)	(1,751,154)	-	-
Increase in net position	\$ 270,832	\$ 10,041,956	\$ 4,873,586	\$ 5,652,416	\$ 5,144,418	\$ 15,694,372

The City's total revenues decreased 10.54 percent from the fiscal year ended June 30, 2020 to the fiscal year June 30, 2020, while total expenses increased 0.10 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, 2020 and 2019. The net costs show the financial burden that was placed on the City's taxpayers by each of these functions before general revenues by source listed below.

#### Total Costs and Net Expenditures By Function

	Total Costs of Services		Net Costs of Services	
	2020	2019	2020	2019
General government	\$ 1,452,359	\$ 1,155,431	\$ 584,153	\$ 267,870
Public safety	5,277,358	4,925,772	4,506,488	4,189,067
Recreation	802,899	826,505	549,976	746,522
Highways and street	1,495,716	1,729,722	1,228,428	1,456,295
Housing and community development	929,582	863,532	929,582	863,532
Garage	200,461	162,939	200,461	162,939
Education	14,302,239	13,346,050	4,001,350	(5,663,068)
Interest on long-term debt	236,253	241,254	236,253	241,254
Total Net Expenditures	<u>\$ 24,696,867</u>	<u>\$ 23,251,205</u>	<u>\$ 12,236,691</u>	<u>\$ 2,264,411</u>

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2020 and 2019. These revenues are required to cover the net cost of services listed above.

#### Revenues by Source

	2020	2019
Property taxes	\$ 4,109,196	\$ 4,135,157
In lieu of taxes	490,877	509,150
Sales taxes	3,820,379	3,723,120
Alcoholic beverage taxes	590,348	554,834
Other local taxes	480,952	493,041
Other state taxes	871,715	902,577
Other	118,486	115,968
Unrestricted investment earnings	185,697	126,263
Gain (loss) on sale of assets	45,120	(4,897)
Transfers	1,794,753	1,751,154
Total General Revenues and Transfers	<u>\$ 12,507,523</u>	<u>\$ 12,306,367</u>

### Proprietary Funds

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

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

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

#### Fiscal Year Ended June 30, 2019

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%

## CAPITAL ASSETS

As of June 30, 2020, the City has \$154 million invested in capital assets (after depreciation) including police and fire equipment, buildings, park facilities, street and sanitation equipment, roads, bridges and other infrastructure, and water, sewer, gas, electric, telecommunication lines and equipment. This represents a net increase of \$6,069,861 or 4.10 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2020 and 2019, for governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,043,380	\$ 3,672,030	\$ 1,098,495	\$ 1,098,495	\$ 5,141,875	\$ 4,770,525
Buildings	21,951,603	21,671,099	10,042,729	10,016,536	31,994,332	31,687,635
Improvements other than buildings	2,648,831	2,614,690	-	-	2,648,831	2,614,690
Machinery and equipment	11,067,261	10,070,522	183,180,112	179,503,370	194,247,373	189,573,892
Infrastructure	6,843,742	6,743,961	741,060	694,077	7,584,802	7,438,038
Total plant and equipment in service	46,554,817	44,772,302	195,062,396	191,312,478	241,617,213	236,084,780
Construction work in progress	2,928,500	538,275	7,448,323	4,066,839	10,376,823	4,605,114
	49,483,317	45,310,577	202,510,719	195,379,317	251,994,036	240,689,894
Less accumulated depreciation	(19,503,641)	(18,371,992)	(78,513,462)	(74,410,830)	(98,017,103)	(92,782,822)
	\$ 29,979,676	\$ 26,938,585	\$ 123,997,257	\$ 120,968,487	\$ 153,976,933	\$ 147,907,072

Debt, considered a liability of governmental and business-type activities, decreased in fiscal year 2020 by \$2,172,622.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Bonds						
General Obligation	\$ 7,797,275	\$ 8,269,792	\$ 1,602,725	\$ 2,590,208	\$ 9,400,000	\$ 10,860,000
Revenue	-	-	23,305,773	24,762,518	23,305,773	24,762,518
Deferred amounts	102,505	113,744	246,817	333,003	349,322	446,747
Total Bonds	7,899,780	8,383,536	25,155,315	27,685,729	33,055,095	36,069,265
Loans						
Capital Outlay Note	315,818	481,926			315,818	481,926
Tennessee utility relocation loan	-	-	682,452	826,552	682,452	826,552
Tennessee revolving fund loan	-	-	16,198,247	14,997,479	16,198,247	14,997,479
US Bank sanitation truck loan	-	-	5,915	75,845	5,915	75,845
RUS economic development loan	-	-	45,994	65,049	45,994	65,049
Total Loans	315,818	481,926	16,932,608	15,964,925	17,248,426	16,446,851
Postemployment benefit obligation	1,862,824	1,463,099	1,531,743	1,574,010	3,394,567	3,037,109
Advances from TVA	-	-	228,271	343,317	228,271	343,317
Compensated absences	651,757	653,157	1,035,979	703,541	1,687,736	1,356,698
Net pension liability	52,676	586,153	-	-	52,676	586,153
Landfill postclosure costs	149,831	149,831	-	-	149,831	149,831
Totals	\$ 10,932,686	\$ 11,717,702	\$ 44,883,916	\$ 46,271,522	\$ 55,816,602	\$ 57,989,224

## 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 the Certificate of Completion as required by Tennessee Department of Transportation (TDOT) was signed August 27, 2020 confirming the completion of the project. During Fiscal year 2020, the City continued to move forward on the funded Phase II of the Greenway and received funding for Phase III (Camp Blount Riverwalk) with a contract dated October 1, 2019 with TDOT. The Phase II segment of the City Greenway/Blueway Master Plan has continued to experience delays due to additional archaeology studies required by TDOT Archaeology. However, Phase II is expected to be under construction and completed during the FY 2021-2022. In addition, the Board of Mayor and Aldermen moved to implement two progressive actions with the Downtown Master Plan and the Branding Initiative. Although initiated in FY 2019, the programs will be implemented in phases and will not conclude until 2020 and beyond. A high priority of the City continues with the development of Camp Blount along the banks of the Elk River, as well as phased implementation of the Branding Initiative in an effort to attract more tourism dollars. Furthermore, the direct appropriation of \$500,000 from the Tennessee State Budget allowed for construction to begin on the Camp Blount Historic Site during Fiscal Year 2020 with a projected Phase I opening in October 2020.

As the City closed fiscal year 2020, 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 2020 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 2020 budget due to pay increases for employees and job reclassification adjustments. Residential and commercial building has continued to increase within the City limits. With the phased implementation of the Branding Initiative and the Downtown Master Plan, additional growth is expected to continue. However, it remains to be seen what impact coronavirus (COVID-19) will have on the City's financial outlook. As of June 30, 2020, sales taxes were remaining stable and experiencing slight increases. 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, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,705,320	\$ 33,279,201	\$ 53,984,521
Receivables	4,566,895	6,433,965	11,000,860
Internal balances	65,151	(65,151)	-
Inventory	31,849	1,560,806	1,592,655
Prepaid expenses	15,675	990,526	1,006,201
Restricted assets	-	3,268,759	3,268,759
Restricted asset - TCRS stabilization reserve trust	59,468	-	59,468
Net pension asset - teacher retirement plan	66,729	-	66,729
Net pension asset - teacher legacy plan	1,624,280	-	1,624,280
Other assets	-	754,074	754,074
Capital assets (net of accumulated depreciation)			
Land	4,043,380	1,098,495	5,141,875
Buildings and improvements	14,600,028	7,294,331	21,894,359
Machinery and equipment	4,430,620	108,142,098	112,572,718
Infrastructure	3,977,148	14,010	3,991,158
Construction in progress	2,928,500	7,448,323	10,376,823
TOTAL ASSETS	<u>57,115,043</u>	<u>170,219,437</u>	<u>227,334,480</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB	1,066,116	16,775	1,082,891
Deferred outflows related to pensions	2,165,616	-	2,165,616
Excess consideration provided for acquisition	-	118,195	118,195
Deferred charge on refunding	-	322,976	322,976
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,231,732</u>	<u>457,946</u>	<u>3,689,678</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,656,437	5,210,293	6,866,730
Accrued interest payable	18,793	35,625	54,418
Unearned revenue	42,330	-	42,330
Deposits	-	2,439,650	2,439,650
Noncurrent liabilities:			
Due in one year	924,506	3,382,434	4,306,940
Due in more than one year	10,008,180	41,402,468	51,410,648
TOTAL LIABILITIES	<u>12,650,246</u>	<u>52,470,470</u>	<u>65,120,716</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	2,939,715	-	2,939,715
Deferred inflows related to pensions	2,316,440	-	2,316,440
Deferred inflows related to OPEB	413,751	-	413,751
Deferred credit on refunding	5,791	-	5,791
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,675,697</u>	<u>-</u>	<u>5,675,697</u>
<b>NET POSITION</b>			
Net investment in capital assets	21,758,287	82,278,304	104,036,591
Restricted for:			
Debt service	-	2,399,290	2,399,290
TCRS stabilization reserve trust	59,468	-	59,468
Teacher retirement plan pension	66,729	-	66,729
Teacher legacy plan pension	1,624,280	-	1,624,280
Improvements and construction	-	794,098	794,098
Drug education and enforcement	64,465	-	64,465
Capital projects	417,715	-	417,715
Education	8,689,511	-	8,689,511
Unrestricted	9,340,377	32,735,221	42,075,598
TOTAL NET POSITION	<u>\$ 42,020,832</u>	<u>\$ 118,206,913</u>	<u>\$ 160,227,745</u>

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

STATEMENT OF ACTIVITIES  
CITY OF FAYETTEVILLE, TENNESSEE  
For the year ended June 30, 2020

Function/ Program	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<u>Governmental activities:</u>							
General government	\$ 1,452,359	\$ 317,432	\$ 2,000	\$ 548,774	\$ (584,153)	\$ -	\$ (584,153)
Public safety	5,277,358	75,765	666,182	28,923	(4,506,488)	-	(4,506,488)
Recreation	802,899	39,423	-	213,500	(549,976)	-	(549,976)
Highways and streets	1,495,716	-	242,622	24,666	(1,228,428)	-	(1,228,428)
Housing and community development	929,582	-	-	-	(929,582)	-	(929,582)
Garage	200,461	-	-	-	(200,461)	-	(200,461)
Education	14,302,239	220,048	10,080,841	-	(4,001,350)	-	(4,001,350)
Interest on long-term debt	236,253	-	-	-	(236,253)	-	(236,253)
Total governmental activities	24,696,867	652,668	10,991,645	815,863	(12,236,691)	-	(12,236,691)
<u>Business-type activities:</u>							
Electric	43,108,156	46,910,320	-	515,414	-	4,317,578	4,317,578
Gas	5,743,427	6,678,919	-	8,219	-	943,711	943,711
Telecom	4,080,231	4,671,636	-	50,761	-	642,166	642,166
Water and sewer	5,477,420	5,847,302	-	9,764	-	379,646	379,646
Sanitation	547,611	553,154	-	-	-	5,543	5,543
Total business-type activities	58,956,845	64,661,331	-	584,158	-	6,288,644	6,288,644
Total Government	\$ 83,653,712	\$ 65,313,999	\$ 10,991,645	\$ 1,400,021	(12,236,691)	6,288,644	(5,948,047)
General revenues:							
Property taxes					4,109,196	-	4,109,196
Business taxes					268,310	-	268,310
In lieu of tax					490,877	-	490,877
Sales taxes					3,820,379	-	3,820,379
Occupancy taxes					96,574	-	96,574
Alcoholic beverage taxes					590,348	-	590,348
Franchise taxes					115,557	-	115,557
Other local taxes					511	-	511
State shared revenues					871,715	-	871,715
Other					118,486	-	118,486
Gain on sale of capital assets					45,120	24,780	69,900
Unrestricted investment earnings					185,697	354,915	540,612
Transfers					1,794,753	(1,794,753)	-
Total general revenues and transfers					12,507,523	(1,415,058)	11,092,465
Change in net position					270,832	4,873,586	5,144,418
Net position - beginning					41,750,000	113,333,327	155,083,327
Net position - ending					\$ 42,020,832	\$ 118,206,913	\$ 160,227,745

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2020**

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>Assets:</b>					
Cash	\$ 8,217,344	\$ 4,854,907	\$ 5,604,653	\$ 2,028,416	\$ 20,705,320
Receivables	3,205,111	292	-	110,505	3,315,908
Due from other funds	78,708	3,783	-	258,555	341,046
Due from other governments	948,952	300,459	-	1,576	1,250,987
Inventory	16,662	-	-	15,187	31,849
Prepaid expenses	10,738	4,937	-	-	15,675
Restricted assets - TCRS stabilization reserve trust	-	59,468	-	-	59,468
<b>TOTAL ASSETS</b>	<b>\$ 12,477,515</b>	<b>\$ 5,223,846</b>	<b>\$ 5,604,653</b>	<b>\$ 2,414,239</b>	<b>\$ 25,720,253</b>
<b>Liabilities:</b>					
Accounts payable	\$ 120,030	\$ 8,887	\$ 93,744	\$ 459,337	\$ 681,998
Other accrued expenses	115,115	859,324	-	-	974,439
Due to other funds	258,569	-	-	17,326	275,895
Unearned revenue	-	-	-	42,330	42,330
<b>TOTAL LIABILITIES</b>	<b>493,714</b>	<b>868,211</b>	<b>93,744</b>	<b>518,993</b>	<b>1,974,662</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - state and local taxes	358,364	124,481	-	-	482,845
Unavailable revenue - property taxes	3,049,081	-	-	-	3,049,081
Unavailable revenue - other	204,890	-	-	-	204,890
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,612,335</b>	<b>124,481</b>	<b>-</b>	<b>-</b>	<b>3,736,816</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory and prepayments	27,400	-	-	15,187	42,587
<b>Restricted:</b>					
TCRS stabilization reserve trust	-	59,468	-	-	59,468
Capital projects	-	-	-	417,715	417,715
Education	-	-	5,510,909	-	5,510,909
Public safety	-	-	-	64,465	64,465
Career ladder	-	3,864	-	-	3,864
<b>Committed:</b>					
Education	-	-	-	80,000	80,000
<b>Assigned:</b>					
Budget reserve	209,751	-	-	-	209,751
Industrial park	-	-	-	1,674	1,674
Capital projects	-	-	-	754,485	754,485
Education	-	4,167,822	-	265,234	4,433,056
Debt service	-	-	-	296,486	296,486
<b>Unassigned</b>	<b>8,134,315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,134,315</b>
<b>TOTAL FUND BALANCES</b>	<b>8,371,466</b>	<b>4,231,154</b>	<b>5,510,909</b>	<b>1,895,246</b>	<b>20,008,775</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,477,515</b>	<b>\$ 5,223,846</b>	<b>\$ 5,604,653</b>	<b>\$ 2,414,239</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.	29,979,676
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	797,101
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.	(1,210,459)
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.	1,487,509
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,041,770)
Net position of governmental activities	<u>\$ 42,020,832</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, 2020**

	General	School General	School Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 2,873,714	\$ -	\$ -	\$ -	\$ 2,873,714
Business	269,043	-	-	-	269,043
Wholesale beer	335,471	-	-	-	335,471
Alcoholic beverage	198,714	-	-	-	198,714
Sales	2,680,208	-	-	-	2,680,208
Occupancy	96,574	-	-	-	96,574
Tax equivalency	490,877	-	-	-	490,877
Licenses and permits	40,414	-	-	-	40,414
Fines	54,254	-	-	21,511	75,765
Franchise fees	114,731	-	-	-	114,731
Intergovernmental	1,750,952	10,892,715	-	2,172,236	14,815,903
Charges for services and use of property	277,018	126,884	-	94,377	498,279
Investment earnings	23,191	55,296	104,608	2,602	185,697
Recreation activities	39,423	-	-	-	39,423
Other revenue	54,881	3,632	-	-	58,513
<b>TOTAL REVENUES</b>	<b>9,299,465</b>	<b>11,078,527</b>	<b>104,608</b>	<b>2,290,726</b>	<b>22,773,326</b>
<b>EXPENDITURES</b>					
Current					
General government	1,250,354	-	-	3,594	1,253,948
Public safety	5,374,978	-	-	21,810	5,396,788
Recreation	692,103	-	-	-	692,103
Highways and streets	1,528,091	-	-	-	1,528,091
Housing and community development	1,036,195	-	-	-	1,036,195
Garage	199,696	-	-	-	199,696
Education	-	11,985,149	-	1,655,423	13,640,572
Debt service					
Principal	-	-	225,000	413,624	638,624
Interest	-	-	133,400	116,376	249,776
Capital outlay	-	8,394	1,937,138	1,883,524	3,829,056
<b>TOTAL EXPENDITURES</b>	<b>10,081,417</b>	<b>11,993,543</b>	<b>2,295,538</b>	<b>4,094,351</b>	<b>28,464,849</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(781,952)</b>	<b>(915,016)</b>	<b>(2,190,930)</b>	<b>(1,803,625)</b>	<b>(5,691,523)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,303,637	897,626	-	809,544	4,010,807
Transfers out	(1,707,170)	-	-	(508,884)	(2,216,054)
Insurance proceeds	73,598	26,080	-	-	99,678
Proceeds from disposition of capital assets and surplus equipment	8,168	591	-	-	8,759
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>678,233</b>	<b>924,297</b>	<b>-</b>	<b>300,660</b>	<b>1,903,190</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(103,719)</b>	<b>9,281</b>	<b>(2,190,930)</b>	<b>(1,502,965)</b>	<b>(3,788,333)</b>
Fund balance - beginning	8,475,185	4,221,873	7,701,839	3,398,211	23,797,108
Fund balance - ending	<u>\$ 8,371,466</u>	<u>\$ 4,231,154</u>	<u>\$ 5,510,909</u>	<u>\$ 1,895,246</u>	<u>\$ 20,008,775</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, 2020**

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

Net change in fund balances - total governmental funds	\$ (3,788,333)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,820,665
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The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.	220,426
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	34,220
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	651,055
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense attributable to the current period is derived from the actuarial present value of the projected benefit payments less the amount of the fiduciary plan's net position. This amount is the difference in the treatment of pensions and related items.	489,027
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Governmental funds report health insurance contributions including any implicit subsidies for retirees (OPEB) as expenditures. However, in the statement of activities, OPEB expense attributable to the current period is derived from the actuarial present value of the projected benefit payments. This amount is the difference in the treatment of OPEB and related items.	(158,720)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	2,492
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Change in net position of governmental activities	<u>\$ 270,832</u>
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The accompanying notes are an integral part of this financial statement.

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash for general use	\$ 25,829,315	\$ 45,533	\$ 25,874,848
Accounts receivable	5,636,605	44,044	5,680,649
Other receivables	753,316	-	753,316
Due from other funds	-	14	14
Inventories	1,560,806	-	1,560,806
Prepaid expenses	990,526	-	990,526
Total current assets	34,770,568	89,591	34,860,159
Special and Restricted Funds	10,673,112	-	10,673,112
Capital Assets, net of accumulated depreciation	123,308,856	688,401	123,997,257
Other Assets	754,074	-	754,074
TOTAL ASSETS	169,506,610	777,992	170,284,602
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Excess consideration provided for acquisition	118,195	-	118,195
Deferred outflows related to OPEB	16,775	-	16,775
Deferred charges on refunding	322,976	-	322,976
TOTAL DEFERRED OUTFLOWS OF RESOURCES	457,946	-	457,946
<u>LIABILITIES</u>			
Current Liabilities			
Current maturities of long-term debt			
payable from current assets	2,616,018	5,915	2,621,933
Accounts payable	4,314,101	19,720	4,333,821
Due to other funds	-	65,165	65,165
Customer deposits	2,439,650	-	2,439,650
Accrued interest	35,625	-	35,625
Other accrued liabilities	1,508,152	1,772	1,509,924
Total current liabilities	10,913,546	92,572	11,006,118
Other Liabilities			
Advances from TVA	151,173	-	151,173
Long-term debt payable from special funds	127,049	-	127,049
OPEB liabilities, net	1,509,827	-	1,509,827
Compensated absences	382,914	19,613	402,527
Total other liabilities	2,170,963	19,613	2,190,576
Long-term debt	39,338,941	-	39,338,941
TOTAL LIABILITIES	52,423,450	112,185	52,535,635
<u>NET POSITION</u>			
Net investment in capital assets	81,595,818	682,486	82,278,304
Restricted for debt service	2,399,290	-	2,399,290
Restricted for operation, maintenance, and asset management	794,098	-	794,098
Unrestricted (deficit)	32,751,900	(16,679)	32,735,221
TOTAL NET POSITION	\$ 117,541,106	\$ 665,807	\$ 118,206,913

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, 2020**

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Funds	Totals
<b><u>OPERATING REVENUES</u></b>			
Charges for services	\$ 61,873,045	\$ 552,144	\$ 62,425,189
Other	1,461,707	1,010	1,462,717
TOTAL OPERATING REVENUE	<u>63,334,752</u>	<u>553,154</u>	<u>63,887,906</u>
<b><u>OPERATING EXPENSES</u></b>			
Cost of utility services	40,777,733	-	40,777,733
Pumping, distribution and collection	5,191,885	458,187	5,650,072
Customer billing and collecting	1,544,147	-	1,544,147
General and administrative	2,492,276	-	2,492,276
Taxes and tax equivalents	504,831	-	504,831
Provision for depreciation	5,942,249	47,265	5,989,514
Other	380,962	41,048	422,010
TOTAL OPERATING EXPENSES	<u>56,834,083</u>	<u>546,500</u>	<u>57,380,583</u>
INCOME FROM OPERATIONS	<u>6,500,669</u>	<u>6,654</u>	<u>6,507,323</u>
<b><u>OTHER INCOME AND EXPENSE</u></b>			
Interest income	354,871	44	354,915
Interest expense	(891,662)	(1,111)	(892,773)
Amortization	(11,221)	-	(11,221)
Debt issuance costs	(26,000)	-	(26,000)
Gain on disposition of assets	24,780	-	24,780
Miscellaneous	127,157	-	127,157
Other Income (Expense) -net	<u>(422,075)</u>	<u>(1,067)</u>	<u>(423,142)</u>
Income before contributions and transfers	6,078,594	5,587	6,084,181
Capital contributions	584,158	-	584,158
Transfers out	<u>(1,684,753)</u>	<u>(110,000)</u>	<u>(1,794,753)</u>
CHANGE IN NET POSITION	<u>4,977,999</u>	<u>(104,413)</u>	<u>4,873,586</u>
TOTAL NET POSITION, BEGINNING OF YEAR	112,563,107	770,220	113,333,327
TOTAL NET POSITION, END OF YEAR	<u>\$ 117,541,106</u>	<u>\$ 665,807</u>	<u>\$ 118,206,913</u>

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (including other funds)	\$ 64,289,556	\$ 551,974	\$ 64,841,530
Other operating cash receipts	86,302	-	86,302
Payments to suppliers and others	(44,629,500)	(511,045)	(45,140,545)
Payments to employees	(4,761,136)	(59,509)	(4,820,645)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	14,985,222	(18,580)	14,966,642
<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	(1,684,753)	(110,000)	(1,794,753)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,684,753)	(110,000)	(1,794,753)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to capital assets, net	(9,826,295)	-	(9,826,295)
Removal costs of capital assets	(363,753)	-	(363,753)
Materials salvaged from retirement of capital assets	27,253	-	27,253
Proceeds from disposal of assets	190,865	-	190,865
Capital contributions received	544,349	-	544,349
Long-term borrowings, net	1,918,242	-	1,918,242
Borrowings repaid	(3,331,803)	(69,930)	(3,401,733)
Interest paid, net	(903,696)	(1,111)	(904,807)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(11,744,838)	(71,041)	(11,815,879)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	358,034	44	358,078
NET CASH PROVIDED BY INVESTING ACTIVITIES	358,034	44	358,078
INCREASE (DECREASE) IN CASH, NET	1,913,665	(199,577)	1,714,088
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	34,588,762	245,110	34,833,872
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 36,502,427	\$ 45,533	\$ 36,547,960
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Income from operations	\$ 6,500,669	\$ 6,654	\$ 6,507,323
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	6,405,263	47,265	6,452,528
Miscellaneous	127,157	-	127,157
Loss on disallowance of plant	515,414	-	515,414
Conservation loans collected - customers	135,858	-	135,858
Conservation advances repaid to TVA	(143,794)	-	(143,794)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	758,273	(1,180)	757,093
Inventories	124,201	-	124,201
Prepaid expenses and other assets	468,872	-	468,872
Accounts payable	(327,308)	1,532	(325,776)
Accrued employee benefits	(27,915)	-	(27,915)
Customer deposits	89,421	-	89,421
Due to / from other funds, net	-	(76,765)	(76,765)
Other current liabilities and compensated absences	359,111	3,914	363,025
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 14,985,222	\$ (18,580)	\$ 14,966,642
<b>SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:</b>			
Series 2009 general obligation bonds refunded	\$ (3,090,000)		
Series 2019 bond proceeds used to refund Series 2009 bonds	3,116,000		
Series 2019 bond issuance costs	(26,000)		

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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes				
Property	\$ 3,381,383	\$ 3,066,383	\$ 2,873,714	\$ (192,669)
Business	250,000	250,000	269,043	19,043
Wholesale beer	323,000	323,000	335,471	12,471
Alcoholic beverage	162,500	162,500	198,714	36,214
Sales	2,700,000	2,700,000	2,680,208	(19,792)
Tax equivalency	121,000	488,000	490,877	2,877
Occupancy	102,000	102,000	96,574	(5,426)
Licenses and permits	54,900	54,900	40,414	(14,486)
Fines	88,000	88,000	54,254	(33,746)
Franchise fees	110,000	117,000	114,731	(2,269)
Intergovernmental				
State sales tax allocation	600,000	600,000	618,308	18,308
State income tax allocation	15,000	15,000	23,456	8,456
State beer tax allocation	3,400	3,400	3,198	(202)
State mixed drink tax allocation	8,700	14,200	17,681	3,481
State gasoline and motor fuel tax	201,477	201,477	185,162	(16,315)
State gasoline and motor fuel tax (Gas 1989)	21,509	21,509	19,767	(1,742)
State gasoline and motor fuel tax (Gas 3 Cent)	39,854	39,854	36,627	(3,227)
State gas and motor fuel tax (Petroleum Special)	13,700	13,700	13,554	(146)
State excise tax allocation	80,000	88,000	88,165	165
State TVA in-lieu of tax	80,600	80,600	84,020	3,420
Lincoln County Emergency Communications	614,000	614,000	648,748	34,748
State and federal grants	-	-	12,266	12,266
Charges for services and use of property	343,280	343,280	277,018	(66,262)
Investment earnings	12,000	12,000	23,191	11,191
Recreation activities	59,000	59,000	39,423	(19,577)
Other revenue	51,250	58,250	54,881	(3,369)
<b>TOTAL REVENUES</b>	<b>9,436,553</b>	<b>9,516,053</b>	<b>9,299,465</b>	<b>(216,588)</b>
Expenditures:				
General government				
Salaries	649,964	658,589	650,679	7,910
Supplies	17,403	20,238	23,106	(2,868)
Utilities	41,060	41,060	34,783	6,277
Repairs and maintenance	10,800	10,800	11,049	(249)
Health insurance	79,945	86,945	95,644	(8,699)
Workers compensation	4,675	5,290	2,744	2,546
Payroll taxes	53,036	53,961	51,755	2,206
Employee education	27,522	27,522	12,826	14,696
Professional services	60,306	79,918	69,853	10,065
Travel	41,500	41,500	11,205	30,295
Retirement	58,037	58,037	50,559	7,478
Other insurance	25,309	43,301	42,037	1,264
Board and commission	36,510	36,510	36,510	-
Other general government	152,295	153,295	157,604	(4,309)
	<b>1,258,362</b>	<b>1,316,966</b>	<b>1,250,354</b>	<b>66,612</b>

**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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Public safety				
Salaries	\$ 3,121,113	\$ 3,124,113	\$ 3,140,960	\$ (16,847)
Supplies	94,850	94,850	65,192	29,658
Utilities	100,898	100,898	93,564	7,334
Repairs and maintenance	67,400	67,400	60,783	6,617
Health insurance	608,466	608,466	638,653	(30,187)
Workers compensation	99,950	105,150	99,092	6,058
Payroll taxes	246,847	246,847	243,435	3,412
Employee education	30,400	33,400	21,891	11,509
Travel	16,000	16,000	9,864	6,136
Retirement	313,127	313,127	292,627	20,500
Other insurance	81,234	86,184	79,359	6,825
Fuel	70,000	70,000	60,630	9,370
Professional services	8,950	8,950	7,440	1,510
Capital outlay	-	557,135	491,332	65,803
Other public safety	91,920	99,170	70,156	29,014
	<u>4,951,155</u>	<u>5,531,690</u>	<u>5,374,978</u>	<u>156,712</u>
Recreation				
Salaries	407,540	407,540	328,825	78,715
Supplies	60,950	60,950	42,654	18,296
Utilities	75,900	75,900	68,010	7,890
Repairs and maintenance	27,900	27,900	50,832	(22,932)
Health insurance	62,000	62,000	65,355	(3,355)
Workers compensation	9,200	11,700	10,810	890
Payroll taxes	28,353	28,353	24,485	3,868
Professional services	33,920	46,420	17,381	29,039
Travel	2,000	2,000	930	1,070
Retirement	31,924	31,924	27,061	4,863
Other insurance	12,355	12,505	11,896	609
Fuel	13,000	13,000	7,817	5,183
Other recreation	54,425	54,425	36,047	18,378
	<u>819,467</u>	<u>834,617</u>	<u>692,103</u>	<u>142,514</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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Highways and streets				
Salaries	\$ 637,193	\$ 637,193	\$ 547,133	\$ 90,060
Supplies	22,200	22,200	16,816	5,384
Utilities	27,400	27,400	23,156	4,244
Repairs and maintenance	41,200	41,200	20,484	20,716
Health insurance	140,000	140,000	143,820	(3,820)
Workers compensation	21,200	23,200	20,010	3,190
Payroll taxes	49,393	49,393	39,953	9,440
Professional services	14,150	14,150	8,058	6,092
Retirement	62,842	62,842	46,612	16,230
Other insurance	11,000	11,505	9,403	2,102
Fuel	45,000	45,000	32,345	12,655
Street lighting	180,000	180,000	173,831	6,169
Paving and resurfacing	767,350	843,350	412,627	430,723
Other highways and streets	113,650	117,926	33,843	84,083
	<u>2,132,578</u>	<u>2,215,359</u>	<u>1,528,091</u>	<u>687,268</u>
Housing and community development				
Nonprofit allocations	277,128	277,178	282,219	(5,041)
Fuel	300,000	300,000	255,745	44,255
Industrial development	102,500	102,500	102,500	-
Other housing and community development	180,374	460,796	395,731	65,065
	<u>860,002</u>	<u>1,140,474</u>	<u>1,036,195</u>	<u>104,279</u>
Garage				
Salaries	122,044	122,044	122,899	(855)
Repairs and maintenance	11,050	11,050	8,985	2,065
Health insurance	25,000	25,000	28,594	(3,594)
Workers compensation	7,000	7,000	4,001	2,999
Payroll taxes	9,498	9,498	8,877	621
Retirement	12,085	12,085	11,097	988
Supplies	11,100	11,100	5,751	5,349
Fuel	3,500	3,500	1,788	1,712
Other garage	8,620	13,660	7,704	5,956
	<u>209,897</u>	<u>214,937</u>	<u>199,696</u>	<u>15,241</u>
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>10,231,461</u>	<u>11,254,043</u>	<u>10,081,417</u>	<u>1,172,626</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(794,908)</u>	<u>(1,737,990)</u>	<u>(781,952)</u>	<u>956,038</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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,190,944	\$ 2,237,479	\$ 2,303,637	\$ 66,158
Transfers out	(1,931,626)	(1,681,626)	(1,707,170)	(25,544)
Insurance proceeds	1,500	58,750	73,598	14,848
Sale of capital assets	20,000	20,000	8,168	(11,832)
TOTAL OTHER FINANCING SOURCES (USES)	<u>280,818</u>	<u>634,603</u>	<u>678,233</u>	<u>43,630</u>
NET CHANGE IN FUND BALANCES	(514,090)	(1,103,387)	(103,719)	999,668
Fund balance - beginning	8,475,185	8,475,185	8,475,185	-
Fund balance - ending	<u>\$ 7,961,095</u>	<u>\$ 7,371,798</u>	<u>\$ 8,371,466</u>	<u>\$ 999,668</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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental				
Lincoln County	\$ 2,448,530	\$ 2,406,030	\$ 2,392,742	\$ (13,288)
State of Tennessee	8,362,800	8,444,172	8,493,058	48,886
Federal	4,500	4,500	6,915	2,415
Charges for services and use of property	156,000	156,000	126,884	(29,116)
Private grants and contributions	10,000	10,000	-	(10,000)
Investment earnings	35,000	53,000	55,296	2,296
Other revenue	6,500	6,500	3,632	(2,868)
<b>TOTAL REVENUES</b>	<b>11,023,330</b>	<b>11,080,202</b>	<b>11,078,527</b>	<b>(1,675)</b>
<b>EXPENDITURES</b>				
Instruction				
Regular instruction program	6,370,880	6,387,830	6,319,229	68,601
Special education program	1,011,820	1,003,446	947,273	56,173
Vocational education program	262,770	262,770	255,798	6,972
Student body education program	5,000	29,000	28,240	760
Support services				
Attendance	42,615	50,989	50,971	18
Health services	228,007	228,007	190,506	37,501
Other student support	213,000	283,000	265,328	17,672
Regular instruction program	566,950	572,450	521,706	50,744
Special education program	95,394	95,394	56,832	38,562
Board of education	221,636	226,181	219,823	6,358
Office of the superintendent	217,835	217,835	211,216	6,619
Office of the principal	955,225	955,225	817,881	137,344
Fiscal services	201,995	201,995	187,313	14,682
Operation of plant	724,725	724,725	682,690	42,035
Maintenance of plant	243,770	282,270	257,149	25,121
Transportation	208,176	208,176	165,769	42,407
Technology	346,465	346,465	296,012	50,453
Community services	81,932	68,455	44,058	24,397
Early childhood education	458,590	472,067	467,355	4,712
Capital outlay	75,000	31,455	8,394	23,061
<b>TOTAL EXPENDITURES</b>	<b>12,531,785</b>	<b>12,647,735</b>	<b>11,993,543</b>	<b>654,192</b>
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,508,455)</b>	<b>(1,567,533)</b>	<b>(915,016)</b>	<b>652,517</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	924,556	897,656	897,626	(30)
Insurance recovery	-	26,100	26,080	(20)
Sale of surplus equipment	5,000	5,000	591	(4,409)
<b>Total Other Financing Sources (Uses)</b>	<b>929,556</b>	<b>928,756</b>	<b>924,297</b>	<b>(4,459)</b>
<b>Net changes in fund balances</b>	<b>(578,899)</b>	<b>(638,777)</b>	<b>9,281</b>	<b>648,058</b>
Fund balance - beginning	4,221,873	4,221,873	4,221,873	-
Fund balance - ending	<b>\$ 3,642,974</b>	<b>\$ 3,583,096</b>	<b>\$ 4,231,154</b>	<b>\$ 648,058</b>

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

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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, 2020

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

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

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

The government reports the following major enterprise funds:

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

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. 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, 2020

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#### 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, 2020

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#### 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 the Tennessee Consolidated Retirement System (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, 2020

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

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

##### 5. Capital assets (Continued)

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

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

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

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

##### 6. Long-term liabilities

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

##### 7. Compensated absences

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

The School System's policies regarding leave time require employees use vacation leave by the end of the fiscal year. Accordingly, there is no liability recorded in the financial statements for compensated absences at June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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, 2020, 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, 2020

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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, 2020

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Estimates

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

12. Pensions

*Public Employee Retirement Plan*

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

*Teacher Plans*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan and the Teacher Retirement Plan in the 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.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### 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 \$29,979,676 difference are as follows:

Land	\$ 4,043,380
Construction in progress	2,928,500
Buildings and improvements	24,600,434
Less: Accumulated depreciation-building and improvements	(10,000,406)
Machinery and equipment	11,067,261
Less: Accumulated depreciation-machinery and equipment	(6,636,641)
Infrastructure	6,843,742
Less: Accumulated depreciation-infrastructure	<u>(2,866,594)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 29,979,676</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds and loans payable are not due and payable in the current period and therefore are not reported in the funds." The details of this \$9,041,770 difference are identified as follows:

Bonds and notes payable	\$ 8,113,093
Add: Issuance premium (to be amortized over life of debt)	102,505
Add: Deferred credit on refunding	5,791
Accrued interest payable	18,793
Compensated absences	651,757
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>\$ 9,041,770</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

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

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

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” In addition, certain capital outlays not meeting the definition of capital assets are reported as expenditures in the governmental funds. These expenditures total \$699,164 in the current year. The details of this \$2,820,665 difference are as follows:

Capital outlay	\$ 4,203,120
Depreciation expense	<u>(1,382,455)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,820,665</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 \$220,426 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.	\$ (38,973)
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>259,399</u>
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 220,426</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$651,055 difference are as follows:

Principal Repayment:	
General obligation bond	\$ 472,517
Capital outlay notes	166,107
Amortization of debt premiums	<u>12,431</u>
Net adjustment to increase net changes in fund balance- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 651,055</u>

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

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

Another element of that reconciliation explains that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$2,492 difference are as follows:

Compensated absences	\$	1,400
Accrued interest		<u>1,092</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	\$	<u>2,492</u>

#### NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Prior to May 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Board of Mayor and Aldermen.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, and other governmental funds including: special revenue funds, debt service, and capital projects funds.
6. Budgets for the General and Other Governmental Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

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

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### NOTE 4 - DETAILED NOTES ON ALL FUNDS

#### (A) Deposits and investments

The following is a summary of cash and investments as of June 30, 2020:

##### General use:

On deposit and on hand	\$ 45,722,231
Negotiable certificates of deposit	200,000
Government sponsored securities	657,937

##### Restricted and other special funds:

On deposit-restricted (externally)	\$ 3,268,759	
On deposit-special funds (internally restricted)	7,404,353	10,673,112
Total		<u>\$ 57,253,280</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, 2020, the following restricted funds were maintained:

##### Externally restricted:

Bond sinking and debt service reserve funds	\$ 2,399,290
Operation and maintenance reserve	747,098
Asset management reserve	47,000
Improvements and construction funds	75,371
Total	<u>\$ 3,268,759</u>

Special funds totaling \$7,404,353 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, 2020, the government has invested \$200,000 in negotiable certificates of deposits, which are covered by FDIC insurance. As of June 30, 2020, the government has also invested \$657,937 in U.S. treasury obligations and therefore are not considered to have credit risk. Governmental accounting standards require disclosure of credit quality ratings for external investment pools; however, the Local Government Investment Pool is unrated.

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

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2020**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(A) Deposits and investments (Continued)

Custodial credit risk – deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At June 30, 2020, 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, 2020, the government's cash consists of deposits in financial institutions with bank balances of \$57,798,251 and carrying amounts of \$57,249,242 plus cash on hand of \$4,038. Of the amounts on deposit, \$54,408,128 is fully insured by the FDIC, the SIPC, or the Tennessee Bank Collateral Pool. The remaining \$2,841,114 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	\$ 3,099,231	\$ -	\$ -	\$ 3,099,231
Taxes - other	57,023	-	-	57,023
Accounts	83,704	292	110,505	194,501
Intergovernmental	<u>948,952</u>	<u>300,459</u>	<u>1,576</u>	<u>1,250,987</u>
Gross receivables	4,188,910	300,751	112,081	4,601,742
Less: Allowance for Uncollectibles	<u>(34,847)</u>	<u>-</u>	<u>-</u>	<u>(34,847)</u>
Net total receivables	<u>\$ 4,154,063</u>	<u>\$ 300,751</u>	<u>\$ 112,081</u>	<u>\$ 4,566,895</u>

Revenues of the Fayetteville Public Utilities, an enterprise fund, are reported net of uncollectible amounts. Total uncollectible amounts related to sales of the current period amounted to \$15,962.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2020**

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

**(C) Capital assets**

Capital asset activity for the year ended June 30, 2020, 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	\$ 3,672,030	\$ 371,350	\$ -	\$ 4,043,380
Construction in progress	538,275	2,517,404	(127,179)	2,928,500
Total capital assets, not being depreciated	<u>4,210,305</u>	<u>2,888,754</u>	<u>(127,179)</u>	<u>6,971,880</u>
Capital assets, being depreciated:				
Buildings	21,671,099	292,942	(12,438)	21,951,603
Improvements other than buildings	2,614,690	34,141	-	2,648,831
Machinery and equipment	10,070,522	1,274,081	(277,342)	11,067,261
Infrastructure	6,743,961	99,781	-	6,843,742
Total capital assets being depreciated	<u>41,100,272</u>	<u>1,700,945</u>	<u>(289,780)</u>	<u>42,511,437</u>
Less accumulated depreciation for:				
Buildings	(8,262,239)	(454,925)	4,975	(8,712,189)
Improvements other than buildings	(1,171,341)	(116,876)	-	(1,288,217)
Machinery and equipment	(6,343,906)	(538,566)	245,831	(6,636,641)
Infrastructure	(2,594,506)	(272,088)	-	(2,866,594)
Total accumulated depreciation	<u>(18,371,992)</u>	<u>(1,382,455)</u>	<u>250,806</u>	<u>(19,503,641)</u>
Total capital assets, being depreciated, net	<u>22,728,280</u>	<u>318,490</u>	<u>(38,974)</u>	<u>23,007,796</u>
Governmental activities capital assets, net	<u>\$ 26,938,585</u>	<u>\$ 3,207,244</u>	<u>\$ (166,153)</u>	<u>\$ 29,979,676</u>

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

<b>Governmental Activities:</b>	
General government	\$ 80,151
Public safety	264,989
Recreation	115,396
Highways and streets	354,132
Housing and community development	1,742
Education	566,045
Total depreciation expense - governmental activities	<u>\$ 1,382,455</u>



# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

#### (C) Capital assets (Continued)

Capital asset activity for the year ended June 30, 2020, for business-type activities is as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,098,495	\$ -	\$ -	\$ 1,098,495
Construction in progress	4,066,839	7,876,393	(4,494,909)	7,448,323
Total capital assets, not being depreciated	<u>5,165,334</u>	<u>7,876,393</u>	<u>(4,494,909)</u>	<u>8,546,818</u>
Capital assets, being depreciated:				
Structures and improvements	10,016,536	26,193	-	10,042,729
Machinery and equipment	179,503,370	5,840,707	(2,163,965)	183,180,112
Infrastructure	694,077	64,997	(18,014)	741,060
Total capital assets being depreciated	<u>190,213,983</u>	<u>5,931,897</u>	<u>(2,181,979)</u>	<u>193,963,901</u>
Less accumulated depreciation for:				
Structures and improvements	(2,528,587)	(219,811)	-	(2,748,398)
Machinery and equipment	(71,195,207)	(6,170,707)	2,327,900	(75,038,014)
Infrastructure	(687,036)	(62,010)	21,996	(727,050)
Total accumulated depreciation	<u>(74,410,830)</u>	<u>(6,452,528)</u>	<u>2,349,896</u>	<u>(78,513,462)</u>
Total capital assets, being depreciated, net	<u>115,803,153</u>	<u>(520,631)</u>	<u>167,917</u>	<u>115,450,439</u>
Business-type activities capital assets, net	<u>\$ 120,968,487</u>	<u>\$ 7,355,762</u>	<u>\$ (4,326,992)</u>	<u>\$123,997,257</u>

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

Business-type Activities:	
Public utilities	\$ 6,405,263
Sanitation fund	<u>47,265</u>
Total depreciation expense - business-type activities	<u>\$ 6,452,528</u>

The amount of \$463,014 of depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

#### Construction commitments

At June 30, 2020, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding engineering and construction contract commitments totaling \$958,844.

At June 30, 2020, Fayetteville City Schools had significant outstanding contract commitments for engineering, construction, and plant upgrades totaling \$589,811.

At June 30, 2020, the general government had outstanding engineering and construction contract commitments totaling \$683,717.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### 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, 2020, is as follows:

	Due from					
	School <u>Title Fund</u>	Sanitation <u>Fund</u>	Drug <u>Fund</u>	Capital Projects <u>Fund</u>	General <u>Fund</u>	<u>Total</u>
Due to:						
General fund	\$ -	\$ 65,165	\$ 3,543	\$ 10,000	\$ -	\$ 78,708
School general fund	3,783	-	-	-	-	3,783
Capital projects fund	-	-	-	-	172,196	172,196
Debt service fund	-	-	-	-	73,860	73,860
Sanitation fund	-	-	-	-	14	14
Drug fund	-	-	-	-	12,499	12,499
	<u>\$ 3,783</u>	<u>\$ 65,165</u>	<u>\$ 3,543</u>	<u>\$ 10,000</u>	<u>\$ 258,569</u>	<u>\$ 341,060</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, 2020 is as follows:

	Transfers In			
	General <u>Fund</u>	School <u>General Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Transfers Out:				
General fund	\$ -	\$ 897,626	\$ 809,544	\$ 1,707,170
Other governmental funds	508,884	-	-	508,884
Subtotal - governmental funds	<u>\$ 508,884</u>	<u>\$ 897,626</u>	<u>\$ 809,544</u>	<u>\$ 2,216,054</u>
 Fayetteville Public Utilities	 \$ 1,684,753	 \$ -	 \$ -	 \$ 1,684,753
Sanitation fund	110,000	-	-	110,000
Subtotal - proprietary funds	<u>1,794,753</u>	<u>-</u>	<u>-</u>	<u>1,794,753</u>
	<u>\$ 2,303,637</u>	<u>\$ 897,626</u>	<u>\$ 809,544</u>	<u>\$ 4,010,807</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, 2020

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

#### (A) General Obligation Bonds (Continued)

General obligation bonds currently outstanding are as follows:

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

Series 2017, \$3,850,000 general obligation bonds, issued September 2017 to advance refund debt totaling \$3,950,000. The bonds mature serially at annual interest rates of 5% with final maturity in 2025. (Allocation: Government: \$742,275, FPU Gas \$1,602,725).

\$ 2,345,000

##### 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.

745,000

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.

1,665,000

##### 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.

4,645,000

Total general obligation bonds

\$ 9,400,000

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>
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	547,489	176,638	327,511	6,550
2026-2030	2,150,000	697,499	-	-
2031-2035	2,345,000	338,438	-	-
2036-2037	660,000	32,338	-	-
Total	<u>\$ 7,797,275</u>	<u>\$ 2,067,695</u>	<u>\$ 1,602,725</u>	<u>\$ 105,964</u>

#### (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, 2020, are as follows:

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

#### (B) Revenue Bonds (Continued)

##### Fayetteville Public Utilities (Electric Department):

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

\$ 9,630,000

The government has revenue and tax bond issues from direct placements at June 30, 2020 as follows:

##### Fayetteville Public Utilities (Electric Department):

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

\$ 1,899,000

##### 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.

3,054,816

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.

4,522,715

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.

2,416,727

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.

1,782,515

Total revenue bonds from direct placements

\$ 13,675,773

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

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2020**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds (Continued)

Revenue Bonds from Direct Borrowings and Direct Placements			Revenue Bonds		
Year Ending June 30,	Business Type Activities		Year Ending June 30,	Business Type Activities	
	Principal	Interest		Principal	Interest
2021	\$ 730,050	\$ 344,938	2021	\$ 810,000	\$ 192,600
2022	726,525	329,727	2022	845,000	176,400
2023	722,178	314,518	2023	875,000	159,500
2024	727,212	300,126	2024	910,000	142,000
2025	269,006	283,990	2025	1,490,000	123,800
2026-2030	1,456,403	1,308,577	2026-2030	4,700,000	189,500
2031-2035	1,662,756	1,102,224	2031-2035	-	-
2036-2040	1,898,401	866,579	2036-2040	-	-
2041-2045	2,169,043	595,937	2041-2045	-	-
2046-2050	2,478,203	286,777	2046-2050	-	-
2051-2055	835,996	30,911	2051-2055	-	-
Total	<u>\$ 13,675,773</u>	<u>\$ 5,764,304</u>	Total	<u>\$ 9,630,000</u>	<u>\$ 983,800</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, 2020.

Current refundings:

On December 12, 2019, Fayetteville Public Utilities issued a \$3,116,000 Revenue Bond to currently refund \$3,090,000 of electric department revenue bonds. FPU completed the current refunding to reduce its total debt service payments over the next 4 years by \$118,181 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$109,260. The reacquisition price exceeded the net carrying amount of the old debt by \$3,252. These differences together with deferred outflows from the prior refundings are reported in the accompanying financial statements as deferred outflows. These deferred outflows are being amortized through fiscal year 2024.

(C) Loans (Direct Borrowings)

The government has the following loans from direct borrowings outstanding at June 30, 2020:

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%.

\$5,915

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%.

315,818

Fayetteville Public Utilities (Water Department)

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

682,452

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

#### (C) Loans (Direct Borrowings) (Continued)

##### Fayetteville Public Utilities (Water Department)

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%.

3,121,179

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%.

533,141

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%.

3,197,174

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%.

1,347,085

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%.

4,709,224

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%.

853,724

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.

45,994

Total Loans (Direct Borrowings)

\$ 14,811,706

Debt service requirements to maturity on these loans (Direct Borrowings) 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>
2021	\$ 170,447	\$ 6,817	\$ 898,125	\$ 176,697
2022	145,371	1,689	903,925	164,970
2023	-	-	904,673	153,048
2024	-	-	908,837	141,002
2025	-	-	841,651	129,101
2026-2030	-	-	3,959,166	499,164
2031-2035	-	-	4,172,915	247,800
2036-2039	-	-	1,906,596	33,763
Total	<u>\$ 315,818</u>	<u>\$ 8,506</u>	<u>\$ 14,495,888</u>	<u>\$ 1,545,545</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

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

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

FPU entered into 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 \$2,436,720 in advances as of June 30, 2020.

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

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds - fixed rate	\$ 8,269,792	\$ -	\$ (472,517)	\$ 7,797,275	\$ 514,193
Unamortized bond premium	113,744	-	(11,239)	102,505	-
Total bonds payable	8,383,536	-	(483,756)	7,899,780	514,193
Loans payable from direct borrowings:					
Capital outlay note	481,926	-	(166,108)	315,818	170,447
Total loans payable from direct borrowings	481,926	-	(166,108)	315,818	170,447
Landfill postclosure costs	149,831	-	-	149,831	-
Postemployment benefit obligation	1,463,099	504,563	(104,838)	1,862,824	-
Net pension liability	586,153	84,587	(618,064)	52,676	-
Compensated absences	653,157	237,666	(239,066)	651,757	239,866
Governmental Activities Long-Term Liabilities	<u>\$ 11,717,702</u>	<u>\$ 826,816</u>	<u>\$ (1,611,832)</u>	<u>\$ 10,932,686</u>	<u>\$ 924,506</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 9,660,000	\$ -	\$ (30,000)	\$ 9,630,000	\$ 810,000
General obligation bonds	2,590,208	-	(987,483)	1,602,725	310,807
Unamortized bond premium	333,003	(2,365)	(83,821)	246,817	-
Revenue bonds from direct placements	15,102,518	3,116,000	(4,542,745)	13,675,773	730,050
Total bonds payable	27,685,729	3,113,635	(5,644,049)	25,155,315	1,850,857
Loans from direct borrowings:					
Tennessee Utility Relocation Loan	826,552	-	(144,100)	682,452	146,788
Tennessee revolving fund program loan	14,997,479	1,918,242	(717,474)	16,198,247	726,366
US Bank sanitation truck loan	75,845	-	(69,930)	5,915	5,915
RUS Rural Development Loan	65,049	-	(19,055)	45,994	19,056
Total loans payable from direct borrowings	15,964,925	1,918,242	(950,559)	16,932,608	898,125
Postemployment benefit obligation	1,574,010	101,019	(143,286)	1,531,743	21,916
Advances from TVA	343,317	-	(115,046)	228,271	77,098
Compensated absences	703,541	791,454	(459,016)	1,035,979	633,452
Business-type Activities Long-Term Liabilities	<u>\$ 46,271,522</u>	<u>\$ 5,924,350</u>	<u>\$ (7,311,956)</u>	<u>\$ 44,883,916</u>	<u>\$ 3,481,448</u>

\* Current portions of these liabilities amounting to \$99,014 are included in accrued expenses on FPU's statement of net position.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

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

From time to time, the government has issued Industrial Development Revenue Bonds (IDRB) to provide assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2020, there were two series of IDRB outstanding. The aggregate principal amount payable was \$6,980,000. The original issue amounts totaled \$15,615,000.

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

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

#### NOTE 6 - LEASING ACTIVITY

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

Leased equipment under capital leases in capital assets at June 30, 2020, includes the following:

Equipment	\$ 19,425
Less: Accumulated depreciation	<u>(17,321)</u>
Total	<u>\$ 2,104</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 on the next page:



# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### NOTE 6 - LEASING ACTIVITY (CONTINUED)

Year Ending <u>June 30,</u>	Future Minimum <u>Payments</u>
2021	\$ 24,000
2022	24,000
2023	24,000
2024	24,000
2025	24,000
	<u>120,000</u>
Thereafter	96,000
Aggregate	<u>\$ 216,000</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>
2021	\$ 26,858
2022	1,547
	<u>\$ 28,405</u>

Lease expenditures for Fayetteville City Schools for the year ending June 30, 2020 totaled \$50,968.

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

Year Ending <u>June 30,</u>	
2021	\$ 31,344
2022	28,059
2023	23,659
2024	21,637
2025	21,637
	<u>\$ 126,336</u>

Lease expenditures for FPU for the year ending June 30, 2020 totaled \$39,450.

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

Year Ending <u>June 30,</u>	
2021	\$ 10,195
2022	9,644
2023	9,111
2024	8,521
2025	7,910
	<u>\$ 45,381</u>

Lease expenditures for the City for the year ending June 30, 2020 totaled \$14,172.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### NOTE 7 - SEGMENT INFORMATION

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

	<u>Electric</u>	<u>Gas</u>	<u>Telecom</u>	<u>Water</u>
<u>Condensed Statement of Net Position</u>				
Assets				
Current assets	\$ 31,443,722	\$ 1,929,989	\$ 627,325	\$ 769,532
Special funds	2,628,510	3,276,827	351,151	4,416,624
Capital assets	54,242,531	18,454,184	3,185,625	47,426,516
Other assets	696,672	17,555	15,954	23,893
	<u>89,011,435</u>	<u>23,678,555</u>	<u>4,180,055</u>	<u>52,636,565</u>
Deferred Outflows of Resources	<u>301,386</u>	<u>156,560</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	7,671,469	947,715	305,611	1,988,751
Other liabilities	1,227,104	322,757	173,402	447,700
Long term debt	10,422,681	1,373,992	-	27,542,268
	<u>19,321,254</u>	<u>2,644,464</u>	<u>479,013</u>	<u>29,978,719</u>
Net Position (Deficit)				
Net investment in capital assets	42,838,561	16,802,588	3,185,625	18,769,044
Restricted	1,769,586	-	-	1,423,802
Unrestricted	25,383,420	4,388,063	515,417	2,465,000
	<u>\$ 69,991,567</u>	<u>\$ 21,190,651</u>	<u>\$ 3,701,042</u>	<u>\$ 22,657,846</u>
<u>Condensed Statement of Revenues, Expenses, and Changes in Net Position</u>				
Operating revenues	\$ 46,910,320	\$ 6,678,919	\$ 4,671,636	\$ 5,847,302
Depreciation expense	2,878,519	651,865	391,587	2,020,278
Other operating expenses	<u>39,996,661</u>	<u>5,050,245</u>	<u>3,689,639</u>	<u>2,928,714</u>
Operating income	4,035,140	976,809	590,410	898,310
Nonoperating revenue (expenses):				
Investment income	303,029	20,282	577	30,983
Interest expense	(278,267)	(55,672)	(7,990)	(549,733)
Gain (loss) on disposition of assets	56,265	3,265	(1,319)	(33,431)
Other	45,291	14,355	8,985	21,305
Contributions/Transfers - net	<u>(489,846)</u>	<u>(271,517)</u>	<u>50,761</u>	<u>(389,993)</u>
Change in net position	3,671,612	687,522	641,424	(22,559)
Beginning net position	<u>66,319,955</u>	<u>20,503,129</u>	<u>3,059,618</u>	<u>22,680,405</u>
Ending net position	<u>\$ 69,991,567</u>	<u>\$ 21,190,651</u>	<u>\$ 3,701,042</u>	<u>\$ 22,657,846</u>
<u>Condensed Statement of Cash Flows</u>				
Net cash provided (used) by:				
Operating activities	\$ 9,140,897	\$ 1,808,027	\$ 1,035,035	\$ 3,001,263
Noncapital financing activities	339,704	(984,611)	(202,375)	(837,471)
Capital and related financing activities	(6,567,166)	(1,007,499)	(730,445)	(3,439,728)
Investing activities	<u>305,438</u>	<u>20,560</u>	<u>575</u>	<u>31,461</u>
Net increase (decrease)	3,218,873	(163,523)	102,790	(1,244,475)
Beginning cash and cash equivalents	<u>23,838,997</u>	<u>4,593,878</u>	<u>487,524</u>	<u>5,668,363</u>
Ending cash and cash equivalents	<u>\$ 27,057,870</u>	<u>\$ 4,430,355</u>	<u>\$ 590,314</u>	<u>\$ 4,423,888</u>

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### NOTE 8 - RISK MANAGEMENT

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

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

#### NOTE 9 - CONTINGENT LIABILITIES

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

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

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

The City of Fayetteville and Lincoln County, Tennessee, operated a landfill as a joint venture for the residents of Lincoln County that was closed in February 1995. The government acts as administrator of the postclosure activities. Based upon the most recent information available for financial assurance provided by the Tennessee Department of Environment and Conservation, the total remaining closure and postclosure care costs are estimated to be \$299,663 as of June 30, 2020. 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 \$41,048 and is reported as an expenditure of the Sanitation Fund.

Fayetteville Public Utilities has outstanding contract commitments of \$958,844 related to various plant upgrades, as described in Note 4. Other significant outstanding commitments total \$147,475 at June 30, 2020.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### 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, 2020, for all plans is as follows:

	Pension Liabilities (Assets)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Public Employee Retirement Plan	\$ 52,676	\$ 1,175,342	\$ 796,134	\$ 453,011
Teacher Legacy Pension Plan	(1,624,280)	949,309	1,487,224	243,663
Teacher Retirement Plan	(66,729)	40,965	33,082	21,470
TCRS stabilization reserve trust	(59,468)	-	-	-
Fayetteville City Schools 401(k) Plan	-	-	-	76,188
NRECA Retirement Security Plan	-	-	-	1,011,828
NRECA 401(k) Plan	-	-	-	79,646
Total for All Plans	<u>\$ (1,697,801)</u>	<u>\$ 2,165,616</u>	<u>\$ 2,316,440</u>	<u>\$ 1,885,806</u>

The following is a summary of each of these plans:

#### **PUBLIC EMPLOYEE RETIREMENT PLAN**

##### **GENERAL INFORMATION ABOUT THE PLAN**

###### *Plan Description*

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

###### *Benefits provided*

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for 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, 2020

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

##### **PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)**

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

At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	126
Active employees	180
	<u>411</u>

###### *Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Fayetteville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, the employer contributions for Fayetteville were \$618,064 based on a rate of 9.65 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fayetteville's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

##### **NET PENSION LIABILITY (ASSET)**

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

The government's net pension liability (asset) was measured as of June 30, 2019, 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, 2019 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, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

#### PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

<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 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, 2020**

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

**PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)**

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance June 30, 2018	<u>\$ 21,189,719</u>	<u>\$ 20,603,566</u>	<u>\$ 586,153</u>
Changes for the year:			
Service cost	\$ 567,978	\$ -	\$ 567,978
Interest	1,534,759	-	1,534,759
Differences between expected and actual experience	(238,975)	-	(238,975)
Changes in assumptions	-	-	-
Contributions-employer	-	585,210	(585,210)
Contributions-employees	-	304,355	(304,355)
Net investment income	-	1,522,860	(1,522,860)
Benefit payments, including refunds of employee contributions	(1,177,212)	(1,177,212)	-
Administrative expenses	-	(15,186)	15,186
Other changes	-	-	-
Net changes	<u>\$ 686,550</u>	<u>\$ 1,220,027</u>	<u>\$ (533,477)</u>
Balance June 30, 2019	<u>\$ 21,876,269</u>	<u>\$ 21,823,593</u>	<u>\$ 52,676</u>

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Fayetteville's net pension liability (asset)	\$ 2,879,933	\$ 52,676	\$(2,283,023)

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### 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, 2020, the government recognized pension expense of \$453,011.

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

For the year ended June 30, 2020, 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	\$ 278,157	\$ 542,802
Net difference between projected and actual earnings on pension plan investments	-	253,332
Changes in assumptions	279,121	-
Contributions subsequent to the measurement date of June 30, 2019	<u>618,064</u>	<u>N/A</u>
	<u>\$ 1,175,342</u>	<u>\$ 796,134</u>

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2019," 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:

<b>Year ended</b>	
<b>June 30,</b>	
2021	\$ (21,420)
2022	(107,891)
2023	37,890
2024	(107,606)
2025	(39,829)
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, 2020

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

##### **PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)**

##### **PAYABLE TO THE PENSION PLAN**

At June 30, 2020, the government reported a payable of \$46,175 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

##### **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, 2020

### 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, 2020 to the Teacher Legacy Pension Plan were \$558,372 which is 10.63 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

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

At June 30, 2020, the government reported a liability (asset) of \$(1,624,280) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, 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, 2019, the government's proportion was 0.157976 percent. The proportion measured as of June 30, 2018, was 0.171093 percent.

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

For the year ended June 30, 2020, the government recognized pension expense (negative pension expense) of \$243,663.

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

For the year ended June 30, 2020, 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	\$ 79,082	\$ 992,143
Changes in assumptions	218,880	-
Net difference between projected and actual earnings on pension plan investments	-	464,088
Changes in proportion of net pension liability (asset)	92,975	30,993
Contributions subsequent to the measurement date of June 30, 2019	558,372	N/A
	<u>\$ 949,309</u>	<u>\$ 1,487,224</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

#### TEACHER LEGACY PENSION PLAN (CONTINUED)

The government's employer contributions of \$558,372, 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, 2021. 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,	
2021	\$ (298,451)
2022	(460,075)
2023	(185,776)
2024	(151,984)
2025	-
Thereafter	-

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

#### *Actuarial assumptions*

The total pension liability in the June 30, 2019 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, 2019 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, 2020

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

**TEACHER LEGACY PENSION PLAN (CONTINUED)**

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

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

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

	1 % Decrease 6.25%	Current Discount Rate 7.25%	1 % Increase 8.25%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 3,321,184	\$(1,624,280)	\$(5,558,260)

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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, 2020, the government recorded a payable of \$124,914 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

##### **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, 2020

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#### 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, 2020 to the Teacher Retirement Plan were \$30,736, which is 2.03 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, 2020, the government reported a liability (asset) of (\$66,729) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, 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, 2019 Fayetteville City Schools' proportion was 0.118212 percent. The proportion measured at June 30, 2018 was 0.080310 percent.

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

For the year ended June 30, 2020, the government recognized pension expense (negative pension expense) of \$21,470.

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

For the year ended June 30, 2020, 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, 2020**

**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	\$ 2,767	\$ 11,649
Net difference between projected and actual earnings on pension plan investments	-	2,821
Changes in assumptions	2,318	-
Changes in proportion of net pension liability (asset)	5,144	18,612
Fayetteville City Schools' contributions subsequent to the measurement date of June 30, 2019	30,736	N/A
	<u>\$ 40,965</u>	<u>\$ 33,082</u>

Employer contributions of \$30,736 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, 2021. 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,**

2021	\$ (2,530)
2022	(2,962)
2023	(2,171)
2024	(1,767)
2025	(1,652)
Thereafter	(11,770)

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, 2019 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, 2020

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, 2019 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, 2020

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

#### TEACHER RETIREMENT PLAN (CONTINUED)

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

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

	1%	Current	1%
	Decrease	Discount	Increase
	6.25%	7.25%	8.25%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	\$ 21,142	\$ (66,729)	\$ (131,682)

*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, 2020, the government reported a payable of \$17,815 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

#### 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, 2020

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

##### TCRS STABILIZATION TRUST (CONTINUED)

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2020, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2020**

**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.

On June 30, 2020, the Fayetteville City Schools had the following investments held by the trust on its behalf.

<b>Investment</b>	<b>Weighted Average Maturity (days)</b>	<b>Maturities</b>	<b>Fair Value</b>
Investments at Fair Value:			
U.S Equity	N/A	N/A	\$ 18,434
Developed Market International Equity	N/A	N/A	8,326
Emerging Market International Equity	N/A	N/A	2,379
U. S. Fixed Income	N/A	N/A	11,894
Real Estate	N/A	N/A	5,947
Short-term Securities	N/A	N/A	595
NAV - Private Equity and Strategic Lending	N/A	N/A	11,893
Total			<u>\$ 59,468</u>

		<b><u>Fair Value Measurements Using</u></b>				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	
<b>Investment by Fair Value Level</b>	<b>Fair Value 6/30/2020</b>					
U.S Equity	\$ 18,434	\$ 18,434	\$ -	\$ -	\$ -	
Developed Market International Equity	8,326	8,326	-	-	-	
Emerging Market International Equity	2,379	2,379	-	-	-	
U. S. Fixed Income	11,894	-	11,894	-	-	
Real Estate	5,947	-	-	5,947	-	
Short-term Securities	595	-	595	-	-	
Private Equity and Strategic Lending	11,893	-	-	-	-	11,893
Total	<u>\$ 59,468</u>	<u>\$ 29,139</u>	<u>\$ 12,489</u>	<u>\$ 5,947</u>	<u>\$ -</u>	<u>\$ 11,893</u>

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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/2020/ag19091.pdf>

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

At June 30, 2020, Fayetteville City Schools reported a payable of \$5,036 for the outstanding amount of contributions to the trust required at the year ended June 30, 2020.

##### 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 \$22,585 for the year ended June 30, 2020. The System recognized pension expense under the defined contribution plan of \$76,188 for the year ended June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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, 2020, Fayetteville City Schools reported a payable of \$17,316 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

##### **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 \$38,472 for the year ended June 30, 2020.

##### **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 \$14,980 and employee contributions to the 401(k) plan totaled \$7,364 for the year ended June 30, 2020.

##### **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, 2020

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#### 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, 2020, FPU had 101 employees covered by the RS plan.

###### *Contributions*

Contribution requirements of the active employees and the participating employers are established and may be amended by the NRECA Board. The RS plan does not require member contributions. FPU is required to contribute an actuarially determined normal cost annually and a past service adjustment cost which provides for crediting retirement benefits for past service on a uniform basis for all participants. FPU's contractually required contribution rate for the year ended June 30, 2020 was 20.29% of annual payroll. All members age 21 years and older with one year of completed service are eligible to participate.

FPU's required contribution based on the payroll of eligible participants for the year ended June 30, 2020 was \$1,011,828.

##### **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 \$321,527 for the year ended June 30, 2020. FPU recognized pension expense under the defined contribution plan of \$79,646 for the year ended June 30, 2020.

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, 2020

### 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, 2020, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	5
Active plan members	<u>116</u>
	<u>121</u>

##### *Total OPEB Liability*

The System's total OPEB liability of \$1,531,743 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

##### *Actuarial assumptions and other inputs*

The total OPEB liability in the July 1, 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 July 1, 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, 2020**

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

**FAYETTEVILLE PUBLIC UTILITIES OPEB (CONTINUED)**

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

Balance at 6/30/19	\$ 1,574.010
Service cost	53.617
Interest	47.402
Benefit payments	(13.060)
Difference between expected and actual experience	(130.226)
Net changes	(42.267)
Balance at 6/30/20	<u>\$ 1,531.743</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):

	<b>1 % Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>2.23%</b>	<b>3.23%</b>	<b>4.23%</b>
<b>Total OPEB liability</b>	\$ 1,604.471	\$ 1,531.743	\$1,430.692

*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):

	<b>Healthcare Cost</b>		
	<b>1 % Decrease</b>	<b>Trend Rates</b>	<b>1% Increase</b>
	<b>7% decreasing to 4%</b>	<b>8% decreasing to 5%</b>	<b>9% decreasing to 6%</b>
	<b>over 10 years</b>	<b>over 10 years</b>	<b>over 10 years</b>
<b>Total OPEB liability</b>	\$ 1,387.144	\$ 1,531.743	\$1,660.816

For the year ended June 30, 2020, the System recognized OPEB expense (negative OPEB expense) of \$(29,207).

	<b>Deferred</b>	<b>Deferred</b>
	<b>Outflows of</b>	<b>Inflows of</b>
	<b>Resources</b>	<b>Resources</b>
Contributions subsequent to the measurement date of June 30, 2019	\$ 16.775	\$ -
	<u>\$ 16.775</u>	<u>\$ -</u>

Contributions of \$16,775 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, 2021.



## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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, 2019, the following employees of the government were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	101
Total	<u>103</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, 2020, the government paid \$19,521 to the LGOP for OPEB benefits as they became due.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

### 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, 2019 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	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Retirees' share of benefit-related costs	The government pays the full cost of coverage for the healthcare benefits provided to qualified retirees under the plan

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 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 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

##### *Changes in the Total OPEB Liability*

LGOP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 651.829
Changes for the year:	
Service cost	98.136
Interest	26.503
Changes of benefit terms	(69.025)
Differences between expected and actual experience	257.337
Change in assumptions	7.523
Benefit payments	(35.969)
Net changes	284.505
Total OPEB liability - ending balance	\$ 936.334

# NOTES TO FINANCIAL STATEMENTS

## CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

#### GENERAL GOVERNMENT OPEB (CONTINUED)

##### *Changes in assumptions*

The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

##### *Changes in benefit terms*

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

##### *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):

	<b>1% Decrease (2.51%)</b>	<b>Discount Rate (3.51%)</b>	<b>1% Increase (4.51%)</b>
Total OPEB liability	\$ 1,025.148	\$ 936.334	\$ 853.930

##### *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 is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate (expressed in thousands):

	<b>1% Decrease (5.03%/4.20% decreasing to 3.50%)</b>	<b>Healthcare Cost Trend Rates (6.03%/5.20% decreasing to 4.5%)</b>	<b>1% Increase (7.03%/6.20% decreasing to 5.50%)</b>
Total OPEB liability	\$ 816.162	\$ 936.334	\$ 1,080.082

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

##### *OPEB expense*

For the fiscal year ended June, 30, 2020, the government recognized OPEB expense of \$157,495.

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

For the fiscal year ended June, 30, 2020, 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, 2020

### 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	\$ 823.467	\$ -
Changes of assumptions	6.599	84.601
Employer payments subsequent to the measurement date	19.521	-
Total	<u>\$ 849.587</u>	<u>\$ 84.601</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:

2021	\$ 101.881
2022	101.881
2023	101.881
2024	101.881
2025	101.881
Thereafter	236.060

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, 2020

### 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, 2019, the following employees of Fayetteville City Schools was covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	156
	<u>162</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 \$39,731 to the TGOP for OPEB benefits as they came due.

#### TOTAL OPEB LIABILITY

##### *Actuarial assumptions*

The collective total OPEB liability in the June 30, 2019 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, 2020

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

#### FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 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 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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	\$ 1,252
Changes for the year:	
Service cost	75
Interest	47
Changes of benefit terms	-
Differences between expected and actual experience	265
Change in assumptions	(113)
Benefit payments	(69)
Net changes	205
Total OPEB liability - ending balance	\$ 1,457
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 530
Employer's proportionate share of the collective total OPEB liability	\$ 926
Employer's proportion of the collective total OPEB liability	63.59%

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 -1.23% from the prior measurement date. The System recognized \$36,537 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

**FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)**

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

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

(expressed in thousands)

	<b>1% Decrease (2.51%)</b>	<b>Discount Rate (3.51%)</b>	<b>1% Increase (4.51%)</b>
Proportionate share of collective total OPEB liability	\$ 1,002	\$ 926	\$ 855

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

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

	<b>1% Decrease (5.03%/4.20% decreasing to 3.50%)</b>	<b>Healthcare Cost Trend Rates (6.03%/5.20% decreasing to 4.5%)</b>	<b>1% Increase (7.03%/6.20% decreasing to 5.50%)</b>
Proportionate share of collective total OPEB liability	\$ 819	\$ 926	\$ 1,054

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

*OPEB expense*

For the fiscal year ended June 30, 2020, Fayetteville City Schools recognized OPEB expense of \$97,014.

*Deferred outflows of resources and deferred inflows of resources*

For the fiscal year ended June 30, 2020, Fayetteville City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:



NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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

FAYETTEVILLE CITY SCHOOLS OPEB (CONTINUED)

TGOP - (expressed in thousands)

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 152	\$ 209
Changes of assumptions	15	99
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.	10	21
Employer payments subsequent to the measurement date	40	-
Total	<u>\$ 217</u>	<u>\$ 329</u>

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

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

TGOP - (expressed in thousands)

For the year ended June 30:

2021	\$ (17.3)
2022	(17.3)
2023	(17.3)
2024	(17.3)
2025	(17.3)
Thereafter	(65.9)

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, 2020

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#### 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 June 30, 2019, the following employees of Fayetteville City Schools were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefit payments	8
Active employees	103
	<hr/>
	134

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
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, 2019, valuations were the same as those employed in the July 1, 2018 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 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

NOTES TO FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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	\$ 297
Changes for the year:	
Service cost	6
Interest	11
Changes of benefit terms	-
Differences between expected and actual experience	43
Change in assumptions	7
Benefit payments	(14)
Net changes	53
Total OPEB liability - ending balance	\$ 349
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 349
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

The Fayetteville City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Fayetteville City Schools' proportionate share of the collective total OPEB liability was based on a projection of the 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 \$13,015 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. 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, 2020, Fayetteville City Schools recognized OPEB expense of \$13,015.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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#### 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, 2020, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	\$ 241,556
City street and transportation	<u>13,554</u>
Total	<u>\$ 255,110</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, 2020, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2020, the government received \$88,165 from the State of Tennessee for this shared revenue.

#### NOTE 15 - JOINT VENTURES

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

The Fayetteville-Lincoln County Public Library is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members, with one member each selected by the City of Fayetteville and the Lincoln County Commission, and other members selected by the existing board of directors subject to the approval of the city and county. The City of Fayetteville has control over budgeting and financing of the joint venture only to the extent of representation by appointed board members. The City of Fayetteville contributed \$112,919 to the operations of the library during the year ended June 30, 2020.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by the City of Fayetteville and Lincoln County and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. The City of Fayetteville contributed \$20,142 to the operations of the airport during the year ended June 30, 2020.

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, 2020

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#### NOTE 15 - JOINT VENTURES (CONTINUED)

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. The City of Fayetteville has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. The City of Fayetteville contributed \$102,500 to the operations of the Industrial Development Board during the year ended June 30, 2020.

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

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

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

The School System also participates in the National 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, 2020

### NOTE 16 - PLEDGED REVENUES

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

<u>Department</u>	<u>Operating Revenues</u>	<u>Current Year Principal and Interest Paid on Revenue Bonds</u>	<u>Percent of Current Revenue</u>	<u>Remaining Pledge based on future Principal and Interest Requirements</u>	<u>Commitment Period through Fiscal Year</u>
Electric	\$ 46,910,320	\$ 1,531,337	3.3%	\$ 12,597,091	2028
Gas	6,678,919	363,826	5.4%	1,708,689	2025
Water & Wastewater	5,847,302	1,978,917	33.8%	35,883,018	2055
	<u>\$ 59,436,541</u>	<u>\$ 3,874,080</u>	<u>6.5%</u>	<u>\$ 50,188,798</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, 2020, credits resulting from solar power generation totaled \$1,440,273. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2020, the liability for such amounts due to customers was \$257,392 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, 2020 these contributions totaled \$12,967 to the Tennessee Plan and \$28,388 to the Teacher Group Plan which are reflected in the financial statements as intergovernmental revenues and education expenditures.

### NOTE 19 - SUBSEQUENT EVENTS

On May 1, 2020, Fayetteville Public Utilities was awarded a Broadband Accessibility Grant through the Tennessee Department of Economic and Community Development in the amount of \$1,750,000 for the purpose of expanding broadband infrastructure in certain portions of Lincoln County. Additionally, subsequent to year end, FPU was awarded a \$1,754,642 grant under the Tennessee Emergency Broadband Fund, also administered through the Tennessee Department of Economic and Community Development to further enhance broadband infrastructure for those affected during the COVID-19 pandemic by the lack of broadband access in their area. No costs had been incurred on these projects as of June 30, 2020.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2020**

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**NOTE 19 – SUBSEQUENT EVENTS (CONTINUED)**

Subsequent to year end, Fayetteville City Schools was notified that it has been awarded a Federal Emergency Management Agency (FEMA) grant for approximately \$5,000,000. This will be a reimbursable grant in which the System will be obligated for approximately \$2,000,000. The System plans to build a storm shelter at Fayetteville High School with these funds, as well as some additional classrooms. No costs had been incurred on these projects as of June 30, 2020.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,011,828	\$ 1,092,701	\$ 1,004,858	\$ 961,403	\$ 909,076	\$ 886,106	\$ 802,092	\$ 795,514	\$ 1,064,897	\$ 1,270,135
Contributions in relation to the contractually required contribution	(1,011,828)	(1,092,701)	(1,004,858)	(961,403)	(909,076)	(886,106)	(802,092)	(795,514)	(1,064,897)	(1,270,135)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Optional contribution prepayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,477,617	\$ -	\$ -

**Notes to Schedule**

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

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

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

**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,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 480,331	\$ 483,255	\$ 520,882	\$ 546,808	\$ 560,546	\$ 585,210	\$ 618,064
Contributions in relation to the actuarially determined contribution	480,331	483,255	520,882	546,808	560,546	585,210	618,064
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 6,064,345	\$ 6,404,808
Contributions as a percentage of covered-employee payroll	9.87%	9.65%	9.65%	9.65%	9.65%	9.65%	9.65%

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

**Notes to Schedule**

*Valuation date:*

Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

*Changes of assumptions:*

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FAYETTEVILLE, TENNESSEE**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**TEACHER LEGACY PENSION PLAN OF TCRS**

**Fiscal Year ended June 30, \***

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (24,618)	\$ 64,059	\$ 949,405	\$ (47,533)	\$ (602,060)	\$ (1,624,280)
Fayetteville City Schools's proportion of the net pension liability (asset)	0.151502%	0.156381%	0.151918%	0.145281%	0.171093%	0.157976%
Fayetteville City Schools's covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817	\$ 5,991,092	\$ 5,297,159
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.41%	1.09%	17.31%	-0.92%	-10.05%	-30.66%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%

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

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

REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF FAYETTEVILLE, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
TEACHER LEGACY PLAN OF TCRS  
Fiscal Year ended June 30,

	2014	2015	2016	2017	2018	2019	2020
Contractually required	\$ 528,043	\$ 529,211	\$ 495,749	\$ 464,260	\$ 543,992	\$ 554,084	\$ 558,372
Contribution in relation to the contractually required contribution	528,043	529,211	495,749	464,260	543,992	554,084	558,372
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,946,429	\$ 5,854,119	\$ 5,483,952	\$ 5,139,817	\$ 5,991,092	\$ 5,297,159	\$ 5,252,784
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%

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

*Changes of assumptions:*

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fayetteville City Schools's proportion of the net pension liability (asset)	0.106705%	0.125359%	0.070453%	0.080310%	0.118212%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	\$ (4,293)	\$ (13,050)	\$ (18,588)	\$ (36,423)	\$ (66,729)
Fayetteville City Schools's covered payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808	\$ 1,250,936
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%	-4.06%	-5.19%	-5.33%
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.46%	121.88%	126.81%	126.97%	123.07%

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

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required	\$ 222	\$ 13,807	\$ 18,497	\$ 11,445	\$ 24,268	\$ 30,736
Contribution in relation to the contractually required contribution	8,868	22,063	18,497	28,072	24,268	30,736
Contribution deficiency (excess)	<u>\$ (8,646)</u>	<u>\$ (8,256)</u>	<u>\$ -</u>	<u>\$ (16,627)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 221,703	\$ 551,590	\$ 458,224	\$ 701,808	\$ 1,250,936	\$ 1,514,101
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%

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

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

*Changes of assumptions:*

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



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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB liability</b>			
Service cost	\$ 51.064	\$ 53.617	\$ 53.617
Interest	46.089	47.402	47.402
Benefit payments	(10.412)	-	(13.060)
Difference between expected and actual experience	<u>-</u>	<u>-</u>	<u>(130.226)</u>
Net change in total OPEB liability	86.741	101.019	(42.267)
Total OPEB liability - beginning	<u>1,386.250</u>	<u>1,472.991</u>	<u>1,574.010</u>
Total OPEB liability - ending	<u>\$ 1,472.991</u>	<u>\$ 1,574.010</u>	<u>\$ 1,531.743</u>
 Covered-employee payroll	 \$ 5,429.093	 \$ 5,786.362	 \$ 5,959.953
 Total OPEB liability as a percentage of covered-employee payroll	  27.1%	  27.2%	  25.7%

**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**

	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>Total OPEB liability</b>			
Service cost	\$ 93	\$ 86	\$ 75
Interest	48	57	47
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(401)	265
Changes of assumptions	(76)	28	(113)
Benefit payments	(87)	(91)	(69)
<b>Net change in total OPEB liability</b>	<b>\$ (22)</b>	<b>\$ (321)</b>	<b>\$ 205</b>
<b>Total OPEB liability - beginning</b>	<b><u>1,594</u></b>	<b><u>1,572</u></b>	<b><u>1,251</u></b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 1,572</u></b>	<b><u>\$ 1,251</u></b>	<b><u>\$ 1,456</u></b>
 <b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>			
	\$ 569	\$ 440	\$ 530
 <b>Employer's proportionate share of the collective total OPEB liability</b>			
	\$ 1,003	\$ 811	\$ 926
 <b>Covered-employee payroll</b>			
	\$ 7,145	\$ 6,072	\$ 6,483
 <b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>			
	14.04%	13.36%	14.28%

**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**

	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>Total OPEB liability</b>			
Service cost	\$ 8	\$ 7	\$ 6
Interest	11	12	11
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(48)	43
Changes of assumptions	(32)	(2)	7
Benefit payments	(13)	(13)	(14)
<b>Net change in total OPEB liability</b>	<b>\$ (26)</b>	<b>\$ (44)</b>	<b>\$ 53</b>
<b>Total OPEB liability - beginning</b>	<b>367</b>	<b>341</b>	<b>297</b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 341</u></b>	<b><u>\$ 297</u></b>	<b><u>\$ 350</u></b>
 <b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	 <b>\$ 341</b>	 <b>\$ 297</b>	 <b>\$ 350</b>
 <b>Employer's proportionate share of the collective total OPEB liability</b>	 <b>\$ -</b>	 <b>\$ -</b>	 <b>\$ -</b>
 <b>Covered-employee payroll</b>	 <b>N/A</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>	 <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>	<u>2020</u>
<b>Total OPEB liability</b>			
Service cost	\$ 87.041	\$ -	\$ 98.136
Interest	56.756	-	26.503
Changes of benefit terms	-	-	(69.025)
Differences between expected and actual experience	-	759.296	257.337
Changes of assumptions	-	(107.467)	7.523
Benefit payments	<u>(25.471)</u>	<u>-</u>	<u>(35.969)</u>
Net change in total OPEB liability	118.326	651.829	284.505
Total OPEB liability - beginning	<u>1,393.782</u>	<u>-</u>	<u>651.829</u> *
Total OPEB liability - ending	<u>1,512.108</u>	<u>\$ 651.829</u>	<u>\$ 936.334</u>
Covered-employee payroll	\$ 3,960.051	\$ 3,919.620	\$ 4,511.103
 Total OPEB liability as a percentage of covered-employee payroll	 38.2%	 16.6%	 20.8%

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

**Notes to Schedule**

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

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

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, 2020

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#### 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

		Special Revenue Funds				
		School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Assets:						
Cash in bank	\$	83,756	\$ 267,030	\$ 55,699	\$ 406,485	\$ 222,626
Accounts receivable		-	-	-	-	-
Due from other funds		-	-	12,499	12,499	73,860
Due from other governments		1,576	-	-	1,576	-
Inventory		-	15,187	-	15,187	-
TOTAL ASSETS	\$	85,332	\$ 282,217	\$ 68,198	\$ 435,747	\$ 296,486
Liabilities:						
Accounts payable	\$	1,173	\$ 1,796	\$ 190	\$ 3,159	\$ -
Due to other funds		3,783	-	3,543	7,326	-
Unearned revenues		376	-	-	376	-
TOTAL LIABILITIES		5,332	1,796	3,733	10,861	-
Fund Balances:						
Nonspendable - inventory		-	15,187	-	15,187	-
Restricted:						
Public safety		-	-	64,465	64,465	-
Capital projects		-	-	-	-	-
Committed						
Education		80,000	-	-	80,000	-
Assigned						
Education		-	265,234	-	265,234	-
Debt service		-	-	-	-	296,486
TOTAL FUND BALANCES		80,000	280,421	64,465	424,886	296,486
TOTAL LIABILITIES AND FUND BALANCES	\$	85,332	\$ 282,217	\$ 68,198	\$ 435,747	\$ 296,486

**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2020**

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
<b>Assets:</b>						
Cash in bank	\$ 1,674	\$ 10,121	\$ 407,594	\$ 979,916	\$ 1,399,305	\$ 2,028,416
Accounts receivable	-	-	-	110,505	110,505	110,505
Due from other funds	-	-	-	172,196	172,196	258,555
Due from other governments	-	-	-	-	-	1,576
Inventory	-	-	-	-	-	15,187
<b>TOTAL ASSETS</b>	<b>\$ 1,674</b>	<b>\$ 10,121</b>	<b>\$ 407,594</b>	<b>\$ 1,262,617</b>	<b>\$ 1,682,006</b>	<b>\$ 2,414,239</b>
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 456,178	\$ 456,178	\$ 459,337
Due to other funds	-	-	-	10,000	10,000	17,326
Unearned revenues	-	-	-	41,954	41,954	42,330
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508,132</b>	<b>508,132</b>	<b>518,993</b>
<b>Fund Balances:</b>						
Nonspendable - inventory	-	-	-	-	-	15,187
Restricted						
Public safety	-	-	-	-	-	64,465
Capital projects	-	10,121	407,594	-	417,715	417,715
Committed						
Education	-	-	-	-	-	80,000
Assigned						
Education	-	-	-	-	-	265,234
Debt service	-	-	-	-	-	296,486
Industrial park	1,674	-	-	-	1,674	1,674
Capital projects	-	-	-	754,485	754,485	754,485
<b>TOTAL FUND BALANCES</b>	<b>1,674</b>	<b>10,121</b>	<b>407,594</b>	<b>754,485</b>	<b>1,173,874</b>	<b>1,895,246</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,674</b>	<b>\$ 10,121</b>	<b>\$ 407,594</b>	<b>\$ 1,262,617</b>	<b>\$ 1,682,006</b>	<b>\$ 2,414,239</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**For the year ended June 30, 2020**

		Special Revenue Funds				
		School	School		Total	Debt
		Title	Cafeteria	Drug	Special	Service
					Revenue	Fund
Revenues:						
Intergovernmental		\$ 937,448	\$ 659,090	\$ -	\$ 1,596,538	\$ -
Charges for services		-	94,377	-	94,377	-
Investment earnings		-	134	31	165	244
Fines and confiscations		-	-	21,511	21,511	-
	TOTAL REVENUES	937,448	753,601	21,542	1,712,591	244
Expenditures:						
Current:						
General government		-	-	-	-	3,240
Public safety		-	-	21,810	21,810	-
Education		937,448	717,975	-	1,655,423	-
Debt Service:						
Principal		-	-	-	-	413,624
Interest		-	-	-	-	116,376
Capital outlay		-	95,469	8,800	104,269	-
	TOTAL EXPENDITURES	937,448	813,444	30,610	1,781,502	533,240
Excess (deficiency) of revenues						
over expenditures		-	(59,843)	(9,068)	(68,911)	(532,996)
Other Financing Sources (Uses):						
Transfers in		-	-	-	-	559,544
Transfers out		-	-	-	-	(508,884)
	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	50,660
Net change in fund balances		-	(59,843)	(9,068)	(68,911)	(482,336)
Fund balances - July 1, 2019		80,000	340,264	73,533	493,797	778,822
Fund balances - June 30, 2020		\$ 80,000	\$ 280,421	\$ 64,465	\$ 424,886	\$ 296,486



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

## NONMAJOR GOVERNMENTAL FUNDS

## CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2020

	Capital Projects Funds					Total Other Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 575,698	\$ 575,698	\$ 2,172,236
Charges for services	-	-	-	-	-	94,377
Investment earnings	1	6	214	1,972	2,193	2,602
Fines and forfeitures	-	-	-	-	-	21,511
TOTAL REVENUES	1	6	214	577,670	577,891	2,290,726
Expenditures:						
Current:						
General government	-	354	-	-	354	3,594
Public safety	-	-	-	-	-	21,810
Education	-	-	-	-	-	1,655,423
Debt service:						
Principal	-	-	-	-	-	413,624
Interest	-	-	-	-	-	116,376
Capital outlay	-	-	-	1,779,255	1,779,255	1,883,524
TOTAL EXPENDITURES	-	354	-	1,779,255	1,779,609	4,094,351
Excess (deficiency) of revenues over expenditures	1	(348)	214	(1,201,585)	(1,201,718)	(1,803,625)
Other Financing Sources (Uses):						
Transfers in	-	-	-	250,000	250,000	809,544
Transfers out	-	-	-	-	-	(508,884)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	250,000	250,000	300,660
Net change in fund balances	1	(348)	214	(951,585)	(951,718)	(1,502,965)
Fund balances - July 1, 2019	1,673	10,469	407,380	1,706,070	2,125,592	3,398,211
Fund balances - June 30, 2020	\$ 1,674	\$ 10,121	\$ 407,594	\$ 754,485	\$ 1,173,874	\$ 1,895,246

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

**CITY OF FAYETTEVILLE, TENNESSEE**

**For the year ended June 30, 2020**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Title programs	\$ 481,310	\$ 467,407	\$ 467,407	\$ -
Vocational education programs	39,522	37,187	37,187	-
21st Century Learning	50,000	15,560	15,560	-
Gear up program	108,170	120,664	120,664	-
Special education programs	296,385	296,630	296,630	-
Total Revenues	<u>975,387</u>	<u>937,448</u>	<u>937,448</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	443,392	430,378	430,378	-
Supplies	36,508	42,482	42,482	-
Equipment	-	13,878	13,878	-
Special education program				
Salaries and benefits	168,262	173,844	173,844	-
Equipment	100	62	62	-
Supplies	4,200	11,271	11,271	-
Vocational education program				
Supplies	8,564	6,517	6,517	-
Equipment	16,432	20,583	20,583	-
Support services:				
Regular instruction program				
In service	9,000	6,525	6,525	-
Special education program				
Contracted services	64,000	61,217	61,217	-
Equipment	800	5,963	5,963	-
In service	17,996	27,467	27,467	-
Supplies	6,501	6,501	6,501	-
Other	5,000	4,156	4,156	-
Other Student Support				
Salaries and benefits	80,700	84,778	84,778	-
Travel	23,106	10,788	10,788	-
Supplies	1,300	1,204	1,204	-
In service	5,000	5,000	5,000	-
Other	1,000	573	573	-
Transportation				
Salaries and benefits	21,076	6,149	6,149	-
Vocational education program				
In service	4,000	2,552	2,552	-
Community services				
Salaries and benefits	44,345	12,308	12,308	-
Supplies	5,255	3,182	3,182	-
In service	400	70	70	-
Total Expenditures	<u>966,937</u>	<u>937,448</u>	<u>937,448</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(8,450)	-	-	-
Total Other Financing Sources (Uses)	<u>(8,450)</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, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Intergovernmental				
National school lunch program	\$ 433,000	\$ 433,000	\$ 330,988	\$ (102,012)
School breakfast program	178,000	178,000	151,799	(26,201)
After school snacks	4,200	4,200	3,311	(889)
Seamless summer option	-	-	117,118	117,118
USDA commodities	49,716	49,716	49,065	(651)
Other	7,000	7,000	6,809	(191)
Charges for services	173,180	173,180	94,377	(78,803)
Investment earnings	200	200	134	(66)
Total Revenues	<u>845,296</u>	<u>845,296</u>	<u>753,601</u>	<u>(91,695)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	364,080	383,080	364,234	18,846
Repairs and maintenance	9,000	9,000	3,699	5,301
Travel	4,000	4,000	1,790	2,210
Contracted services	9,000	12,000	9,160	2,840
Food and preparation supplies	454,716	428,716	336,706	92,010
Supplies	1,200	1,200	1,200	-
Other	3,000	1,500	1,186	314
Capital outlay	1,000	97,000	95,469	1,531
Total Expenditures	<u>845,996</u>	<u>936,496</u>	<u>813,444</u>	<u>123,052</u>
Excess (Deficiency) of Revenues over Expenditures	(700)	(91,200)	(59,843)	31,357
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Total Other Financing Sources (Uses)	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Net Change in Fund Balance	-	(90,500)	(59,843)	30,657
Fund Balance - beginning	<u>340,264</u>	<u>340,264</u>	<u>340,264</u>	<u>-</u>
Fund Balance - ending	<u>\$ 340,264</u>	<u>\$ 249,764</u>	<u>\$ 280,421</u>	<u>\$ 30,657</u>

**DRUG SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	<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	\$ 30	\$ 30	\$ 31	\$ 1
Fines	20,000	20,000	21,299	1,299
Confiscations	-	-	212	212
Total Revenues	<u>20,030</u>	<u>20,030</u>	<u>21,542</u>	<u>1,512</u>
EXPENDITURES				
Current:				
Operating				
Salaries	11,500	11,500	6,744	4,756
Education and training	5,000	15,500	10,625	4,875
Travel	5,000	5,000	365	4,635
Supplies	6,150	6,150	2,043	4,107
Contractual	3,175	3,175	-	3,175
Telephone	1,800	1,800	1,547	253
Professional services	1,200	1,200	486	714
Equipment	-	8,800	8,800	-
Investigative transactions	10,000	10,000	-	10,000
Other drug fund	2,000	2,000	-	2,000
Total Expenditures	<u>45,825</u>	<u>65,125</u>	<u>30,610</u>	<u>34,515</u>
Net Change in Fund Balance	(25,795)	(45,095)	(9,068)	36,027
Fund Balance - beginning	<u>73,533</u>	<u>73,533</u>	<u>73,533</u>	<u>-</u>
Fund Balance - ending	<u>\$ 47,738</u>	<u>\$ 28,438</u>	<u>\$ 64,465</u>	<u>\$ 36,027</u>

**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	<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	\$ 150	\$ 150	\$ 244	\$ 94
Total Revenues	<u>150</u>	<u>150</u>	<u>244</u>	<u>94</u>
EXPENDITURES				
Current:				
Operating - agent fees	4,000	4,000	3,240	760
Debt Service:				
Principal	412,809	412,809	413,624	(815)
Interest	116,978	116,978	116,376	602
Total Expenditures	<u>533,787</u>	<u>533,787</u>	<u>533,240</u>	<u>547</u>
Excess (Deficiency) of Revenues over Expenditures	(533,637)	(533,637)	(532,996)	641
OTHER FINANCING SOURCES (USES)				
Transfers in	534,000	534,000	559,544	25,544
Transfers out	-	(508,884)	(508,884)	-
Total Other Financing Sources (Uses)	<u>534,000</u>	<u>25,116</u>	<u>50,660</u>	<u>25,544</u>
Net Change in Fund Balance	363	(508,521)	(482,336)	26,185
Fund Balance - beginning	<u>778,822</u>	<u>778,822</u>	<u>778,822</u>	<u>-</u>
Fund Balance - ending	<u>\$ 779,185</u>	<u>\$ 270,301</u>	<u>\$ 296,486</u>	<u>\$ 26,185</u>

**INDUSTRIAL PARK CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
Total Revenues	-	-	1	1
EXPENDITURES				
Current:				
Contribution to IDB	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	1	1
Fund Balance - beginning	1,673	1,673	1,673	-
Fund Balance - ending	\$ 1,673	\$ 1,673	\$ 1,674	\$ 1

**CDBG CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable (Unfavorable)
REVENUES				
Investment earnings	\$ 10	\$ 10	\$ 6	\$ (4)
Total Revenues	<u>10</u>	<u>10</u>	<u>6</u>	<u>(4)</u>
EXPENDITURES				
Current:				
Operating	<u>10,500</u>	<u>10,500</u>	<u>354</u>	<u>10,146</u>
Total Expenditures	<u>10,500</u>	<u>10,500</u>	<u>354</u>	<u>10,146</u>
Net Change in Fund Balance	(10,490)	(10,490)	(348)	10,142
Fund Balance - beginning	<u>10,469</u>	<u>10,469</u>	<u>10,469</u>	<u>-</u>
Fund Balance - ending	<u>\$ (21)</u>	<u>\$ (21)</u>	<u>\$ 10,121</u>	<u>\$ 10,142</u>

**UDAG CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 214	\$ 14
Total Revenues	<u>200</u>	<u>200</u>	<u>214</u>	<u>14</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	(800)	(800)	214	1,014
Fund Balance - beginning	<u>407,380</u>	<u>407,380</u>	<u>407,380</u>	<u>-</u>
Fund Balance - ending	<u>\$ 406,580</u>	<u>\$ 406,580</u>	<u>\$ 407,594</u>	<u>\$ 1,014</u>



**INTERNAL CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE**

**CITY OF FAYETTEVILLE, TENNESSEE**

**Year ended June 30, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Investment earnings	\$ 1,000	\$ 1,000	\$ 1,972	\$ 972
Intergovernmental	2,848,766	469,624	575,698	106,074
Total Revenues	2,849,766	470,624	577,670	107,046
EXPENDITURES				
Capital outlay	3,338,976	2,097,585	1,779,255	318,330
Total Expenditures	3,338,976	2,097,585	1,779,255	318,330
(Deficiency) of Revenues over Expenditures	(489,210)	(1,626,961)	(1,201,585)	425,376
OTHER FINANCING SOURCES				
Transfers in	2,974,886	250,000	250,000	-
Transfers out	(2,848,766)	-	-	-
Total Other Financing Sources	126,120	250,000	250,000	-
Net Change in Fund Balance	(363,090)	(1,376,961)	(951,585)	425,376
Fund Balance - beginning	1,706,070	1,706,070	1,706,070	-
Fund Balance - ending	<u>\$ 1,342,980</u>	<u>\$ 329,109</u>	<u>\$ 754,485</u>	<u>\$ 425,376</u>

**SCHOOL CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**Year ended June 30, 2020**

	<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	\$ 120,000	\$ 120,000	\$ 104,608	\$ (15,392)
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>104,608</u>	<u>(15,392)</u>
EXPENDITURES				
Current:				
Debt service:				
Principal on bonds	291,700	291,700	225,000	66,700
Interest on bonds	133,400	133,400	133,400	-
Capital outlay	<u>7,686,613</u>	<u>7,686,613</u>	<u>1,937,138</u>	<u>5,749,475</u>
Total Expenditures	<u>8,111,713</u>	<u>8,111,713</u>	<u>2,295,538</u>	<u>5,816,175</u>
Net Change in Fund Balance	(7,991,713)	(7,991,713)	(2,190,930)	5,800,783
Fund Balance - beginning	<u>7,701,839</u>	<u>7,701,839</u>	<u>7,701,839</u>	<u>-</u>
Fund Balance - ending	<u>\$ (289,874)</u>	<u>\$ (289,874)</u>	<u>\$ 5,510,909</u>	<u>\$ 5,800,783</u>

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

**CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2020

Fayetteville Public Utilities														
General Debt		Sanitation Capital Outlay Note		Electric Department Total For All Debt		Gas Department Series 2017		Water & Sewer Department Total For All Debt		Total	Total			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total *		
2021	\$ 684,640	\$ 232,325	\$ 5,915	\$ 12	\$ 1,317,056	\$ 226,592	\$ 310,807	\$ 41,378	\$ 1,115,204	\$ 487,631	\$ 3,433,622	\$ 987,938	\$ 4,421,560	
2022	661,586	211,814	-	-	1,342,056	201,657	323,785	25,838	1,133,394	469,440	3,460,821	908,749	4,369,570	
2023	528,702	199,174	-	-	1,349,882	176,200	326,298	19,362	1,151,969	450,866	3,356,851	845,602	4,202,453	
2024	535,676	187,975	-	-	1,376,000	150,342	314,324	12,836	1,170,049	432,786	3,396,049	783,939	4,179,988	
2025	547,489	176,638	-	-	1,490,000	123,800	327,511	6,550	1,110,657	413,091	3,475,657	720,079	4,195,736	
2026	410,000	163,637	-	-	1,530,000	94,000	-	-	1,048,662	396,000	2,988,662	653,637	3,642,299	
2027	415,000	152,300	-	-	1,565,000	63,400	-	-	1,065,641	379,021	3,045,641	594,721	3,640,362	
2028	430,000	140,837	-	-	1,605,000	32,100	-	-	1,082,225	362,437	3,117,225	535,374	3,652,599	
2029	445,000	127,338	-	-	-	-	-	-	1,100,540	344,122	1,545,540	471,460	2,017,000	
2030	450,000	113,387	-	-	-	-	-	-	1,118,501	326,161	1,568,501	439,548	2,008,049	
2031	470,000	98,988	-	-	-	-	-	-	1,136,799	307,863	1,606,799	406,851	2,013,650	
2032	480,000	83,912	-	-	-	-	-	-	1,154,826	289,836	1,634,826	373,748	2,008,574	
2033	500,000	67,913	-	-	-	-	-	-	1,174,444	270,218	1,674,444	338,131	2,012,575	
2034	445,000	51,212	-	-	-	-	-	-	1,193,829	250,833	1,638,829	302,045	1,940,874	
2035	450,000	36,413	-	-	-	-	-	-	1,175,773	231,274	1,625,773	267,687	1,893,460	
2036	325,000	21,450	-	-	-	-	-	-	1,137,080	212,223	1,462,080	233,673	1,695,753	
2037	335,000	10,888	-	-	-	-	-	-	957,563	193,469	1,292,563	204,357	1,496,920	
2038	-	-	-	-	-	-	-	-	737,747	177,654	737,747	177,654	915,401	
2039	-	-	-	-	-	-	-	-	572,707	163,900	572,707	163,900	736,607	
2040	-	-	-	-	-	-	-	-	399,900	153,096	399,900	153,096	552,996	
2041	-	-	-	-	-	-	-	-	411,091	141,905	411,091	141,905	552,996	
2042	-	-	-	-	-	-	-	-	422,172	130,824	422,172	130,824	552,996	
2043	-	-	-	-	-	-	-	-	433,557	119,439	433,557	119,439	552,996	
2044	-	-	-	-	-	-	-	-	444,962	108,034	444,962	108,034	552,996	
2045	-	-	-	-	-	-	-	-	457,261	95,735	457,261	95,735	552,996	
2046	-	-	-	-	-	-	-	-	469,604	83,392	469,604	83,392	552,996	
2047	-	-	-	-	-	-	-	-	482,286	70,710	482,286	70,710	552,996	
2048	-	-	-	-	-	-	-	-	495,164	57,832	495,164	57,832	552,996	
2049	-	-	-	-	-	-	-	-	508,698	44,298	508,698	44,298	552,996	
2050	-	-	-	-	-	-	-	-	522,451	30,545	522,451	30,545	552,996	
2051	-	-	-	-	-	-	-	-	407,999	17,606	407,999	17,606	425,605	
2052	-	-	-	-	-	-	-	-	223,261	8,286	223,261	8,286	231,547	
2053	-	-	-	-	-	-	-	-	121,586	3,719	121,586	3,719	125,305	
2054	-	-	-	-	-	-	-	-	79,420	1,292	79,420	1,292	80,712	
2055	-	-	-	-	-	-	-	-	3,730	8	3,730	8	3,738	
	\$ 8,113,093	\$ 2,076,201	\$ 5,915	\$ 12	\$ 11,574,994	\$ 1,068,091	\$ 1,602,725	\$ 105,964	\$ 26,220,752	\$ 7,225,546	\$ 47,517,479	\$ 10,475,814	\$ 57,993,293	

\* Excludes FPU interim advances not yet amortizing

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

**CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2020

Year Ending June 30,	General Obligation Bonds Series 2013		General Obligation Bonds Series 2013 B		General Obligation Bonds Series 2014		General Obligation Bonds Series 2017		General Capital Outlay Note 2019		Total General	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest
2021	\$ 225,000	\$ 128,900	\$ 50,000	\$ 29,187	\$ 90,000	\$ 48,100	\$ 149,193	\$ 19,321	\$ 170,447	\$ 6,817	\$ 684,640	\$ 232,325
2022	230,000	124,400	50,000	27,563	90,000	46,300	146,215	11,862	145,371	1,689	661,586	211,814
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>\$ 4,645,000</u>	<u>\$ 1,338,638</u>	<u>\$ 745,000</u>	<u>\$ 229,812</u>	<u>\$ 1,665,000</u>	<u>\$ 450,212</u>	<u>\$ 742,275</u>	<u>\$ 49,033</u>	<u>\$ 315,818</u>	<u>\$ 8,506</u>	<u>\$ 8,113,093</u>	<u>\$ 2,076,201</u>

**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
June 30, 2020

Year	Series 2019		Series 2016		RUS Rural Economic Development Loan (LCHS)		Total Electric	
Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 488,000	\$ 33,992	\$ 810,000	\$ 192,600	\$ 19,056	\$ -	\$ 1,317,056	\$ 226,592
2022	478,000	25,257	845,000	176,400	19,056	-	1,342,056	201,657
2023	467,000	16,700	875,000	159,500	7,882	-	1,349,882	176,200
2024	466,000	8,342	910,000	142,000	-	-	1,376,000	150,342
2025	-	-	1,490,000	123,800	-	-	1,490,000	123,800
2026	-	-	1,530,000	94,000	-	-	1,530,000	94,000
2027	-	-	1,565,000	63,400	-	-	1,565,000	63,400
2028	-	-	1,605,000	32,100	-	-	1,605,000	32,100
	<u>\$ 1,899,000</u>	<u>\$ 84,291</u>	<u>\$ 9,630,000</u>	<u>\$ 983,800</u>	<u>\$ 45,994</u>	<u>\$ -</u>	<u>\$ 11,574,994</u>	<u>\$ 1,068,091</u>

**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
June 30, 2020

Year Ending June 30,	RUS Phase I Series 2008		RUS Phase II Series 2009		RUS Phase III Series 2013		RUS Phase IV Series 2015	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 71,862	\$ 67,998	\$ 89,043	\$ 134,469	\$ 49,051	\$ 59,861	\$ 32,094	\$ 48,618
2022	73,495	66,364	91,751	131,761	50,292	58,620	32,987	47,725
2023	75,167	64,693	94,542	128,970	51,563	57,349	33,906	46,806
2024	76,703	63,157	97,071	126,441	52,714	56,198	34,724	45,988
2025	78,619	61,241	100,370	123,142	54,200	54,712	35,817	44,895
2026	80,407	59,453	103,423	120,089	55,571	53,341	36,815	43,897
2027	82,234	57,626	106,569	116,943	56,976	51,936	37,840	42,872
2028	83,951	55,909	109,498	114,014	58,279	50,633	38,779	41,933
2029	86,012	53,848	113,141	110,371	59,891	49,021	39,974	40,738
2030	87,968	51,892	116,582	106,930	61,406	47,506	41,087	39,625
2031	89,968	49,892	120,128	103,384	62,958	45,954	42,231	38,481
2032	91,882	47,978	123,508	100,004	64,429	44,483	43,305	37,407
2033	94,102	45,758	127,538	95,974	66,180	42,732	44,614	36,098
2034	96,241	43,619	131,417	92,095	67,853	41,059	45,856	34,856
2035	98,429	41,431	135,415	88,097	69,569	39,343	47,133	33,579
2036	100,560	39,300	139,304	84,208	71,226	37,686	48,357	32,355
2037	102,953	36,907	143,770	79,742	73,130	35,782	49,792	30,920
2038	105,293	34,567	148,143	75,369	74,979	33,933	51,179	29,533
2039	107,687	32,173	152,649	70,863	76,875	32,037	52,604	28,108
2040	110,054	29,806	157,112	66,400	78,737	30,175	53,997	26,715
2041	112,637	27,223	162,071	61,441	80,810	28,102	55,573	25,139
2042	115,197	24,663	167,000	56,512	82,854	26,058	57,121	23,591
2043	117,816	22,044	172,080	51,432	84,949	23,963	58,712	22,000
2044	120,443	19,417	177,189	46,323	87,039	21,873	60,291	20,421
2045	123,233	16,627	182,703	40,809	89,299	19,613	62,026	18,686
2046	126,034	13,826	188,260	35,252	91,557	17,355	63,753	16,959
2047	128,899	10,961	193,986	29,526	93,872	15,040	65,529	15,183
2048	131,809	8,051	199,825	23,687	96,212	12,700	67,318	13,394
2049	134,826	5,034	205,965	17,547	98,679	10,233	69,228	11,484
2050	137,891	1,969	212,229	11,283	101,175	7,737	71,156	9,556
2051	12,444	25	218,684	4,828	103,733	5,179	73,138	7,574
2052	-	-	41,749	174	106,351	2,561	75,161	5,551
2053	-	-	-	-	44,318	275	77,268	3,444
2054	-	-	-	-	-	-	79,420	1,292
2055	-	-	-	-	-	-	3,730	8
	<u>\$ 3,054,816</u>	<u>\$ 1,153,452</u>	<u>\$ 4,522,715</u>	<u>\$ 2,448,080</u>	<u>\$ 2,416,727</u>	<u>\$ 1,113,050</u>	<u>\$ 1,782,515</u>	<u>\$ 965,431</u>

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

June 30, 2020

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>
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	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-
	<u>\$ 533,141</u>	<u>\$ 45,384</u>	<u>\$ 3,121,179</u>	<u>\$ 297,914</u>	<u>\$ 3,197,174</u>	<u>\$ 387,542</u>	<u>\$ 1,347,085</u>	<u>\$ 168,328</u>

**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER (CONTINUED)**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
June 30, 2020

Year Ending June 30,	State Revolving Fund Loan DWF 2016-175		State Revolving Fund Loan CW6 2018-407		TDOT Utility Reloc Loan		Total Water *	
	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest
2021	\$ 230,388	\$ 51,564	\$ 40,236	\$ 10,944	\$ 146,788	\$ 11,385	\$ 1,115,204	\$ 487,631
2022	232,980	48,972	40,764	10,416	149,527	8,646	1,133,394	469,440
2023	235,608	46,344	41,304	9,876	152,317	5,856	1,151,969	450,866
2024	238,260	43,692	41,844	9,336	155,159	3,014	1,170,049	432,786
2025	240,936	41,016	42,396	8,784	78,661	425	1,110,657	413,091
2026	243,648	38,304	42,960	8,220	-	-	1,048,662	396,000
2027	246,396	35,556	43,524	7,656	-	-	1,065,641	379,021
2028	249,168	32,784	44,100	7,080	-	-	1,082,225	362,437
2029	251,976	29,976	44,676	6,504	-	-	1,100,540	344,122
2030	254,808	27,144	45,264	5,916	-	-	1,118,501	326,161
2031	257,676	24,276	45,864	5,316	-	-	1,136,799	307,863
2032	260,580	21,372	46,476	4,704	-	-	1,154,826	289,836
2033	263,508	18,444	47,088	4,092	-	-	1,174,444	270,218
2034	266,484	15,468	47,700	3,480	-	-	1,193,829	250,833
2035	269,484	12,468	48,336	2,844	-	-	1,175,773	231,274
2036	272,508	9,444	48,972	2,208	-	-	1,137,080	212,223
2037	275,580	6,372	49,608	1,572	-	-	957,563	193,469
2038	278,688	3,264	50,268	912	-	-	737,747	177,654
2039	140,548	462	42,344	257	-	-	572,707	163,900
2040	-	-	-	-	-	-	399,900	153,096
2041	-	-	-	-	-	-	411,091	141,905
2042	-	-	-	-	-	-	422,172	130,824
2043	-	-	-	-	-	-	433,557	119,439
2044	-	-	-	-	-	-	444,962	108,034
2045	-	-	-	-	-	-	457,261	95,735
2046	-	-	-	-	-	-	469,604	83,392
2047	-	-	-	-	-	-	482,286	70,710
2048	-	-	-	-	-	-	495,164	57,832
2049	-	-	-	-	-	-	508,698	44,298
2050	-	-	-	-	-	-	522,451	30,545
2051	-	-	-	-	-	-	407,999	17,606
2052	-	-	-	-	-	-	223,261	8,286
2053	-	-	-	-	-	-	121,586	3,719
2054	-	-	-	-	-	-	79,420	1,292
2055	-	-	-	-	-	-	3,730	8
	<u>\$ 4,709,224</u>	<u>\$ 506,922</u>	<u>\$ 853,724</u>	<u>\$ 110,117</u>	<u>\$ 682,452</u>	<u>\$ 29,326</u>	<u>\$ 26,220,752</u>	<u>\$ 7,225,546</u>

\* Excludes interim advances not yet amortizing



**CITY OF FAYETTEVILLE, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
<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	\$ 790,000	\$ -	\$ 45,000	\$ -	\$ 745,000
General Obligation, Series 2014	2,000,000	2.0% to 3.5%	12/1/2014	6/1/2035	1,750,000	-	85,000	-	1,665,000
General Obligation, Series 2017	975,427	2.0% to 5.0%	9/28/2017	6/1/2025	859,792	-	117,517	-	742,275
Total Bonds Payable through General Government					<u>\$ 3,399,792</u>	<u>\$ -</u>	<u>\$ 247,517</u>	<u>\$ -</u>	<u>\$ 3,152,275</u>
<u>OTHER LOANS PAYABLE</u>									
Bank Capital Outlay Note	\$ 509,135	2.80%	5/2/2019	5/2/2022	\$ 481,926	\$ -	\$ 166,108	\$ -	\$ 315,818
Total Loans Payable through General Government					<u>\$ 481,926</u>	<u>\$ -</u>	<u>\$ 166,108</u>	<u>\$ -</u>	<u>\$ 315,818</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	\$ 3,090,000	\$ -	\$ -	\$ 3,090,000	\$ -
Revenue Bonds, Series 2016	9,750,000	2.00%	5/27/2016	6/1/2028	9,660,000	-	30,000	-	9,630,000
Revenue Bonds, Series 2019	3,116,000	1.79%	12/12/2019	6/1/2024	-	3,116,000	1,217,000	-	1,899,000
Total Bonds Payable through Electric Department					<u>\$ 12,750,000</u>	<u>\$ 3,116,000</u>	<u>\$ 1,247,000</u>	<u>\$ 3,090,000</u>	<u>\$ 11,529,000</u>
<u>OTHER LOANS PAYABLE</u>									
USDA Rural Economic Development Loan	\$ 133,334	0.00%	11/30/2015	12/8/2022	\$ 65,050	\$ -	\$ 19,056	\$ -	\$ 45,994
Total Loans Payable through Electric Department					<u>\$ 65,050</u>	<u>\$ -</u>	<u>\$ 19,056</u>	<u>\$ -</u>	<u>\$ 45,994</u>
<u>Payable through Gas Department</u>									
<u>BONDS PAYABLE</u>									
General Obligation, Series 2017	\$ 2,209,015	2.0% to 5.0%	9/28/2017	6/1/2025	\$ 1,909,819	\$ -	\$ 307,094	\$ -	\$ 1,602,725
Total Bonds Payable through Gas Department					<u>\$ 1,909,819</u>	<u>\$ -</u>	<u>\$ 307,094</u>	<u>\$ -</u>	<u>\$ 1,602,725</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	\$ 350,000	\$ -	\$ 350,000	\$ -	\$ -
Total Bonds Payable through Telecom Department					<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ -</u>

**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE (CONTINUED)**  
June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
<u>Payable through Water Department</u>									
<u>BONDS PAYABLE</u>									
USDA Revenue & Tax Bond Series 2008	\$ 3,500,000	2.25%	9/19/2013	9/19/2050	\$ 3,125,081	\$ -	\$ 70,265	\$ -	\$ 3,054,816
USDA Revenue & Tax Bond Series 2009	4,980,000	3.00%	10/15/2014	10/15/2051	4,609,130	-	86,415	-	4,522,715
USDA Revenue & Tax Bond Series 2009A	2,623,000	2.50%	1/24/2015	11/30/2052	2,464,569	-	47,842	-	2,416,727
USDA Revenue & Tax Bond Series 2015	1,900,000	2.75%	7/20/2016	7/31/2054	1,813,739	-	31,224	-	1,782,515
General Obligation, Series 2017	665,558	5.00%	9/28/2017	6/1/2020	330,389	-	330,389	-	-
Total Bonds Payable through Water Department					<u>\$ 12,342,908</u>	<u>\$ -</u>	<u>\$ 566,135</u>	<u>\$ -</u>	<u>\$ 11,776,773</u>
<u>OTHER LOANS PAYABLE</u>									
State Revolving Fund Loan (CW0)	\$ 972,360	1.17%	2/4/2013	7/20/2034	\$ 567,761	\$ -	\$ 34,620	\$ -	\$ 533,141
State Revolving Fund Loan (CG1)	4,300,000	1.17%	2/4/2013	3/20/2036	3,300,609	-	179,430	-	3,121,179
State Revolving Fund Loan (CG4)	4,000,000	1.38%	1/23/2015	4/20/2037	3,364,754	-	167,580	-	3,197,174
State Revolving Fund Loan (CG2)	1,700,000	1.38%	1/23/2015	10/20/2037	1,415,401	-	68,316	-	1,347,085
State Revolving Fund Loan (DWF)	5,050,000	1.12%	5/10/2016	12/20/2038	4,937,044	-	227,820	-	4,709,224
State Revolving Fund Loan (CW6)	1,000,000	1.31%	11/29/2017	4/20/2039	893,432	-	39,708	-	853,724
State Revolving Fund Loan (SRF)	3,000,000	1.31%	11/29/2017	(1)	518,478	1,918,242	-	-	2,436,720
TDOT Utility Relocation Loan	2,070,465	1.85%	8/22/2005	12/20/2024	826,552	-	144,100	-	682,452
Total Loans Payable through Water Department					<u>\$ 15,824,031</u>	<u>\$ 1,918,242</u>	<u>\$ 861,574</u>	<u>\$ -</u>	<u>\$ 16,880,699</u>
<u>Payable through Sanitation Department</u>									
<u>OTHER LOANS PAYABLE</u>									
Bank Installment Note	\$ 205,000	2.50%	7/18/2017	7/18/2020	\$ 75,845	\$ -	\$ 69,930	\$ -	\$ 5,915
Total Loans Payable through Sanitation Department					<u>\$ 75,845</u>	<u>\$ -</u>	<u>\$ 69,930</u>	<u>\$ -</u>	<u>\$ 5,915</u>
<u>Payable through Fayetteville City Schools</u>									
<u>BONDS PAYABLE</u>									
General Obligation Bonds, Series 2013	6,140,000	2.0%-3.25%	5/1/2013	6/1/2037	4,870,000	-	225,000	-	4,645,000
Total Bonds Payable through Fayetteville City Schools					<u>\$ 4,870,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ -</u>	<u>\$ 4,645,000</u>

(1) Total amount approved was \$3,000,000, of which \$563,280 remains available for draws as of June 30, 2020.

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

June 30, 2020

Residential

Customer Charge	\$24.40 per month
Energy Charge	7.594 cents per KWH
TVA Total Monthly Fuel Cost	1.528 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	\$40.00 per month
Energy Charge		8.820 cents per KWH
TVA Total Monthly Fuel Cost		1.505 cents per KWH

51 KW TO 1,000 KW

Customer Charge		\$225.00 per month
Demand Charge	First 50 KW	\$7.00 per KW
	Excess over 50 KW	\$16.27 per KW
Energy Charge	First 15,000 KWH	6.919 cents per KWH
	Additional KWH	4.402 cents per KWH
TVA Total Monthly Fuel Cost	First 15,000 KWH	1.505 cents per KWH
	Additional KWH	1.479 cents per KWH

1,001 KW TO 5,000 KW

Customer Charge		\$450.00 per month
Demand Charge	First 1,000 KW	\$17.30 per KW
	Excess over 1,000 KW	\$19.80 per KW
Energy Charge		4.383 cents per KWH.
TVA Total Monthly Fuel Cost		1.479 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		1.237 cents per KWH

**FAYETTEVILLE PUBLIC UTILITIES**  
**SCHEDULE OF GAS UTILITY RATES IN EFFECT**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2020**

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Residential

Monthly minimum	\$	5.00
Per ccf consumed per month		1.05

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

Monthly minimum	\$	5.66
Per ccf consumed per month		1.10

General Commercial and Industrial

Monthly minimum	\$	5.66
Per ccf consumed per month		0.990

Housing Authority

Monthly minimum	\$	5.00
Per ccf consumed per month		0.971

Interruptible Service

Per ccf consumed per month	\$	0.326
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Firm Industrial

Monthly minimum	\$	100.00
Per ccf consumed per month		0.476

*Note: ccf represents 100 cubic feet.*

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

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2020**

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Cable TV Service

Budget basic	\$ 30.87
Basic plus	76.35
Basic digital	88.56
Digital service with DVR only	92.72
Digital service with HD only	88.56
Complete digital package	92.72

Digital Premium Channels

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

Additional Cable Equipment Available

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

Internet Services

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

VOIP Phone Services

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

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

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2020**

	<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	\$ 10.83	\$ 14.08	\$ 11.90	\$ 15.48	\$ 11.37	\$ 11.90	\$ 11.27	\$ 11.57
All over 100 cubic feet*	4.60	5.97						
Next 900 cubic feet*			5.08	6.60	4.83	5.08	4.73	5.03
All over 1,000 cubic feet*			3.70	4.84	3.65	N/A	3.55	3.85
Next 119,000 cubic feet*						4.05		
All over 120,000 cubic feet*						2.70		
<u>Wastewater Rates</u>								
First 100 cubic feet	17.11	19.68	19.49		19.49			
All over 100 cubic feet*	7.27	8.36	8.28		8.28			

*\*Per 100 cubic feet*

Number of water and wastewater customers at June 30,

	<u>2020</u>	<u>2019</u>
Water	4,679	4,658
Sewer	3,569	3,543

CITY OF FAYETTEVILLE, TENNESSEE  
SCHEDULE OF SANITATION RATES IN EFFECT

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

---

Residential

Per household	\$ 14
Per apartment	14

Each additional cart purchased is an additional \$10.

Commercial and Industrial

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

SCHEDULE OF NUMBER OF UTILITY CUSTOMERS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

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	June 30, <u>2020</u>	<u>2019</u>
Electric	18,639	18,477
Gas	6,440	6,381
Telecom division -Cable	2,347	2,555
Telecom division -Internet	2,820	2,718
Telecom division -Phone	323	321
Water	4,679	4,658
Wastewater	3,569	3,543
Sanitation	2,731	2,720



**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2020**

<u>Year</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Taxes</u> <u>Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2020</u>
2020	\$ -	\$ 2,939,715	\$ -	\$ -	\$ 2,939,715
2019	2,898,443	-	175,101	(2,951,976)	121,568
2018	125,765	-	1,378	(107,780)	19,363
2017	18,788	-	-	(14,370)	4,418
2016	1,554	-	-	(157)	1,397
2015	3,729	-	-	(157)	3,572
2014	3,671	-	-	(191)	3,480
2013	3,484	-	-	-	3,484
2012	2,234	-	-	-	2,234
2011	-	-	-	-	-
	<u>\$ 3,057,668</u>	<u>\$ 2,939,715</u>	<u>\$ 176,479</u>	<u>\$ (3,074,631)</u>	<u>3,099,231</u>
Less allowance for uncollectible taxes					(34,847)
Balance, end of year, net of allowance					<u>\$ 3,064,384</u>

All uncollectible real estate taxes for tax years prior to 2019 have been turned over to the Clerk and Master for collection.

**DIRECTORY OF OFFICIALS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2020**

---

Mayor - Michael Whisenant

Board of Alderman

Dorothy Small - Vice Mayor

Danny Bryant

Donna Hartman

Jeff Alder

Tonya Allen

Rachael Martinez

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, 2020**

---

During the year ended June 30, 2020, the government turned over \$37,000 of 2018 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, 2020**

---

<u>Tax Year</u>	<u>Total Assessed Value</u>	<u>City Property Tax Rate</u>	<u>Levy</u>
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
2020	196,076,529	1.5000	2,939,715

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
Year Ended June 30, 2020

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program/Cluster Name</u>	<u>CFDA Number</u>	<u>Grant/Project/ Contract /Program Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>Federal Awards</u>					
U.S. Dept of Transportation / TN Dept of Transportation Total Highway Planning and Construction Cluster	Highway Planning and Construction Cluster	20.205	TAP-1 9304(8)	\$ - -	\$ 611,929 611,929
U.S. Department of Justice Total U.S. Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A	- -	13,194 13,194
U.S. Dept of Homeland Security / TN Emergency Management Agency Total	Disaster Grants - Public Assistance	97.036	4427	- -	8,225 8,225
Total Federal Awards				-	633,348
<u>State Financial Assistance</u>					
TN Department of Finance and Administration TN Emergency Management Agency	Camp Blount Direct Appropriation Grant Disaster Grants - Public Assistance	N/A N/A	N/A 4427	- -	223,928 1,371
Total State Awards				-	225,299
Total Federal & State Awards				\$ -	\$ 858,647

**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, 2020. Separate Schedules of Expenditures of Federal Awards and State Financial Assistance for Fayetteville Public Utilities and Fayetteville City Schools are included in their separately issued, publicly available financial reports. This schedule is presented using the modified accrual basis of accounting.



## AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association.  
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? Click to access definition  
+ Click to add a comment

Water Audit Report for: **Fayetteville Public Utilities (0000242)**  
Reporting Year: **2020** **7/2019 - 6/2020**

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.

Master Meter and Supply Error Adjustments

### WATER SUPPLIED

<----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+ ?	10	749.105	MG/Yr	+ ?	7	0.65%	<input checked="" type="radio"/> <input type="radio"/>		MG/Yr
Water imported:	+ ?	n/a		MG/Yr	+ ?			<input checked="" type="radio"/> <input type="radio"/>		MG/Yr
Water exported:	+ ?	10	120.878	MG/Yr	+ ?	5	-3.07%	<input checked="" type="radio"/> <input type="radio"/>		MG/Yr

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

**WATER SUPPLIED:** **619.561** MG/Yr

### AUTHORIZED CONSUMPTION

Billed metered:	+ ?	10	415.433	MG/Yr						
Billed unmetered:	+ ?	n/a		MG/Yr						
Unbilled metered:	+ ?	10	2.740	MG/Yr						
Unbilled unmetered:	+ ?	10	20.098	MG/Yr						

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:** **438.271** MG/Yr

Click here: ?  
for help using option  
buttons below

Pcnt: ☐ ☒ ☐ Value: **20.098** MG/Yr

Use buttons to select  
percentage of water  
supplied  
OR  
value

Pcnt: ☐ ☒ ☐ Value: **0.25%** MG/Yr

**2.00%** ☒ ☐ ☐  
**0.25%** ☐ ☒ ☐

### WATER LOSSES (Water Supplied - Authorized Consumption)

**181.290** MG/Yr

#### Apparent Losses

Unauthorized consumption: + ? **1.549** MG/Yr

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

Customer metering inaccuracies: + ? 8 **8.534** MG/Yr

Systematic data handling errors: + ? **1.039** MG/Yr

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

**Apparent Losses:** **11.122** MG/Yr

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

Real Losses = Water Losses - Apparent Losses: ? **170.168** MG/Yr

**WATER LOSSES:** **181.290** MG/Yr

### NON-REVENUE WATER

**NON-REVENUE WATER:** **204.128** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

### SYSTEM DATA

Length of mains: + ? 9 **144.2** miles  
Number of active AND inactive service connections: + ? 9 **5,184**  
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: + ?  
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 **\$3,811,869** \$/Year  
Customer retail unit cost (applied to Apparent Losses): + ? 10 **\$4.45** \$/100 cubic feet (ccf)  
Variable production cost (applied to Real Losses): + ? 10 **\$347.55** \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

### WATER AUDIT DATA VALIDITY SCORE:

**\*\*\* YOUR SCORE IS: 92 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: **2020** **7/2019 - 6/2020****\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 92 out of 100 \*\*\***

### System Attributes:

Apparent Losses:	<b>11.122</b>	MG/Yr
+ Real Losses:	<b>170.168</b>	MG/Yr
= <b>Water Losses:</b>	<b>181.290</b>	MG/Yr

**? Unavoidable Annual Real Losses (UARL):** **42.36** MG/YrAnnual cost of Apparent Losses: **\$66,160**Annual cost of Real Losses: **\$59,142** 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: **32.9%**Non-revenue water as percent by cost of operating system: **3.5%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **5.88** gallons/connection/dayReal Losses per service connection per day: **89.93** gallons/connection/dayReal Losses per length of main per day\*: **N/A**Real Losses per service connection per day per psi pressure: **1.21** gallons/connection/day/psiFrom Above, Real Losses = Current Annual Real Losses (CARL): **170.17** million gallons/year**? Infrastructure Leakage Index (ILI) [CARL/UARL]:** **4.02**

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

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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

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P.O. Box 722  
Fayetteville, Tennessee 37334

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Fax (931) 433-9290  
[www.putmanandhancock.com](http://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, 2020, and the related notes to the financial statements, which collectively comprise City of Fayetteville, Tennessee's basic financial statements, and have issued our report thereon dated November 18, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Fayetteville, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fayetteville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fayetteville, Tennessee's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fayetteville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2020-001, and 2020-002.

## **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  
November 18, 2020

## SCHEDULE OF FINDINGS AND RESPONSES

### CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2020

---

#### Finding 2018-001

*Condition and Criteria:* We noted the General Fund's "Transfers Out" budget line item had actual expenditures in excess of budgeted expenditures.

*Effect:* Actual expenditures in excess of budgeted expenditures are in violation of Tennessee Code Annotated 6-56-203.

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

*Management Response:* We concur with the finding. This was an oversight and budgets were not amended as they should have been. Budgets will be amended in the future as required.

#### Finding 2020-001

*Condition and Criteria:* We noted that a \$15,923 repair expense for a sewer pump replacement and electrical maintenance was approved without obtaining the minimum of two bids, as required by the purchasing policy.

*Effect:* This is a violation of state purchasing laws for Cities and Towns, as defined under TCA 6-19-104, and the City's purchasing policy, which stipulates that purchases over \$10,000 require two separate bids and approval before purchasing.

*Auditors' Recommendation:* Purchasing laws and procedures should always be followed.

*Management Response:* We concur with this finding and will take all steps necessary to follow all applicable purchasing laws and policies in the future.

#### Finding 2020-002

*Condition and Criteria:* We noted that an employee who retired in 2020 received 100% of their accumulated sick leave. Sick leave is to be paid to eligible retiring employees at 50% of the accumulated liability, per the personnel policy.

*Effect:* This is a violation of the City's policy, which resulted in an overpayment of a benefit to a retiring employee of \$15,852.

*Auditors' Recommendation:* The City should follow its established policies in the payment of employee benefits.

*Management Response:* We concur with this finding and will take necessary steps to ensure that future violations of our employee benefit policies do not occur.

# 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, 2020

The City of Fayetteville, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2020.

### NONCOMPLIANCE

#### Finding 2018-001

*Condition and Criteria:* We noted the General Fund's "Transfers Out" line had actual expenditures in excess of budgeted expenditures.

*Recommendations:* Budgets should be monitored and amended as necessary to reflect authorization of the Board of Mayor and Aldermen 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.

#### Finding 2020-001

*Condition and Criteria:* We noted that a \$15,923 repair expense for a sewer pump replacement and electrical maintenance was approved without obtaining the minimum of two bids, as required by the purchasing policy.

*Recommendations:* The City should follow State purchasing laws and City procedures.

*Planned Corrective Action:* The City will ensure that all purchasing laws and procedures are followed in the future.

#### Finding 2020-002

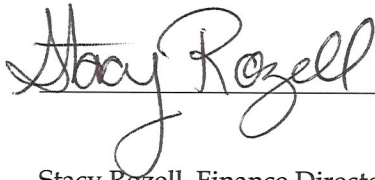
*Condition and Criteria:* We noted that an employee who retired in 2020 received 100% of their accumulated sick leave. Sick leave is paid to eligible retiring employees at 50% of the accumulated liability, per the personnel policy.

*Recommendations:* The City should follow its established policies in the payment of employee benefits.

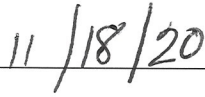
*Planned Corrective Action:* The City will ensure that all employee policies are followed in the future.

*Responsible Person:* Stacy Rozell, Finance Director, is responsible for implementing these corrective actions.

*Anticipated Completion Date:* Corrective action will be implemented immediately.

A handwritten signature in cursive script that reads "Stacy Rozell". The signature is written in dark ink and is positioned above a horizontal line.

Stacy Rozell, Finance Director

A handwritten date "11/18/20" in cursive script, positioned to the right of the signature and above a horizontal line.

November 18, 2020

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**CITY OF FAYETTEVILLE**

**For the Fiscal Year Ended June 30, 2020**

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Financial Statement Findings

Finding Number	Finding Title	Status
2018-001	Budgets	Repeated

Federal Award Findings and Questioned Costs

Not applicable