

AUDITED FINANCIAL STATEMENTS  
OF  
**CITY OF  
FAYETTEVILLE, TENNESSEE**

June 30, 2015

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

# CONTENTS

---

## FINANCIAL SECTION

|   |    |
|---|----|
| Independent Auditor’s Report.....   | 2  |
| Management’s Discussion and Analysis.....                                   | 5  |
| Basic Financial Statements:   |    |
| Government-wide Financial Statements  |    |
| Statement of Net Position.....  | 13 |
| Statement of Activities .....   | 14 |
| Fund Financial Statements   |    |
| Balance Sheet – Governmental Funds .....                                    | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund                    |    |
| Balances – Governmental Funds.....  | 16 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in    |    |
| Fund Balances of Governmental Funds to the Statement of Activities .....    | 17 |
| Statement of Net Position – Proprietary Funds .....                         | 18 |
| Statement of Revenues, Expenses, and Changes in Net                         |    |
| Position – Proprietary Funds.....   | 19 |
| Statement of Cash Flows – Proprietary Funds .....                           | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund                    |    |
| Balance – Budget and Actual – General Fund .....                            | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund                    |    |
| Balance – Budget and Actual – School General Fund.....                      | 25 |
| Notes to the Financial Statements.....                                      | 26 |
| Required Supplementary Information:   |    |
| Schedule of Funding Progress – Post-Employment Benefits .....               | 71 |
| Schedule of Changes in Net Position Liability and Related Ratios –          |    |
| Public Employee Pension Plan of TCRS.....                                   | 72 |
| Schedule of Contributions – Public Employee Pension Plan of TCRS .....      | 73 |
| Schedule of Proportionate Share of the Net Pension Asset – Teacher          |    |
| Legacy Pension Plan for TCRS .....  | 74 |
| Schedule of Contributions – Teacher Legacy Plan of TCRS .....               | 75 |
| Schedule of Contributions – Teacher Retirement Plan of TCRS .....           | 76 |
| Supplementary Information:  |    |
| Nonmajor Governmental Funds .....   | 77 |
| Combining and Individual Fund Financial Statements and Budgetary Schedules: |    |
| Combining Balance Sheet – Nonmajor Governmental Funds.....                  | 78 |
| Combining Statement of Revenues, Expenditures and Changes in Fund           |    |
| Balances - Nonmajor Governmental Funds .....                                | 80 |

# CONTENTS (Continued)

---

## **FINANCIAL SECTION (Continued)**

### Supplementary Information: (Continued)

#### Combining and Individual Fund Financial Statements and Budgetary Schedules (Continued):

##### Budgetary Comparison Schedules:

|   |    |
|---|----|
| School Title Special Revenue Fund .....     | 82 |
| School Cafeteria Special Revenue Fund ..... | 83 |
| Drug Special Revenue Fund.....              | 84 |
| Debt Service Fund.....                      | 85 |
| Industrial Park Capital Projects Fund ..... | 86 |
| CDBG Capital Projects Fund .....            | 87 |
| UDAG Capital Projects Fund .....            | 88 |
| Internal Capital Projects Fund.....         | 89 |
| School Capital Projects Fund .....          | 90 |

##### Other Financial Schedules:

|   |     |
|---|-----|
| Schedule of Combined Long-Term Debt Principal and Interest Requirements .....               | 91  |
| Schedule of General Long-Term Debt Principal and Interest Requirements .....                | 92  |
| Schedule of Long-Term Debt Principal and Interest Requirements –<br>Electric Division ..... | 93  |
| Schedule of Long-Term Debt Principal and Interest Requirements –<br>Water Division .....    | 94  |
| Schedule of Electric Utility Rates in Effect.....   | 95  |
| Schedule of Gas Utility Rates in Effect.....  | 96  |
| Schedule of Telecommunications Rates in Effect.....   | 97  |
| Schedule of Water and Sewer Utility Rates in Effect.....                                    | 98  |
| Schedule of Sanitation Rates in Effect .....  | 99  |
| Schedule of Number of Utility Customers .....   | 100 |
| AWWA Reporting Worksheet .....  | 101 |
| AWWA System Attributes and Performance Indicators .....                                     | 102 |
| Schedule of Changes in Property Taxes Receivable .....                                      | 103 |
| Directory of Officials .....  | 104 |
| Uncollected Delinquent Taxes Filed in Accordance With Applicable Laws .....                 | 105 |
| Property Tax Rates and Assessments – Last Ten Years.....                                    | 106 |

|   |     |
|---|-----|
| Schedule of Expenditures of Federal Awards and State Financial Assistance ..... | 107 |
|---|-----|

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

|   |     |
|---|-----|
| Independent Auditor’s Report on Internal Control over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 109 |
| Schedule of Findings.....   | 111 |
| Schedule of Prior Year Findings and Questioned Costs .....  | 112 |

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Mayor and Aldermen  
City of 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, 2015, 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fayetteville Public Utilities, which is a major fund and which represents 99% of the assets, net position, and revenues of the business-type activities. We also did not audit the Fayetteville School System, which includes the school general fund, a major fund. The Fayetteville School System represents 3%, 3%, and 98%, respectively, of the assets, fund balances, and revenues of the aggregate remaining fund information and 40%, 42%, and 56%, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Fayetteville Public Utilities and the Fayetteville School System, are based solely on the reports of the other auditors. 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, based on our audit and the reports of other auditors, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and school general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 20 to the financial statements, the City of Fayetteville, Tennessee adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the schedules of funding progress on page 71 and the pension information on pages 72 through 76 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, and other auditors, 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements and budgetary schedules 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and budgetary schedules 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 financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016, 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 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 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 City of Fayetteville, Tennessee's internal control over financial reporting and compliance.

*Winnett Associates, PLLC*

June 3, 2016

**CITY OF FAYETTEVILLE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended June 30, 2015**

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, 2015. 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, fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**REPORTING THE CITY AS A WHOLE**

**The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health or financial position. Over time, increases and decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure.

In the statement of Net Position and the Statement of Activities, we separate the City activities as follows:

**Governmental Activities**

Most of the City's basic services are reported in this category, including the general government (includes administration, codes enforcement, zoning, and planning), public safety (includes fire, police, and emergency communications), city court, recreation, highways and streets, housing and community development, and education. Property taxes, in lieu payments, sales taxes, alcoholic beverage taxes, franchise fees, state and federal grants, business taxes, and fines finance most of these activities.

## **Business-Type Activities**

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

### **Proprietary Funds**

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

## **THE CITY AS A WHOLE**

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

|                                      | Governmental Activities |                      | Business-type Activities |                      | Total Primary Government |                       |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|-----------------------|
|                                      | <u>2015</u>             | <u>2014</u>          | <u>2015</u>              | <u>2014</u>          | <u>2015</u>              | <u>2014</u>           |
|                                      |                         | (Restated)           |                          |                      |                          | (Restated)            |
| Current and other assets             | \$ 19,382,438           | \$ 17,134,923        | \$ 49,013,429            | \$ 46,046,459        | \$ 68,395,867            | \$ 63,181,382         |
| Capital assets                       | 25,413,504              | 25,508,157           | 88,424,676               | 81,721,897           | 113,838,180              | 107,230,054           |
| Total assets                         | <u>44,795,942</u>       | <u>42,643,080</u>    | <u>137,438,105</u>       | <u>127,768,356</u>   | <u>182,234,047</u>       | <u>170,411,436</u>    |
| Total deferred outflows of resources | 1,210,477               | 1,008,373            | 352,033                  | 240,073              | 1,562,510                | 1,248,446             |
| Long-term liabilities outstanding    | 12,176,866              | 14,422,895           | 39,524,703               | 35,544,525           | 51,701,569               | 49,967,420            |
| Other liabilities                    | 1,249,439               | 946,956              | 7,727,731                | 8,289,467            | 8,977,170                | 9,236,423             |
| Total liabilities                    | <u>13,426,305</u>       | <u>15,369,851</u>    | <u>47,252,434</u>        | <u>43,833,992</u>    | <u>60,678,739</u>        | <u>59,203,843</u>     |
| Total deferred inflows of resources  | 5,821,433               | 2,645,177            | -                        | -                    | 5,821,433                | 2,645,177             |
| Net position                         |                         |                      |                          |                      |                          |                       |
| Net investment in capital assets     | 18,113,165              | 18,522,010           | 51,577,077               | 47,582,002           | 69,690,242               | 66,104,012            |
| Restricted                           | 4,382,229               | 4,497,709            | 2,103,458                | 2,004,109            | 6,485,687                | 6,501,818             |
| Unrestricted                         | 4,263,287               | 2,616,706            | 36,857,169               | 34,588,326           | 41,120,456               | 37,205,032            |
| Total net position                   | <u>\$ 26,758,681</u>    | <u>\$ 25,636,425</u> | <u>\$ 90,537,704</u>     | <u>\$ 84,174,437</u> | <u>\$ 117,296,385</u>    | <u>\$ 109,810,862</u> |

Net position of the City's governmental activities increased 4.38 percent in the fiscal year 2015. Net position of the City's business-type activities increased 7.56 percent in the fiscal year 2015.

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>2015</u>             | <u>2014</u>         | <u>2015</u>              | <u>2014</u>         | <u>2015</u>              | <u>2014</u>         |
|                                      |                         |                     |                          |                     |                          |                     |
| Revenues                             |                         |                     |                          |                     |                          |                     |
| Program Revenues:                    |                         |                     |                          |                     |                          |                     |
| Charges for services                 | \$ 828,945              | \$ 971,834          | \$ 63,902,136            | \$ 63,947,151       | \$ 64,731,081            | \$ 64,918,985       |
| Operating grants and contributions   | 9,229,801               | 9,132,121           | -                        | -                   | 9,229,801                | 9,132,121           |
| Capital grants and contributions     | 431,851                 | 74,190              | 1,853,220                | 1,306,211           | 2,285,071                | 1,380,401           |
| General revenues:                    |                         |                     |                          |                     |                          |                     |
| Property taxes                       | 3,899,229               | 3,981,828           | -                        | -                   | 3,899,229                | 3,981,828           |
| Other taxes                          | 5,672,826               | 4,713,146           | -                        | -                   | 5,672,826                | 4,713,146           |
| Other general revenues               | 156,252                 | 116,116             | (10,524)                 | (202,267)           | 145,728                  | (86,151)            |
| Total revenues                       | <u>20,218,904</u>       | <u>18,989,235</u>   | <u>65,744,832</u>        | <u>65,051,095</u>   | <u>85,963,736</u>        | <u>84,040,330</u>   |
| Program Expenses:                    |                         |                     |                          |                     |                          |                     |
| General government                   | 826,082                 | 848,621             | -                        | -                   | 826,082                  | 848,621             |
| Public safety                        | 3,850,551               | 4,009,305           | -                        | -                   | 3,850,551                | 4,009,305           |
| Judicial                             | 46,810                  | 47,597              | -                        | -                   | 46,810                   | 47,597              |
| Recreation                           | 678,962                 | 683,065             | -                        | -                   | 678,962                  | 683,065             |
| Highways and streets                 | 1,743,550               | 1,367,637           | -                        | -                   | 1,743,550                | 1,367,637           |
| Sanitation                           | 16,050                  | 12,416              | 274,252                  | 459,318             | 290,302                  | 471,734             |
| Housing and community development    | 888,123                 | 879,790             | -                        | -                   | 888,123                  | 879,790             |
| Garage                               | 176,816                 | 187,215             | -                        | -                   | 176,816                  | 187,215             |
| Education                            | 11,949,871              | 12,473,243          | -                        | -                   | 11,949,871               | 12,473,243          |
| Interest on long-term debt           | 266,756                 | 191,839             | -                        | -                   | 266,756                  | 191,839             |
| Electric, telecom, water and gas     | -                       | -                   | 57,760,388               | 57,111,679          | 57,760,388               | 57,111,679          |
| Total expenses                       | <u>20,443,571</u>       | <u>20,700,728</u>   | <u>58,034,640</u>        | <u>57,570,997</u>   | <u>78,478,211</u>        | <u>78,271,725</u>   |
| Excess (deficiency) before transfers | (224,667)               | (1,711,493)         | 7,710,192                | 7,480,098           | 7,485,525                | 5,768,605           |
| Transfers                            | 1,346,925               | 1,330,138           | (1,346,925)              | (1,330,138)         | -                        | -                   |
| Increase in net position             | <u>\$ 1,122,258</u>     | <u>\$ (381,355)</u> | <u>\$ 6,363,267</u>      | <u>\$ 6,149,960</u> | <u>\$ 7,485,525</u>      | <u>\$ 5,768,605</u> |

The City's total revenues increased 2.29 percent from the fiscal year ended June 30, 2014 to the fiscal year ended June 30, 2015, while total expenses increased 0.26 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, 2015 and 2014. The net costs show the financial burden that was placed on the City's taxpayers by each of these functions.

#### Total Costs and Net Expenditures By Function

|                                   | Total Costs of Services |                      | Net Costs of Services |                      |
|-----------------------------------|-------------------------|----------------------|-----------------------|----------------------|
|                                   | 2015                    | 2014                 | 2015                  | 2014                 |
| General government                | \$ 826,082              | \$ 848,621           | \$ 782,995            | \$ 773,274           |
| Public safety                     | 3,850,551               | 4,009,305            | 3,349,892             | 3,442,012            |
| Judicial                          | 46,810                  | 47,597               | (64,818)              | (82,537)             |
| Recreation                        | 678,962                 | 683,065              | 622,417               | 632,383              |
| Highways and streets              | 1,743,550               | 1,367,637            | 1,141,525             | 1,162,784            |
| Sanitation                        | 16,050                  | 12,416               | 16,050                | 12,416               |
| Housing and community development | 888,123                 | 879,790              | 562,894               | 442,944              |
| Garage                            | 176,816                 | 187,215              | 176,816               | 187,215              |
| Education                         | 11,949,871              | 12,473,243           | 3,098,447             | 3,760,253            |
| Interest on long-term debt        | 266,756                 | 191,839              | 266,756               | 191,839              |
| Total Net Expenditures            | <u>\$ 20,443,571</u>    | <u>\$ 20,700,728</u> | <u>\$ 9,952,974</u>   | <u>\$ 10,522,583</u> |

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2015 and 2014. These revenues are required to cover the net expenditures listed above.

#### Revenues by Source

|                                      | 2015                 | 2014                 |
|--------------------------------------|----------------------|----------------------|
| Property taxes                       | \$ 3,899,229         | \$ 3,981,828         |
| In lieu of taxes                     | 528,128              | 481,855              |
| Sales taxes                          | 3,426,991            | 2,595,120            |
| Alcoholic beverage taxes             | 524,759              | 535,665              |
| Other local taxes                    | 346,350              | 365,225              |
| Other state taxes                    | 846,598              | 735,281              |
| Other                                | 103,321              | 62,851               |
| Unrestricted investment earnings     | 19,235               | 30,930               |
| Gain on sale of assets               | 33,696               | 22,335               |
| Transfers                            | 1,346,925            | 1,330,138            |
| Total General Revenues and Transfers | <u>\$ 11,075,232</u> | <u>\$ 10,141,228</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, 2015</b> |               |               |               |              |              |                |
| Total Assets and Deferred              |               |               |               |              |              |                |
| Outflows of Resources                  | \$ 21,759,953 | \$ 79,406,851 | \$ 33,486,423 | \$ 2,300,310 | \$ 1,002,514 | \$ 137,956,051 |
| Net Position                           | 17,765,140    | 54,246,831    | 17,579,096    | 252,861      | 693,776      | 90,537,704     |
| Change in Net Position                 | 1,176,222     | 2,387,616     | 2,239,470     | 420,170      | 139,789      | 6,363,267      |
| Return on Ending Total Assets          | 5.41%         | 3.01%         | 6.69%         | 18.27%       | 13.94%       | 4.61%          |
| Return on Ending Net Position          | 6.62%         | 4.40%         | 12.74%        | 166.17%      | 20.15%       | 7.03%          |
| <b>Fiscal Year Ended June 30, 2014</b> |               |               |               |              |              |                |
| Total Assets and Deferred              |               |               |               |              |              |                |
| Outflows of Resources                  | \$ 20,881,282 | \$ 77,559,003 | \$ 26,581,996 | \$ 2,232,713 | \$ 960,032   | \$ 128,215,026 |
| Net Position                           | 16,588,918    | 51,859,215    | 15,339,626    | (167,309)    | 553,987      | 84,174,437     |
| Change in Net Position                 | 931,696       | 3,010,980     | 1,730,019     | 509,809      | (32,544)     | 6,149,960      |
| Return on Ending Total Assets          | 4.46%         | 3.88%         | 6.51%         | 22.83%       | -3.39%       | 4.80%          |
| Return on Ending Net Position          | 5.62%         | 5.81%         | 11.28%        | n/a          | -5.87%       | 7.31%          |

## CAPITAL ASSETS

As of June 30, 2015, the City has \$113 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 \$6,608,126 or 6.16 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2015 and 2014, for governmental and business-type activities.

|                                      | Governmental Activities |                      | Business-type Activities |                      | Total Primary Government |                       |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|-----------------------|
|                                      | 2015                    | 2014                 | 2015                     | 2014                 | 2015                     | 2014                  |
| Land                                 | \$ 3,541,266            | \$ 3,541,266         | \$ 1,098,495             | \$ 1,098,495         | \$ 4,639,761             | \$ 4,639,761          |
| Buildings                            | 19,293,218              | 19,270,410           | 3,344,732                | 3,947,233            | 22,637,950               | 23,217,643            |
| Improvements other than buildings    | 2,461,634               | 2,573,461            | -                        | -                    | 2,461,634                | 2,573,461             |
| Machinery and equipment              | 8,686,148               | 8,662,409            | 141,966,025              | 132,531,946          | 150,652,173              | 141,194,355           |
| Infrastructure                       | 4,873,399               | 4,662,299            | 624,741                  | 612,379              | 5,498,140                | 5,274,678             |
| Total plant and equipment in service | 38,855,665              | 38,709,845           | 147,033,993              | 138,190,053          | 185,889,658              | 176,899,898           |
| Construction work in progress        | 672,701                 | 11,650               | 4,773,667                | 4,541,290            | 5,446,368                | 4,552,940             |
|                                      | 39,528,366              | 38,721,495           | 151,807,660              | 142,731,343          | 191,336,026              | 181,452,838           |
| Less accumulated depreciation        | (14,114,862)            | (13,213,338)         | (63,382,984)             | (61,009,446)         | (77,497,846)             | (74,222,784)          |
|                                      | <u>\$ 25,413,504</u>    | <u>\$ 25,508,157</u> | <u>\$ 88,424,676</u>     | <u>\$ 81,721,897</u> | <u>\$ 113,838,180</u>    | <u>\$ 107,230,054</u> |

## DEBT ADMINISTRATION

Debt, considered a liability of governmental and business-type activities, increased in fiscal year 2015 by \$3,038,666.

|                                   | Governmental Activities |                      | Business-type Activities |                      | Total Primary Government |                      |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
|                                   | 2015                    | 2014                 | 2015                     | 2014                 | 2015                     | 2014                 |
| Bonds                             |                         |                      |                          |                      |                          |                      |
| General Obligation                | \$ 10,025,000           | \$ 8,390,000         | \$ 6,520,000             | \$ 7,440,000         | \$ 16,545,000            | \$ 15,830,000        |
| Revenue                           | -                       | -                    | 25,792,088               | 21,943,860           | 25,792,088               | 21,943,860           |
| Deferred amounts                  | 100,492                 | 81,693               | 115,981                  | 131,368              | 216,473                  | 213,061              |
| Total Bonds                       | <u>10,125,492</u>       | <u>8,471,693</u>     | <u>32,428,069</u>        | <u>29,515,228</u>    | <u>42,553,561</u>        | <u>37,986,921</u>    |
| Loans                             |                         |                      |                          |                      |                          |                      |
| Tennessee energy efficiency       | 24,778                  | 49,557               | -                        | -                    | 24,778                   | 49,557               |
| Tennessee utility relocation loan | -                       | -                    | 1,377,037                | 1,508,414            | 1,377,037                | 1,508,414            |
| Tennessee revolving fund loan     | -                       | -                    | 3,046,756                | 605,558              | 3,046,756                | 605,558              |
| Bond anticipation note            | -                       | -                    | -                        | 2,358,847            | -                        | 2,358,847            |
| RUS economic development loan     | -                       | -                    | 123,300                  | 180,000              | 123,300                  | 180,000              |
| Total Loans                       | <u>24,778</u>           | <u>49,557</u>        | <u>4,547,093</u>         | <u>4,652,819</u>     | <u>4,571,871</u>         | <u>4,702,376</u>     |
| Capital leases                    | -                       | -                    | -                        | -                    | -                        | -                    |
| Postemployment benefit obligation | 648,273                 | 611,064              | 693,945                  | 583,415              | 1,342,218                | 1,194,479            |
| Advances from TVA                 | -                       | -                    | 1,015,089                | 1,038,920            | 1,015,089                | 1,038,920            |
| Compensated absences              | 503,485                 | 488,816              | 840,507                  | 793,063              | 1,343,992                | 1,281,879            |
| Net pension liability             | 685,469                 | 2,243,349            | -                        | -                    | 685,469                  | 2,243,349            |
| Landfill postclosure costs        | 189,369                 | 214,979              | -                        | -                    | 189,369                  | 214,979              |
| Totals                            | <u>\$ 12,176,866</u>    | <u>\$ 12,079,458</u> | <u>\$ 39,524,703</u>     | <u>\$ 36,583,445</u> | <u>\$ 51,701,569</u>     | <u>\$ 48,662,903</u> |

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the last year, the Board of Mayor and Alderman approved several projects. These approvals include major items: such as building a new Police Station and a commitment to paving City Streets. During fiscal year 2015 the City started construction on the new police building and it is currently still under construction. We are also continuing progress at the Industrial Park by completing the first speculative building and starting a second building in the near future. All infrastructure in the Industrial Park is now complete and the first completed speculative building is now occupied. The City continues the policy of rewarding departments by returning one-half of their savings (budgeted expenses less actual expenditures) to their next year's budget to effectively manage their budgets.

As the City closed fiscal year 2015, 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 2016 general fund budget was positively impacted by the projected increase in the City's portion of sales tax. Residential building has also increased within the City limits and new industrial companies have committed to locating in the new industrial park. Personnel benefits, retirement and health insurance costs seem to have slight increases every year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2015

|  | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                    |                            |                             |                       |
| Cash and cash equivalents                        | \$ 12,436,688              | \$ 35,121,771               | \$ 47,558,459         |
| Investments                                      | 1,987,890                  | -                           | 1,987,890             |
| Receivables                                      | 4,666,708                  | 6,682,808                   | 11,349,516            |
| Internal balances                                | 157,413                    | (157,413)                   | -                     |
| Inventory  | 45,943                     | 1,511,848                   | 1,557,791             |
| Prepaid expenses                                 | 63,178                     | 2,339,290                   | 2,402,468             |
| Restricted assets                                | -                          | 2,103,458                   | 2,103,458             |
| Net pension asset                                | 24,618                     | -                           | 24,618                |
| Other assets                                     | -                          | 1,411,667                   | 1,411,667             |
| Capital assets (net of accumulated depreciation) |                            |                             |                       |
| Land   | 3,541,266                  | 1,098,495                   | 4,639,761             |
| Buildings and improvements                       | 14,519,764                 | 1,608,390                   | 16,128,154            |
| Machinery and equipment                          | 3,389,492                  | 80,925,527                  | 84,315,019            |
| Infrastructure                                   | 3,290,281                  | 18,597                      | 3,308,878             |
| Construction in progress                         | 672,701                    | 4,773,667                   | 5,446,368             |
| TOTAL ASSETS                                     | <u>44,795,942</u>          | <u>137,438,105</u>          | <u>182,234,047</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |                            |                             |                       |
| Deferred outflows related to pensions            | 1,210,477                  | -                           | 1,210,477             |
| Excess consideration provided for acquisition    | -                          | 142,519                     | 142,519               |
| Deferred charge on refunding                     | -                          | 209,514                     | 209,514               |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES             | <u>1,210,477</u>           | <u>352,033</u>              | <u>1,562,510</u>      |
| <b>LIABILITIES</b>                               |                            |                             |                       |
| Accounts payable and accrued expenses            | 1,199,047                  | 5,946,143                   | 7,145,190             |
| Accrued interest payable                         | 25,150                     | 86,280                      | 111,430               |
| Unearned revenue                                 | 25,242                     | -                           | 25,242                |
| Deposits   | -                          | 1,695,308                   | 1,695,308             |
| Noncurrent liabilities:                          |                            |                             |                       |
| Due in one year                                  | 654,876                    | 2,706,090                   | 3,360,966             |
| Due in more than one year                        | 11,521,990                 | 36,818,613                  | 48,340,603            |
| TOTAL LIABILITIES                                | <u>13,426,305</u>          | <u>47,252,434</u>           | <u>60,678,739</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                            |                             |                       |
| Unavailable revenue - property taxes             | 2,652,231                  | -                           | 2,652,231             |
| Deferred inflows related to pensions             | 3,167,860                  | -                           | 3,167,860             |
| Deferred credit on refunding                     | 1,342                      | -                           | 1,342                 |
| TOTAL DEFERRED INFLOWS OF RESOURCES              | <u>5,821,433</u>           | <u>-</u>                    | <u>5,821,433</u>      |
| <b>NET POSITION</b>                              |                            |                             |                       |
| Net investment in capital assets                 | 18,113,165                 | 51,577,077                  | 69,690,242            |
| Restricted for:                                  |                            |                             |                       |
| Debt service                                     | -                          | 1,975,895                   | 1,975,895             |
| Improvements and construction                    | -                          | 127,563                     | 127,563               |
| Drug education and enforcement                   | 49,943                     | -                           | 49,943                |
| Community development                            | 456,376                    | -                           | 456,376               |
| Capital projects                                 | 1,989,800                  | -                           | 1,989,800             |
| Education  | 1,886,110                  | -                           | 1,886,110             |
| Unrestricted                                     | 4,263,287                  | 36,857,169                  | 41,120,456            |
| TOTAL NET POSITION                               | <u>\$ 26,758,681</u>       | <u>\$ 90,537,704</u>        | <u>\$ 117,296,385</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, 2015

| Function/ Program                     | PROGRAM REVENUES |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             | Total          |
|---------------------------------------|------------------|-------------------------|--|--|--|-----------------------------|----------------|
|                                       | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             |                |
|                                       |                  |                         |  |  | Governmental<br>Activities                           | Business-type<br>Activities |                |
| <b>Governmental activities:</b>       |                  |                         |  |  |  |                             |                |
| General government                    | \$ 826,082       | \$ 43,087               | \$ -                                     | \$ -                                   | \$ (782,995)   | \$ -                        | \$ (782,995)   |
| Public safety                         | 3,850,551        | -                       | 500,659                                  | -                                      | (3,349,892)  | -                           | (3,349,892)    |
| Judicial                              | 46,810           | 111,628                 | -  | -                                      | 64,818   | -                           | 64,818         |
| Recreation                            | 678,962          | 52,809                  | -  | 3,736                                  | (622,417)  | -                           | (622,417)      |
| Highways and streets                  | 1,743,550        | -                       | 180,245                                  | 421,780                                | (1,141,525)  | -                           | (1,141,525)    |
| Sanitation                            | 16,050           | -                       | -  | -                                      | (16,050)   | -                           | (16,050)       |
| Housing and community development     | 888,123          | 325,229                 | -  | -                                      | (562,894)  | -                           | (562,894)      |
| Garage                                | 176,816          | -                       | -  | -                                      | (176,816)  | -                           | (176,816)      |
| Education                             | 11,949,871       | 296,192                 | 8,548,897                                | 6,335                                  | (3,098,447)  | -                           | (3,098,447)    |
| Interest on long-term debt            | 266,756          | -                       | -  | -                                      | (266,756)  | -                           | (266,756)      |
| Total governmental activities         | 20,443,571       | 828,945                 | 9,229,801                                | 431,851                                | (9,952,974)  | -                           | (9,952,974)    |
| <b>Business-type activities:</b>      |                  |                         |  |  |  |                             |                |
| Electric                              | 43,248,260       | 46,079,243              | -  | 340,768                                | -  | 3,171,751                   | 3,171,751      |
| Gas                                   | 6,758,082        | 7,926,239               | -  | 252,467                                | -  | 1,420,624                   | 1,420,624      |
| Telecom                               | 3,603,128        | 4,013,298               | -  | 9,978                                  | -  | 420,148                     | 420,148        |
| Water and sewer                       | 4,150,918        | 5,350,967               | -  | 1,250,007                              | -  | 2,450,056                   | 2,450,056      |
| Sanitation                            | 274,252          | 532,389                 | -  | -                                      | -  | 258,137                     | 258,137        |
| Total business-type activities        | 58,034,640       | 63,902,136              | -  | 1,853,220                              | -  | 7,720,716                   | 7,720,716      |
| Total Government                      | \$ 78,478,211    | \$ 64,731,081           | \$ 9,229,801                             | \$ 2,285,071                           | (9,952,974)  | 7,720,716                   | (2,232,258)    |
| General revenues:                     |                  |                         |  |  |  |                             |                |
| Property taxes                        |                  |                         |  |  | 3,899,229  | -                           | 3,899,229      |
| Business taxes                        |                  |                         |  |  | 232,988  | -                           | 232,988        |
| In lieu of tax                        |                  |                         |  |  | 528,128  | -                           | 528,128        |
| Sales taxes                           |                  |                         |  |  | 3,426,991  | -                           | 3,426,991      |
| Occupancy taxes                       |                  |                         |  |  | 7,454  | -                           | 7,454          |
| Alcoholic beverage taxes              |                  |                         |  |  | 524,759  | -                           | 524,759        |
| Franchise taxes                       |                  |                         |  |  | 105,200  | -                           | 105,200        |
| Other local taxes                     |                  |                         |  |  | 708  | -                           | 708            |
| State shared revenues                 |                  |                         |  |  | 846,598  | -                           | 846,598        |
| Other                                 |                  |                         |  |  | 103,321  | -                           | 103,321        |
| Gain (loss) on sale of capital assets |                  |                         |  |  | 33,696   | (44,026)                    | (10,330)       |
| Unrestricted investment earnings      |                  |                         |  |  | 19,235   | 33,502                      | 52,737         |
| Transfers                             |                  |                         |  |  | 1,346,925  | (1,346,925)                 | -              |
| Total general revenues and transfers  |                  |                         |  |  | 11,075,232   | (1,357,449)                 | 9,717,783      |
| Change in net position                |                  |                         |  |  | 1,122,258  | 6,363,267                   | 7,485,525      |
| Net position - beginning, restated    |                  |                         |  |  | 25,636,423   | 84,174,437                  | 109,810,860    |
| Net position - ending                 |                  |                         |  |  | \$ 26,758,681  | \$ 90,537,704               | \$ 117,296,385 |

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2015

|  | General                     | School<br>General          | Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------------|----------------------------|----------------------------|--------------------------------|
| <b>Assets:</b>   |                             |                            |                            |                                |
| Cash   | \$ 6,494,630                | \$ 3,606,320               | \$ 2,335,738               | \$ 12,436,688                  |
| Investments  | -                           | -                          | 1,987,890                  | 1,987,890                      |
| Receivables  | 2,827,801                   | 809                        | 11,144                     | 2,839,754                      |
| Due from other funds   | 2,438                       | 2,209                      | 165,070                    | 169,717                        |
| Due from other governments   | 1,215,753                   | 605,021                    | 6,181                      | 1,826,955                      |
| Inventory  | 28,505                      | -                          | 17,438                     | 45,943                         |
| Prepaid expenses   | 63,178                      | -                          | -                          | 63,178                         |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 10,632,305</u></b> | <b><u>\$ 4,214,359</u></b> | <b><u>\$ 4,523,461</u></b> | <b><u>\$ 19,370,125</u></b>    |
| <b>Liabilities:</b>  |                             |                            |                            |                                |
| Accounts payable   | \$ 132,448                  | \$ -                       | \$ 163,166                 | \$ 295,614                     |
| Other accrued expenses   | 159,506                     | 745,269                    | -                          | 904,775                        |
| Due to other funds   | -                           | -                          | 12,305                     | 12,305                         |
| Unearned revenue   | -                           | -                          | 25,242                     | 25,242                         |
| <b>TOTAL LIABILITIES</b>   | <b><u>291,954</u></b>       | <b><u>745,269</u></b>      | <b><u>200,713</u></b>      | <b><u>1,237,936</u></b>        |
| <b>Deferred Inflows of Resources:</b>  |                             |                            |                            |                                |
| Unavailable revenue - operating grants   | -                           | 10,000                     | -                          | 10,000                         |
| Unavailable revenue - state and local taxes                                    | 343,205                     | 123,832                    | -                          | 467,037                        |
| Unavailable revenue - property taxes   | 2,721,449                   | -                          | -                          | 2,721,449                      |
| Unavailable revenue - other  | 306,003                     | -                          | -                          | 306,003                        |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <b><u>3,370,657</u></b>     | <b><u>133,832</u></b>      | <b><u>-</u></b>            | <b><u>3,504,489</u></b>        |
| <b>Fund Balances:</b>  |                             |                            |                            |                                |
| <b>Nonspendable</b>  |                             |                            |                            |                                |
| Inventory and prepayments  | 91,683                      | -                          | 17,438                     | 109,121                        |
| <b>Restricted:</b>   |                             |                            |                            |                                |
| Career ladder  | -                           | 731                        | -                          | 731                            |
| Recreation   | -                           | -                          | 30,424                     | 30,424                         |
| Capital projects   | -                           | -                          | 456,376                    | 456,376                        |
| Public safety  | -                           | -                          | 2,007,409                  | 2,007,409                      |
| <b>Assigned:</b>   |                             |                            |                            |                                |
| Industrial park  | -                           | -                          | 45,608                     | 45,608                         |
| Capital projects   | -                           | -                          | 1,350,365                  | 1,350,365                      |
| Education  | -                           | 3,334,527                  | 104,919                    | 3,439,446                      |
| Debt service   | -                           | -                          | 310,209                    | 310,209                        |
| Unassigned   | 6,878,011                   | -                          | -                          | 6,878,011                      |
| <b>TOTAL FUND BALANCES</b>   | <b><u>6,969,694</u></b>     | <b><u>3,335,258</u></b>    | <b><u>4,322,748</u></b>    | <b><u>14,627,700</u></b>       |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCES</b> | <b><u>\$ 10,632,305</u></b> | <b><u>\$ 4,214,359</u></b> | <b><u>\$ 4,523,461</u></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.   | 25,413,504           |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.  | 852,258              |
| Net pension assets are not current financial resources, net pension liability is not due and payable in the current period, and deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years; therefore, pension related amounts are not reported in the fund financial statements. | (2,618,234)          |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.  | (11,516,547)         |
| Net position of governmental activities   | <u>\$ 26,758,681</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, 2015

|  | General             | School<br>General   | Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|----------------------------|--------------------------------|
| <b>REVENUES</b>                                      |                     |                     |                            |                                |
| Taxes  |                     |                     |                            |                                |
| Property   | \$ 2,658,644        | \$ -                | \$ -                       | \$ 2,658,644                   |
| Business   | 233,540             | -                   | -                          | 233,540                        |
| Wholesale beer                                       | 357,595             | -                   | -                          | 357,595                        |
| Alcoholic beverage                                   | 132,759             | -                   | -                          | 132,759                        |
| Sales  | 2,404,569           | -                   | -                          | 2,404,569                      |
| Occupancy  | 7,454               | -                   | -                          | 7,454                          |
| Tax equivalency                                      | 528,128             | -                   | -                          | 528,128                        |
| Licenses and permits                                 | 34,312              | -                   | -                          | 34,312                         |
| Fines  | 86,207              | -                   | 25,446                     | 111,653                        |
| Franchise fees                                       | 105,069             | -                   | -                          | 105,069                        |
| Intergovernmental                                    | 1,638,879           | 9,581,313           | 1,277,745                  | 12,497,937                     |
| Charges for services and use of property             | 333,979             | 141,765             | 173,396                    | 649,140                        |
| Private grants and contributions                     | -                   | -                   | 37,328                     | 37,328                         |
| Investment earnings                                  | 4,817               | 11,681              | 2,737                      | 19,235                         |
| Recreation activities                                | 52,809              | -                   | -                          | 52,809                         |
| Other revenue  | 35,290              | 23,076              | -                          | 58,366                         |
| TOTAL REVENUES                                       | <u>8,614,051</u>    | <u>9,757,835</u>    | <u>1,516,652</u>           | <u>19,888,538</u>              |
| <b>EXPENDITURES</b>                                  |                     |                     |                            |                                |
| Current  |                     |                     |                            |                                |
| General government                                   | 785,906             | -                   | 1,493                      | 787,399                        |
| Public safety  | 4,003,801           | -                   | 11,629                     | 4,015,430                      |
| Judicial   | 48,711              | -                   | -                          | 48,711                         |
| Recreation   | 575,382             | -                   | -                          | 575,382                        |
| Highways and streets                                 | 1,609,017           | -                   | -                          | 1,609,017                      |
| Sanitation   | -                   | -                   | 44,283                     | 44,283                         |
| Housing and community development                    | 812,675             | -                   | 70,544                     | 883,219                        |
| Garage   | 183,849             | -                   | -                          | 183,849                        |
| Education  | -                   | 10,620,446          | 1,435,983                  | 12,056,429                     |
| Debt service   |                     |                     |                            |                                |
| Principal  | -                   | 210,000             | 179,778                    | 389,778                        |
| Interest   | -                   | 154,900             | 110,963                    | 265,863                        |
| Debt issuance costs                                  | -                   | -                   | 68,720                     | 68,720                         |
| Capital outlay                                       | -                   | 41,752              | 527,755                    | 569,507                        |
| TOTAL EXPENDITURES                                   | <u>8,019,341</u>    | <u>11,027,098</u>   | <u>2,451,148</u>           | <u>21,497,587</u>              |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>594,710</u>      | <u>(1,269,263)</u>  | <u>(934,496)</u>           | <u>(1,609,049)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                     |                            |                                |
| Transfers in   | 1,338,425           | 824,847             | 2,737,532                  | 4,900,804                      |
| Transfers out  | (1,531,681)         | (25,000)            | (1,980,497)                | (3,537,178)                    |
| Debt issuance  | -                   | -                   | 2,000,000                  | 2,000,000                      |
| Premiums on debt issued                              | -                   | -                   | 24,217                     | 24,217                         |
| Insurance proceeds                                   | 5,003               | 498                 | -                          | 5,501                          |
| Proceeds from disposition of capital assets          | 82,104              | -                   | -                          | 82,104                         |
| TOTAL OTHER FINANCING SOURCES (USES)                 | <u>(106,149)</u>    | <u>800,345</u>      | <u>2,781,252</u>           | <u>3,475,448</u>               |
| NET CHANGE IN FUND BALANCES                          | <u>488,561</u>      | <u>(468,918)</u>    | <u>1,846,756</u>           | <u>1,866,399</u>               |
| Fund balance - beginning                             | 6,481,133           | 3,804,176           | 2,475,992                  | 12,761,301                     |
| Fund balance - ending                                | <u>\$ 6,969,694</u> | <u>\$ 3,335,258</u> | <u>\$ 4,322,748</u>        | <u>\$ 14,627,700</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, 2015**

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

|   |                            |
|---|----------------------------|
| Net change in fund balances - total governmental funds  | \$ 1,866,399               |
| 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.   | (265,578)                  |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.   | 170,926                    |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.  | 49,296                     |
| 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. | (1,629,019)                |
| 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.  | 960,178                    |
| 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.   | (29,944)                   |
| Change in net position of governmental activities   | <u><u>\$ 1,122,258</u></u> |

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
Year ended June 30, 2015

|   | Enterprise Funds                    |                    |                      |
|---|-------------------------------------|--------------------|----------------------|
|   | Fayetteville<br>Public<br>Utilities | Sanitation<br>Fund | Totals               |
| <u>ASSETS</u>   |                                     |                    |                      |
| Current Assets  |                                     |                    |                      |
| Cash for general use  | \$ 26,003,828                       | \$ 488,962         | \$ 26,492,790        |
| Accounts receivable   | 5,697,952                           | 39,933             | 5,737,885            |
| Other receivables   | 944,923                             | -                  | 944,923              |
| Due from other funds  | -                                   | 8,500              | 8,500                |
| Inventories   | 1,511,848                           | -                  | 1,511,848            |
| Prepaid expenses  | 2,339,290                           | -                  | 2,339,290            |
| Total current assets  | <u>36,497,841</u>                   | <u>537,395</u>     | <u>37,035,236</u>    |
| Special and Restricted Funds  | 10,732,439                          | -                  | 10,732,439           |
| Capital Assets, net of accumulated depreciation                     | 87,959,557                          | 465,119            | 88,424,676           |
| Other Assets  | 1,411,667                           | -                  | 1,411,667            |
| TOTAL ASSETS  | <u>136,601,504</u>                  | <u>1,002,514</u>   | <u>137,604,018</u>   |
| <u>DEFERRED OUTFLOW OF RESOURCES</u>                                |                                     |                    |                      |
| Excess consideration provided for acquisition                       | 142,519                             | -                  | 142,519              |
| Deferred charge on refunding  | 209,514                             | -                  | 209,514              |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                                | <u>352,033</u>                      | <u>-</u>           | <u>352,033</u>       |
| <u>LIABILITIES</u>  |                                     |                    |                      |
| Current Liabilities   |                                     |                    |                      |
| Current maturities of long-term debt<br>payable from current assets | 2,162,387                           | 61,000             | 2,223,387            |
| Accounts payable  | 5,461,714                           | 115                | 5,461,829            |
| Due to other funds  | -                                   | 165,913            | 165,913              |
| Customer deposits   | 1,695,308                           | -                  | 1,695,308            |
| Accrued interest  | 86,280                              | -                  | 86,280               |
| Other accrued liabilities   | 819,393                             | 2,881              | 822,274              |
| Total current liabilities   | <u>10,225,082</u>                   | <u>229,909</u>     | <u>10,454,991</u>    |
| Other Liabilities   |                                     |                    |                      |
| Advances from TVA   | 1,015,089                           | -                  | 1,015,089            |
| Long-term debt payable from special funds                           | 144,743                             | -                  | 144,743              |
| OPEB liabilities, net   | 693,945                             | -                  | 693,945              |
| Compensated absences  | 486,018                             | 16,529             | 502,547              |
| Total other liabilities   | <u>2,339,795</u>                    | <u>16,529</u>      | <u>2,356,324</u>     |
| Long-term debt  | 34,544,732                          | 62,300             | 34,607,032           |
| TOTAL LIABILITIES   | <u>47,109,609</u>                   | <u>308,738</u>     | <u>47,418,347</u>    |
| <u>NET POSITION</u>   |                                     |                    |                      |
| Net investment in capital assets                                    | 51,235,258                          | 341,819            | 51,577,077           |
| Restricted for debt service   | 1,975,895                           | -                  | 1,975,895            |
| Restricted for improvements and construction                        | 127,563                             | -                  | 127,563              |
| Unrestricted  | 36,505,212                          | 351,957            | 36,857,169           |
| TOTAL NET POSITION  | <u>\$ 89,843,928</u>                | <u>\$ 693,776</u>  | <u>\$ 90,537,704</u> |

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, 2015

|  | Enterprise Funds     |                     |                      |
|--|----------------------|---------------------|----------------------|
|  | Fayetteville         |                     | Totals               |
|  | Public<br>Utilities  | Sanitation<br>Funds |                      |
| <b><u>OPERATING REVENUES</u></b>             |                      |                     |                      |
| Charges for services                         | \$ 61,605,428        | \$ 531,799          | \$ 62,137,227        |
| Other  | 1,764,319            | 590                 | 1,764,909            |
| TOTAL OPERATING REVENUE                      | <u>63,369,747</u>    | <u>532,389</u>      | <u>63,902,136</u>    |
| <b><u>OPERATING EXPENSES</u></b>             |                      |                     |                      |
| Cost of utility services                     | 42,640,471           | -                   | 42,640,471           |
| Pumping, distribution and collection         | 5,349,913            | 244,963             | 5,594,876            |
| Customer billing and collecting              | 1,267,430            | -                   | 1,267,430            |
| General and administrative                   | 2,110,102            | -                   | 2,110,102            |
| Taxes and tax equivalents                    | 419,893              | -                   | 419,893              |
| Provision for depreciation                   | 4,521,109            | 25,879              | 4,546,988            |
| Other  | 320,474              | -                   | 320,474              |
| TOTAL OPERATING EXPENSES                     | <u>56,629,392</u>    | <u>270,842</u>      | <u>56,900,234</u>    |
| INCOME FROM OPERATIONS                       | <u>6,740,355</u>     | <u>261,547</u>      | <u>7,001,902</u>     |
| <b><u>OTHER INCOME AND EXPENSE</u></b>       |                      |                     |                      |
| Interest income                              | 33,350               | 152                 | 33,502               |
| Interest expense                             | (1,090,480)          | (3,410)             | (1,093,890)          |
| Amortization                                 | (34,546)             | -                   | (34,546)             |
| Debt issuance costs                          | (8,235)              | -                   | (8,235)              |
| Gain (loss) on disposition of assets         | (44,026)             | -                   | (44,026)             |
| Miscellaneous                                | 9,422                | -                   | 9,422                |
| Other Income (Expense) -net                  | <u>(1,134,515)</u>   | <u>(3,258)</u>      | <u>(1,137,773)</u>   |
| Income before contributions and transfers    | 5,605,840            | 258,289             | 5,864,129            |
| Capital contributions in aid of construction | 1,853,220            | -                   | 1,853,220            |
| Transfers out                                | <u>(1,235,582)</u>   | <u>(118,500)</u>    | <u>(1,354,082)</u>   |
| CHANGE IN NET POSITION                       | 6,223,478            | 139,789             | 6,363,267            |
| TOTAL NET POSITION, BEGINNING OF YEAR        | 83,620,450           | 553,987             | 84,174,437           |
| TOTAL NET POSITION, END OF YEAR              | <u>\$ 89,843,928</u> | <u>\$ 693,776</u>   | <u>\$ 90,537,704</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, 2015

|   | Enterprise Funds                    |                    |                      |
|---|-------------------------------------|--------------------|----------------------|
|   | Fayetteville<br>Public<br>Utilities | Sanitation<br>Fund | Totals               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                     |                    |                      |
| Receipts from customers (including other funds)   | \$ 63,152,499                       | \$ 532,448         | \$ 63,684,947        |
| Payments to suppliers and others  | (46,432,242)                        | (187,349)          | (46,619,591)         |
| Payments to employees   | (4,117,810)                         | (106,722)          | (4,224,532)          |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>12,602,447</u>                   | <u>238,377</u>     | <u>12,840,824</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                                     |                    |                      |
| Noncapital borrowings repaid  | -                                   | -                  | -                    |
| Collections on loans to other organizations   | -                                   | -                  | -                    |
| Transfers (to) from other funds   | (1,235,582)                         | (118,500)          | (1,354,082)          |
| NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES  | <u>(1,235,582)</u>                  | <u>(118,500)</u>   | <u>(1,354,082)</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                   |                                     |                    |                      |
| Additions to capital assets, net  | (10,987,141)                        | -                  | (10,987,141)         |
| Removal costs of capital assets   | (628,875)                           | -                  | (628,875)            |
| Materials salvaged from retirement of capital assets  | 138,233                             | -                  | 138,233              |
| Acquisition of Ardmore gas operations   | (602,000)                           | -                  | (602,000)            |
| Capital contributions received  | 1,853,220                           | -                  | 1,853,220            |
| Long-term borrowings, net   | 5,098,294                           | -                  | 5,098,294            |
| Borrowings repaid   | (2,219,092)                         | (56,700)           | (2,275,792)          |
| Issue costs paid  | (8,235)                             | -                  | (8,235)              |
| Interest paid, net  | (1,150,442)                         | (3,410)            | (1,153,852)          |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED<br>FINANCING ACTIVITIES                           | <u>(8,506,038)</u>                  | <u>(60,110)</u>    | <u>(8,566,148)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                     |                    |                      |
| Interest received   | 33,319                              | 152                | 33,471               |
| Other nonoperating income (expense), net  | 9,422                               | -                  | 9,422                |
| NET CASH PROVIDED BY INVESTING ACTIVITIES   | <u>42,741</u>                       | <u>152</u>         | <u>42,893</u>        |
| INCREASE (DECREASE) IN CASH, NET<br>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                  | 2,903,568                           | 59,919             | 2,963,487            |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | <u>\$ 36,736,267</u>                | <u>\$ 488,962</u>  | <u>\$ 37,225,229</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b>        |                                     |                    |                      |
| Income from operations  | \$ 6,740,355                        | \$ 261,547         | \$ 7,001,902         |
| Adjustments to reconcile income from operations to<br>net cash provided by operating activities - |                                     |                    |                      |
| Depreciation, including amounts capitalized   | 4,818,589                           | 25,878             | 4,844,467            |
| Loss on disallowance of plant   | 340,768                             | -                  | 340,768              |
| Conservation loans advanced - customers   | (204,546)                           | -                  | (204,546)            |
| Conservation loans collected - customers  | 230,427                             | -                  | 230,427              |
| Conservation advances from TVA  | 251,697                             | -                  | 251,697              |
| Conservation advances repaid to TVA   | (275,528)                           | -                  | (275,528)            |
| Changes in operating assets and liabilities:  |                                     |                    |                      |
| Accounts and other receivables, net   | (353,695)                           | 59                 | (353,636)            |
| Inventories   | 110,946                             | -                  | 110,946              |
| Prepaid expenses and other assets   | 248,392                             | (8,500)            | 239,892              |
| Accounts payable  | 374,085                             | (49)               | 374,036              |
| Accrued employee benefits   | 110,530                             | -                  | 110,530              |
| Customer deposits   | 110,566                             | -                  | 110,566              |
| Due to other funds  | -                                   | (40,683)           | (40,683)             |
| Other current liabilities and compensated absences  | 99,861                              | 125                | 99,986               |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>\$ 12,602,447</u>                | <u>\$ 238,377</u>  | <u>\$ 12,840,824</u> |
| <b>SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:</b>                                    |                                     |                    |                      |
| Water interim certificates of indebtedness refinanced   | \$ 2,725,277                        |                    |                      |

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, 2015

|  | Original<br><u>Budget</u> | Final<br><u>Budget</u> | <u>Actual</u>    | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|--|---------------------------|------------------------|------------------|--|
| <b>Revenues:</b>                             |                           |                        |                  |  |
| <b>Taxes</b>                                 |                           |                        |                  |  |
| Property                                     | \$ 2,540,000              | \$ 2,623,820           | \$ 2,658,644     | \$ 34,824  |
| Business                                     | 230,000                   | 190,000                | 233,540          | 43,540   |
| Wholesale beer                               | 365,000                   | 359,500                | 357,595          | (1,905)  |
| Alcoholic beverage                           | 130,000                   | 134,000                | 132,759          | (1,241)  |
| Sales  | 2,325,000                 | 2,322,000              | 2,404,569        | 82,569   |
| Tax equivalency                              | 511,952                   | 530,450                | 528,128          | (2,322)  |
| Occupancy                                    | -                         | 7,428                  | 7,454            | 26   |
| Licenses and permits                         | 56,100                    | 28,102                 | 34,312           | 6,210  |
| Fines  | 100,200                   | 84,200                 | 86,207           | 2,007  |
| Franchise fees                               | 102,000                   | 100,000                | 105,069          | 5,069  |
| <b>Intergovernmental</b>                     |                           |                        |                  |  |
| State sales tax allocation                   | 490,000                   | 496,000                | 514,707          | 18,707   |
| State income tax allocation                  | 70,000                    | 70,000                 | 78,557           | 8,557  |
| State beer tax allocation                    | 3,400                     | 3,265                  | 3,265            | -  |
| State mixed drink tax allocation             | 15,000                    | 10,600                 | 15,778           | 5,178  |
| State gasoline and motor fuel tax allocation | 180,000                   | 175,000                | 179,026          | 4,026  |
| State city streets and transportation system | 14,000                    | 14,000                 | 13,930           | (70)   |
| State excise tax allocation                  | 30,000                    | 44,000                 | 44,679           | 679  |
| State TVA in-lieu of tax                     | 75,507                    | 79,107                 | 79,178           | 71   |
| Lincoln County Emergency Communications      | 576,600                   | 576,500                | 512,316          | (64,184)   |
| State and federal grants                     | -                         | 29,488                 | 197,442          | 167,954  |
| Charges for services and use of property     | 457,100                   | 421,975                | 333,979          | (87,996)   |
| Investment earnings                          | 4,500                     | 1,450                  | 4,817            | 3,367  |
| Recreation activities                        | 33,000                    | 34,000                 | 52,809           | 18,809   |
| Other revenue                                | 34,250                    | 33,773                 | 35,291           | 1,518  |
| <b>TOTAL REVENUES</b>                        | <u>8,343,609</u>          | <u>8,368,658</u>       | <u>8,614,051</u> | <u>245,393</u>   |
| <b>Expenditures:</b>                         |                           |                        |                  |  |
| <b>General government</b>                    |                           |                        |                  |  |
| Salaries                                     | 405,085                   | 405,085                | 400,998          | 4,087  |
| Supplies                                     | 9,075                     | 9,575                  | 6,618            | 2,957  |
| Utilities                                    | 40,750                    | 40,750                 | 37,781           | 2,969  |
| Repairs and maintenance                      | 5,750                     | 5,750                  | 4,813            | 937  |
| Health insurance                             | 56,000                    | 57,000                 | 50,306           | 6,694  |
| Workers compensation                         | 4,880                     | 4,880                  | 3,730            | 1,150  |
| Payroll taxes                                | 34,558                    | 34,558                 | 32,937           | 1,621  |
| Employee education                           | 16,725                    | 16,725                 | 20,014           | (3,289)  |
| Professional services                        | 38,150                    | 38,150                 | 27,863           | 10,287   |
| Travel                                       | 23,200                    | 23,700                 | 12,374           | 11,326   |
| Retirement                                   | 35,700                    | 35,700                 | 36,249           | (549)  |
| Other insurance                              | 20,957                    | 20,957                 | 17,321           | 3,636  |
| Board and commission                         | 33,210                    | 33,210                 | 33,785           | (575)  |
| Other general government                     | 85,860                    | 114,999                | 101,117          | 13,882   |
|  | <u>809,900</u>            | <u>841,039</u>         | <u>785,906</u>   | <u>55,133</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, 2015

|                           | Original<br><u>Budget</u> | Final<br><u>Budget</u> | <u>Actual</u>    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---------------------------|---------------------------|------------------------|------------------|---|
| Expenditures: (Continued) |                           |                        |                  |   |
| Public safety             |                           |                        |                  |   |
| Salaries                  | \$ 2,617,610              | \$ 2,578,610           | \$ 2,461,002     | \$ 117,608  |
| Supplies                  | 61,875                    | 57,875                 | 48,242           | 9,633   |
| Utilities                 | 104,875                   | 104,875                | 100,186          | 4,689   |
| Repairs and maintenance   | 53,190                    | 72,190                 | 61,909           | 10,281  |
| Health insurance          | 472,500                   | 478,750                | 429,115          | 49,635  |
| Workers compensation      | 79,950                    | 78,150                 | 73,768           | 4,382   |
| Payroll taxes             | 200,546                   | 225,696                | 186,365          | 39,331  |
| Employee education        | 15,400                    | 14,400                 | 21,355           | (6,955)   |
| Travel                    | 7,500                     | 6,500                  | 4,264            | 2,236   |
| Retirement                | 250,800                   | 250,800                | 211,923          | 38,877  |
| Other insurance           | 82,495                    | 94,215                 | 77,626           | 16,589  |
| Fuel                      | 113,700                   | 75,700                 | 65,162           | 10,538  |
| Professional services     | 2,510                     | 4,010                  | 3,169            | 841   |
| Capital outlay            | -                         | 215,000                | 207,645          | 7,355   |
| Other public safety       | 50,185                    | 72,085                 | 52,070           | 20,015  |
|                           | <u>4,113,136</u>          | <u>4,328,856</u>       | <u>4,003,801</u> | <u>325,055</u>  |
| Judicial                  |                           |                        |                  |   |
| Salaries                  | 31,460                    | 31,460                 | 30,722           | 738   |
| Health insurance          | 12,000                    | 12,000                 | 11,590           | 410   |
| Payroll taxes             | 2,465                     | 2,465                  | 1,980            | 485   |
| Retirement                | 3,500                     | 3,500                  | 2,931            | 569   |
| Other judicial            | 1,963                     | 2,938                  | 1,488            | 1,450   |
|                           | <u>51,388</u>             | <u>52,363</u>          | <u>48,711</u>    | <u>3,652</u>  |
| Recreation                |                           |                        |                  |   |
| Salaries                  | 272,800                   | 271,800                | 273,973          | (2,173)   |
| Supplies                  | 34,700                    | 39,900                 | 37,515           | 2,385   |
| Utilities                 | 54,735                    | 56,735                 | 63,404           | (6,669)   |
| Repairs and maintenance   | 17,900                    | 15,900                 | 10,813           | 5,087   |
| Health insurance          | 44,000                    | 44,000                 | 46,715           | (2,715)   |
| Workers compensation      | 7,500                     | 6,400                  | 5,700            | 700   |
| Payroll taxes             | 21,920                    | 22,120                 | 21,019           | 1,101   |
| Professional services     | 26,400                    | 26,400                 | 22,255           | 4,145   |
| Travel                    | 1,000                     | 1,000                  | 746              | 254   |
| Retirement                | 25,000                    | 25,000                 | 23,546           | 1,454   |
| Other insurance           | 12,050                    | 10,300                 | 8,151            | 2,149   |
| Fuel                      | 18,200                    | 13,200                 | 11,231           | 1,969   |
| Other recreation          | 56,075                    | 64,575                 | 50,314           | 14,261  |
|                           | <u>592,280</u>            | <u>597,330</u>         | <u>575,382</u>   | <u>21,948</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, 2015

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---|----------------------------|-------------------------|------------------|---|
| Expenditures: (Continued)                       |                            |                         |                  |   |
| Highways and streets                            |                            |                         |                  |   |
| Salaries  | \$ 621,750                 | \$ 576,750              | \$ 577,896       | \$ (1,146)  |
| Supplies  | 16,800                     | 16,800                  | 13,656           | 3,144   |
| Utilities                                       | 26,200                     | 26,200                  | 22,734           | 3,466   |
| Repairs and maintenance                         | 43,800                     | 49,800                  | 47,325           | 2,475   |
| Health insurance                                | 150,000                    | 140,000                 | 158,542          | (18,542)  |
| Workers compensation                            | 24,500                     | 24,500                  | 21,625           | 2,875   |
| Payroll taxes                                   | 48,720                     | 48,720                  | 43,075           | 5,645   |
| Professional services                           | 5,700                      | 14,700                  | 13,836           | 864   |
| Retirement                                      | 61,000                     | 61,000                  | 49,346           | 11,654  |
| Other insurance                                 | 12,400                     | 12,400                  | 9,605            | 2,795   |
| Fuel  | 80,000                     | 60,000                  | 53,957           | 6,043   |
| Street lighting                                 | 164,000                    | 164,000                 | 166,792          | (2,792)   |
| Paving and resurfacing                          | 380,000                    | 380,000                 | 379,500          | 500   |
| Other highways and streets                      | 54,925                     | 75,175                  | 51,128           | 24,047  |
|   | <u>1,689,795</u>           | <u>1,650,045</u>        | <u>1,609,017</u> | <u>41,028</u>   |
| Housing and community development               |                            |                         |                  |   |
| Nonprofit allocations                           | 237,407                    | 247,464                 | 257,918          | (10,454)  |
| Fuel  | 440,000                    | 374,000                 | 318,891          | 55,109  |
| Industrial development                          | 90,000                     | 90,000                  | 90,000           | -   |
| Other housing and community development         | 161,202                    | 200,202                 | 145,866          | 54,336  |
|   | <u>928,609</u>             | <u>911,666</u>          | <u>812,675</u>   | <u>98,991</u>   |
| Garage  |                            |                         |                  |   |
| Salaries  | 112,915                    | 112,915                 | 111,604          | 1,311   |
| Repairs and maintenance                         | 9,550                      | 9,550                   | 9,072            | 478   |
| Health insurance                                | 25,000                     | 25,000                  | 28,401           | (3,401)   |
| Workers compensation                            | 4,700                      | 4,700                   | 4,414            | 286   |
| Payroll taxes                                   | 8,708                      | 8,708                   | 8,363            | 345   |
| Retirement                                      | 11,500                     | 11,500                  | 10,505           | 995   |
| Supplies  | 7,850                      | 7,850                   | 6,245            | 1,605   |
| Fuel  | 5,000                      | 4,000                   | 2,662            | 1,338   |
| Other garage                                    | 6,765                      | 13,870                  | 2,583            | 11,287  |
|   | <u>191,988</u>             | <u>198,093</u>          | <u>183,849</u>   | <u>14,244</u>   |
| Capital outlay                                  |                            |                         |                  |   |
|   | -                          | -                       | -                | -   |
| TOTAL EXPENDITURES                              | <u>8,377,096</u>           | <u>8,579,392</u>        | <u>8,019,341</u> | <u>560,051</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(33,487)</u>            | <u>(210,734)</u>        | <u>594,710</u>   | <u>805,444</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, 2015

|                                      | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--------------------------------------|---------------------|---------------------|---------------------|---|
| OTHER FINANCING SOURCES (USES)       |                     |                     |                     |   |
| Transfers in                         | \$ 1,506,863        | \$ 1,357,756        | \$ 1,338,425        | \$ (19,331)   |
| Transfers out                        | (1,459,227)         | (1,531,792)         | (1,531,681)         | 111   |
| Insurance proceeds                   | -                   | 5,000               | 5,003               | 3   |
| Sale of capital assets               | 5,000               | 16,000              | 82,104              | 66,104  |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>52,636</u>       | <u>(153,036)</u>    | <u>(106,149)</u>    | <u>46,887</u>   |
| NET CHANGE IN FUND BALANCES          | 19,149              | (363,770)           | 488,561             | 852,331   |
| Fund balance - beginning             | 6,481,133           | 6,481,133           | 6,481,133           | -   |
| Fund balance - ending                | <u>\$ 6,500,282</u> | <u>\$ 6,117,363</u> | <u>\$ 6,969,694</u> | <u>\$ 852,331</u>   |

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

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

**CITY OF FAYETTEVILLE, TENNESSEE**

For the year ended June 30, 2015

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                                 |                     |                     |                     |   |
| Intergovernmental                               |                     |                     |                     |   |
| Lincoln County                                  | \$ 2,238,800        | \$ 2,253,103        | \$ 2,253,094        | \$ (9)  |
| State of Tennessee                              | 6,997,900           | 7,252,640           | 7,327,586           | 74,946  |
| Federal   | 9,000               | 633                 | 633                 | -   |
| Charges for services and use of property        | 157,721             | 157,721             | 141,765             | (15,956)  |
| Private grants and contributions                | -                   | -                   | -                   | -   |
| Investment earnings                             | 18,000              | 11,681              | 11,681              | -   |
| Other revenue                                   | 11,000              | 23,076              | 23,076              | -   |
| TOTAL REVENUES                                  | <u>9,432,421</u>    | <u>9,698,854</u>    | <u>9,757,835</u>    | <u>58,981</u>   |
| <b>EXPENDITURES</b>                             |                     |                     |                     |   |
| Instruction                                     |                     |                     |                     |   |
| Regular instruction program                     | 5,969,475           | 5,926,278           | 5,832,175           | 94,103  |
| Special education program                       | 633,936             | 643,986             | 608,850             | 35,136  |
| Vocational education program                    | 210,355             | 210,355             | 201,655             | 8,700   |
| Student body education program                  | 3,000               | 3,000               | 2,416               | 584   |
| Support services                                |                     |                     |                     |   |
| Attendance                                      | 33,720              | 32,260              | 28,930              | 3,330   |
| Health services                                 | 189,622             | 179,190             | 179,187             | 3   |
| Other student support                           | 218,152             | 205,132             | 203,289             | 1,843   |
| Regular instruction program                     | 537,181             | 487,781             | 462,434             | 25,347  |
| Special education program                       | 87,297              | 77,247              | 76,240              | 1,007   |
| Vocational education program                    | -                   | -                   | -                   | -   |
| Board of education                              | 206,863             | 198,749             | 170,284             | 28,465  |
| Office of the superintendent                    | 190,520             | 184,519             | 170,293             | 14,226  |
| Office of the principal                         | 762,800             | 814,110             | 814,106             | 4   |
| Fiscal services                                 | 151,930             | 150,827             | 135,741             | 15,086  |
| Operation of plant                              | 798,474             | 745,224             | 691,798             | 53,426  |
| Maintenance of plant                            | 273,215             | 248,815             | 196,882             | 51,933  |
| Transportation                                  | 183,836             | 161,687             | 138,787             | 22,900  |
| Central office                                  | 206,820             | 188,825             | 180,539             | 8,286   |
| Community services                              | 139,517             | 139,517             | 112,110             | 27,407  |
| Early childhood education                       | 450,445             | 450,445             | 414,730             | 35,715  |
| Debt service                                    |                     |                     |                     |   |
| Principal on notes                              | 210,000             | 210,000             | 210,000             | -   |
| Interest on notes                               | 155,000             | 155,000             | 154,900             | 100   |
| Principal on capital leases                     | -                   | -                   | -                   | -   |
| Interest on capital leases                      | -                   | -                   | -                   | -   |
| Capital outlay                                  | 130,000             | 78,002              | 41,752              | 36,250  |
| TOTAL EXPENDITURES                              | <u>11,742,158</u>   | <u>11,490,949</u>   | <u>11,027,098</u>   | <u>463,851</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(2,309,737)</u>  | <u>(1,792,095)</u>  | <u>(1,269,263)</u>  | <u>522,832</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                     |                     |                     |   |
| Transfers in                                    | 823,147             | 824,847             | 824,847             | -   |
| Transfers out                                   | (25,000)            | (25,000)            | (25,000)            | -   |
| Insurance recovery                              | -                   | 500                 | 498                 | (2)   |
| Sale of capital assets                          | 1,000               | 1,000               | -                   | (1,000)   |
| Total Other Financing Sources (Uses)            | <u>799,147</u>      | <u>801,347</u>      | <u>800,345</u>      | <u>(1,002)</u>  |
| Net changes in fund balances                    | (1,510,590)         | (990,748)           | (468,918)           | 521,830   |
| Fund balance - beginning                        | 3,804,176           | 3,804,176           | 3,804,176           | -   |
| Fund balance - ending                           | <u>\$ 2,293,586</u> | <u>\$ 2,813,428</u> | <u>\$ 3,335,258</u> | <u>\$ 521,830</u>   |

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

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

**June 30, 2015**

---

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. GAAP include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the government's accounting policies are described as follows:

(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 (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major enterprise funds:

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

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 (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

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 (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

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. Investments

Investments are stated at cost which approximates fair value.

3. 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.

4. 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 is 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.

5. Restricted assets

Business-type activities - Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

6. 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 (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Certain items of electric plant referred to as special equipment items (meters, transformers, oil circuits 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            |

7. 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.

8. 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, 2015.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund balance policies

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

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

Restricted – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The Fayetteville City Schools has classified career ladder resources as being restricted because their use is restricted by provisions of the state grants.

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.

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

Unassigned – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When this occurs the government will determine the best use of funds based on the specific facts and circumstances at that time. The Fayetteville School System would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend assigned resources first to defer the use of these other classified funds.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position the government has three items that qualify for reporting in this category. First is the deferred credit on refunding. A deferred credit on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second, property taxes attach as an enforceable lien on property as of January 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. In the governmental funds the government has one type of item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the government funds balance sheet. The governmental funds report unavailable revenues from multiple sources: property taxes, state and local taxes, operating grants and certain other amounts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. 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 (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Capitalized interest

Interest cost incurred, net of interest earned, on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. FPU's net interest cost incurred in the current year totaled \$1,181,696. Of this, \$91,216 was capitalized with the remainder charged to expense. The School System's net interest cost incurred in the current year totaled \$151,617 of which \$0 was capitalized.

13. Estimates

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

14. Pensions

*Public Employee Retirement Plan*

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

*Teacher Plans*

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*NRECA RS Plan*

During the current year, the government early implemented GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*, to be concurrent with the implementation of GASB Statements 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Accordingly, pension expense of the NRECA RS plan is recognized in an amount equal to the required contributions to the pension plan for the reporting period. A liability is recognized in accounts payable for the difference, if any, at the end of the reporting period between contributions required and contributions made.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds and loans payable are not due and payable in the current period and therefore are not reported in the funds." The details of this \$11,516,547 difference are identified as follows:

|  |                      |
|--|----------------------|
| Bonds and notes payable  | \$ 10,049,778        |
| Add: Issuance premium (to be amortized over life of debt)  | 100,492              |
| Accrued interest payable   | 25,150               |
| Compensated absences   | 503,485              |
| Other postemployment benefit obligations   | 648,273              |
| Landfill post closure costs  | <u>189,369</u>       |
| Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities | <u>\$ 11,516,547</u> |

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$25,413,504 difference are as follows:

|  |                      |
|--|----------------------|
| Land   | \$ 3,541,266         |
| Construction in progress   | 672,701              |
| Buildings and improvements   | 21,754,852           |
| Less: Accumulated depreciation-buildings and improvements  | (7,235,088)          |
| Machinery and equipment  | 8,686,148            |
| Less: Accumulated depreciation-machinery and equipment   | (5,296,656)          |
| Infrastructure   | 4,873,399            |
| Less: Accumulated depreciation-infrastructure  | <u>(1,583,118)</u>   |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 25,413,504</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

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.” The details of this \$(265,578) difference are as follows:

|  |                     |
|--|---------------------|
| Capital outlay   | \$ 782,566          |
| Depreciation expense   | <u>(1,048,144)</u>  |
| Net adjustment to decrease net changes in fund balances –<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u>\$ (265,578)</u> |

Another element of that reconciliation explains that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(29,944) difference are as follows:

|  |                    |
|--|--------------------|
| Compensated absences   | \$ (14,669)        |
| Net OPEB obligation  | (37,209)           |
| Accrued interest   | (3,676)            |
| Landfill post closure costs  | <u>25,610</u>      |
| Net adjustment to decrease net changes in fund balances –<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u>\$ (29,944)</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 \$170,926 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. | \$ (53,412)       |
| 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>224,338</u>    |
| Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities  | <u>\$ 170,926</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

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

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

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(1,629,019) difference are as follows:

|   |                           |
|---|---------------------------|
| Debt issued or incurred:  |                           |
| General obligation bonds  | \$ (2,000,000)            |
| Premium on debt issuance  | (24,217)                  |
| Principal repayments:   |                           |
| General obligation bond   | 365,000                   |
| Energy efficiency loan  | 24,778                    |
| Amortization of debt premiums   | <u>5,420</u>              |
| <br>Net adjustment to decrease net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities | <br><u>\$ (1,629,019)</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).

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

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

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

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

(A) Deposits and investments

The following is a summary of cash and investments as of June 30, 2015:

|  |              |                      |
|--|--------------|----------------------|
| General use:                                       |              |                      |
| On deposit and on hand                             |              | \$ 39,415,944        |
| Negotiable certificates of deposit                 |              | 1,250,695            |
| Government sponsored securities                    |              | 249,998              |
| Restricted and other special funds:                |              |                      |
| On deposit – restricted (externally)               | \$ 2,104,189 |                      |
| On deposit – special funds (internally restricted) | 8,628,981    | <u>10,733,170</u>    |
| Total  |              | <u>\$ 51,649,807</u> |

A portion of the restricted assets shown on deposit above are maintained in the government's Fayetteville Public Utilities enterprise fund. These assets represent amounts which are required to be maintained pursuant to ordinances relating to bond indebtedness (construction, reserve and sinking funds). At June 30, 2015, the following restricted funds were maintained:

|                                    |                     |
|------------------------------------|---------------------|
| Sinking and reserve fund           | \$ 1,975,895        |
| Improvements and construction fund | <u>127,563</u>      |
|                                    | <u>\$ 2,103,458</u> |

The remaining restricted assets shown on deposit above included \$731 restricted for career ladder expenditures.

Special funds totaling \$8,628,981 are designated for specific purposes by FPU. The funds include funded substation replacement, operating reserves, improvements and construction costs, safety incentive funds, 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, 2015, the government has invested \$1,250,695 in negotiable certificates of deposits. The entire amount of these investments are covered by FDIC insurance. As of June 30, 2015, the government has also invested \$249,998 in government sponsored securities. Government sponsored securities do create an exposure to credit risk because they are only implicitly federally backed. The government's government sponsored securities have not been rated. U.S. obligations are implicitly guaranteed by the U.S. government and therefore are not considered to have credit risk. Governmental accounting standards require disclosure of credit quality ratings for external investment pools; however, the Local Government Investment Pool is unrated.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(A) Deposits and investments (Continued)

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

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, 2015, 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, 2015, the government's cash consists of deposits in financial institutions with bank balances of \$50,638,133 and carrying amounts of \$50,145,196 plus cash on hand of \$3,918. Of the amounts on deposit, \$46,488,707 is fully insured by the FDIC or the Tennessee Bank Collateral Pool. The remaining \$3,656,489 is collateralized by securities pledged by financial institutions in the name of the government.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have an investment policy for custodial credit risk. The government's investment of \$249,998 creates an exposure to custodial credit risk because the related security is uninsured and held by the government's brokerage firm.

(B) Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. 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<br/>General</u> | <u>Debt<br/>Service</u> | <u>Nonmajor<br/>Governmental</u> | <u>Total</u>        |
|-----------------------|---------------------|---------------------------|-------------------------|----------------------------------|---------------------|
| Receivables:          |                     |                           |                         |                                  |                     |
| Interest              | \$ -                | \$ -                      | \$ -                    | \$ -                             | \$ -                |
| Taxes                 | 2,799,828           | -                         | -                       | -                                | 2,799,828           |
| Accounts              | 46,622              | 809                       | -                       | 11,144                           | 58,575              |
| Intergovernmental     | <u>1,215,753</u>    | <u>605,021</u>            | -                       | <u>6,181</u>                     | <u>1,826,955</u>    |
| Gross receivables     | 4,062,203           | 605,830                   | -                       | 17,325                           | 4,685,358           |
| Less: Allowance for   |                     |                           |                         |                                  |                     |
| Uncollectibles        | <u>(18,649)</u>     | -                         | -                       | -                                | <u>(18,649)</u>     |
| Net total receivables | <u>\$ 4,043,554</u> | <u>\$ 605,830</u>         | <u>\$ -</u>             | <u>\$ 17,325</u>                 | <u>\$ 4,666,709</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 \$134,754.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(C) Capital assets

Capital asset activity for the year ended June 30, 2015, for governmental activities follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u>   | <u>Ending<br/>Balance</u> |
|--|------------------------------|--------------------|--------------------|---------------------------|
| Governmental Activities                      |                              |                    |                    |                           |
| Capital assets, not being depreciated        |                              |                    |                    |                           |
| Land   | \$ 3,541,266                 | \$ -               | \$ -               | \$ 3,541,266              |
| Construction in progress                     | <u>11,649</u>                | <u>661,052</u>     | <u>-</u>           | <u>672,701</u>            |
| Total capital assets, not being depreciated  | <u>3,552,915</u>             | <u>661,052</u>     | <u>-</u>           | <u>4,213,967</u>          |
| Capital assets, being depreciated:           |                              |                    |                    |                           |
| Buildings                                    | 19,270,410                   | 22,808             | -                  | 19,293,218                |
| Improvements other than buildings            | 2,573,461                    | 13,005             | (124,832)          | 2,461,634                 |
| Machinery and equipment                      | 8,662,409                    | 98,940             | (75,201)           | 8,686,148                 |
| Infrastructure                               | <u>4,662,299</u>             | <u>211,100</u>     | <u>-</u>           | <u>4,873,399</u>          |
| Total capital assets being depreciated       | <u>35,168,579</u>            | <u>345,853</u>     | <u>(200,033)</u>   | <u>35,314,399</u>         |
| Less accumulated depreciation for:           |                              |                    |                    |                           |
| Buildings                                    | (6,105,320)                  | (429,084)          | -                  | (6,534,404)               |
| Improvements other than buildings            | (660,088)                    | (113,725)          | 73,129             | (700,684)                 |
| Machinery and equipment                      | (4,945,807)                  | (424,341)          | 73,492             | (5,296,656)               |
| Infrastructure                               | <u>(1,502,123)</u>           | <u>(80,995)</u>    | <u>-</u>           | <u>(1,583,118)</u>        |
| Total accumulated depreciation               | <u>(13,213,338)</u>          | <u>(1,048,145)</u> | <u>146,621</u>     | <u>(14,114,862)</u>       |
| Total capital assets, being depreciated, net | <u>21,955,241</u>            | <u>(702,292)</u>   | <u>(53,412)</u>    | <u>21,199,537</u>         |
| Governmental activities capital assets, net  | <u>\$ 25,508,156</u>         | <u>\$ (41,240)</u> | <u>\$ (53,412)</u> | <u>\$ 25,413,504</u>      |

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

|  |                    |
|--|--------------------|
| Governmental Activities                              |                    |
| General government                                   | \$ 67,875          |
| Public safety  | 153,914            |
| Recreation   | 114,924            |
| Highways and streets                                 | 167,192            |
| Housing and community development                    | 4,904              |
| Education  | <u>539,336</u>     |
| Total depreciation expense – governmental activities | <u>\$1,048,145</u> |

Capital asset activity for the year ended June 30, 2015, for business-type activities is as follows:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(C) Capital assets (Continued)

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>     | <u>Decreases</u>      | <u>Ending<br/>Balance</u> |
|--|------------------------------|----------------------|-----------------------|---------------------------|
| Business-type Activities                     |                              |                      |                       |                           |
| Capital assets, not being depreciated:       |                              |                      |                       |                           |
| Land   | \$ 1,098,495                 | \$ -                 | \$ -                  | \$ 1,098,495              |
| Construction in progress                     | <u>4,541,290</u>             | <u>9,839,834</u>     | <u>(9,607,457)</u>    | <u>4,773,667</u>          |
| Total capital assets, not being depreciated  | <u>5,639,785</u>             | <u>9,839,834</u>     | <u>(9,607,457)</u>    | <u>5,872,162</u>          |
| Capital assets, being depreciated            |                              |                      |                       |                           |
| Structures and improvements                  | 3,342,927                    | 9,800                | (7,995)               | 3,344,732                 |
| Machinery and equipment                      | 133,136,252                  | 10,991,333           | (2,161,560)           | 141,966,025               |
| Infrastructure                               | <u>612,379</u>               | <u>27,710</u>        | <u>(15,348)</u>       | <u>624,741</u>            |
| Total capital assets being depreciated       | <u>137,091,558</u>           | <u>11,028,843</u>    | <u>(2,184,903)</u>    | <u>145,935,498</u>        |
| Less accumulated depreciation for:           |                              |                      |                       |                           |
| Structures and improvements                  | (1,790,511)                  | (88,582)             | 142,751               | (1,736,342)               |
| Machinery and equipment                      | (58,607,566)                 | (4,743,520)          | 2,310,588             | (61,040,498)              |
| Infrastructure                               | <u>(611,369)</u>             | <u>(12,366)</u>      | <u>17,591</u>         | <u>(606,144)</u>          |
| Total accumulated depreciation               | <u>(61,009,446)</u>          | <u>(4,844,468)</u>   | <u>2,470,930</u>      | <u>(63,382,984)</u>       |
| Total capital assets, being depreciated, net | <u>76,082,112</u>            | <u>6,184,375</u>     | <u>286,027</u>        | <u>82,552,514</u>         |
| Business-type activities capital assets, net | <u>\$ 81,721,897</u>         | <u>\$ 16,024,209</u> | <u>\$ (9,321,430)</u> | <u>\$ 88,424,676</u>      |

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

|   |                     |
|---|---------------------|
| Business-type Activities                              |                     |
| Public utilities                                      | \$ 4,818,589        |
| Sanitation fund                                       | <u>25,879</u>       |
| Total depreciation expense – business-type activities | <u>\$ 4,844,468</u> |

The amount of \$297,480 of electric division depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

Construction commitments

At June 30, 2015, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding construction contract commitments totaling \$8,972,387.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

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, 2015, is as follows:

|                                | Due from                           |                     |                           |                                | <u>Total</u>      |
|--------------------------------|------------------------------------|---------------------|---------------------------|--------------------------------|-------------------|
|                                | Capital<br>Projects<br><u>Fund</u> | Drug<br><u>Fund</u> | Sanitation<br><u>Fund</u> | School<br>Title<br><u>Fund</u> |                   |
|                                | Due to:                            |                     |                           |                                |                   |
| General fund                   | \$ -                               | \$ 1,596            | \$ 843                    | \$ -                           | \$ 2,439          |
| School general fund            | -                                  | -                   | -                         | 2,209                          | 2,209             |
| Sanitation fund                | 8,500                              | -                   | -                         | -                              | 8,500             |
| Internal capital projects fund | -                                  | -                   | <u>165,070</u>            | -                              | <u>165,070</u>    |
|                                | <u>\$ 8,500</u>                    | <u>\$ 1,596</u>     | <u>\$165,913</u>          | <u>\$ 2,209</u>                | <u>\$ 178,218</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, 2015 is as follows:

|                                | Transfers In            |                                  |                                       | <u>Total</u>        |
|--------------------------------|-------------------------|----------------------------------|---------------------------------------|---------------------|
|                                | <u>General<br/>Fund</u> | School<br>General<br><u>Fund</u> | Other<br>Governmental<br><u>Funds</u> |                     |
| Transfers Out:                 |                         |                                  |                                       |                     |
| General fund                   | \$ -                    | \$ 799,847                       | \$ 748,535                            | \$ 1,548,382        |
| School cafeteria fund          | -                       | 25,000                           | -                                     | 25,000              |
| School general fund            | -                       | -                                | 25,000                                | 25,000              |
| Debt service fund              | -                       | -                                | 1,955,497                             | 1,955,497           |
| Internal capital projects fund | -                       | -                                | -                                     | -                   |
| Subtotal – governmental funds  | -                       | <u>824,847</u>                   | <u>2,729,032</u>                      | <u>3,553,879</u>    |
| Fayetteville Public Utilities  | 1,228,425               | -                                | -                                     | 1,228,425           |
| Sanitation fund                | <u>110,000</u>          | -                                | <u>8,500</u>                          | <u>118,500</u>      |
| Subtotal – proprietary funds   | <u>1,338,425</u>        | -                                | <u>8,500</u>                          | <u>1,346,925</u>    |
|                                | <u>\$ 1,338,425</u>     | <u>\$ 824,847</u>                | <u>\$ 2,737,532</u>                   | <u>\$ 4,900,804</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 (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 5 - LONG-TERM DEBT (Continued)

General obligation bonds currently outstanding are as follows:

Series 2009, \$10,100,000 general obligation bonds, issued June 2009 to refund revenue bonds totaling \$8,105,000 and general obligation bonds totaling \$915,000. The bonds mature serially at annual interest rates ranging from 3.00% to 4.125% with final maturity in 2025. The bonds are subject to redemption prior to maturity beginning in 2018 at a redemption price of 100%. \$ 6,160,000

City of Fayetteville (General 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. 950,000

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. 2,000,000

Fayetteville Public Utilities (Telecom Division):

Series 2011, \$2,660,000 general obligation bonds, issued December 2011 to refund revenue bonds totaling \$3,600,000. The bonds are additionally payable from telecom system revenues. The bonds mature serially at annual interest rates ranging from 1.00% to 2.00% with final maturity in 2020. The bonds are not subject to redemption prior to maturity. 1,700,000

Fayetteville City Schools

Series 2013, \$6,140,000 general obligation bonds, issued May 2013 to refund capital outlay notes totaling \$6,000,000 being used to finance school system capital outlay projects. The bonds mature serially at annual interest rates ranging from 2.00% to 3.25% with final maturity in 2037. 5,735,000

Total general obligation bonds \$ 16,545,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year ending<br><u>June 30</u> | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |                   |
|-------------------------------|--------------------------------|---------------------|---------------------------------|-------------------|
|                               | <u>Principal</u>               | <u>Interest</u>     | <u>Principal</u>                | <u>Interest</u>   |
| 2016                          | \$ 370,000                     | \$ 287,953          | \$ 945,000                      | \$ 196,697        |
| 2017                          | 450,000                        | 279,801             | 950,000                         | 174,450           |
| 2018                          | 455,000                        | 268,957             | 975,000                         | 148,573           |
| 2019                          | 465,000                        | 258,010             | 1,010,000                       | 121,245           |
| 2020                          | 475,000                        | 247,092             | 1,010,000                       | 93,768            |
| 2021-2025                     | 2,655,000                      | 1,041,469           | 1,630,000                       | 197,996           |
| 2026-2030                     | 2,150,000                      | 697,499             | -                               | -                 |
| 2031-2035                     | 2,345,000                      | 338,438             | -                               | -                 |
| 2036-2037                     | 660,000                        | 32,338              | -                               | -                 |
| Total                         | <u>\$ 10,025,000</u>           | <u>\$ 3,451,557</u> | <u>\$ 6,520,000</u>             | <u>\$ 932,729</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 5 - LONG-TERM DEBT (Continued)

(B) Revenue Bonds

The government also issues bonds for which the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of these outstanding revenue bonds issued in prior years was \$22,475,000. Revenue bonds outstanding at June 30, 2015, are as follows:

Fayetteville Public Utilities (Electric Division):

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

\$ 7,510,000

Series 2007 Revenue bonds in the original amount of \$9,950,000 issued in December 2007. The bonds mature serially at annual interest rates ranging from 4.00% to 4.25% with final maturity in 2028. The bonds are subject to redemption prior to maturity at a redemption price of 100%.

9,950,000

Fayetteville Public Utilities (Water Division):

Series 2008 Revenue and tax bond 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.

3,390,865

Series 2009 Revenue and tax bond 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.

4,930,023

Total revenue bonds

\$ 25,780,888

Revenue bond debt service requirements to maturity are as follows:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 5 - LONG-TERM DEBT (Continued)

(B) Revenue Bonds (Continued)

| Year ending<br><u>June 30</u> | <u>Business-type Activities</u> |                      |
|-------------------------------|---------------------------------|----------------------|
|                               | <u>Principal</u>                | <u>Interest</u>      |
| 2016                          | \$ 1,195,265                    | \$ 905,026           |
| 2017                          | 1,229,652                       | 868,989              |
| 2018                          | 1,268,547                       | 831,188              |
| 2019                          | 1,312,549                       | 789,385              |
| 2020                          | 1,356,093                       | 743,791              |
| 2021-2025                     | 7,663,441                       | 2,901,430            |
| 2026-2030                     | 5,994,573                       | 1,279,986            |
| 2031-2035                     | 1,108,384                       | 708,476              |
| 2036-2040                     | 1,267,244                       | 549,617              |
| 2041-2045                     | 1,450,047                       | 366,813              |
| 2046-2050                     | 1,659,353                       | 157,507              |
| 2051                          | <u>275,740</u>                  | <u>5,108</u>         |
| Total                         | <u>\$ 25,780,888</u>            | <u>\$ 10,107,316</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, 2015.

FPU entered into a loan agreement on March 27, 2013, with the U.S. Department of Agriculture (USDA) Rural Development to borrow \$2,531,200 to finance the cost of certain extensions and improvements to the Water and Wastewater Department's water and wastewater system and refinance maturing bond anticipation notes. The loan matures March 27, 2016. The loan bears interest at a rate of 2.50%. FPU had received advances totaling \$5,200 at June 30, 2015. These loans are authorized under a resolution approved by the Board of Mayor and Aldermen in anticipation of issuance of \$2,623,000 bonds through the USDA under the Consolidated Farm and Rural Development Act.

FPU entered into a loan agreement on April 9, 2015, with the U.S. Department of Agriculture (USDA) Rural Development to borrow \$1,900,000 to finance the cost of certain extensions and improvements to the Water and Wastewater Department's water and wastewater system. The loan matures April 9, 2017. The loan bears interest at a rate 2.75%. FPU had received advances totaling \$6,000 at June 30, 2015. These loans are authorized under a resolution approved by the Board of Mayor and Aldermen in anticipation of issuance of \$1,900,000 bonds through the USDA under the Consolidated Farm and Rural Development Act.

(C) Loans

The government has the following loans outstanding at June 30, 2015:

City of Fayetteville (General Government):

State of Tennessee Local Government Energy Efficiency Loan Program loan, with seven year term, no interest, and payable annually in principal installments of \$24,778.

\$ 24,778

City of Fayetteville (Sanitation Fund):

State of Tennessee Municipal Bond Fund capital outlay note, with a three year term, bearing interest at 2.0% to finance the cost of sanitation equipment.

123,300

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 5 - LONG-TERM DEBT (Continued)

(C) Loans (Continued)

Fayetteville Public Utilities (Water Division)

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

1,377,037

State of Tennessee Utility Relocation Loan, 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%.

702,245

Total Loans

\$ 2,227,360

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

| Year ending<br><u>June 30</u> | <u>Governmental Activities</u> |                 | <u>Business-type Activities</u> |                   |
|-------------------------------|--------------------------------|-----------------|---------------------------------|-------------------|
|                               | <u>Principal</u>               | <u>Interest</u> | <u>Principal</u>                | <u>Interest</u>   |
| 2016                          | \$ 24,778                      | \$ -            | \$ 227,865                      | \$ 34,850         |
| 2017                          | -                              | -               | 232,046                         | 30,749            |
| 2018                          | -                              | -               | 172,685                         | 26,564            |
| 2019                          | -                              | -               | 175,672                         | 23,577            |
| 2020                          | -                              | -               | 178,720                         | 20,529            |
| 2021-2025                     | -                              | -               | 861,745                         | 55,414            |
| 2026-2030                     | -                              | -               | 190,092                         | 15,288            |
| 2031-2035                     | -                              | -               | <u>163,757</u>                  | <u>4,008</u>      |
| Total                         | <u>\$ 24,778</u>               | <u>\$ -</u>     | <u>\$ 2,202,582</u>             | <u>\$ 210,979</u> |

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

Fayetteville Public Utilities (State of Tennessee Revolving Loan Fund)

FPU entered into loan agreements on January 3, 2013, with the Tennessee Department of Environment and Conservation to borrow \$4,300,000 of which \$430,000 is to be forgiven. This loan will be used to finance the cost of certain improvements to the wastewater system. The loan will mature 20 years from project completion. The loan bears interest at a rate of 1.17%. FPU had received \$2,344,511 in advances as of June 30, 2015.

FPU entered into loan agreements on January 23, 2015, with the Tennessee Department of Environment and Conservation to borrow \$4,000,000 of which \$280,000 is to be forgiven. This loan will be used to finance the cost of certain improvements to the wastewater system. The loan will mature 20 years from project completion. The loan bears interest at a rate of 1.38%. No advances had been received as of June 30, 2015.

FPU entered into loan agreements on January 23, 2015, with the Tennessee Department of Environment and Conservation to borrow \$1,700,000. This loan will be used to finance the cost of certain improvements to the wastewater system. The loan will mature 20 years from project completion. The loan bears interest at a rate of 1.38%. No advances had been received as of June 30, 2015.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 5 - LONG-TERM DEBT (Continued)

(D) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u>    | <u>Ending<br/>Balance</u> | <u>Due<br/>Within<br/>One Year</u> |
|--|------------------------------|---------------------|----------------------|---------------------------|------------------------------------|
| <b>Governmental Activities:</b>              |                              |                     |                      |                           |                                    |
| Bonds payable:                               |                              |                     |                      |                           |                                    |
| General obligation bonds – fixed rate        | \$ 8,390,000                 | \$ 2,000,000        | \$ (365,000)         | \$10,025,000              | \$ 370,000                         |
| Unamortized bond premium                     | <u>81,693</u>                | <u>24,217</u>       | <u>(5,418)</u>       | <u>100,492</u>            | <u>-</u>                           |
| Total bonds payable                          | 8,471,693                    | 2,024,217           | (370,418)            | 10,125,492                | 370,000                            |
| Loans payable:                               |                              |                     |                      |                           |                                    |
| Tennessee Energy Efficiency Loan             | <u>49,557</u>                | <u>-</u>            | <u>(24,779)</u>      | <u>24,778</u>             | <u>24,778</u>                      |
| Total loans payable                          | 49,557                       | -                   | (24,779)             | 24,778                    | 24,778                             |
| Landfill postclosure costs                   | 214,979                      | -                   | (25,610)             | 189,369                   | 25,000                             |
| Postemployment benefit obligation            | 611,064                      | 166,572             | (129,363)            | 648,273                   | -                                  |
| Net pension liability                        | 2,243,349                    | 1,705,624           | (3,263,504)          | 685,469                   | -                                  |
| Compensated absences                         | <u>488,816</u>               | <u>242,917</u>      | <u>(228,248)</u>     | <u>503,485</u>            | <u>235,098</u>                     |
| Governmental Activity Long-Term Liability    | <u>\$12,079,458</u>          | <u>\$ 4,139,330</u> | <u>\$(4,041,922)</u> | <u>\$ 12,176,866</u>      | <u>\$ 654,876</u>                  |
|  |                              |                     |                      |                           |                                    |
|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u>    | <u>Ending<br/>Balance</u> | <u>Due<br/>Within<br/>One Year</u> |
| <b>Business-type Activities:</b>             |                              |                     |                      |                           |                                    |
| Bonds payable:                               |                              |                     |                      |                           |                                    |
| Revenue bonds                                | \$ 21,943,860                | \$ 5,015,943        | \$ (1,167,715)       | \$ 25,792,088             | \$ 1,195,265                       |
| General obligation                           | 7,440,000                    | -                   | (920,000)            | 6,520,000                 | 945,000                            |
| Unamortized bond premium                     | <u>131,368</u>               | <u>-</u>            | <u>(15,387)</u>      | <u>115,981</u>            | <u>-</u>                           |
| Total bonds payable                          | 29,515,228                   | 5,015,943           | (2,103,102)          | 32,428,069                | 2,140,265                          |
| Loans:                                       |                              |                     |                      |                           |                                    |
| Tennessee utility relocation loan            | 1,508,414                    | -                   | (131,377)            | 1,377,037                 | 133,829                            |
| Tennessee revolving fund program loan        | 605,558                      | 2,441,198           | -                    | 3,046,756                 | 33,036                             |
| Tennessee municipal bond fund                | 180,000                      | -                   | (56,700)             | 123,300                   | 61,000                             |
| Bond anticipation notes                      | <u>2,358,847</u>             | <u>366,430</u>      | <u>(2,725,277)</u>   | <u>-</u>                  | <u>-</u>                           |
| Total loans payable                          | 4,652,819                    | 2,807,628           | (2,913,354)          | 4,547,093                 | 227,865                            |
| Postemployment benefit obligation            | 583,415                      | 110,530             | -                    | 693,945                   | -                                  |
| Advances from TVA                            | 1,038,920                    | -                   | (23,831)             | 1,015,089                 | -                                  |
| Compensated absences                         | <u>793,063</u>               | <u>380,735</u>      | <u>(333,291)</u>     | <u>840,507</u>            | <u>337,960</u>                     |
| Business-type Activity Long-Term Liabilities | <u>\$ 36,583,445</u>         | <u>\$ 8,314,836</u> | <u>\$(5,373,578)</u> | <u>\$39,524,703</u>       | <u>\$ 2,706,090</u>                |

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

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, 2015, there were two series of IDRBB outstanding. The aggregate principal amount payable was \$10,350,000. The original issue amounts totaled \$15,615,000.

NOTE 6 - LEASING ACTIVITY

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

Leased equipment under capital leases in capital assets at June 30, 2015, includes the following:

|                                |                  |
|--------------------------------|------------------|
| Equipment                      | \$ 19,425        |
| Less: Accumulated depreciation | <u>(7,608)</u>   |
| Total                          | <u>\$ 11,817</u> |

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

The Fayetteville City School System has a license through the Federal Communication Commission (the "FCC") to certain IFTS channels. The System entered into an agreement in a prior year to provide IFTS channels capacity to an unrelated third party. The arrangement provides for monthly lease payments of \$1,017. The agreement was for an original duration of five years with extensions for three additional five year terms subject to cancellation with three months' notice prior to the end of the applicable term.

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

| Year Ending     |                  |
|-----------------|------------------|
| <u>June 30,</u> |                  |
| 2016            | \$ 12,204        |
| 2017            | 12,204           |
| 2018            | 12,204           |
| 2019            | 12,204           |
| 2018            | <u>4,068</u>     |
|                 | <u>\$ 52,884</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 6 - LEASING ACTIVITY (Continued)

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

| Year Ending     |                  |
|-----------------|------------------|
| <u>June 30,</u> |                  |
| 2016            | \$ 14,797        |
| 2017            | 7,798            |
| 2018            | <u>1,621</u>     |
|                 | <u>\$ 24,216</u> |

Lease expenditures for the year ending June 30, 2015 totaled \$37,671.

NOTE 7 - SEGMENT INFORMATION

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

| <u>Condensed Balance Sheet</u>   | <u>Electric</u>      | <u>Gas</u>           | <u>Telecom</u>    | <u>Water</u>         |
|----------------------------------|----------------------|----------------------|-------------------|----------------------|
| <b>Assets</b>                    |                      |                      |                   |                      |
| Current assets                   | \$ 31,919,699        | \$ 2,793,005         | \$ 320,664        | \$ 1,464,473         |
| Special funds                    | 2,711,676            | 3,169,695            | 152,738           | 4,698,330            |
| Capital assets                   | 42,188,135           | 15,595,499           | 2,900,092         | 27,275,831           |
| Other assets                     | 1,319,604            | 32,651               | 23,755            | 35,657               |
| Due from other divisions         | <u>1,159,452</u>     | <u>-</u>             | <u>-</u>          | <u>-</u>             |
|                                  | <u>79,298,566</u>    | <u>21,590,850</u>    | <u>3,397,249</u>  | <u>33,474,291</u>    |
| Deferred Outflows of Resources   | <u>108,285</u>       | <u>169,103</u>       | <u>62,513</u>     | <u>12,132</u>        |
| <b>Liabilities</b>               |                      |                      |                   |                      |
| Current liabilities              | 6,874,652            | 919,037              | 586,130           | 1,845,263            |
| Other liabilities                | 1,829,294            | 187,741              | 88,045            | 234,715              |
| Long term debt                   | 16,456,074           | 2,888,035            | 1,373,274         | 13,827,349           |
| Due to other divisions           | <u>-</u>             | <u>-</u>             | <u>1,159,452</u>  | <u>-</u>             |
|                                  | <u>25,160,020</u>    | <u>3,994,813</u>     | <u>3,206,901</u>  | <u>15,907,327</u>    |
| <b>Net Position</b>              |                      |                      |                   |                      |
| Net investment in capital assets | 24,677,061           | 12,412,464           | 1,196,818         | 12,948,915           |
| Restricted                       | 1,975,895            | -                    | -                 | 127,563              |
| Unrestricted                     | <u>27,593,875</u>    | <u>5,352,676</u>     | <u>(943,957)</u>  | <u>4,502,618</u>     |
|                                  | <u>\$ 54,246,831</u> | <u>\$ 17,765,140</u> | <u>\$ 252,861</u> | <u>\$ 17,579,096</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

**NOTE 7 - SEGMENT INFORMATION (Continued)**

Condensed Statement of Revenues,

Expenses, and Changes in Net Position

|                                  |                      |                      |                   |                      |
|----------------------------------|----------------------|----------------------|-------------------|----------------------|
| Operating revenues               | \$ 46,079,243        | \$ 7,926,239         | \$ 4,013,298      | \$ 5,350,967         |
| Depreciation expense             | 2,326,588            | 552,559              | 515,804           | 1,126,158            |
| Other operating expenses         | <u>40,177,470</u>    | <u>6,075,465</u>     | <u>3,063,079</u>  | <u>2,792,269</u>     |
| Operating income                 | 3,575,185            | 1,298,215            | 434,415           | 1,432,540            |
| Nonoperating revenue (expenses): |                      |                      |                   |                      |
| Investment income                | 27,427               | 3,895                | 22                | 2,006                |
| Interest expense                 | (710,106)            | (122,594)            | (31,513)          | (226,267)            |
| Other                            | (34,096)             | (1,214)              | 7,268             | (49,343)             |
| Contributions/Transfers – net    | <u>(470,794)</u>     | <u>(2,080)</u>       | <u>9,978</u>      | <u>1,080,534</u>     |
| Change in net position           | 2,387,616            | 1,176,222            | 420,170           | 2,239,470            |
| Beginning net position, restated | <u>51,859,215</u>    | <u>16,588,918</u>    | <u>(167,309)</u>  | <u>15,339,626</u>    |
| Ending net position              | <u>\$ 54,246,831</u> | <u>\$ 17,765,140</u> | <u>\$ 252,861</u> | <u>\$ 17,579,096</u> |

Condensed Statement of Cash Flows

Net cash provided (used) by:

|  |                      |                     |                   |                     |
|--|----------------------|---------------------|-------------------|---------------------|
| Operating activities                     | \$ 7,305,354         | \$ 2,082,138        | \$ 895,898        | \$ 2,319,057        |
| Noncapital financing activities          | (541,305)            | (254,547)           | (270,257)         | (169,473)           |
| Capital and related financing activities | (5,079,415)          | (1,877,992)         | (747,245)         | (801,386)           |
| Investing activities                     | <u>8,448</u>         | <u>11,407</u>       | <u>19,582</u>     | <u>3,304</u>        |
| Net increase (decrease)                  | 1,693,082            | (38,994)            | (102,022)         | 1,351,502           |
| Cash and cash equivalents, July 1        | <u>24,806,607</u>    | <u>5,102,007</u>    | <u>276,331</u>    | <u>3,647,754</u>    |
| Cash and cash equivalents, June 30       | <u>\$ 26,499,689</u> | <u>\$ 5,063,013</u> | <u>\$ 174,309</u> | <u>\$ 4,999,256</u> |

**NOTE 8 - RISK MANAGEMENT**

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

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 the county that was closed in February 1995. The government acts as administrator of the postclosure activities. Total remaining closure and postclosure care costs are estimated to be \$378,738 at June 30, 2015. These costs will be shared equally by the government and Lincoln County, Tennessee. The government's share of this estimated liability is \$189,369 and is included as a liability in the statement of net position. The government's current year share of required funding was \$44,283 and is reported as an expenditure of the Internal Capital Projects Fund.

NOTE 10 - PENSION AND BENEFIT PLANS

Public Employee Retirement Plan

GENERAL INFORMATION ABOUT THE PLAN

*Plan Description*

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Public Employee Retirement Plan (Continued)

*Benefits provided*

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees covered by benefit terms*

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 96         |
| Inactive employees entitled to but not yet receiving benefits    | 96         |
| Active employees   | <u>147</u> |
|  | <u>339</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, 2015, employer contributions for the government were \$483,638 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 actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NET PENSION LIABILITY (ASSET)

The government's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Public Employee Retirement Plan (Continued)*

*Actuarial Assumptions*

The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimate of arithmetic real rates of return of each major asset class are summarized in the following table:

| <u>Asset Class</u>                    | <u>Long-term<br/>Expected<br/>Real Rate<br/>of Return</u> | <u>Target<br/>Allocation</u> |
|---------------------------------------|---|------------------------------|
| U.S. equity                           | 6.46%   | 33%                          |
| Developed market international equity | 6.26%   | 17%                          |
| Emerging market international equity  | 6.40%   | 5%                           |
| Private equity and strategic lending  | 4.61%   | 8%                           |
| U.S. fixed income                     | 0.98%   | 29%                          |
| Real estate                           | 4.73%   | 7%                           |
| Short-term securities                 | 0.00%   | 1%                           |
|                                       |   | <u>100%</u>                  |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

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 as 7.5 percent based on a blending of the three factors described above.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the government will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN THE NET PENSION LIABILITY (ASSET)

|   | Increase (Decrease)                  |  |  |
|---|--------------------------------------|--|--|
|   | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability (Asset)<br>(a) - (b) |
| Balance at June 30, 2013  | \$ 17,311,937                        | \$ 15,068,588                            | \$ 2,243,349                                     |
| Changes for the year:   |                                      |  |  |
| Service cost  | 409,344                              | -  | 409,344  |
| Interest  | 1,289,974                            | -  | 1,289,974  |
| Difference between expected<br>and actual experience                | (61,339)                             | -  | (61,339)   |
| Contributions-employer  | -                                    | 480,331                                  | (480,331)  |
| Contributions-employees   | -                                    | 243,467                                  | (243,467)  |
| Net investment income   | -                                    | 2,478,367                                | (2,478,367)                                      |
| Benefit payments, including<br>refunds of employee<br>contributions | (1,043,255)                          | (1,043,255)                              | -  |
| Administrative expenses   | -                                    | (6,306)                                  | 6,306  |
| Net changes   | 594,724                              | 2,152,604                                | (1,557,880)                                      |
| Balance at June 30, 2014  | \$ 17,906,661                        | \$ 17,221,192                            | \$ 685,469                                       |

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Public Employee Retirement Plan (Continued)*

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

The following presents the net pension liability (asset) of the City of Fayetteville calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

|                               | 1%<br>Decrease<br>(6.5%) | Current<br>Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(8.5%) |
|-------------------------------|--------------------------|---------------------------------------|--------------------------|
| Net Pension Liability (Asset) | \$ 2,867,871             | \$ 685,469                            | \$ (1,134,418)           |

PENSION EXPENSE (INCOME) AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

*Pension expense*

For the year ended June 30, 2015, the government recognized pension expense of \$61,918.

DEFERRED OUTFLOWS OF RESOURCES

For the year ended June 30, 2015, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ -  | \$ 51,116                                    |
| Net difference between projected and actual earnings on pension plan investments | -   | 1,088,351                                    |
| Contributions subsequent to the measurement date of June 30, 2014                | <u>483,638</u>                                | <u>-</u>                                     |
|  | <u>\$ 483,638</u>                             | <u>\$ 1,139,467</u>                          |

The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” 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 pension will be recognized in pension expense as follows:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Public Employee Retirement Plan (Continued)*

| Year ended<br>June 30, |              |
|------------------------|--------------|
| 2016                   | \$ (282,311) |
| 2017                   | (282,311)    |
| 2018                   | (282,311)    |
| 2019                   | (282,311)    |
| 2020                   | (10,223)     |
| Thereafter             | -            |

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

PAYABLE TO THE PENSION PLAN

At June 30, 2015, the government reported a payable of \$31,389 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Teacher Legacy Pension Plan

*Plan description*

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of the government are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided*

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Teacher Legacy Pension Plan (Continued)*

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.

*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, 2015, to the Teacher Legacy Pension Plan were \$530,198 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension asset*

At June 30, 2014, the government reported an asset of \$24,618 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The government's proportion of the net pension liability was based on the government's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2104 measurement date, the government's proportion was 0.151502 percent. The proportion measured as of June 30, 2013, was 0.353752 percent.

*Pension expense*

For the year ended June 30, 2015, the government recognized a pension expense of \$278.

*Deferred outflows of resources and deferred inflows of resources*

For the year ended June 30, 2015, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Teacher Legacy Pension Plan (Continued)*

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                  | \$ 59,767                            | \$ -                                |
| Net difference between projected and actual earnings<br>on pension plan investments | 128,349                              | 2,028,393                           |
| Contributions subsequent to the measurement date<br>of June 30, 2014                | 530,198                              | -                                   |
|   | <u>\$ 718,314</u>                    | <u>\$ 2,028,393</u>                 |

The government's employer contributions of \$530,198, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. 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<br>June 30, |              |
|------------------------|--------------|
| 2016                   | \$ (475,746) |
| 2017                   | (475,746)    |
| 2018                   | (475,746)    |
| 2019                   | (475,746)    |
| 2020                   | 31,353       |
| Thereafter             | 31,353       |

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

*Actuarial assumptions*

The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Teacher Legacy Pension Plan (Continued)*

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>                    | <u>Long-term<br/>Expected<br/>Real Rate<br/>of Return</u> | <u>Target<br/>Allocation</u> |
|---------------------------------------|---|------------------------------|
| U.S. equity                           | 6.46%   | 33%                          |
| Developed market international equity | 6.26%   | 17%                          |
| Emerging market international equity  | 6.40%   | 5%                           |
| Private equity and strategic lending  | 4.61%   | 8%                           |
| U.S. fixed income                     | 0.98%   | 29%                          |
| Real estate                           | 4.73%   | 7%                           |
| Short-term securities                 | 0.00%   | 1%                           |
|                                       |   | <u>100%</u>                  |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Teacher Legacy Pension Plan (Continued)*

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

The following presents Fayetteville City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Fayetteville City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

|                               | 1%<br>Decrease<br>6.50% | Current<br>Discount<br>Rate<br>7.50% | 1%<br>Increase<br>8.50% |
|-------------------------------|-------------------------|--------------------------------------|-------------------------|
| Net Pension Liability (Asset) | \$ 4,152,158            | \$ (24,618)                          | \$ (3,482,537)          |

*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, 2015, the government reported a payable of \$125,091 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Teacher retirement plan

*Plan description*

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of the government are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing 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 all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Teacher retirement plan (Continued)*

*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 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. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's 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 CPI change 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 COLA, 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.

*Contributions*

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5.0 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved 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 for the year ended June 30, 2015, to the Teacher Retirement Plan were \$8,525, which is 4 percent of covered payroll. The employer rate, when combined with member contribution, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liabilities*

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

*Teacher retirement plan (Continued)*

*Pension expense*

Since the measurement date is June 30, 2014, the government did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the government reported deferred outflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Contributions subsequent to the measurement date<br>of June 30, 2014 | \$ 8,525                                      | -  |
|  | <u>\$ 8,525</u>                               | <u>\$ -</u>                                  |

Employer contributions of \$8,525, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

*Payable to the pension plan*

At June 30, 2015, the government reported a payable of \$3,904 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

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 both to employees of state or local governmental employers and 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 (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

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, 2015, FPU had 104 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, 2015, was 17.54% percent 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, 2015, was \$886,106.

401(k) Plan

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

Benefit terms, including contribution requirements, for the NRECA 401(k) pension plan are established and may be amended by the NRECA Board. Under the Plan, FPU matches employee contributions of 1.25% of the employees' base pay. The employee must contribute 1.25% of their base pay in order to receive FPU's matching contribution. After-tax Roth 401K employee contributions are permitted by the Plan up to limits imposed by the Internal Revenue Code. Employee contributions to the Plan totaled \$155,282 for the year ended June 30, 2015. FPU recognized pension expense under the defined contribution plan of \$63,819 for the year ended June 30, 2015.

Employees are immediately vested in their own contributions, employer contributions, and earnings on those contributions.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

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, 2015, for all plans is as follows:

|                                 | Pension<br>Liabilities<br><u>(Assets)</u> | Deferred<br>Outflows<br><u>of Resources</u> | Deferred<br>Inflows<br><u>of Resources</u> | Pension<br><u>Expense</u> |
|---------------------------------|---|---|--|---------------------------|
| Public Employee Retirement Plan | \$ 685,469                                | \$ 483,638                                  | \$ 1,139,467                               | \$ 61,918                 |
| Teacher Legacy Pension Plan     | (24,618)                                  | 718,314                                     | 2,028,393                                  | 278                       |
| Teacher Retirement Plan         | -   | 8,525                                       | -  | -                         |
| NRECA Retirement Security Plan  | -   | -   | -  | 155,282                   |
|                                 | <u>\$ 660,851</u>                         | <u>\$ 1,210,477</u>                         | <u>\$ 3,167,860</u>                        | <u>\$ 217,478</u>         |

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The government maintains two separate single-employer defined post-employment healthcare plans. One covers the general government while the other covers employees of Fayetteville Public Utilities.

The following is a summary of each of these plans:

PLAN DESCRIPTION-FAYETTEVILLE PUBLIC UTILITIES

FPU administers a single-employer defined benefit healthcare plan which provides postemployment healthcare benefits for employees that retire from service who have attained the age of 62 years with a minimum of 10 years of service with FPU or who have 30 years in the retirement plan. FPU pays the full cost of coverage for these benefits through private insurers for the shorter of three years or until the retiree qualifies for Medicare coverage. Also, FPU's retirees can purchase coverage for their dependents at FPU's group rates. The Board of Public Utilities may amend the benefit provisions. A separate report was not issued for the plan.

PLAN DESCRIPTION-GENERAL GOVERNMENT

The government administers a single-employer defined benefit healthcare plan which provides postemployment healthcare and life insurance benefits for employees that retire from service who have attained the age of 60 years with a minimum of 5 years of service or completion of 30 years of service. The government pays eighty percent of the employee only medical coverage for these benefits through private insurers for the shorter of the attainment of age 65 or receipt of Medicare benefits. Also, if included in the plan, the retirees' spouses are required to make annual contributions equal to the difference of the family premium rate and the employee only medical premium rate which as of June 30, 2015, was \$10,320. The Board of Mayor and Alderman may amend the benefit provisions. A separate report was not issued for the plan.

FUNDING POLICY

Retirees are not required to make any contributions to either postretirement benefit plan. The benefits of the postretirement benefit plans are unfunded, and no assets have been segregated and restricted to provide for postretirement medical or life insurance benefits. For the year ended June 30, 2015, FPU contributed \$0 and the government contributed \$54,363 to fund premiums for retirees receiving benefits.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

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

ANNUAL OPEB COST, NET OPEB OBLIGATION AND FUNDED STATUS

Both plans' annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed 30 years. The following table shows the components of OPEB cost for the year, the amount actually contributed to the plans, and changes in the net OPEB obligation:

|  | <u>FPU</u>        | <u>City</u>       |
|--|-------------------|-------------------|
| Annual required contribution               | \$ 111,675        | \$ 107,972        |
| Interest on net OPEB obligation            | 20,295            | 24,348            |
| Adjustment to annual required contribution | <u>(21,440)</u>   | <u>(19,748)</u>   |
| Annual OPEB cost (expense)                 | 110,530           | 112,572           |
| Contributions made                         | <u>-</u>          | <u>(54,363)</u>   |
| Increase in net OPEB obligation            | 110,530           | 58,209            |
| Net OPEB obligation, beginning of year     | <u>583,415</u>    | <u>541,064</u>    |
| Net OPEB obligation, end of year           | <u>\$ 693,945</u> | <u>\$ 599,273</u> |

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

|             | <u>Fiscal Year</u> | <u>Annual OPEB</u> | <u>Percentage of</u>    | <u>Net OPEB</u>   |
|-------------|--------------------|--------------------|-------------------------|-------------------|
|             | <u>Ended</u>       | <u>Cost</u>        | <u>Annual OPEB</u>      | <u>Obligation</u> |
|             |                    |                    | <u>Cost Contributed</u> |                   |
| <u>FPU</u>  |                    |                    |                         |                   |
|             | June 30, 2013      | \$ 111,149         | 0.35%                   | \$ 468,519        |
|             | June 30, 2014      | 114,896            | 0.00%                   | 583,415           |
|             | June 30, 2015      | 110,530            | 0.00%                   | 693,945           |
| <u>City</u> |                    |                    |                         |                   |
|             | June 30, 2013      | \$ 148,237         | 36.9%                   | \$ 446,432        |
|             | June 30, 2014      | 148,844            | 36.4%                   | 541,064           |
|             | June 30, 2015      | 112,572            | 48.3%                   | 599,273           |

As of July 1, 2014, the most recent actuarial valuation date for both plans, both plans were 0% funded.

ACTUARIAL METHODS AND ASSUMPTIONS

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

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

The actuarial accrued unfunded liability (UAAL) for benefits at June 30, 2015, as well as actuarial methods and assumptions for both plans, was as follows:

|                                  | <u>FPU</u>               | <u>City</u>              |
|----------------------------------|--------------------------|--------------------------|
| Actuarial valuation date         | 7/01/2014                | 7/01/2014                |
| UAAL                             | \$ 1,108,556             | \$ 1,182,642             |
| Covered payroll                  | \$ 4,969,906             | \$ 3,647,247             |
| Ratio of UAAL to covered payroll | 22.3%                    | 32.43%                   |
| Actuarial valuation method       | Projected<br>unit credit | Projected<br>unit credit |
| Amortization period              | 30 yrs                   | 30 yrs                   |
| Discount rate                    | 4.0%                     | 4.5%                     |

For the general government the actuarial assumptions include an annual medical cost trend increase of 8.0% initially decreasing 1.0% per year to a level 5.0% in fiscal year 2018. For FPU the actuarial assumptions include an annual medical cost trend increase of 7% initially with future annual increases assumed to grade uniformly to 5% over a 4 year period. The valuations did not include an investment rate of return on plan assets as there were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was twenty-four years.

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

FAYETTEVILLE CITY SCHOOLS

PLAN DESCRIPTION

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

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

FUNDING POLICY

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. For active plan members electing family coverage, plan members contribute on average 35% of premiums and the Fayetteville City Schools contributes on average 65% of premiums. For active plan members electing single coverage, plan members contribute on average 20% of premiums and the Fayetteville City Schools contributes on average 80% of premiums. The Fayetteville City Schools makes no contributions for premiums for retired plan members.

| <u>Annual OPEB cost and Net OPEB Obligation</u> | <u>Teacher<br/>Group Plan</u> |
|---|-------------------------------|
| Annual required contribution                    | \$ 54,000                     |
| Interest on net OPEB obligation                 | 2,800                         |
| Adjustment to the annual required contribution  | <u>(2,800)</u>                |
| Annual OPEB cost (expense)                      | 54,000                        |
| Amount of contribution                          | <u>(75,000)</u>               |
| Increase in net OPEB obligation                 | (21,000)                      |
| Net OPEB obligation, beginning of year          | <u>70,000</u>                 |
| Net OPEB obligation, end of year                | <u>\$ 49,000</u>              |

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

| <u>Plan</u>   | <u>Year end</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage<br/>of Annual<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|---------------|-----------------|-----------------------------|---|--------------------------------|
| Teacher Group | 6/30/2013       | \$ 93,000                   | 90.3%   | \$ 106,000                     |
| Teacher Group | 6/30/2014       | 53,000                      | 167.9%  | 70,000                         |
| Teacher Group | 6/30/2015       | 54,000                      | 138.9%  | 49,000                         |

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2013, was as follows (dollars in thousands):

|   | <u>Teacher<br/>Group Plan</u> |
|---|-------------------------------|
| Actuarial valuation date                    | 7/1/2013                      |
| Actuarial accrued liability (AAL)           | \$ 460                        |
| Actuarial value of plan assets              | -                             |
| Unfunded actuarial accrued liability (UAAL) | 460                           |
| Actuarial value of assets as a % of the AAL | 0.0%                          |
| Covered payroll (active plan members)       | 5,857                         |
| UAAL as a percentage of covered payroll     | 7.9%                          |

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

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

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

In the July 1, 2013 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially. The rate decreased to 7.0 percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

NOTE 12 - STATE STREET AID FUNDS

The government was granted permission by the State of Tennessee in prior years to combine the municipal street aid fund with the general fund. State street revenue for the year ended June 30, 2015, related to these funds is shown below.

|                                |                   |
|--------------------------------|-------------------|
| Intergovernmental revenue      |                   |
| Gasoline and motor fuel tax    | \$ 179,026        |
| City street and transportation | <u>13,930</u>     |
| Total                          | <u>\$ 192,956</u> |

NOTE 13 - RELATED PARTIES

Two board of education members are employed by financial institutions with which the Fayetteville City Schools transacts business. One board of education member owns and operates a business with which the System has occasional transactions.

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, 2015, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2015, the government received \$44,679 from the State of Tennessee for this shared revenue.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

**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 City and County fund an equal amount annually to these organizations. The organizations collect additional revenues from user fees, state grants and donations. Summary financial information for these organizations is shown below.

|                                     | <u>Fayetteville – Lincoln County</u>    |                          |   |
|-------------------------------------|---|--------------------------|---|
|                                     | Regional<br>Airport<br><u>Authority</u> | Public<br><u>Library</u> | Industrial<br>Development<br><u>Board</u> |
| Total assets                        | \$ 6,231,724                            | \$ 3,195,996             | \$ 6,047,974                              |
| Total deferred outflows             | -                                       | 4,670                    | 9,267                                     |
| Total liabilities                   | 136,251                                 | 43,550                   | 2,898,015                                 |
| Total deferred inflows              | -                                       | <u>9,532</u>             | <u>10,400</u>                             |
| Net position                        | <u>\$ 6,095,473</u>                     | <u>\$ 3,147,584</u>      | <u>\$ 3,148,826</u>                       |
| <br>                                |   |                          |   |
| Revenues                            | \$ 868,500                              | \$ 226,735               | \$ 1,107,323                              |
| Expenditures                        | <u>364,430</u>                          | <u>316,124</u>           | <u>1,083,454</u>                          |
| Increase (decrease) in net position | <u>\$ 504,070</u>                       | <u>\$ (89,389)</u>       | <u>\$ 23,869</u>                          |

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

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

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

Fayetteville Lincoln County Airport  
37 Airport Road  
Fayetteville, TN 37334

The Fayetteville City Schools participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Manchester City, Marshall County, Robertson County, and Stewart County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Stewart County School Department through August 31, 2014, and Fayetteville City School Department beginning September 1, 2014) 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

NOTE 15 - JOINT VENTURES (Continued)

Complete financial statements for the Volunteer State Cooperative can be obtained from its administrative office at Volunteer State Cooperative, 1800 Wilson Parkway, Fayetteville, TN 37334.

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>Division</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 Requirement</u> | <u>Commitment Period through Fiscal Year</u> |
|-----------------|---------------------------|--|-----------------------------------|--|--|
| Electric        | \$ 46,079,243             | \$ 1,737,669   | 3.8%                              | \$ 22,889,335  | 2028   |
| Gas             | 7,926,239                 | 413,319  | 5.2                               | 3,823,116  | 2025   |
| Telecom         | 4,013,298                 | 354,365  | 8.8                               | 1,786,265  | 2020   |
| Water & Sewer   | <u>5,350,967</u>          | <u>952,893</u>   | <u>17.8</u>                       | <u>19,484,477</u>  | 2052   |
|                 | <u>\$ 63,369,747</u>      | <u>\$ 3,458,246</u>  | <u>5.5%</u>                       | <u>\$ 47,983,193</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, 2015, credits resulting from solar power generation totaled \$1,601,054. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2015, the liability for such amounts due to customers was \$310,784 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 - GOVERNMENT ACQUISITION

On June 25, 2014, FPU's gas department entered into an asset purchase agreement to acquire utility plant in the Ardmore, Tennessee area and the right to serve those gas customers. This acquisition closed in the current fiscal year for a final purchase amount of \$602,000. The acquisition value of the net position acquired as of the acquisition date was determined to be \$454,256, comprised of \$614,847 included in utility plant in service less \$160,591 valuation allowance for depreciation included in accumulated depreciation. The difference between these two amounts less current year amortization expense is reported in the Statement of Net Position as a Deferred Outflow of Resources and is being amortized over a period of 30 years approximating the average remaining service life of utility plant acquired.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

---

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to year-end, FPU obtained a \$133,334 Rural Economic Development Loan and Grant (REDLG) through the Rural Business Service of the U.S. Department of Agriculture at zero interest rate. This sum was passed to Lincoln County in exchange for a promissory note in the sum of \$133,334 at 0% interest to assist the County in financing the cost of two ambulances. The notes amortize through monthly installments over a seven year period. The County will pay FPU a fee to cover administration expense and provide security in the form of a commercial bank letter of credit.

In addition, FPU awarded a contract for a building addition and renovation project valued at \$4,969,612.

NOTE 20 - GASB STATEMENTS (GASBS) NUMBER 68, 71 AND 78 IMPLEMENTATION

The government implemented the provisions of GASBS 68, *Accounting and Financial Reporting for Pensions*, GASBS 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and GASBS 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans* in the current period. These statements revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. With the implementation of these standards, employers will now be required to recognize a liability as employees earn their pension benefits. Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively by restating financial statements. The cumulative effect of applying these statements has been reported as a restatement of beginning net position of governmental activities as follows:

|   |                      |
|---|----------------------|
| Net position June 30, 2014<br>as previously reported                                | \$ 29,214,838        |
| GASB 68 implementation:<br>Initial net pension liability                            | (4,586,786)          |
| GASB 71 implementation:<br>Employer contributions subsequent<br>to measurement date | <u>1,008,373</u>     |
| Net position June 30, 2014, restated  | <u>\$ 25,636,425</u> |

Because the total pension liability has not previously been actuarially calculated, pro forma amounts for the year ending June 30, 2014, are not readily determinable.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**POST-EMPLOYMENT BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**June 30, 2015**

*(Dollar amounts in thousands)*

Teacher Group Insurance Plan

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) – (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|-------------------------------|--------------------|---------------------|---|
| July 1, 2013             | \$ -                               | \$ 460                                | \$ 460                        | 0.0%               | \$ 5,857            | 7.9%  |
| July 1, 2011             | \$ -                               | \$ 693                                | \$ 693                        | 0.0%               | \$ 4,680            | 14.8%   |
| July 1, 2010             | \$ -                               | \$ 496                                | \$ 496                        | 0.0%               | \$ 4,272            | 11.6%   |

Fayetteville Public Utilities retiree health care plan

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) – (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|-------------------------------|--------------------|---------------------|---|
| July 1, 2014             | \$ -                               | \$ 1,109                              | \$ 1,109                      | 0.0%               | \$ 4,970            | 22.3%   |
| July 1, 2012             | \$ -                               | \$ 1,192                              | \$ 1,192                      | 0.0%               | \$ 4,993            | 23.9%   |
| July 1, 2010             | \$ -                               | \$ 1,024                              | \$ 1,024                      | 0.0%               | \$ 4,998            | 20.5%   |

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

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) – (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------------|-------------------------------|--------------------|---------------------|---|
| July 1, 2014             | \$ -                               | \$ 1,641                              | \$ 1,641                      | 0.0%               | \$ 3,647            | 46.5%   |
| July 1, 2012             | \$ -                               | \$ 1,624                              | \$ 1,624                      | 0.0%               | \$ 3,091            | 52.5%   |
| July 1, 2008             | \$ -                               | \$ 1,349                              | \$ 1,349                      | 0.0%               | \$ 2,993            | 45.1%   |

**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**

|   | <b>2015</b>   |
|---|---------------|
| <b>TOTAL PENSION LIABILITY</b>  |               |
| Service cost  | \$ 409,344    |
| Interest  | 1,289,974     |
| Changes in benefit terms  | -             |
| Differences between actual & expected experience                              | (61,339)      |
| Change of assumptions   | -             |
| Benefit payments, including refunds of employee contributions                 | (1,043,255)   |
| Net change in total pension liability   | 594,724       |
| Total pension liability-beginning   | 17,311,937    |
| Total pension liability-ending (a)  | \$ 17,906,661 |
| <br><b>PLAN FIDUCIARY NET POSITION</b>  |               |
| Contributions-employer  | \$ 480,331    |
| Contributions-employee  | 243,467       |
| Net investment income   | 2,478,367     |
| Benefit payments, including refunds of employee contributions                 | (1,043,255)   |
| Administrative expense  | (6,306)       |
| Net change in plan fiduciary net position                                     | 2,152,604     |
| Plan fiduciary net position-beginning   | 15,068,588    |
| Plan fiduciary net position-ending (b)  | \$ 17,221,192 |
| <br>Net pension liability (asset)-ending (a) - (b)                            | \$ 685,469    |
| <br>Plan fiduciary net position as a percentage of total pension liability    | 96.17%        |
| <br>Covered employee payroll  | \$ 4,866,570  |
| <br>Net pension liability (asset) as a percentage of covered employee payroll | 14.09%        |

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**

---

|  | <u>2014</u>  | <u>2015</u>  |
|--|--------------|--------------|
| Actuarially determined contribution                                  | \$ 134,699   | \$ 144,869   |
| Contributions in relation to the actuarially determined contribution | 134,699      | 144,869      |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  |
| Covered-employee payroll   | \$ 1,364,729 | \$ 1,533,975 |
| Contributions as a percentage of covered-employee payroll            | 9.87%        | 9.44%        |

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 2015 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Frozen initial liability   |
| Amortization method           | Level dollar, closed (not to exceed 20 years)  |
| Remaining amortization period | 9 years  |
| Asset valuation               | 10-year smoothed within a 20 percent corridor to market value  |
| Inflation                     | 3.0 percent per year   |
| Salary increases              | Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent |
| Investment rate of return     | 7.5 percent, net of investment expense, including inflation  |
| Retirement age                | Pattern of retirement determined by experience study   |
| Mortality                     | Customized table based on actual experience including an adjustment for some anticipated improvement     |
| Cost of living adjustments    | 2.5 percent  |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET**  
**TEACHER LEGACY PENSION PLAN FOR TCRS**

---

|   | <u>2014*</u> |
|---|--------------|
| Fayetteville City Schools's proportion of the net pension asset   | 0.151502%    |
| Fayetteville City Schools's proportionate share of the net pension asset  | \$ 24,618    |
| Fayetteville City Schools's covered-employee payroll  | \$ 5,946,414 |
| Fayetteville City Schools's proportionate share of the net pension asset<br>as a percentage of its covered-employee payroll | 0.41%        |
| Plan fiduciary net position as a percentage of the total pension liability  | 100.08%      |

\* 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**

---

|  | <u>2014</u>  | <u>2015</u>  |
|--|--------------|--------------|
| Actuarially determined contribution                                  | \$ 528,043   | \$ 530,198   |
| Contributions in relation to the actuarially determined contribution | 528,043      | 530,198      |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  |
| Covered-employee payroll   | \$ 5,946,414 | \$ 5,879,050 |
| Contributions as a percentage of covered-employee payroll            | 8.88%        | 9.02%        |

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**

---

|  | <b>2015</b> |
|--|-------------|
| Actuarially determined contribution                                  | \$ 5,328    |
| Contributions in relation to the actuarially determined contribution | 8,525       |
| Contribution deficiency (excess)                                     | \$ (3,197)  |
| Covered-employee payroll   | \$ 213,125  |
| Contributions as a percentage of covered-employee payroll            | 4.00%       |

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

**NONMAJOR GOVERNMENTAL FUNDS  
CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

---

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
- School Capital Projects

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

|  | Special Revenue Funds |                     |                  | Total<br>Special<br>Revenue | Debt<br>Service<br>Fund |
|--|-----------------------|---------------------|------------------|-----------------------------|-------------------------|
|  | School<br>Title       | School<br>Cafeteria | Drug             |                             |                         |
| <b>Assets:</b>                                 |                       |                     |                  |                             |                         |
| Cash in bank                                   | \$ 1,794              | \$ 93,775           | \$ 51,705        | \$ 147,274                  | \$ 310,209              |
| Investments                                    | -                     | -                   | -                | -                           | -                       |
| Accounts receivable                            | -                     | 11,144              | -                | 11,144                      | -                       |
| Due from other funds                           | -                     | -                   | -                | -                           | -                       |
| Due from other governments                     | 2,445                 | -                   | -                | 2,445                       | -                       |
| Inventory                                      | -                     | 17,438              | -                | 17,438                      | -                       |
| <b>TOTAL ASSETS</b>                            | <u>\$ 4,239</u>       | <u>\$ 122,357</u>   | <u>\$ 51,705</u> | <u>\$ 178,301</u>           | <u>\$ 310,209</u>       |
| <b>Liabilities:</b>                            |                       |                     |                  |                             |                         |
| Accounts payable                               | \$ 1,788              | \$ -                | \$ 166           | \$ 1,954                    | \$ -                    |
| Due to other funds                             | 2,209                 | -                   | 1,596            | 3,805                       | -                       |
| Unearned revenues                              | 242                   | -                   | -                | 242                         | -                       |
| <b>TOTAL LIABILITIES</b>                       | <u>4,239</u>          | <u>-</u>            | <u>1,762</u>     | <u>6,001</u>                | <u>-</u>                |
| <b>Fund Balances:</b>                          |                       |                     |                  |                             |                         |
| Nonspendable - inventory                       | -                     | 17,438              | -                | 17,438                      | -                       |
| Restricted:                                    |                       |                     |                  |                             |                         |
| Recreation                                     | -                     | -                   | -                | -                           | -                       |
| Public safety                                  | -                     | -                   | 49,943           | 49,943                      | -                       |
| Capital projects                               | -                     | -                   | -                | -                           | -                       |
| Assigned                                       |                       |                     |                  |                             |                         |
| Education                                      | -                     | 104,919             | -                | 104,919                     | -                       |
| Debt service                                   | -                     | -                   | -                | -                           | 310,209                 |
| Industrial park                                | -                     | -                   | -                | -                           | -                       |
| Capital projects                               | -                     | -                   | -                | -                           | -                       |
| <b>TOTAL FUND BALANCES</b>                     | <u>-</u>              | <u>122,357</u>      | <u>49,943</u>    | <u>172,300</u>              | <u>310,209</u>          |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$ 4,239</u>       | <u>\$ 122,357</u>   | <u>\$ 51,705</u> | <u>\$ 178,301</u>           | <u>\$ 310,209</u>       |

**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2015

|  | Capital Projects Funds |                  |                   |                                 |                               | Total<br>Nonmajor<br>Governmental<br>Funds |                              |
|--|------------------------|------------------|-------------------|---------------------------------|-------------------------------|--|------------------------------|
|  | Industrial<br>Park     | CDBG             | UDAG              | Internal<br>Capital<br>Projects | School<br>Capital<br>Projects |  | Total<br>Capital<br>Projects |
| <b>Assets:</b>                         |                        |                  |                   |                                 |                               |  |                              |
| Cash in bank                           | \$ 45,608              | \$ 49,598        | \$ 406,778        | \$ 1,376,271                    | \$ -                          | \$ 1,878,255                               | \$ 2,335,738                 |
| Investments                            | -                      | -                | -                 | 1,987,890                       | -                             | 1,987,890                                  | 1,987,890                    |
| Accounts receivable                    | -                      | -                | -                 | -                               | -                             | -  | 11,144                       |
| Due from other funds                   | -                      | -                | -                 | 165,070                         | -                             | 165,070                                    | 165,070                      |
| Due from other governments             | -                      | -                | -                 | 3,736                           | -                             | 3,736                                      | 6,181                        |
| Inventory                              | -                      | -                | -                 | -                               | -                             | -  | 17,438                       |
| TOTAL ASSETS                           | <u>\$ 45,608</u>       | <u>\$ 49,598</u> | <u>\$ 406,778</u> | <u>\$ 3,532,967</u>             | <u>\$ -</u>                   | <u>\$ 4,034,951</u>                        | <u>\$ 4,523,461</u>          |
| <b>Liabilities:</b>                    |                        |                  |                   |                                 |                               |  |                              |
| Accounts payable                       | \$ -                   | \$ -             | \$ -              | \$ 161,212                      | \$ -                          | \$ 161,212                                 | \$ 163,166                   |
| Due to other funds                     | -                      | -                | -                 | 8,500                           | -                             | 8,500                                      | 12,305                       |
| Unearned revenues                      | -                      | -                | -                 | 25,000                          | -                             | 25,000                                     | 25,242                       |
| TOTAL LIABILITIES                      | <u>-</u>               | <u>-</u>         | <u>-</u>          | <u>194,712</u>                  | <u>-</u>                      | <u>194,712</u>                             | <u>200,713</u>               |
| <b>Fund Balances:</b>                  |                        |                  |                   |                                 |                               |  |                              |
| Nonspendable - inventory               | -                      | -                | -                 | -                               | -                             | -  | 17,438                       |
| Restricted                             |                        |                  |                   |                                 |                               |  |                              |
| Recreation                             | -                      | -                | -                 | 30,424                          | -                             | 30,424                                     | 30,424                       |
| Public safety                          | -                      | -                | -                 | 1,957,466                       | -                             | 1,957,466                                  | 2,007,409                    |
| Capital projects                       | -                      | 49,598           | 406,778           | -                               | -                             | 456,376                                    | 456,376                      |
| Assigned                               |                        |                  |                   |                                 |                               |  |                              |
| Education                              | -                      | -                | -                 | -                               | -                             | -  | 104,919                      |
| Debt service                           | -                      | -                | -                 | -                               | -                             | -  | 310,209                      |
| Industrial park                        | 45,608                 | -                | -                 | -                               | -                             | 45,608                                     | 45,608                       |
| Capital projects                       | -                      | -                | -                 | 1,350,365                       | -                             | 1,350,365                                  | 1,350,365                    |
| TOTAL FUND BALANCES                    | <u>45,608</u>          | <u>49,598</u>    | <u>406,778</u>    | <u>3,338,255</u>                | <u>-</u>                      | <u>3,840,239</u>                           | <u>4,322,748</u>             |
| TOTAL LIABILITIES AND<br>FUND BALANCES | <u>\$ 45,608</u>       | <u>\$ 49,598</u> | <u>\$ 406,778</u> | <u>\$ 3,532,967</u>             | <u>\$ -</u>                   | <u>\$ 4,034,951</u>                        | <u>\$ 4,523,461</u>          |

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

For the year ended June 30, 2015

|  | Special Revenue Funds |                     |                  |                             |                         |
|--|-----------------------|---------------------|------------------|-----------------------------|-------------------------|
|  | School<br>Title       | School<br>Cafeteria | Drug             | Total<br>Special<br>Revenue | Debt<br>Service<br>Fund |
| Revenues:  |                       |                     |                  |                             |                         |
| Intergovernmental                                    | \$ 678,403            | \$ 595,606          | \$ -             | \$ 1,274,009                | \$ -                    |
| Charges for services                                 | -                     | 173,396             | -                | 173,396                     | -                       |
| Investment earnings                                  | -                     | 39                  | 26               | 65                          | 93                      |
| Other  | -                     | 37,328              | -                | 37,328                      | -                       |
| Fines and forfeitures                                | -                     | -                   | 25,446           | 25,446                      | -                       |
| TOTAL REVENUES                                       | <u>678,403</u>        | <u>806,369</u>      | <u>25,472</u>    | <u>1,510,244</u>            | <u>93</u>               |
| Expenditures:  |                       |                     |                  |                             |                         |
| Current:   |                       |                     |                  |                             |                         |
| General government                                   | -                     | -                   | -                | -                           | 1,493                   |
| Public safety  | -                     | -                   | 11,629           | 11,629                      | -                       |
| Education  | 678,403               | 757,580             | -                | 1,435,983                   | -                       |
| Sanitation   | -                     | -                   | -                | -                           | -                       |
| Debt Service:  |                       |                     |                  |                             |                         |
| Principal  | -                     | -                   | -                | -                           | 179,778                 |
| Interest   | -                     | -                   | -                | -                           | 110,963                 |
| Debt issuance costs                                  | -                     | -                   | -                | -                           | 68,720                  |
| Capital outlay                                       | -                     | 505                 | 51,664           | 52,169                      | -                       |
| TOTAL EXPENDITURES                                   | <u>678,403</u>        | <u>758,085</u>      | <u>63,293</u>    | <u>1,499,781</u>            | <u>360,954</u>          |
| Excess (deficiency) of revenues<br>over expenditures | <u>-</u>              | <u>48,284</u>       | <u>(37,821)</u>  | <u>10,463</u>               | <u>(360,861)</u>        |
| Other Financing Sources (Uses):                      |                       |                     |                  |                             |                         |
| Transfers in   | -                     | 25,000              | -                | 25,000                      | 290,740                 |
| Transfers out  | -                     | (25,000)            | -                | (25,000)                    | (1,955,497)             |
| Debt issuance  | -                     | -                   | -                | -                           | 2,000,000               |
| Premium on debt issued                               | -                     | -                   | -                | -                           | 24,217                  |
| TOTAL OTHER FINANCING SOURCES (USES)                 | <u>-</u>              | <u>-</u>            | <u>-</u>         | <u>-</u>                    | <u>359,460</u>          |
| Net change in fund balances                          | -                     | 48,284              | (37,821)         | 10,463                      | (1,401)                 |
| Fund balances - July 1, 2014                         | -                     | 74,073              | 87,764           | 161,837                     | 311,610                 |
| Fund balances - June 30, 2015                        | <u>\$ -</u>           | <u>\$ 122,357</u>   | <u>\$ 49,943</u> | <u>\$ 172,300</u>           | <u>\$ 310,209</u>       |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
**For the year ended June 30, 2015**

|  | Capital Projects Funds |                  |                   |                                 |                               |                              | Total<br>Other<br>Governmental<br>Funds |
|--|------------------------|------------------|-------------------|---------------------------------|-------------------------------|------------------------------|---|
|  | Industrial<br>Park     | CDBG             | UDAG              | Internal<br>Capital<br>Projects | School<br>Capital<br>Projects | Total<br>Capital<br>Projects |   |
| <b>Revenues:</b>   |                        |                  |                   |                                 |                               |                              |   |
| Intergovernmental  | \$ -                   | \$ -             | \$ -              | \$ 3,736                        | \$ -                          | \$ 3,736                     | \$ 1,277,745                            |
| Charges for services                                     | -                      | -                | -                 | -                               | -                             | -                            | 173,396                                 |
| Investment earnings                                      | 17                     | 15               | 126               | 2,420                           | 1                             | 2,579                        | 2,737                                   |
| Contributions  | -                      | -                | -                 | -                               | -                             | -                            | 37,328                                  |
| Fines and forfeitures                                    | -                      | -                | -                 | -                               | -                             | -                            | 25,446                                  |
| <b>TOTAL REVENUES</b>                                    | <b>17</b>              | <b>15</b>        | <b>126</b>        | <b>6,156</b>                    | <b>1</b>                      | <b>6,315</b>                 | <b>1,516,652</b>                        |
| <b>Expenditures:</b>                                     |                        |                  |                   |                                 |                               |                              |   |
| <b>Current:</b>  |                        |                  |                   |                                 |                               |                              |   |
| General government                                       | -                      | -                | -                 | -                               | -                             | -                            | 1,493                                   |
| Public safety  | -                      | -                | -                 | -                               | -                             | -                            | 11,629                                  |
| Education  | -                      | -                | -                 | -                               | -                             | -                            | 1,435,983                               |
| Community development                                    | 70,544                 | -                | -                 | -                               | -                             | 70,544                       | 70,544                                  |
| Sanitation   | -                      | -                | -                 | 44,283                          | -                             | 44,283                       | 44,283                                  |
| <b>Debt service:</b>                                     |                        |                  |                   |                                 |                               |                              |   |
| Principal  | -                      | -                | -                 | -                               | -                             | -                            | 179,778                                 |
| Interest   | -                      | -                | -                 | -                               | -                             | -                            | 110,963                                 |
| Debt issuance costs                                      | -                      | -                | -                 | -                               | -                             | -                            | 68,720                                  |
| Capital outlay   | -                      | -                | -                 | 461,466                         | 14,120                        | 475,586                      | 527,755                                 |
| <b>TOTAL EXPENDITURES</b>                                | <b>70,544</b>          | <b>-</b>         | <b>-</b>          | <b>505,749</b>                  | <b>14,120</b>                 | <b>590,413</b>               | <b>2,451,148</b>                        |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>(70,527)</b>        | <b>15</b>        | <b>126</b>        | <b>(499,593)</b>                | <b>(14,119)</b>               | <b>(584,098)</b>             | <b>(934,496)</b>                        |
| <b>Other Financing Sources:</b>                          |                        |                  |                   |                                 |                               |                              |   |
| Transfers in   | -                      | -                | -                 | 2,421,792                       | -                             | 2,421,792                    | 2,737,532                               |
| Transfers out  | -                      | -                | -                 | -                               | -                             | -                            | (1,980,497)                             |
| Debt issuance  | -                      | -                | -                 | -                               | -                             | -                            | 2,000,000                               |
| Premium on debt issued                                   | -                      | -                | -                 | -                               | -                             | -                            | 24,217                                  |
| <b>TOTAL OTHER FINANCING SOURCES</b>                     | <b>-</b>               | <b>-</b>         | <b>-</b>          | <b>2,421,792</b>                | <b>-</b>                      | <b>2,421,792</b>             | <b>2,781,252</b>                        |
| <b>Net change in fund balances</b>                       | <b>(70,527)</b>        | <b>15</b>        | <b>126</b>        | <b>1,922,199</b>                | <b>(14,119)</b>               | <b>1,837,694</b>             | <b>1,846,756</b>                        |
| <b>Fund balances - July 1, 2014</b>                      | <b>116,135</b>         | <b>49,583</b>    | <b>406,652</b>    | <b>1,416,056</b>                | <b>14,119</b>                 | <b>2,002,545</b>             | <b>2,475,992</b>                        |
| <b>Fund balances - June 30, 2015</b>                     | <b>\$ 45,608</b>       | <b>\$ 49,598</b> | <b>\$ 406,778</b> | <b>\$ 3,338,255</b>             | <b>\$ -</b>                   | <b>\$ 3,840,239</b>          | <b>\$ 4,322,748</b>                     |

**SCHOOL TITLE SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

**For the year ended June 30, 2015**

|                                      | Original<br><u>Budget</u> | Final<br><u>Budget</u> | <u>Actual</u>  | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|--------------------------------------|---------------------------|------------------------|----------------|--|
| Revenues:                            |                           |                        |                |  |
| Intergovernmental:                   |                           |                        |                |  |
| NCLB Title programs                  | \$ 340,001                | \$ 394,004             | \$ 394,004     | \$ -   |
| Vocational education programs        | 15,609                    | 15,609                 | 15,609         | -  |
| Special education programs           | 281,449                   | 268,790                | 268,790        | -  |
| Total Revenues                       | <u>637,059</u>            | <u>678,403</u>         | <u>678,403</u> | <u>-</u>   |
| Expenditures:                        |                           |                        |                |  |
| Current:                             |                           |                        |                |  |
| Instruction:                         |                           |                        |                |  |
| Regular instruction program          |                           |                        |                |  |
| Salaries and benefits                | 202,989                   | 207,344                | 207,344        | -  |
| Contracted services                  | 39,697                    | 1,800                  | 1,800          | -  |
| Supplies                             | 6,000                     | 27,385                 | 27,385         | -  |
| Equipment                            | 22,429                    | 29,074                 | 29,074         | -  |
| Special education program            |                           |                        |                |  |
| Salaries and benefits                | 196,249                   | 191,095                | 191,095        | -  |
| Supplies                             | 6,868                     | 6,551                  | 6,551          | -  |
| Vocational education program         |                           |                        |                |  |
| Supplies                             | 6,658                     | 6,194                  | 6,194          | -  |
| Equipment                            | -                         | 3,097                  | 3,097          | -  |
| Support services:                    |                           |                        |                |  |
| Regular instruction program          |                           |                        |                |  |
| Salaries and benefits                | 50,990                    | 47,857                 | 47,857         | -  |
| Contracted services                  | -                         | 50,253                 | 50,253         | -  |
| Travel                               | 8,000                     | 12,573                 | 12,573         | -  |
| In service                           | 7,896                     | 17,719                 | 17,719         | -  |
| Special education program            |                           |                        |                |  |
| Contracted services                  | 59,383                    | 57,808                 | 57,808         | -  |
| Travel                               | 7,000                     | 4,274                  | 4,274          | -  |
| Supplies                             | 4,128                     | 1,272                  | 1,272          | -  |
| In service                           | 3,100                     | 3,100                  | 3,100          | -  |
| Vocational education program         |                           |                        |                |  |
| Salaries and benefits                | 2,645                     | 804                    | 804            | -  |
| Travel                               | 6,206                     | 5,414                  | 5,414          | -  |
| Supplies                             | 2,000                     | -                      | -              | -  |
| Other                                | 100                       | 100                    | 100            | -  |
| Transportation                       |                           |                        |                |  |
| Salaries and benefits                | 4,721                     | 4,689                  | 4,689          | -  |
| Total Expenditures                   | <u>637,059</u>            | <u>678,403</u>         | <u>678,403</u> | <u>-</u>   |
| Excess of Revenues over Expenditures | <u>-</u>                  | <u>-</u>               | <u>-</u>       | <u>-</u>   |
| Net Change in Fund Balance           | -                         | -                      | -              | -  |
| Fund Balances - beginning            | -                         | -                      | -              | -  |
| Fund Balances - ending               | <u>\$ -</u>               | <u>\$ -</u>            | <u>\$ -</u>    | <u>\$ -</u>  |

**SCHOOL CAFETERIA SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|  | <u>Budget Amounts</u> |                  | <u>Actual<br/>Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|--|-----------------------|------------------|---------------------------|--|
|  | <u>Original</u>       | <u>Final</u>     |                           |  |
| <b>REVENUES</b>                          |                       |                  |                           |  |
| Intergovernmental                        |                       |                  |                           |  |
| National school lunch program            | \$ 375,000            | \$ 409,100       | \$ 408,003                | \$ (1,097)   |
| School breakfast program                 | 150,000               | 147,157          | 136,315                   | (10,842)   |
| USDA commodities                         | 44,867                | 44,867           | 43,560                    | (1,307)  |
| Other                                    | 8,000                 | 8,000            | 7,728                     | (272)  |
| Charges for services                     | 259,680               | 225,580          | 173,396                   | (52,184)   |
| Investment earnings                      | 100                   | 100              | 39                        | (61)   |
| Other revenues                           | 700                   | 38,029           | 37,328                    | (701)  |
| Total Revenues                           | <u>838,347</u>        | <u>872,833</u>   | <u>806,369</u>            | <u>(66,464)</u>  |
| <b>EXPENDITURES</b>                      |                       |                  |                           |  |
| Current:                                 |                       |                  |                           |  |
| Salaries and benefits                    | 371,280               | 409,598          | 359,144                   | 50,454   |
| Repairs and maintenance                  | 6,000                 | 7,352            | 7,351                     | 1  |
| Travel                                   | 5,000                 | 5,000            | 3,230                     | 1,770  |
| Contracted services                      | 10,000                | 7,649            | 7,642                     | 7  |
| Food and preparation supplies            | 405,067               | 402,234          | 376,724                   | 25,510   |
| Supplies                                 | 2,000                 | 2,000            | 705                       | 1,295  |
| Other                                    | 11,000                | 11,000           | 2,784                     | 8,216  |
| Capital outlay                           | 28,000                | 28,000           | 505                       | 27,495   |
| Total Expenditures                       | <u>838,347</u>        | <u>872,833</u>   | <u>758,085</u>            | <u>114,748</u>   |
| Deficiency of Revenues over Expenditures | -                     | -                | 48,284                    | 48,284   |
| <b>OTHER FINANCING SOURCES</b>           |                       |                  |                           |  |
| Transfers to other funds                 | -                     | (25,000)         | (25,000)                  | -  |
| Transfers from other funds               | -                     | 25,000           | 25,000                    | -  |
| Net Change in Fund Balance               | -                     | -                | 48,284                    | 48,284   |
| Fund Balance - beginning                 | <u>74,073</u>         | <u>74,073</u>    | <u>74,073</u>             | <u>-</u>   |
| Fund Balance - ending                    | <u>\$ 74,073</u>      | <u>\$ 74,073</u> | <u>\$ 122,357</u>         | <u>\$ 48,284</u>   |

**DRUG SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|                                      | <u>Budget Amounts</u> |                  | <u>Actual<br/>Amounts</u> | Variance with                                |
|--------------------------------------|-----------------------|------------------|---------------------------|--|
|                                      | <u>Original</u>       | <u>Final</u>     |                           | Final Budget -<br>Favorable<br>(Unfavorable) |
| <b>REVENUES</b>                      |                       |                  |                           |  |
| Investment earnings                  | \$ 30                 | \$ 30            | \$ 26                     | \$ (4)                                       |
| Fines                                | 15,000                | 15,000           | 23,850                    | 8,850  |
| Confiscations                        | -                     | -                | 1,596                     | 1,596  |
| Forfeitures                          | -                     | -                | -                         | -  |
| Total Revenues                       | <u>15,030</u>         | <u>15,030</u>    | <u>25,472</u>             | <u>10,442</u>                                |
| <b>EXPENDITURES</b>                  |                       |                  |                           |  |
| <b>Current:</b>                      |                       |                  |                           |  |
| <b>Operating</b>                     |                       |                  |                           |  |
| Salaries                             | 3,300                 | 3,300            | 3,232                     | 68   |
| Education and training               | 5,000                 | 5,000            | 125                       | 4,875  |
| Travel                               | 5,000                 | 5,000            | 72                        | 4,928  |
| Supplies                             | 1,900                 | 1,900            | 615                       | 1,285  |
| Contractual                          | 4,000                 | 4,000            | -                         | 4,000  |
| Telephone                            | 1,050                 | 1,050            | 1,327                     | (277)  |
| Professional services                | 1,000                 | 1,000            | 603                       | 397  |
| Equipment                            | 58,551                | 58,551           | 51,664                    | 6,887  |
| Investigative transactions           | 6,000                 | 6,000            | 5,000                     | 1,000  |
| Other drug fund                      | 2,000                 | 2,000            | 655                       | 1,345  |
| Total Expenditures                   | <u>87,801</u>         | <u>87,801</u>    | <u>63,293</u>             | <u>24,508</u>                                |
| Excess of Revenues over Expenditures | (72,771)              | (72,771)         | (37,821)                  | 34,950                                       |
| <b>OTHER FINANCING SOURCES</b>       |                       |                  |                           |  |
| Proceeds from sale of capital assets | -                     | -                | -                         | -  |
| Net Change in Fund Balance           | (72,771)              | (72,771)         | (37,821)                  | 34,950                                       |
| Fund Balance - beginning             | <u>87,764</u>         | <u>87,764</u>    | <u>87,764</u>             | <u>-</u>                                     |
| Fund Balance - ending                | <u>\$ 14,993</u>      | <u>\$ 14,993</u> | <u>\$ 49,943</u>          | <u>\$ 34,950</u>                             |

**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|  | <u>Budget Amounts</u> |                   | <u>Actual</u><br><u>Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|--|-----------------------|-------------------|---------------------------------|--|
|  | <u>Original</u>       | <u>Final</u>      |                                 |  |
| <b>REVENUES</b>                          |                       |                   |                                 |  |
| Investment earnings                      | \$ 100                | \$ 93             | \$ 93                           | \$ -   |
| Total Revenues                           | <u>100</u>            | <u>93</u>         | <u>93</u>                       | <u>-</u>   |
| <b>EXPENDITURES</b>                      |                       |                   |                                 |  |
| Current:                                 |                       |                   |                                 |  |
| Operating - agent fees                   | 250                   | 1,500             | 1,493                           | 7  |
| Debt Service:                            |                       |                   |                                 |  |
| Principal                                | 179,778               | 179,778           | 179,778                         | -  |
| Interest                                 | 86,303                | 110,963           | 110,963                         | -  |
| Debt issuance costs                      | -                     | 68,775            | 68,720                          | 55   |
| Total Expenditures                       | <u>266,331</u>        | <u>361,016</u>    | <u>360,954</u>                  | <u>62</u>  |
| Deficiency of Revenues over Expenditures | (266,231)             | (360,923)         | (360,861)                       | 62   |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                       |                   |                                 |  |
| Premium on debt issued                   | -                     | 24,272            | 24,217                          | (55)   |
| Debt issuance                            | -                     | 2,000,000         | 2,000,000                       | -  |
| Transfers out                            | -                     | (1,955,497)       | (1,955,497)                     | -  |
| Transfers in                             | 266,081               | 290,781           | 290,740                         | (41)   |
| Total Other Financing Sources (Uses)     | <u>266,081</u>        | <u>359,556</u>    | <u>359,460</u>                  | <u>(96)</u>  |
| Net Change in Fund Balance               | (150)                 | (1,367)           | (1,401)                         | (34)   |
| Fund Balance - beginning                 | <u>311,610</u>        | <u>311,610</u>    | <u>311,610</u>                  | <u>-</u>   |
| Fund Balance - ending                    | <u>\$ 311,460</u>     | <u>\$ 310,243</u> | <u>\$ 310,209</u>               | <u>\$ (34)</u>   |

**INDUSTRIAL PARK CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|  | <u>Budget Amounts</u> |                | <u>Actual<br/>Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|--|-----------------------|----------------|---------------------------|--|
|  | <u>Original</u>       | <u>Final</u>   |                           |  |
| <b>REVENUES</b>                          |                       |                |                           |  |
| Charges for services and use of property | \$ -                  | \$ -           | \$ -                      | \$ -   |
| Investment earnings                      | 60                    | 60             | 17                        | (43)   |
| Total Revenues                           | <u>60</u>             | <u>60</u>      | <u>17</u>                 | <u>(43)</u>  |
| <b>EXPENDITURES</b>                      |                       |                |                           |  |
| <b>Current:</b>                          |                       |                |                           |  |
| Travel                                   | -                     | -              | -                         | -  |
| Contribution to IDB                      | 116,121               | 116,121        | 70,544                    | 45,577   |
| Total Expenditures                       | <u>116,121</u>        | <u>116,121</u> | <u>70,544</u>             | <u>45,577</u>  |
| Excess of Revenues over Expenditures     | (116,061)             | (116,061)      | (70,527)                  | 45,534   |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                       |                |                           |  |
| Transfers out                            | <u>-</u>              | <u>-</u>       | <u>-</u>                  | <u>-</u>   |
| Net Change in Fund Balance               | (116,061)             | (116,061)      | (70,527)                  | 45,534   |
| Fund Balance - beginning                 | <u>116,135</u>        | <u>116,135</u> | <u>116,135</u>            | <u>-</u>   |
| Fund Balance - ending                    | <u>\$ 74</u>          | <u>\$ 74</u>   | <u>\$ 45,608</u>          | <u>\$ 45,534</u>   |

**CDBG CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|                            | <u>Budget Amounts</u> |               | <u>Actual<br/>Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|----------------------------|-----------------------|---------------|---------------------------|--|
|                            | <u>Original</u>       | <u>Final</u>  |                           |  |
| <b>REVENUES</b>            |                       |               |                           |  |
| Investment earnings        | \$ 20                 | \$ 13         | \$ 15                     | \$ 2   |
| Total Revenues             | <u>20</u>             | <u>13</u>     | <u>15</u>                 | <u>2</u>   |
| <b>EXPENDITURES</b>        |                       |               |                           |  |
| Current:                   |                       |               |                           |  |
| Operating                  | 49,580                | 49,580        | -                         | 49,580   |
| Total Expenditures         | <u>49,580</u>         | <u>49,580</u> | <u>-</u>                  | <u>49,580</u>  |
| Net Change in Fund Balance | (49,560)              | (49,567)      | 15                        | 49,582   |
| Fund Balance - beginning   | <u>49,583</u>         | <u>49,583</u> | <u>49,583</u>             | <u>-</u>   |
| Fund Balance - ending      | <u>\$ 23</u>          | <u>\$ 16</u>  | <u>\$ 49,598</u>          | <u>\$ 49,582</u>   |

**UDAG CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|                            | <u>Budget Amounts</u>    |                          | <u>Actual<br/>Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|----------------------------|--------------------------|--------------------------|---------------------------|---|
|                            | <u>Original</u>          | <u>Final</u>             |                           |   |
| <b>REVENUES</b>            |                          |                          |                           |   |
| Investment earnings        | \$ 100                   | \$ 100                   | \$ 126                    | \$ 26   |
| Total Revenues             | <u>100</u>               | <u>100</u>               | <u>126</u>                | <u>26</u>   |
| <b>EXPENDITURES</b>        |                          |                          |                           |   |
| Current:                   |                          |                          |                           |   |
| Operating                  | <u>1,000</u>             | <u>1,000</u>             | <u>-</u>                  | <u>1,000</u>  |
| Total Expenditures         | <u>1,000</u>             | <u>1,000</u>             | <u>-</u>                  | <u>1,000</u>  |
| Net Change in Fund Balance | (900)                    | (900)                    | 126                       | 1,026   |
| Fund Balance - beginning   | <u>406,652</u>           | <u>406,652</u>           | <u>406,652</u>            | <u>-</u>  |
| Fund Balance - ending      | <u><u>\$ 405,752</u></u> | <u><u>\$ 405,752</u></u> | <u><u>\$ 406,778</u></u>  | <u><u>\$ 1,026</u></u>  |

**INTERNAL CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|  | <u>Budget Amounts</u> |                     | <u>Actual<br/>Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|--|-----------------------|---------------------|---------------------------|--|
|  | <u>Original</u>       | <u>Final</u>        |                           |  |
| <b>REVENUES</b>                            |                       |                     |                           |  |
| Investment earnings                        | \$ 350                | \$ 50               | \$ 2,420                  | \$ 2,370   |
| Intergovernmental                          | 290,000               | -                   | 3,736                     | 3,736  |
| Total Revenues                             | <u>290,350</u>        | <u>50</u>           | <u>6,156</u>              | <u>6,106</u>   |
| <b>EXPENDITURES</b>                        |                       |                     |                           |  |
| Current:                                   |                       |                     |                           |  |
| Operating - landfill                       | 23,250                | 52,252              | 44,283                    | 7,969  |
| Capital outlay                             | 1,757,689             | 1,757,689           | 461,466                   | 1,296,223  |
| Total Expenditures                         | <u>1,780,939</u>      | <u>1,809,941</u>    | <u>505,749</u>            | <u>1,304,192</u>   |
| (Deficiency) of Revenues over Expenditures | <u>(1,490,589)</u>    | <u>(1,809,891)</u>  | <u>(499,593)</u>          | <u>1,310,298</u>   |
| <b>OTHER FINANCING SOURCES</b>             |                       |                     |                           |  |
| Transfers in                               | 1,918,500             | 2,373,997           | 2,421,792                 | 47,795   |
| Total Other Financing Sources              | <u>1,918,500</u>      | <u>2,373,997</u>    | <u>2,421,792</u>          | <u>47,795</u>  |
| Net Change in Fund Balance                 | 427,911               | 564,106             | 1,922,199                 | 1,358,093  |
| Fund Balance - beginning                   | <u>1,416,056</u>      | <u>1,416,056</u>    | <u>1,416,056</u>          | <u>-</u>   |
| Fund Balance - ending                      | <u>\$ 1,843,967</u>   | <u>\$ 1,980,162</u> | <u>\$ 3,338,255</u>       | <u>\$ 1,358,093</u>  |

**SCHOOL CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
CITY OF FAYETTEVILLE, TENNESSEE**

Year ended June 30, 2015

|                            | <u>Budget Amounts</u> |                    | <u>Actual<br/>Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br><u>(Unfavorable)</u> |
|----------------------------|-----------------------|--------------------|---------------------------|--|
|                            | <u>Original</u>       | <u>Final</u>       |                           |  |
| <b>REVENUES</b>            |                       |                    |                           |  |
| Investment earnings        | \$ -                  | \$ -               | \$ 1                      | \$ 1   |
| Total Revenues             | <u>-</u>              | <u>-</u>           | <u>1</u>                  | <u>1</u>   |
| <b>EXPENDITURES</b>        |                       |                    |                           |  |
| Current:                   |                       |                    |                           |  |
| Capital outlay             | 14,118                | 14,120             | 14,120                    | -  |
| Total Expenditures         | <u>14,118</u>         | <u>14,120</u>      | <u>14,120</u>             | <u>-</u>   |
| Net Change in Fund Balance | (14,118)              | (14,120)           | (14,119)                  | 1  |
| Fund Balance - beginning   | <u>14,118</u>         | <u>14,120</u>      | <u>14,119</u>             | <u>(1)</u>   |
| Fund Balance - ending      | <u><u>\$ -</u></u>    | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u>   |

**SCHEDULE OF COMBINED LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS**  
**CITY OF FAYETTEVILLE, TENNESSEE**  
For the year ended June 30, 2015

| Fayetteville Public Utilities |                      |                                   |                  |   |                      |                             |                     |                                 |                     |  |                      |                     |                      |                      |                      |
|-------------------------------|----------------------|-----------------------------------|------------------|---|----------------------|-----------------------------|---------------------|---------------------------------|---------------------|--|----------------------|---------------------|----------------------|----------------------|----------------------|
| General Debt                  |                      | Sanitation<br>Capital Outlay Note |                  | Electric Division<br>Total For All Debt |                      | Gas Division<br>Series 2009 |                     | Telecom Division<br>Series 2011 |                     | Water & Sewer Division<br>Total For All Debt |                      | Total               | Total                | Total                |                      |
| Principal                     | Interest             | Principal                         | Interest         | Principal                               | Interest             | Principal                   | Interest            | Principal                       | Interest            | Principal                                    | Interest             | Principal           | Interest             | Principal            | Interest             |
| 2016                          | \$ 394,778           | \$ 287,953                        | \$ 62,300        | \$ 1,246                                | \$ 1,055,000         | \$ 681,919                  | \$ 295,000          | \$ 114,620                      | \$ 330,000          | \$ 26,115                                    | \$ 2,764,208         | \$ 1,423,306        | \$ 4,187,514         |                      |                      |
| 2017                          | 450,000              | 279,801                           | -                | -                                       | 1,085,000            | 650,269                     | 300,000             | 105,768                         | 335,000             | 22,320                                       | 2,799,398            | 1,352,743           | 4,152,141            |                      |                      |
| 2018                          | 455,000              | 268,957                           | -                | -                                       | 1,120,000            | 616,363                     | 300,000             | 95,270                          | 340,000             | 17,965                                       | 2,871,232            | 1,275,282           | 4,146,514            |                      |                      |
| 2019                          | 465,000              | 258,010                           | -                | -                                       | 1,160,000            | 578,562                     | 310,000             | 84,768                          | 345,000             | 12,865                                       | 2,963,221            | 1,192,217           | 4,155,438            |                      |                      |
| 2020                          | 475,000              | 247,092                           | -                | -                                       | 1,200,000            | 536,512                     | 315,000             | 74,694                          | 350,000             | 7,000  | 3,019,813            | 1,105,180           | 4,124,993            |                      |                      |
| 2021                          | 515,000              | 235,655                           | -                | -                                       | 1,245,000            | 491,512                     | 310,000             | 63,668                          | -                   | -  | 2,412,687            | 1,010,769           | 3,423,456            |                      |                      |
| 2022                          | 515,000              | 222,295                           | -                | -                                       | 1,295,000            | 441,712                     | 320,000             | 52,432                          | -                   | -  | 2,480,174            | 928,886             | 3,409,060            |                      |                      |
| 2023                          | 530,000              | 208,831                           | -                | -                                       | 1,345,000            | 389,499                     | 330,000             | 40,432                          | -                   | -  | 2,562,845            | 843,538             | 3,406,383            |                      |                      |
| 2024                          | 540,000              | 194,606                           | -                | -                                       | 1,405,000            | 334,238                     | 325,000             | 27,232                          | -                   | -  | 2,635,171            | 753,526             | 3,388,697            |                      |                      |
| 2025                          | 555,000              | 180,082                           | -                | -                                       | 1,525,000            | 276,050                     | 345,000             | 14,232                          | -                   | -  | 2,719,309            | 659,590             | 3,378,899            |                      |                      |
| 2026                          | 410,000              | 163,637                           | -                | -                                       | 1,600,000            | 212,762                     | -                   | -                               | -                   | -  | 2,230,918            | 559,929             | 2,790,847            |                      |                      |
| 2027                          | 415,000              | 152,300                           | -                | -                                       | 1,675,000            | 145,562                     | -                   | -                               | -                   | -  | 2,316,334            | 475,976             | 2,792,310            |                      |                      |
| 2028                          | 430,000              | 140,837                           | -                | -                                       | 1,750,000            | 74,375                      | -                   | -                               | -                   | -  | 2,411,423            | 388,237             | 2,799,660            |                      |                      |
| 2029                          | 445,000              | 127,338                           | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 682,569              | 294,217             | 976,786              |                      |                      |
| 2030                          | 450,000              | 113,387                           | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 243,421              | 161,027             | 967,835              |                      |                      |
| 2031                          | 470,000              | 98,988                            | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 249,422              | 155,026             | 973,436              |                      |                      |
| 2032                          | 480,000              | 83,912                            | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 255,171              | 149,277             | 968,360              |                      |                      |
| 2033                          | 500,000              | 67,913                            | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 261,899              | 142,549             | 972,361              |                      |                      |
| 2034                          | 445,000              | 51,212                            | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 268,396              | 136,052             | 900,660              |                      |                      |
| 2035                          | 450,000              | 36,413                            | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 237,253              | 129,580             | 853,246              |                      |                      |
| 2036                          | 325,000              | 21,450                            | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 239,810              | 123,562             | 709,822              |                      |                      |
| 2037                          | 335,000              | 10,888                            | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 246,669              | 116,704             | 709,261              |                      |                      |
| 2038                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 253,380              | 109,992             | 363,372              |                      |                      |
| 2039                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 260,278              | 103,094             | 363,372              |                      |                      |
| 2040                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 267,107              | 96,265              | 363,372              |                      |                      |
| 2041                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 274,647              | 88,725              | 363,372              |                      |                      |
| 2042                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 282,135              | 81,237              | 363,372              |                      |                      |
| 2043                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 289,832              | 73,540              | 363,372              |                      |                      |
| 2044                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 297,566              | 65,806              | 363,372              |                      |                      |
| 2045                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 305,867              | 57,505              | 363,372              |                      |                      |
| 2046                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 314,224              | 49,148              | 363,372              |                      |                      |
| 2047                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 322,813              | 40,559              | 363,372              |                      |                      |
| 2048                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 331,560              | 31,812              | 363,372              |                      |                      |
| 2049                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 340,714              | 22,658              | 363,372              |                      |                      |
| 2050                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 350,042              | 13,330              | 363,372              |                      |                      |
| 2051                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 231,886              | 4,918               | 236,804              |                      |                      |
| 2052                          | -                    | -                                 | -                | -                                       | -                    | -                           | -                   | -                               | -                   | -  | 43,854               | 190                 | 44,044               |                      |                      |
|                               | <u>\$ 10,049,778</u> | <u>\$ 3,451,557</u>               | <u>\$ 62,300</u> | <u>\$ 1,246</u>                         | <u>\$ 17,460,000</u> | <u>\$ 5,429,335</u>         | <u>\$ 3,150,000</u> | <u>\$ 673,116</u>               | <u>\$ 1,700,000</u> | <u>\$ 86,265</u>                             | <u>\$ 12,070,170</u> | <u>\$ 5,058,596</u> | <u>\$ 44,492,248</u> | <u>\$ 14,700,115</u> | <u>\$ 59,192,363</u> |

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

June 30, 2015

92

| Year     | Tennessee Energy |                 | General             |                     | General           |                   | General             |                   | General             |                   | Total General        |                     |
|----------|------------------|-----------------|---------------------|---------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|----------------------|---------------------|
|          | Ending           | Efficiency Loan | Obligation Bonds    | Obligation Bonds    | Obligation Bonds  | Obligation Bonds  | Obligation Bonds    | Obligation Bonds  | Obligation Bonds    | Total             | Total                |                     |
| June 30, | Principal        | Interest        | Principal           | Interest            | Principal         | Interest          | Principal           | Interest          | Principal           | Interest          | Principal            | Interest            |
| 2016     | \$ 24,778        | \$ -            | \$ 215,000          | \$ 150,700          | \$ 40,000         | 33,383            | \$ 115,000          | \$ 49,070         | \$ -                | \$ 54,800         | \$ 394,778           | 287,953             |
| 2017     | -                | -               | 215,000             | 146,400             | 40,000            | 32,983            | 115,000             | 45,618            | 80,000              | 54,800            | 450,000              | 279,801             |
| 2018     | -                | -               | 215,000             | 142,100             | 40,000            | 32,063            | 115,000             | 41,594            | 85,000              | 53,200            | 455,000              | 268,957             |
| 2019     | -                | -               | 220,000             | 137,800             | 40,000            | 31,142            | 120,000             | 37,568            | 85,000              | 51,500            | 465,000              | 258,010             |
| 2020     | -                | -               | 225,000             | 133,400             | 45,000            | 30,223            | 120,000             | 33,669            | 85,000              | 49,800            | 475,000              | 247,092             |
| 2021     | -                | -               | 225,000             | 128,900             | 50,000            | 29,187            | 150,000             | 29,468            | 90,000              | 48,100            | 515,000              | 235,655             |
| 2022     | -                | -               | 230,000             | 124,400             | 50,000            | 27,563            | 145,000             | 24,032            | 90,000              | 46,300            | 515,000              | 222,295             |
| 2023     | -                | -               | 235,000             | 119,800             | 50,000            | 25,937            | 150,000             | 18,594            | 95,000              | 44,500            | 530,000              | 208,831             |
| 2024     | -                | -               | 240,000             | 115,100             | 50,000            | 24,312            | 155,000             | 12,594            | 95,000              | 42,600            | 540,000              | 194,606             |
| 2025     | -                | -               | 245,000             | 110,300             | 55,000            | 22,688            | 155,000             | 6,394             | 100,000             | 40,700            | 555,000              | 180,082             |
| 2026     | -                | -               | 250,000             | 104,787             | 55,000            | 20,900            | -                   | -                 | 105,000             | 37,950            | 410,000              | 163,637             |
| 2027     | -                | -               | 255,000             | 98,538              | 55,000            | 18,700            | -                   | -                 | 105,000             | 35,062            | 415,000              | 152,300             |
| 2028     | -                | -               | 260,000             | 92,162              | 60,000            | 16,500            | -                   | -                 | 110,000             | 32,175            | 430,000              | 140,837             |
| 2029     | -                | -               | 270,000             | 84,363              | 60,000            | 14,100            | -                   | -                 | 115,000             | 28,875            | 445,000              | 127,338             |
| 2030     | -                | -               | 275,000             | 76,262              | 60,000            | 11,700            | -                   | -                 | 115,000             | 25,425            | 450,000              | 113,387             |
| 2031     | -                | -               | 285,000             | 68,013              | 65,000            | 9,000             | -                   | -                 | 120,000             | 21,975            | 470,000              | 98,988              |
| 2032     | -                | -               | 290,000             | 59,462              | 65,000            | 6,075             | -                   | -                 | 125,000             | 18,375            | 480,000              | 83,912              |
| 2033     | -                | -               | 300,000             | 50,763              | 70,000            | 3,150             | -                   | -                 | 130,000             | 14,000            | 500,000              | 67,913              |
| 2034     | -                | -               | 310,000             | 41,762              | -                 | -                 | -                   | -                 | 135,000             | 9,450             | 445,000              | 51,212              |
| 2035     | -                | -               | 315,000             | 31,688              | -                 | -                 | -                   | -                 | 135,000             | 4,725             | 450,000              | 36,413              |
| 2036     | -                | -               | 325,000             | 21,450              | -                 | -                 | -                   | -                 | -                   | -                 | 325,000              | 21,450              |
| 2037     | -                | -               | 335,000             | 10,888              | -                 | -                 | -                   | -                 | -                   | -                 | 335,000              | 10,888              |
|          | <u>\$ 24,778</u> | <u>\$ -</u>     | <u>\$ 5,735,000</u> | <u>\$ 2,049,038</u> | <u>\$ 950,000</u> | <u>\$ 389,606</u> | <u>\$ 1,340,000</u> | <u>\$ 298,601</u> | <u>\$ 2,000,000</u> | <u>\$ 714,312</u> | <u>\$ 10,049,778</u> | <u>\$ 3,451,557</u> |

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

June 30, 2015

| Fiscal Year<br>Ending<br>June 30, | Series 2009         |                     | Series 2007         |                     | <u>Total Electric</u>  |                           |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|------------------------|---------------------------|
|                                   | <u>Bonds</u>        | <u>Interest</u>     | <u>Bonds</u>        | <u>Interest</u>     | <u>Total<br/>Bonds</u> | <u>Total<br/>Interest</u> |
| 2016                              | \$ 1,055,000        | \$ 267,194          | \$ -                | \$ 414,725          | \$ 1,055,000           | \$ 681,919                |
| 2017                              | 1,085,000           | 235,544             | -                   | 414,725             | 1,085,000              | 650,269                   |
| 2018                              | 1,120,000           | 201,638             | -                   | 414,725             | 1,120,000              | 616,363                   |
| 2019                              | 1,160,000           | 163,837             | -                   | 414,725             | 1,160,000              | 578,562                   |
| 2020                              | 1,200,000           | 121,787             | -                   | 414,725             | 1,200,000              | 536,512                   |
| 2021                              | 470,000             | 76,787              | 775,000             | 414,725             | 1,245,000              | 491,512                   |
| 2022                              | 470,000             | 57,987              | 825,000             | 383,725             | 1,295,000              | 441,712                   |
| 2023                              | 470,000             | 39,187              | 875,000             | 350,312             | 1,345,000              | 389,499                   |
| 2024                              | 480,000             | 19,800              | 925,000             | 314,438             | 1,405,000              | 334,238                   |
| 2025                              | -                   | -                   | 1,525,000           | 276,050             | 1,525,000              | 276,050                   |
| 2026                              | -                   | -                   | 1,600,000           | 212,762             | 1,600,000              | 212,762                   |
| 2027                              | -                   | -                   | 1,675,000           | 145,562             | 1,675,000              | 145,562                   |
| 2028                              | -                   | -                   | 1,750,000           | 74,375              | 1,750,000              | 74,375                    |
|                                   | <u>\$ 7,510,000</u> | <u>\$ 1,183,761</u> | <u>\$ 9,950,000</u> | <u>\$ 4,245,574</u> | <u>\$ 17,460,000</u>   | <u>\$ 5,429,335</u>       |

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

June 30, 2015

| Year<br>Ending<br>June 30, | TDOT Utility Reloc Loan |                   | Series 2009         |                   | State Revolving Fund<br>Loan CWO 2013-315 |                  | RUS Phase I<br>Series 2008 |                     | RUS Phase II<br>Series 2009 |                     | Total Water          |                     |
|----------------------------|-------------------------|-------------------|---------------------|-------------------|---|------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|
|                            | Principal               | Interest          | Principal           | Interest          | Principal                                 | Interest         | Principal                  | Interest            | Principal                   | Interest            | Principal            | Interest            |
| 2016                       | \$ 133,829              | \$ 24,344         | \$ 320,000          | \$ 55,962         | \$ 33,036                                 | \$ 8,040         | \$ 64,015                  | \$ 75,845           | \$ 76,250                   | \$ 147,262          | \$ 627,130           | \$ 311,453          |
| 2017                       | 136,326                 | 21,847            | 315,000             | 46,362            | 33,420                                    | 7,656            | 65,678                     | 74,182              | 78,974                      | 144,538             | 629,398              | 294,585             |
| 2018                       | 138,869                 | 19,304            | 335,000             | 35,338            | 33,816                                    | 7,260            | 67,171                     | 72,689              | 81,376                      | 142,136             | 656,232              | 276,727             |
| 2019                       | 141,460                 | 16,713            | 355,000             | 23,612            | 34,212                                    | 6,864            | 68,698                     | 71,162              | 83,851                      | 139,661             | 683,221              | 258,012             |
| 2020                       | 144,100                 | 14,073            | 345,000             | 12,074            | 34,620                                    | 6,456            | 70,069                     | 69,791              | 86,024                      | 137,488             | 679,813              | 239,882             |
| 2021                       | 146,788                 | 11,385            | -                   | -                 | 35,028                                    | 6,048            | 71,853                     | 68,007              | 89,018                      | 134,494             | 342,687              | 219,934             |
| 2022                       | 149,527                 | 8,646             | -                   | -                 | 35,436                                    | 5,640            | 73,486                     | 66,374              | 91,725                      | 131,787             | 350,174              | 212,447             |
| 2023                       | 152,317                 | 5,856             | -                   | -                 | 35,856                                    | 5,220            | 75,157                     | 64,703              | 94,515                      | 128,997             | 357,845              | 204,776             |
| 2024                       | 155,159                 | 3,014             | -                   | -                 | 36,276                                    | 4,800            | 76,693                     | 63,167              | 97,043                      | 126,469             | 365,171              | 197,450             |
| 2025                       | 78,662                  | 425               | -                   | -                 | 36,696                                    | 4,380            | 78,609                     | 61,251              | 100,342                     | 123,170             | 294,309              | 189,226             |
| 2026                       | -                       | -                 | -                   | -                 | 37,128                                    | 3,948            | 80,396                     | 59,464              | 103,394                     | 120,118             | 220,918              | 183,530             |
| 2027                       | -                       | -                 | -                   | -                 | 37,572                                    | 3,504            | 82,224                     | 57,636              | 106,538                     | 116,974             | 226,334              | 178,114             |
| 2028                       | -                       | -                 | -                   | -                 | 38,016                                    | 3,060            | 83,940                     | 55,920              | 109,467                     | 114,045             | 231,423              | 173,025             |
| 2029                       | -                       | -                 | -                   | -                 | 38,460                                    | 2,616            | 86,001                     | 53,859              | 113,108                     | 110,404             | 237,569              | 166,879             |
| 2030                       | -                       | -                 | -                   | -                 | 38,916                                    | 2,160            | 87,956                     | 51,904              | 116,549                     | 106,963             | 243,421              | 161,027             |
| 2031                       | -                       | -                 | -                   | -                 | 39,372                                    | 1,704            | 89,956                     | 49,904              | 120,094                     | 103,418             | 249,422              | 155,026             |
| 2032                       | -                       | -                 | -                   | -                 | 39,828                                    | 1,248            | 91,870                     | 47,990              | 123,473                     | 100,039             | 255,171              | 149,277             |
| 2033                       | -                       | -                 | -                   | -                 | 40,308                                    | 768              | 94,089                     | 45,771              | 127,502                     | 96,010              | 261,899              | 142,549             |
| 2034                       | -                       | -                 | -                   | -                 | 40,788                                    | 288              | 96,228                     | 43,632              | 131,380                     | 92,132              | 268,396              | 136,052             |
| 2035                       | -                       | -                 | -                   | -                 | 3,461                                     | -                | 98,416                     | 41,444              | 135,376                     | 88,136              | 237,253              | 129,580             |
| 2036                       | -                       | -                 | -                   | -                 | -   | -                | 100,546                    | 39,314              | 139,264                     | 84,248              | 239,810              | 123,562             |
| 2037                       | -                       | -                 | -                   | -                 | -   | -                | 102,939                    | 36,921              | 143,730                     | 79,783              | 246,669              | 116,704             |
| 2038                       | -                       | -                 | -                   | -                 | -   | -                | 105,279                    | 34,581              | 148,101                     | 75,411              | 253,380              | 109,992             |
| 2039                       | -                       | -                 | -                   | -                 | -   | -                | 107,672                    | 32,188              | 152,606                     | 70,906              | 260,278              | 103,094             |
| 2040                       | -                       | -                 | -                   | -                 | -   | -                | 110,040                    | 29,820              | 157,067                     | 66,445              | 267,107              | 96,265              |
| 2041                       | -                       | -                 | -                   | -                 | -   | -                | 112,622                    | 27,238              | 162,025                     | 61,487              | 274,647              | 88,725              |
| 2042                       | -                       | -                 | -                   | -                 | -   | -                | 115,182                    | 24,678              | 166,953                     | 56,559              | 282,135              | 81,237              |
| 2043                       | -                       | -                 | -                   | -                 | -   | -                | 117,801                    | 22,059              | 172,031                     | 51,481              | 289,832              | 73,540              |
| 2044                       | -                       | -                 | -                   | -                 | -   | -                | 120,427                    | 19,433              | 177,139                     | 46,373              | 297,566              | 65,806              |
| 2045                       | -                       | -                 | -                   | -                 | -   | -                | 123,216                    | 16,644              | 182,651                     | 40,861              | 305,867              | 57,505              |
| 2046                       | -                       | -                 | -                   | -                 | -   | -                | 126,017                    | 13,843              | 188,207                     | 35,305              | 314,224              | 49,148              |
| 2047                       | -                       | -                 | -                   | -                 | -   | -                | 128,882                    | 10,978              | 193,931                     | 29,581              | 322,813              | 40,559              |
| 2048                       | -                       | -                 | -                   | -                 | -   | -                | 131,792                    | 8,068               | 199,768                     | 23,744              | 331,560              | 31,812              |
| 2049                       | -                       | -                 | -                   | -                 | -   | -                | 134,808                    | 5,052               | 205,906                     | 17,606              | 340,714              | 22,658              |
| 2050                       | -                       | -                 | -                   | -                 | -   | -                | 137,873                    | 1,987               | 212,169                     | 11,343              | 350,042              | 13,330              |
| 2051                       | -                       | -                 | -                   | -                 | -   | -                | 13,264                     | 28                  | 218,622                     | 4,890               | 231,886              | 4,918               |
| 2052                       | -                       | -                 | -                   | -                 | -   | -                | -                          | -                   | 43,854                      | 190                 | 43,854               | 190                 |
|                            | <u>\$ 1,377,037</u>     | <u>\$ 125,607</u> | <u>\$ 1,670,000</u> | <u>\$ 173,348</u> | <u>\$ 702,245</u>                         | <u>\$ 81,660</u> | <u>\$ 3,390,865</u>        | <u>\$ 1,517,527</u> | <u>\$ 4,930,023</u>         | <u>\$ 3,160,454</u> | <u>\$ 12,070,170</u> | <u>\$ 5,058,596</u> |

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

**June 30, 2015**

Residential

|                         |                               |
|-------------------------|-------------------------------|
| Customer Charge         | \$21.10 per month             |
| Energy Charge           | 7.135 cents per KWH per month |
| Total Monthly Fuel Cost | 2.262 cents per KWH           |

General Services

LESS THAN 50 KW

|                         |                     |
|-------------------------|---------------------|
| Customer Charge         | \$35.15 per month   |
| Energy Charge           | 8.177 cents per KWH |
| Total Monthly Fuel Cost | 2.227 cents per KWH |

51 KW TO 1,000 KW

|                             |  |
|-----------------------------|--|
| Customer Charge             | \$175.00 per month   |
| Demand Charge               | First 50 KW of billing demand per month at \$1 per KW, excess over 50 KW of billing demand per month at \$15.01 per KW |
| Energy Charge               | First 15,000 KWH at 8.164 cents per KWH. Additional KWH at \$4.219 cents per KWH                                       |
| TVA Total Monthly Fuel Cost | First 15,000 KWH at 2.227 cents per KWH. Additional KWH at \$2.188 cents per KWH                                       |

1,001 KW to 5,000 KW

|                         |   |
|-------------------------|---|
| Customer Charge         | \$400.00 per month  |
| Demand Charge           | First 1,000 KW of metered demand at \$15.87 per KW, excess over 1,000 KW of billing demand per month at \$18.11 |
| Energy Charge           | 3.996 cents per KWH   |
| Total Monthly Fuel Cost | 2.188 cents per KWH   |

General Services Manufacturing Rates

5,001 KW TO 15,000 KW

|                         |  |
|-------------------------|--|
| Customer Charge         | \$1,850 per delivery point   |
| Demand Charge           | \$19.65 per KW of billing demand, plus an additional \$19.65 per KW per month for each KW of the amount by which the the customer's billing demand exceeds contract demand |
| Energy Charge           | 1.872 cents per KWH  |
| Total Monthly Fuel Cost | 2.175 cents per KWH  |

**FAYETTEVILLE PUBLIC UTILITIES  
 SCHEDULE OF GAS UTILITY RATES IN EFFECT  
 CITY OF FAYETTEVILLE, TENNESSEE  
 June 30, 2015**

---

Residential

|                            |    |      |
|----------------------------|----|------|
| Monthly minimum            | \$ | 5.00 |
| Per ccf consumed per month |    | 1.12 |

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

|                            |    |      |
|----------------------------|----|------|
| Monthly minimum            | \$ | 5.66 |
| Per ccf consumed per month |    | 1.17 |

General Commercial and Industrial

|                            |    |       |
|----------------------------|----|-------|
| Monthly minimum            | \$ | 5.66  |
| Per ccf consumed per month |    | 1.053 |

Housing Authority

|                            |    |       |
|----------------------------|----|-------|
| Monthly minimum            | \$ | 5.00  |
| Per ccf consumed per month |    | 1.036 |

Interruptible Service

|                            |    |       |
|----------------------------|----|-------|
| Per ccf consumed per month | \$ | 0.435 |
|----------------------------|----|-------|

*Note: ccf represents 100 cubic feet.*

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

June 30, 2015

Cable TV Service

|                               |          |
|-------------------------------|----------|
| Budget basic                  | \$ 26.50 |
| Basic plus                    | 57.25    |
| Basic digital                 | 72.00    |
| Digital service with DVR only | 77.00    |
| Digital service with HD only  | 73.00    |
| Complete digital package      | 78.00    |

Digital Premium Channels

|                                     |       |
|-------------------------------------|-------|
| HBO                                 | 12.95 |
| Cinemax                             | 10.95 |
| HBO/Cinemax package                 | 19.95 |
| Showtime/Movie channel/FLIX package | 14.95 |
| Encore                              | 7.95  |
| Encore/Starz package                | 11.95 |

Additional Cable Equipment Available

|                                       |       |
|---------------------------------------|-------|
| Digital receiver                      | 6.00  |
| DVR                                   | 10.50 |
| HD & DVR with multi channel recording | 11.50 |
| Analog converter                      | 1.50  |
| Inside wire maintenance               | 2.00  |

Internet Services

|  |          |
|--|----------|
| 3 Meg                                      | \$ 41.99 |
| 5 Meg                                      | 61.99    |
| 10 Meg                                     | 74.59    |
| 13 Meg                                     | 43.99    |
| 15 Meg                                     | 63.99    |
| 17 Meg                                     | 76.59    |
| Cable modem (may be purchased for \$50.00) | 5.00     |

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, 2015

|                              | <u>RESIDENTIAL</u> |                     | <u>COMMERCIAL</u>  |                     | <u>Industrial</u> | <u>Frito Lay</u> | <u>WHOLESALE</u>      |                          |
|------------------------------|--------------------|---------------------|--------------------|---------------------|-------------------|------------------|-----------------------|--------------------------|
|                              | <u>Inside City</u> | <u>Outside City</u> | <u>Inside City</u> | <u>Outside City</u> |                   |                  | <u>With Contracts</u> | <u>Without Contracts</u> |
| <u>Water Rates</u>           |                    |                     |                    |                     |                   |                  |                       |                          |
| First 100 cubic feet         | \$ 9.18            | \$ 11.94            | \$ 10.10           | \$ 13.13            | \$ 9.64           | \$ 10.10         | \$ 9.54               | \$ 9.84                  |
| All over 100 cubic feet*     | 3.90               | 5.07                |                    |                     |                   |                  |                       |                          |
| Next 900 cubic feet*         |                    |                     | 4.30               | 5.59                | 4.10              | 4.30             | 4.00                  | 4.30                     |
| All over 1,000 cubic feet*   |                    |                     | 3.15               | 4.11                | 3.10              |                  | 3.00                  | 3.30                     |
| Next 119,000 cubic feet*     |                    |                     |                    |                     |                   | 3.44             |                       |                          |
| All over 120,000 cubic feet* |                    |                     |                    |                     |                   | 2.29             |                       |                          |
| <u>Wastewater Rates</u>      |                    |                     |                    |                     |                   |                  |                       |                          |
| First 100 cubic feet         | 14.09              | 16.22               | 16.07              |                     | 16.07             |                  |                       |                          |
| All over 100 cubic feet*     | 5.99               | 6.89                | 6.83               |                     | 6.83              |                  |                       |                          |

\*Per 100 cubic feet

Number of water and wastewater customers at June 30,

|       | <u>2015</u> | <u>2014</u> |
|-------|-------------|-------------|
| Water | \$ 4,543    | \$ 4,514    |
| Sewer | 3,478       | 3,472       |

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

June 30, 2015

---

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, 2015**

---

|                            | June 30,    |             |
|----------------------------|-------------|-------------|
|                            | <u>2015</u> | <u>2014</u> |
| Electric                   | 18,028      | 17,925      |
| Gas                        | 6,193       | 5,978       |
| Telecom division -Cable    | 3,202       | 3,196       |
| Telecom division -Internet | 2,236       | 2,098       |
| Telecom division -Phone    | 296         | 272         |
| Water                      | 4,543       | 4,514       |
| Wastewater                 | 3,478       | 3,472       |
| Sanitation                 | 2,652       | 2,643       |

AWWA Free Water Audit Software:  
 Reporting Worksheet

Click to access definition  
 Click to add a comment

Water Audit Report for: **Fayetteville Public Utilities (0000242)**  
 Reporting Year: **2015** / 7/2014 - 6/2015

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**

Volume from own sources:  741.420 MG/Yr  
 Water imported:  MG/Yr  
 Water exported:  159.980 MG/Yr

Enter grading in column 'E' and 'J' -----  
 Pcnt: Value: MG/Yr  
 1.00% 14.261 MG/Yr  
 -0.90% 14.261 MG/Yr

**WATER SUPPLIED:** 572.647 MG/Yr

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

**AUTHORIZED CONSUMPTION**

Billed metered:  422.436 MG/Yr  
 Billed unmetered:  MG/Yr  
 Unbilled metered:  11.153 MG/Yr  
 Unbilled unmetered:  14.261 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:** 447.850 MG/Yr

Click here: for help using option buttons below

Pcnt: Value: MG/Yr  
 14.261 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: MG/Yr  
 0.25% 14.261 MG/Yr

2.00% 14.261 MG/Yr  
 0.25% 14.261 MG/Yr

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

**Apparent Losses**

Unauthorized consumption:  1.432 MG/Yr

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

Customer metering inaccuracies:  8.849 MG/Yr  
 Systematic data handling errors:  1.056 MG/Yr

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

**Apparent Losses:** 11.336 MG/Yr

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

Real Losses = Water Losses - Apparent Losses: 113.460 MG/Yr

**WATER LOSSES:** 124.797 MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:** 150.211 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:  142.1 miles  
 Number of active AND inactive service connections:  4,990  
 Service connection density:  35 conn./mile main

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

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

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

Average operating pressure:  76.2 psi

**COST DATA**

Total annual cost of operating water system:  \$2,597,758 \$/Year  
 Customer retail unit cost (applied to Apparent Losses):  \$4.18 \$/100 cubic feet (ccf)  
 Variable production cost (applied to Real Losses):  \$2,466.55 \$/Million gallons  Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

\*\*\* YOUR SCORE IS: 90 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: **2015** | **7/2014 - 6/2015**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 \*\*\*

System Attributes:

|                        |                                      |       |
|------------------------|--------------------------------------|-------|
| Apparent Losses:       | <input type="text" value="11.336"/>  | MG/Yr |
| + Real Losses:         | <input type="text" value="113.460"/> | MG/Yr |
| = <b>Water Losses:</b> | <input type="text" value="124.797"/> | MG/Yr |

Unavoidable Annual Real Losses (UARL):  MG/Yr

Annual cost of Apparent Losses:

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

Operational Efficiency: { Apparent Losses per service connection per day:  gallons/connection/day  
 Real Losses per service connection per day:  gallons/connection/day  
 Real Losses per length of main per day\*:   
 Real Losses per service connection per day per psi pressure:  gallons/connection/day/psi

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

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

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

**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE  
CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

| <u>Year</u>                            | <u>Balance</u><br><u>July 1, 2014</u> | <u>Taxes</u><br><u>Levied</u> | <u>Adjustments</u> | <u>Collections</u>    | <u>Balance</u><br><u>June 30, 2015</u> |
|--|---------------------------------------|-------------------------------|--------------------|-----------------------|--|
| 2015                                   | \$ -                                  | \$ 2,657,546                  | \$ -               | \$ -                  | \$ 2,657,546                           |
| 2014                                   | 2,648,761                             |                               | 10,635             | (2,592,862)           | 66,534                                 |
| 2013                                   | 73,076                                | -                             | 5,721              | (62,411)              | 16,386                                 |
| 2012                                   | 11,107                                | -                             | 954                | (9,470)               | 2,591                                  |
| 2011                                   | 202                                   | -                             | -                  | (23)                  | 179                                    |
| 2010                                   | 23                                    | -                             | -                  | (23)                  | -                                      |
| 2009                                   | 159                                   | -                             | -                  | -                     | 159                                    |
| 2008                                   | 50                                    | -                             | -                  | -                     | 50                                     |
| 2007                                   | 52                                    | -                             | -                  | -                     | 52                                     |
| 2006                                   | -                                     | -                             | -                  | -                     | -                                      |
| 2005                                   | 197                                   | -                             | -                  | -                     | 197                                    |
| 2004                                   | 6                                     | -                             | -                  | -                     | 6                                      |
|  | <u>\$ 2,733,633</u>                   | <u>\$ 2,657,546</u>           | <u>\$ 17,310</u>   | <u>\$ (2,664,789)</u> | <u>2,743,700</u>                       |
| Less allowance for uncollectible taxes |                                       |                               |                    |                       | (18,649)                               |
| Balance, end of year, net of allowance |                                       |                               |                    |                       | <u>\$ 2,725,051</u>                    |

All uncollectible taxes for years prior to 2014 have been turned over to the Clerk and Master for collection.

**DIRECTORY OF OFFICIALS**  
**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

---

Mayor - Jon Law

Board of Alderman

Dorothy Small - Vice Mayor

Danny Bryant

Gwen Shelton

Anna Catherine Cowley

Violet Harry

Michael Whisenant

City Administrator - Scott Collins

City Attorney - Johnny D. Hill, Jr.

City Judge - J. Rhea Thompson, III

City Finance Director - Tonya Travis

Director of Schools - Janine Wilson

Fayetteville Public Utilities:

CEO/ General Manager - Britt Dye

Secretary/Treasurer - Glenn Oldham

Manager of Finance and Office Services - Kim Posey

**UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS  
CITY OF FAYETTEVILLE, TENNESSEE**

**Year ended June 30, 2015**

---

During the year ended June 30, 2015, the government turned over \$24,741 of 2013 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, 2015

---

| <u>Tax Year</u> | <u>Total<br/>Assessed<br/>Value</u> | <u>City<br/>Property<br/>Tax Rate</u> | <u>Levy</u> |
|-----------------|-------------------------------------|---------------------------------------|-------------|
| 2006            | \$ 111,555,083                      | \$ 1.54                               | 1,763,969   |
| 2007            | 140,089,953                         | 1.54                                  | 1,897,372   |
| 2008            | 143,742,680                         | 1.3195                                | 1,942,293   |
| 2009            | 143,752,986                         | 1.3195                                | 1,941,199   |
| 2010            | 143,917,096                         | 1.3195                                | 1,933,399   |
| 2011            | 143,073,864                         | 1.3195                                | 1,931,385   |
| 2012            | 142,572,639                         | 1.3195                                | 1,923,360   |
| 2013            | 149,478,875                         | 1.6500                                | 2,512,322   |
| 2014            | 157,275,495                         | 1.6500                                | 2,648,761   |
| 2015            | 157,466,885                         | 1.6500                                | 2,657,546   |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
CITY OF FAYETTEVILLE, TENNESSEE**

**Year ended June 30, 2015**

| Federal Grantor/<br>Pass - Through Grantor | CFDA<br>Number | Contract<br>Number             | Expenditures      |
|--|----------------|--------------------------------|-------------------|
| <u>FEDERAL AWARDS</u>                      |                |                                |                   |
| US Department of Transportation (1)        | 20.205         | STP-M-9304(7)                  | \$ 197,538        |
|  |                | TOTAL FEDERAL AWARDS           | <u>197,538</u>    |
| <u>STATE FINANCIAL ASSISTANCE</u>          |                |                                |                   |
| NONE                                       |                |                                |                   |
|  |                | TOTAL STATE AWARDS             | <u>-</u>          |
|  |                | TOTAL FEDERAL AND STATE AWARDS | <u>\$ 197,538</u> |

**Basis of Presentation:**

**Note 1:** This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of City of Fayetteville under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

**Loans Outstanding:**

**Note 2:** At June 30, 2015, there was an outstanding balance of \$24,778 on an energy efficiency loan program loan obtained in a previous year. The loan was 100% funded by the State of Tennessee. Payments on principal during the current fiscal year totaled \$24,778.

(1) - Federal funds passed through the State of Tennessee, Department of Transportation.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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

Board of Mayor and Aldermen  
City of Fayetteville  
Fayetteville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fayetteville, Tennessee, as of and for the year ended June 30, 2015, 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 June 3, 2016. Our report includes a reference to other auditors who audited the financial statements of Fayetteville Public Utilities and Fayetteville City Schools, as described in our report on the City of Fayetteville, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

*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 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. *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. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fayetteville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Fayetteville, Tennessee in a separate letter dated June 3, 2016.

### **City of Fayetteville, Tennessee's Response to Finding**

City of Fayetteville, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings. 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.

*Winneth Associates, PLLC*

June 3, 2016

**SCHEDULE OF FINDINGS**  
**CITY OF FAYETTEVILLE, TENNESSEE**

**June 30, 2015**

---

Finding 2015-001

*Condition, Criteria, Cause and Effect:* We noted the subsidiary listing of accounts payable was not reconciled to the general ledger.

*Recommendation:* A process should be put in place to reconcile the subsidiary listing of accounts payable to the general ledger. We suggest the reconciliation be performed monthly.

*Management Response:* We agree. The City implemented new financial accounting software for the fiscal year ending June 30, 2015. Prior to the implementation of the new system we did not have this problem. After much effort we have identified the problems associated with the new software and are now able to reconcile the subsidiary listing of accounts payable to the general ledger on a monthly basis.

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

**CITY OF FAYETTEVILLE**

**For the Fiscal Year Ended June 30, 2015**

---

Financial Statement Findings

| Finding Number | Finding Title                              | Status    |
|----------------|--|-----------|
| 2014-001       | Budgeting<br>(original finding # 2013-001) | Corrected |

Federal Award Findings and Questioned Costs

Not applicable