

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

June 30, 2013

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Mayor and Aldermen
City of Fayetteville
Fayetteville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fayetteville, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 and the school capital projects fund, both major funds. The Fayetteville School System represents 5%, 5%, and 99%, respectively, of the assets, fund balances, and revenues of the aggregate remaining fund information and 45%, 41%, and 58%, 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, 2013, 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 conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 5 through 11 and 62 through 63 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 the 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 by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual 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 express any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, 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

March 12, 2014

CITY OF FAYETTEVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2013

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, 2013. 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)		(Restated)
Current and other assets	\$ 18,864,257	\$ 22,288,131	\$ 42,053,738	\$ 40,925,651	\$ 60,917,995	\$ 63,213,782
Capital assets	23,637,425	19,889,304	77,949,676	75,174,211	101,587,101	95,063,515
Total assets	<u>42,501,682</u>	<u>42,177,435</u>	<u>120,003,414</u>	<u>116,099,862</u>	<u>162,505,096</u>	<u>158,277,297</u>
Total deferred outflows of resources	-	-	270,632	303,970	270,632	303,970
Long-term liabilities outstanding	9,220,152	9,021,375	34,572,461	35,914,150	43,792,613	44,935,525
Other liabilities	1,176,578	832,080	7,838,661	7,255,416	9,015,239	8,087,496
Total liabilities	<u>10,396,730</u>	<u>9,853,455</u>	<u>42,411,122</u>	<u>43,169,566</u>	<u>52,807,852</u>	<u>53,023,021</u>
Total deferred inflows of resources	2,508,759	1,921,306	-	-	2,508,759	1,921,306
Net position						
Net investment in capital assets	18,660,494	19,370,655	44,632,718	41,490,184	63,293,212	60,860,839
Restricted	5,461,772	5,539,988	1,972,126	1,971,571	7,433,898	7,511,559
Unrestricted	5,473,927	5,492,031	31,258,080	29,772,511	36,732,007	35,264,542
Total net position	<u>\$ 29,596,193</u>	<u>\$ 30,402,674</u>	<u>\$ 77,862,924</u>	<u>\$ 73,234,266</u>	<u>\$ 107,459,117</u>	<u>\$ 103,636,940</u>

Net position of the City's governmental activities decreased 2.65 percent in the fiscal year 2013. Net position of the City's business-type activities increased 6.32 percent in the fiscal year 2013.

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)				
Revenues						
Program Revenues:						
Charges for services	\$ 982,939	\$ 950,355	\$ 60,602,192	\$ 57,275,531	\$ 61,585,131	\$ 58,225,886
Operating grants and contributions	8,327,179	7,681,911	-	-	8,327,179	7,681,911
Capital grants and contributions	84,646	32,330	646,311	607,087	730,957	639,417
General revenues:						
Property taxes	3,181,871	3,013,446	-	-	3,181,871	3,013,446
Other taxes	4,571,737	4,321,373	-	-	4,571,737	4,321,373
Other general revenues	377,393	850,631	47,019	100,184	424,412	950,815
Total revenues	<u>17,525,765</u>	<u>16,850,046</u>	<u>61,295,522</u>	<u>57,982,802</u>	<u>78,821,287</u>	<u>74,832,848</u>
Program Expenses:						
General government	809,533	806,594	-	-	809,533	806,594
Public safety	3,924,858	4,024,327	-	-	3,924,858	4,024,327
Judicial	49,819	48,203	-	-	49,819	48,203
Recreation	644,216	632,878	-	-	644,216	632,878
Highways and streets	1,406,651	1,270,109	-	-	1,406,651	1,270,109
Sanitation	9,408	6,115	272,362	338,796	281,770	344,911
Housing and community development	1,069,382	796,585	-	-	1,069,382	796,585
Garage	198,306					
Education	11,402,551	10,786,820	-	-	11,402,551	10,786,820
Interest on long-term debt	66,150	68,048	-	-	66,150	68,048
Electric, telecom, water and gas	-	-	55,145,874	53,676,729	55,145,874	53,676,729
Total expenses	<u>19,580,874</u>	<u>18,439,679</u>	<u>55,418,236</u>	<u>54,015,525</u>	<u>74,800,804</u>	<u>72,455,204</u>
Excess (deficiency) before transfers	(2,055,109)	(1,589,633)	5,877,286	3,967,277	4,020,483	2,377,644
Transfers	1,248,628	1,159,669	(1,248,628)	(1,159,669)	-	-
Increase in net position	<u>\$ (806,481)</u>	<u>\$ (429,964)</u>	<u>\$ 4,628,658</u>	<u>\$ 2,807,608</u>	<u>\$ 4,020,483</u>	<u>\$ 2,377,644</u>

The City's total revenues decreased 5.33 percent from the fiscal year ended June 30, 2012 to the fiscal year ended June 30, 2013, while total expenses decreased 3.24 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, 2013 and 2012. 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	
	(Restated)		(Restated)	
	2013	2012	2013	2012
General government	\$ 809,533	\$ 806,594	\$ 699,352	\$ 723,954
Public safety	3,924,858	4,024,327	3,429,800	3,604,135
Judicial	49,819	48,203	(90,246)	(89,055)
Recreation	644,216	632,878	612,351	596,825
Highways and street	1,406,651	1,270,109	1,146,290	1,060,792
Sanitation	9,408	6,115	9,408	6,115
Housing and community development	1,069,382	796,585	621,607	352,556
Garage	198,306	-	198,306	-
Education	11,402,551	10,786,820	3,493,092	3,451,713
Interest on long-term debt	66,150	68,048	66,150	68,048
Total Net Expenditures	\$ 19,580,874	\$ 18,439,679	\$ 10,186,110	\$ 9,775,083

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2013 and 2012. These revenues are required to cover the net expenditures listed above.

Revenues by Source

	2013	2012
Property taxes	\$ 3,181,871	\$ 3,013,446
In lieu of taxes	406,180	357,819
Sales taxes	2,524,536	2,413,904
Alcoholic beverage taxes	513,258	511,423
Other local taxes	365,290	359,229
Other state taxes	762,473	678,998
Other	64,455	80,973
Unrestricted investment earnings	38,388	49,667
Gain on sale of assets	274,550	719,991
Transfers	1,248,628	1,159,669
Total General Revenues and Transfers	\$ 9,379,629	\$ 9,345,119

Proprietary Funds

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

	Gas	Electric	Water	Telecom	Sanitation	Total
Fiscal Year Ended June 30, 2013						
Total Assets and Deferred						
Outflows of Resources	\$ 20,208,394	\$ 74,924,536	\$ 22,525,482	\$ 2,008,452	\$ 660,902	\$ 120,327,766
Net Position	15,657,222	48,643,130	13,609,607	(633,566)	586,531	77,862,924
Change in Net Position	560,457	2,514,772	951,929	601,229	271	4,628,658
Return on Ending Total Assets	2.77%	3.36%	4.23%	29.93%	0.04%	3.85%
Return on Ending Net Position	3.58%	5.17%	6.99%	n/a	0.05%	5.94%

Fiscal Year Ended June 30, 2012 (Restated)

Total Assets and Deferred						
Outflows of Resources	\$ 19,793,247	\$ 73,398,587	\$ 20,916,869	\$ 1,692,168	\$ 652,417	\$ 116,453,288
Net Position	15,096,765	46,128,358	12,657,678	(1,234,795)	586,260	73,234,266
Change in Net Position	7,279	1,884,341	444,782	556,877	(85,671)	2,807,608
Return on Ending Total Assets	0.04%	2.57%	2.13%	32.91%	-13.13%	2.41%
Return on Ending Net Position	0.05%	4.08%	3.51%	n/a	-14.61%	3.83%

CAPITAL ASSETS

As of June 30, 2013, the City has \$101 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 \$6,523,586, or 6.86 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2013 and 2012, for governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,455,563	\$ 3,400,563	\$ 1,098,478	\$ 1,077,836	\$ 4,554,041	\$ 4,478,399
Buildings	13,223,456	13,223,456	3,880,927	3,828,247	17,104,383	17,051,703
Improvements other than buildings	1,607,734	1,589,259	-	-	1,607,734	1,589,259
Machinery and equipment	8,263,314	8,090,366	126,077,194	122,731,394	134,340,508	130,821,760
Infrastructure	2,626,312	2,611,110	607,949	605,705	3,234,261	3,216,815
Total plant and equipment in service	29,176,379	28,914,754	131,664,548	128,243,182	160,840,927	157,157,936
Construction work in progress	6,811,033	2,446,877	4,612,281	1,677,744	11,423,314	4,124,621
	35,987,412	31,361,631	136,276,829	129,920,926	172,264,241	161,282,557
Less accumulated depreciation	(12,349,987)	(11,472,327)	58,327,153	(54,746,715)	45,977,166	(66,219,042)
	<u>\$ 23,637,425</u>	<u>\$ 19,889,304</u>	<u>\$ 194,603,982</u>	<u>\$ 75,174,211</u>	<u>\$ 218,241,407</u>	<u>\$ 95,063,515</u>

DEBT ADMINISTRATION

Debt, considered a liability of governmental and business-type activities, decreased in fiscal year 2013 by \$1,317,572.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
Bonds						
General Obligation	\$ 7,705,000	\$ 1,675,000	\$ 8,360,000	\$ 9,255,000	\$ 16,065,000	\$ 10,930,000
Revenue	-	-	19,435,000	20,355,000	19,435,000	20,355,000
Deferred amounts	81,921	14,865	146,754	162,139	228,675	177,004
Total Bonds	<u>7,786,921</u>	<u>1,689,865</u>	<u>27,941,754</u>	<u>29,772,139</u>	<u>35,728,675</u>	<u>31,462,004</u>
Loans						
Tennessee municipal bond fund	-	-	-	-	-	-
Tennessee energy efficiency	74,335	99,114	-	-	74,335	99,114
General obligation capital outlay note	-	6,000,000	-	-	-	6,000,000
Tennessee utility relocation loan	-	-	1,637,386	1,763,995	1,637,386	1,763,995
Bond anticipation note	-	-	3,737,862	3,125,717	3,737,862	3,125,717
RUS economic development loan	-	-	41,250	86,250	41,250	86,250
Deferred amounts	-	1,793	-	-	-	1,793
Total Loans	<u>74,335</u>	<u>6,100,907</u>	<u>5,416,498</u>	<u>4,975,962</u>	<u>5,490,833</u>	<u>11,075,076</u>
Totals	<u>\$ 7,861,256</u>	<u>\$ 7,790,772</u>	<u>\$ 33,358,252</u>	<u>\$ 34,748,101</u>	<u>\$ 41,219,508</u>	<u>\$ 42,537,080</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 a repaving project at the Municipal Airport, a spec building at the Industrial Park and an appropriation for state industrial access road at Frito-Lay and Franke. 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 2013, 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 2014 general fund budget was positively impacted by the projected increase in property tax rate. The City has also seen a slight increase in sales tax revenues within the past years and is now projecting a small increase in the sales tax revenue. The City is building a new swimming pool at the Recreation Center and in the development stages of building a new Police Station. Personnel benefits, retirement and health insurance costs continue to escalate. The City has now taken an active role in trying to decrease health insurance cost by implementing a wellness plan within our insurance coverage. The City is hopeful this change will help control the increasing cost of health insurance.

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 tsteelman@fayettevilletn.com.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,821,657	\$ 21,583,377	\$ 34,405,034
Receivables	3,876,438	6,065,192	9,941,630
Internal balances	53,720	(53,720)	-
Inventory	32,336	1,520,694	1,553,030
Prepaid expenses	109,829	2,817,661	2,927,490
Restricted assets	1,970,277	1,972,126	3,942,403
Special funds	-	6,632,123	6,632,123
Other assets	-	1,516,285	1,516,285
Capital assets (net of accumulated depreciation)			
Land	3,455,563	1,098,478	4,554,041
Buildings and improvements	8,540,857	2,177,760	10,718,617
Machinery and equipment	3,623,653	70,004,276	73,627,929
Infrastructure	1,206,319	56,881	1,263,200
Construction in progress	6,811,033	4,612,281	11,423,314
TOTAL ASSETS	<u>42,501,682</u>	<u>120,003,414</u>	<u>162,505,096</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	270,632	270,632
LIABILITIES			
Accounts payable and accrued expenses	1,151,578	6,040,482	7,192,060
Accrued interest payable	-	276,328	276,328
Unearned revenue	25,000	-	25,000
Deposits	-	1,521,851	1,521,851
Noncurrent liabilities:			
Due in one year	644,888	2,513,265	3,158,153
Due in more than one year	8,575,264	32,059,196	40,634,460
TOTAL LIABILITIES	<u>10,396,730</u>	<u>42,411,122</u>	<u>52,807,852</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,507,117	-	2,507,117
Deferred credit on refunding	1,642	-	1,642
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,508,759</u>	<u>-</u>	<u>2,508,759</u>
NET POSITION			
Net investment in capital assets	18,660,494	44,632,718	63,293,212
Restricted for:			
Debt service	-	1,972,082	1,972,082
Improvements and construction	382,282	44	382,326
Drug education and enforcement	64,757	-	64,757
Community development	456,087	-	456,087
Capital projects	794	-	794
Education	4,557,852	-	4,557,852
Unrestricted	5,473,927	31,258,080	36,732,007
TOTAL NET POSITION	<u>\$ 29,596,193</u>	<u>\$ 77,862,924</u>	<u>\$ 107,459,117</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, 2013

Function/ Program	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<u>Governmental activities:</u>							
General government	\$ 809,533	\$ 110,181	\$ -	\$ -	\$ (699,352)	\$ -	\$ (699,352)
Public safety	3,924,858	-	495,058	-	(3,429,800)	-	(3,429,800)
Judicial	49,819	140,065	-	-	90,246	-	90,246
Recreation	644,216	31,865	-	-	(612,351)	-	(612,351)
Highways and streets	1,406,651	-	175,715	84,646	(1,146,290)	-	(1,146,290)
Sanitation	9,408	-	-	-	(9,408)	-	(9,408)
Housing and community development	1,069,382	417,833	29,942	-	(621,607)	-	(621,607)
Garage	198,306	-	-	-	(198,306)	-	(198,306)
Education	11,402,551	282,995	7,626,464	-	(3,493,092)	-	(3,493,092)
Interest on long-term debt	66,150	-	-	-	(66,150)	-	(66,150)
Total governmental activities	19,580,874	982,939	8,327,179	84,646	(10,186,110)	-	(10,186,110)
<u>Business-type activities:</u>							
Electric	41,797,906	44,800,386	-	225,069	-	3,227,549	3,227,549
Gas	6,214,108	6,999,626	-	-	-	785,518	785,518
Telecom	3,044,375	3,622,620	-	22,851	-	601,096	601,096
Water and sewer	4,089,485	4,768,621	-	398,391	-	1,077,527	1,077,527
Sanitation	272,362	410,939	-	-	-	138,577	138,577
Total business-type activities	55,418,236	60,602,192	-	646,311	-	5,830,267	5,830,267
Total Government	\$ 74,999,110	\$ 61,585,131	\$ 8,327,179	\$ 730,957	(10,186,110)	5,830,267	(4,355,843)
General revenues:							
Property taxes					3,181,871	-	3,181,871
Business taxes					232,938	-	232,938
In lieu of tax					406,180	-	406,180
Sales taxes					2,524,536	-	2,524,536
Occupancy taxes					33,968	-	33,968
Alcoholic beverage taxes					513,258	-	513,258
Franchise taxes					97,721	-	97,721
Other local taxes					663	-	663
State shared revenues					762,473	-	762,473
Other					64,455	-	64,455
Gain on sale of capital assets					274,550	-	274,550
Unrestricted investment earnings					38,388	47,019	85,407
Transfers					1,248,628	(1,248,628)	-
Total general revenues and transfers					9,379,629	(1,201,609)	8,178,020
Change in net position					(806,481)	4,628,658	3,822,177
Net position - beginning, restated					30,402,674	73,234,266	103,636,940
Net position - ending					\$ 29,596,193	\$ 77,862,924	\$ 107,459,117

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

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

June 30, 2013

	General	School General	School Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash	\$ 5,501,112	\$ 4,820,377	\$ -	\$ 2,500,168	\$ 12,821,657
Cash - restricted	-	12,690	1,575,305	-	1,587,995
Investments	140,095	-	-	-	140,095
Investments - restricted	-	-	-	242,187	242,187
Receivables	2,664,519	135	-	223	2,664,877
Due from other funds	55,295	300	-	3,099	58,694
Due from other governments	914,322	265,924	-	31,315	1,211,561
Inventory	19,278	-	-	13,058	32,336
Prepaid expenses	109,829	-	-	-	109,829
TOTAL ASSETS	<u>\$ 9,404,450</u>	<u>\$ 5,099,426</u>	<u>\$ 1,575,305</u>	<u>\$ 2,790,050</u>	<u>\$ 18,869,231</u>
Liabilities:					
Accounts payable	\$ 84,458	\$ 101,220	\$ 317,435	\$ 65,231	\$ 568,344
Other accrued expenses	114,511	417,643	-	15,498	547,652
Due to other funds	3,099	-	-	1,875	4,974
Cash in bank - overdraft	-	-	-	4,540	4,540
Unearned revenue	-	-	-	25,000	25,000
TOTAL LIABILITIES	<u>202,068</u>	<u>518,863</u>	<u>317,435</u>	<u>112,144</u>	<u>1,150,510</u>
Deferred Inflows of Resources:					
Unavailable revenue - operating grants	-	39,814	-	10,977	50,791
Unavailable revenue - state and local taxes	255,703	92,540	-	-	348,243
Unavailable revenue - property taxes	2,564,526	-	-	-	2,564,526
Unavailable revenue - other	324,545	-	-	-	324,545
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,144,774</u>	<u>132,354</u>	<u>-</u>	<u>10,977</u>	<u>3,288,105</u>
Fund Balances:					
Nonspendable					
Inventory and prepayments	129,107	-	-	13,058	142,165
Restricted:					
Career ladder	-	12,690	-	-	12,690
BEP reserve	-	182,157	-	-	182,157
Capital projects	-	-	1,257,870	699,068	1,956,938
Public safety	-	-	-	64,757	64,757
Assigned:					
Industrial park	-	-	-	162,181	162,181
Capital projects	-	-	-	1,318,969	1,318,969
Education	-	4,253,362	-	97,163	4,350,525
Debt service	-	-	-	311,733	311,733
Unassigned	5,928,501	-	-	-	5,928,501
TOTAL FUND BALANCES	<u>6,057,608</u>	<u>4,448,209</u>	<u>1,257,870</u>	<u>2,666,929</u>	<u>14,430,616</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 9,404,450</u>	<u>\$ 5,099,426</u>	<u>\$ 1,575,305</u>	<u>\$ 2,790,050</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,637,425
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	780,988
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,252,836)
Net assets of governmental activities	<u>\$ 29,596,193</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, 2013

	General	School General	School Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 1,947,219	\$ -	\$ -	\$ -	\$ 1,947,219
Business	248,613	-	-	-	248,613
Wholesale beer	349,933	-	-	-	349,933
Alcoholic beverage	131,459	-	-	-	131,459
Sales	1,728,077	-	-	-	1,728,077
Occupancy	36,223	-	-	-	36,223
Tax equivalency	406,180	-	-	-	406,180
Licenses and permits	94,268	-	-	-	94,268
Fines	128,790	-	-	11,275	140,065
Franchise fees	96,778	-	-	-	96,778
Intergovernmental	1,336,049	8,180,317	-	1,494,978	11,011,344
Charges for services and use of property	433,745	134,833	-	167,868	736,446
Investment earnings	6,424	29,892	3,478	1,925	41,719
Recreation activities	31,865	-	-	-	31,865
Other revenue	38,913	12,354	-	1,092	52,359
TOTAL REVENUES	<u>7,014,536</u>	<u>8,357,396</u>	<u>3,478</u>	<u>1,677,138</u>	<u>17,052,548</u>
EXPENDITURES					
Current					
General government	697,975	-	-	4	697,979
Public safety	3,666,684	-	-	48,621	3,715,305
Judicial	48,843	-	-	-	48,843
Recreation	530,446	-	-	-	530,446
Highways and streets	1,215,729	-	-	-	1,215,729
Sanitation	-	-	-	18,159	18,159
Housing and community development	1,006,696	-	-	57,783	1,064,479
Garage	190,243	-	-	-	190,243
Education	-	9,143,681	-	1,685,165	10,828,846
Debt service					
Principal	-	16,752	-	134,778	151,530
Interest	-	64,461	-	59,119	123,580
Debt issuance costs	-	-	154,951	-	154,951
Capital outlay	-	10,074	4,283,079	193,574	4,486,727
TOTAL EXPENDITURES	<u>7,356,616</u>	<u>9,234,968</u>	<u>4,438,030</u>	<u>2,197,203</u>	<u>23,226,817</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(342,080)</u>	<u>(877,572)</u>	<u>(4,434,552)</u>	<u>(520,065)</u>	<u>(6,174,269)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,220,128	752,330	-	222,397	2,194,855
Transfers out	(946,227)	-	-	-	(946,227)
Refunding debt issued	-	-	6,140,000	-	6,140,000
Payments to refunded bond escrow agent	-	-	(6,052,069)	-	(6,052,069)
Premiums on debt issued	-	-	67,020	-	67,020
Insurance proceeds	18,902	3,638	-	10,378	32,918
Proceeds from disposition of capital assets	200,648	-	-	-	200,648
TOTAL OTHER FINANCING SOURCES (USES)	<u>493,451</u>	<u>755,968</u>	<u>154,951</u>	<u>232,775</u>	<u>1,637,145</u>
NET CHANGE IN FUND BALANCES	<u>151,371</u>	<u>(121,604)</u>	<u>(4,279,601)</u>	<u>(287,290)</u>	<u>(4,537,124)</u>
Fund balance - beginning	5,906,237	4,569,813	5,537,471	2,954,219	18,967,740
Fund balance - ending	<u>\$ 6,057,608</u>	<u>\$ 4,448,209</u>	<u>\$ 1,257,870</u>	<u>\$ 2,666,929</u>	<u>\$ 14,430,616</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, 2013

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

Net change in fund balances - total governmental funds \$ (4,537,124)

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. 3,693,121

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets. 55,000

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 196,999

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. (92,819)

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. (121,658)

Change in net assets of governmental activities \$ (806,481)

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, 2013

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
<u>ASSETS</u>			
Current Assets			
Cash for general use	\$ 21,295,534	\$ 287,843	\$ 21,583,377
Accounts receivable	5,466,490	39,812	5,506,302
Other receivables	558,890	-	558,890
Inventories	1,520,694	-	1,520,694
Prepaid expenses	2,817,661	-	2,817,661
Total current assets	<u>31,659,269</u>	<u>327,655</u>	<u>31,986,924</u>
Special and Restricted Funds	8,604,249	-	8,604,249
Capital Assets, net of accumulated depreciation	77,616,429	333,247	77,949,676
Other Assets	1,516,285		1,516,285
TOTAL ASSETS	<u>119,396,232</u>	<u>660,902</u>	<u>120,057,134</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred charge on refunding	270,632	-	270,632
<u>LIABILITIES</u>			
Current Liabilities			
Current maturities of long-term debt payable from current assets	1,899,290	-	1,899,290
Accounts payable	4,658,975	1,296	4,660,271
Due to other funds	-	53,720	53,720
Customer deposits	1,521,851	-	1,521,851
Accrued interest	276,328	-	276,328
Other accrued liabilities	858,829	2,087	860,916
Total current liabilities	<u>9,215,273</u>	<u>57,103</u>	<u>9,272,376</u>
Other Liabilities			
Advances from TVA	992,339	-	992,339
Long-term debt payable from special funds	140,931	-	140,931
OPEB liabilities, net	468,519	-	468,519
Compensated absences	255,378	17,268	272,646
Total other liabilities	<u>1,857,167</u>	<u>17,268</u>	<u>1,874,435</u>
Long-term debt	31,318,031	-	31,318,031
TOTAL LIABILITIES	<u>42,390,471</u>	<u>74,371</u>	<u>42,464,842</u>
<u>NET POSITION</u>			
Net investment in capital assets	44,299,471	333,247	44,632,718
Restricted for debt service	1,972,082	-	1,972,082
Restricted for improvements and construction	44	-	44
Unrestricted	31,004,796	253,284	31,258,080
TOTAL NET POSITION	<u>\$ 77,276,393</u>	<u>\$ 586,531</u>	<u>\$ 77,862,924</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, 2013

	Enterprise Funds		
	Fayetteville		
	Public Utilities	Sanitation Funds	Totals
<u>OPERATING REVENUES</u>			
Charges for services	\$ 58,657,779	\$ 410,939	\$ 59,068,718
Other	1,533,474	-	1,533,474
TOTAL OPERATING REVENUE	<u>60,191,253</u>	<u>410,939</u>	<u>60,602,192</u>
<u>OPERATING EXPENSES</u>			
Cost of utility services	39,974,756	-	39,974,756
Pumping, distribution and collection	5,384,537	258,081	5,642,618
Customer billing and collecting	1,594,059	-	1,594,059
General and administrative	2,124,210	-	2,124,210
Taxes and tax equivalents	372,175	-	372,175
Provision for depreciation	4,235,543	14,281	4,249,824
Other	318,308	-	318,308
TOTAL OPERATING EXPENSES	<u>54,003,588</u>	<u>272,362</u>	<u>54,275,950</u>
INCOME FROM OPERATIONS	<u>6,187,665</u>	<u>138,577</u>	<u>6,326,242</u>
<u>OTHER INCOME AND EXPENSE</u>			
Interest income	46,825	194	47,019
Interest expense	(1,126,789)	-	(1,126,789)
Amortization	(32,100)	-	(32,100)
Debt issuance costs	(5,875)	-	(5,875)
Gain on sale of capital assets	-	-	-
Miscellaneous	22,478	-	22,478
Other Income (Expense) -net	<u>(1,095,461)</u>	<u>194</u>	<u>(1,095,267)</u>
Income before contributions and transfers	5,092,204	138,771	5,230,975
Capital contributions in aid of construction	646,311	-	646,311
Transfers out	<u>(1,110,128)</u>	<u>(138,500)</u>	<u>(1,248,628)</u>
CHANGE IN NET POSITION	4,628,387	271	4,628,658
TOTAL NET POSITION, BEGINNING OF YEAR, RESTATED	<u>72,648,006</u>	<u>586,260</u>	<u>73,234,266</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 77,276,393</u>	<u>\$ 586,531</u>	<u>\$ 77,862,924</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, 2013

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (including other funds)	\$ 59,924,944	\$ 398,150	\$ 60,323,094
Payments to suppliers and others	(46,213,873)	(149,410)	(46,363,283)
Payments to employees	(4,324,192)	(100,457)	(4,424,649)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,386,879</u>	<u>148,283</u>	<u>9,535,162</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital borrowings repaid	(45,000)	-	(45,000)
Collections on loans to other organizations	45,000	-	45,000
Transfers (to) from other funds	(1,110,128)	(138,500)	(1,248,628)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,110,128)</u>	<u>(138,500)</u>	<u>(1,248,628)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets, net	(7,355,183)	-	(7,355,183)
Removal costs of capital assets	(362,054)	-	(362,054)
Materials salvaged from retirement of capital assets	128,027	-	128,027
Capital contributions received	646,311	-	646,311
(Gain) loss on asset retirements, net	5,668	-	5,668
Long-term borrowings, net	612,145	-	612,145
Borrowings repaid	(1,941,609)	-	(1,941,609)
Issue costs paid	(5,875)	-	(5,875)
Interest paid, net	(1,055,793)	-	(1,055,793)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,328,363)</u>	<u>-</u>	<u>(9,328,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	45,636	194	45,830
Other nonoperating income (expense), net	22,478	-	22,478
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>68,114</u>	<u>194</u>	<u>68,308</u>
INCREASE (DECREASE) IN CASH, NET	(983,498)	9,977	(973,521)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,883,281	277,866	31,161,147
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 29,899,783</u>	<u>\$ 287,843</u>	<u>\$ 30,187,626</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operations	\$ 6,187,665	\$ 138,577	\$ 6,326,242
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	4,568,729	14,280	4,583,009
Loss on disallowance of plant	225,069	-	225,069
Conservation loans advanced - customers	(309,341)	-	(309,341)
Conservation loans collected - customers	200,760	-	200,760
Conservation advances from TVA	413,361	-	413,361
Conservation advances repaid to TVA	(301,267)	-	(301,267)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(251,717)	(12,788)	(264,505)
Inventories	280,835	-	280,835
Prepaid expenses and other assets	(2,071,581)	-	(2,071,581)
Accounts payable	311,375	(1,985)	309,390
Accrued employee benefits	110,763	-	110,763
Customer deposits	85,997	-	85,997
Due to other funds	-	4,264	4,264
Other current liabilities and compensated absences	(63,769)	5,935	(57,834)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,386,879</u>	<u>\$ 148,283</u>	<u>\$ 9,535,162</u>

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, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
Revenues:				
Taxes				
Property	\$ 1,930,000	\$ 1,930,000	\$ 1,947,219	\$ 17,219
Business	244,000	244,000	248,613	4,613
Wholesale beer	380,000	380,000	349,933	(30,067)
Alcoholic beverage	115,000	115,000	131,459	16,459
Sales	1,700,000	1,700,000	1,728,077	28,077
Tax equivalency	369,663	369,663	406,180	36,517
Occupancy	35,000	35,000	36,223	1,223
Licenses and permits	63,700	63,700	94,268	30,568
Fines	120,000	120,000	128,790	8,790
Franchise fees	115,000	115,000	96,778	(18,222)
Intergovernmental				
State sales tax allocation	475,000	475,000	470,634	(4,366)
State income tax allocation	35,000	35,000	84,528	49,528
State beer tax allocation	3,500	3,500	3,375	(125)
State mixed drink tax allocation	25,000	25,000	26,743	1,743
State gasoline and motor fuel tax allocation	190,000	190,000	175,378	(14,622)
State city streets and transportation system	16,000	16,000	13,989	(2,011)
State excise tax allocation	28,000	28,000	26,791	(1,209)
State TVA in-lieu of tax	80,000	80,000	77,906	(2,094)
Lincoln County Emergency Communications	494,896	494,896	309,791	(185,105)
Housing authority	52,000	52,000	62,268	10,268
State and federal grants	-	-	84,646	84,646
Charges for services and use of property	521,500	521,500	433,745	(87,755)
Investment earnings	10,000	10,000	6,424	(3,576)
Recreation activities	29,000	29,000	31,865	2,865
Other revenue	38,190	38,190	38,913	723
TOTAL REVENUES	<u>7,070,449</u>	<u>7,070,449</u>	<u>7,014,536</u>	<u>(55,913)</u>
Expenditures:				
General government				
Salaries	422,400	422,400	399,105	23,295
Supplies	6,895	6,895	6,269	626
Utilities	37,600	37,600	38,176	(576)
Repairs and maintenance	6,000	6,000	8,514	(2,514)
Health insurance	51,500	51,500	28,780	22,720
Workers compensation	4,520	4,520	3,378	1,142
Payroll taxes	32,863	32,863	31,736	1,127
Employee education	10,545	10,545	3,258	7,287
Professional services	34,600	34,600	27,849	6,751
Travel	12,950	12,950	4,625	8,325
Retirement	36,825	36,825	33,851	2,974
Other insurance	14,922	14,922	15,115	(193)
Other general government	101,950	110,309	97,319	12,990
	<u>773,570</u>	<u>781,929</u>	<u>697,975</u>	<u>83,954</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, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
Expenditures: (Continued)				
Public safety				
Salaries	\$ 2,430,725	\$ 2,430,725	\$ 2,427,324	\$ 3,401
Supplies	38,300	38,300	35,457	2,843
Utilities	93,525	93,525	94,900	(1,375)
Repairs and maintenance	32,250	32,250	58,510	(26,260)
Health insurance	352,600	352,600	378,360	(25,760)
Workers compensation	76,350	76,350	65,872	10,478
Payroll taxes	189,252	189,252	182,800	6,452
Employee education	8,300	8,300	6,628	1,672
Travel	6,000	6,000	4,996	1,004
Retirement	239,500	239,500	228,837	10,663
Other insurance	70,120	70,120	63,564	6,556
Fuel	101,900	101,900	82,117	19,783
Professional services	2,990	2,990	1,908	1,082
Other public safety	40,299	45,562	35,411	10,151
	<u>3,682,111</u>	<u>3,687,374</u>	<u>3,666,684</u>	<u>20,690</u>
Judicial				
Salaries	29,440	29,440	29,267	173
Health insurance	10,000	10,000	9,907	93
Payroll taxes	2,365	2,365	1,961	404
Retirement	2,950	2,950	2,436	514
Other judicial	2,808	6,669	5,272	1,397
	<u>47,563</u>	<u>51,424</u>	<u>48,843</u>	<u>2,581</u>
Recreation				
Salaries	247,050	247,050	250,461	(3,411)
Supplies	27,200	27,200	33,228	(6,028)
Utilities	54,920	54,920	46,184	8,736
Repairs and maintenance	17,000	17,000	18,896	(1,896)
Health insurance	33,200	33,200	37,113	(3,913)
Workers compensation	9,500	9,500	4,980	4,520
Payroll taxes	19,716	19,716	19,260	456
Professional services	22,750	22,750	25,221	(2,471)
Travel	1,000	1,000	985	15
Retirement	25,100	25,100	23,906	1,194
Other insurance	12,200	12,200	11,175	1,025
Fuel	16,000	16,000	16,561	(561)
Other recreation	48,400	48,400	42,476	5,924
	<u>534,036</u>	<u>534,036</u>	<u>530,446</u>	<u>3,590</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Highways and streets				
Salaries	\$ 584,000	\$ 584,000	\$ 524,061	\$ 59,939
Supplies	9,600	9,600	9,159	441
Utilities	22,600	22,600	21,189	1,411
Repairs and maintenance	28,000	28,000	52,410	(24,410)
Health insurance	104,000	104,000	123,088	(19,088)
Workers compensation	25,000	25,000	19,798	5,202
Payroll taxes	45,420	45,420	39,120	6,300
Professional services	850	850	86,484	(85,634)
Retirement	60,100	60,100	46,957	13,143
Other insurance	11,500	11,500	9,783	1,717
Fuel	75,000	75,000	66,308	8,692
Street lighting	159,000	159,000	161,854	(2,854)
Other highways and streets	64,350	79,262	55,518	23,744
	<u>1,189,420</u>	<u>1,204,332</u>	<u>1,215,729</u>	<u>(11,397)</u>
Housing and community development				
Nonprofit allocations	193,077	193,077	462,209	(269,132)
Fuel	495,000	495,000	417,750	77,250
Industrial development	90,000	90,000	90,000	-
Other housing and community development	68,800	68,800	36,737	32,063
	<u>846,877</u>	<u>846,877</u>	<u>1,006,696</u>	<u>(159,819)</u>
Garage				
Salaries	\$ 113,990	\$ 113,990	\$ 108,033	\$ 5,957
Repairs and maintenance	8,370	8,370	8,362	8
Health insurance	21,500	21,500	25,963	(4,463)
Workers compensation	5,000	5,000	4,259	741
Payroll taxes	8,833	8,833	8,549	284
Retirement	11,300	11,300	10,407	893
Other insurance	1,325	1,325	1,046	279
Fuel	3,000	3,000	4,136	(1,136)
Other garage	(1,130)	11,538	19,488	(7,950)
	<u>172,188</u>	<u>184,856</u>	<u>190,243</u>	<u>(5,387)</u>
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>7,245,765</u>	<u>7,290,828</u>	<u>7,356,616</u>	<u>(65,788)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(175,316)</u>	<u>(220,379)</u>	<u>(342,080)</u>	<u>(121,701)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,144,851	1,144,851	1,220,128	75,277
Transfers out	(946,227)	(946,227)	(946,227)	-
Insurance proceeds	-		18,902	18,902
Sale of capital assets	5,000	5,000	200,648	195,648
TOTAL OTHER FINANCING SOURCES (USES)	<u>203,624</u>	<u>203,624</u>	<u>493,451</u>	<u>289,827</u>
NET CHANGE IN FUND BALANCES	<u>28,308</u>	<u>(16,755)</u>	<u>151,371</u>	<u>168,126</u>
Fund balance - beginning	5,906,237	5,906,237	5,906,237	-
Fund balance - ending	<u>\$ 5,934,545</u>	<u>\$ 5,889,482</u>	<u>\$ 6,057,608</u>	<u>\$ 168,126</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Lincoln County	\$ 2,012,360	\$ 2,012,360	\$ 2,092,069	\$ 79,709
State of Tennessee	5,904,240	5,966,240	6,048,560	82,320
Federal	5,000	77,625	39,688	(37,937)
Charges for services and use of property	168,500	168,500	134,833	(33,667)
Investment earnings	55,000	55,000	29,892	(25,108)
Other revenue	7,000	12,600	12,354	(246)
TOTAL REVENUES	<u>8,152,100</u>	<u>8,292,325</u>	<u>8,357,396</u>	<u>65,071</u>
EXPENDITURES				
Instruction				
Regular instruction program	4,908,680	4,787,169	4,653,355	133,814
Special education program	436,325	561,110	530,121	30,989
Vocational education program	240,761	306,955	280,868	26,087
Student body education program	-	32,661	32,572	89
Support services				
Attendance	16,912	16,912	16,546	366
Health services	179,993	184,993	167,479	17,514
Other student support	268,439	271,391	261,136	10,255
Regular instruction program	307,985	307,985	266,842	41,143
Special education program	80,365	69,740	65,582	4,158
Vocational education program	23,800	3,279	2,279	1,000
Board of education	193,568	193,568	180,676	12,892
Office of the superintendent	171,547	171,547	162,429	9,118
Office of the principal	770,390	856,740	830,828	25,912
Fiscal services	118,100	137,875	132,857	5,018
Operation of plant	734,763	712,663	590,956	121,707
Maintenance of plant	208,304	215,629	171,530	44,099
Transportation	161,077	166,577	142,716	23,861
Central office	128,899	128,899	122,100	6,799
Community services	131,440	119,065	94,611	24,454
Early childhood education	435,982	451,982	438,198	13,784
Debt service				
Principal on notes	400,000	-	-	-
Interest on notes	125,000	62,069	62,069	-
Principal on capital leases	-	16,752	16,752	-
Interest on capital leases	-	2,392	2,392	-
Capital outlay	75,000	49,506	10,074	39,432
TOTAL EXPENDITURES	<u>10,117,330</u>	<u>9,827,459</u>	<u>9,234,968</u>	<u>592,491</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,965,230)</u>	<u>(1,535,134)</u>	<u>(877,572)</u>	<u>657,562</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	752,330	752,330	752,330	-
Insurance recovery	-	1,240	3,638	2,398
Total Other Financing Sources (Uses)	<u>752,330</u>	<u>753,570</u>	<u>755,968</u>	<u>2,398</u>
Net changes in fund balances	<u>(1,212,900)</u>	<u>(781,564)</u>	<u>(121,604)</u>	<u>659,960</u>
Fund balance - beginning	4,569,813	4,569,813	4,569,813	-
Fund balance - ending	<u>\$ 3,356,913</u>	<u>\$ 3,788,249</u>	<u>\$ 4,448,209</u>	<u>\$ 659,960</u>

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fayetteville, Tennessee (the "City") 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 City'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 City 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The school capital projects fund accounts for the financial resources provided by debt issuance and used for capital improvements projects.

The government reports the following major enterprise funds:

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

The sanitation fund accounts for the activities of the City'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 recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

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 enterprise 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, 2013

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, with the exception of investments in the Local Government Investment Pool, which are reported at amortized cost.

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

Governmental Activities – The City maintains a separate account for deposits in a local government investment pool for the City's portion of the cost of a bridge widening project. The balance of this account at June 30, 2013, is \$140,095. This amount has been classified as restricted on the statement of net position and governmental funds balance sheet. As of June 30, 2013, this project is complete and the City is awaiting the approval of the State of Tennessee to remove the funds.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Other funds are designated for specific purposes either by the enterprise fund board or by management. Those include funds for equipment, system improvements and employee benefits.

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 City 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 estimated fair value at the date of donation.

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	20-40 years
Public domain infrastructure	40-50 years
Improvements other than buildings	10-20 years
Machinery, equipment and other	5-15 years

7. Compensated absences

The City'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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. 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.

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 fund balance – 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 fund balance – 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 and Basic Education Program (BEP) reserves as being restricted because their use is restricted by provisions of the state grants.

Committed fund balance – 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 City'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 the specified use by taking the same action that was employed when the funds were initially committed.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned fund balance – includes amounts that are constrained by the City’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. The Fayetteville City Schools has assigned resources in next year’s budget as a reserve to eliminate a projected deficit of projected revenues to expenditures.

Unassigned fund balance – 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.

10. Net position flow assumption

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

11. 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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Reclassifications

Certain reclassifications have been made to the June 30, 2012 financial statements to conform to the June 30, 2013 financial statement presentation. Such reclassifications have had no effect on net income as previously reported.

13. 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 \$1,137,176. Of this, \$10,387 was capitalized with the remainder charged to expense. The School's net interest expense capitalized for the current year was \$121,405.

14. Estimates

In preparing the City of Fayetteville'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.

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 \$9,252,836 difference are identified as follows:

Bonds and notes payable	\$ 7,779,335
Add: Deferred credit on refunding (to be amortized over the remainder of old debt's life)	1,642
Add: Issuance premium (to be amortized over life of debt)	80,279
Accrued interest payable	31,042
Capital leases	17,908
Compensated absences	563,268
Other postemployment benefit obligations	552,432
Landfill post closure costs	<u>226,930</u>
 Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	 <u>\$ 9,252,836</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

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

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

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$23,637,425 difference are as follows:

Land	\$ 3,455,563
Construction in progress	6,811,033
Buildings and improvements	14,831,190
Less: Accumulated depreciation-buildings and improvements	(6,290,333)
Machinery and equipment	8,263,314
Less: Accumulated depreciation-machinery and equipment	(4,639,661)
Infrastructure	2,626,312
Less: Accumulated depreciation-infrastructure	<u>(1,419,993)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 23,637,425</u>

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

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

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,693,121 difference are as follows:

Capital outlay	\$ 4,576,454
Depreciation expense	<u>(883,333)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,693,121</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 \$(121,658) difference are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

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)

Compensated absences	\$ (13,957)
Net OPEB obligation	(102,466)
Accrued interest	(15,851)
Landfill post closure costs	<u>10,616</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (121,658)</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 \$55,000 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 cost of the capital assets sold.	<u>\$ 55,000</u>
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Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 55,000</u>
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Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(92,819) difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ (6,140,000)
Premium on debt issuance	(67,020)
Deferred credit on refunding	(1,667)
Principal repayments:	
General obligation bond	110,000
General obligation notes refunded	6,001,793
Energy efficiency loan	24,779
Capital leases	16,752
Debt issuance costs charged to expense	(39,087)
Amortization of debt premiums	<u>1,631</u>
Net adjustment to decrease net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (92,819)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

For the year ended June 30, 2013, expenditures exceeded appropriations in the highways and streets department (the legal level of budgetary control) by \$11,397, in the housing and community development department by \$159,819, and in the garage department by \$5,387. Additionally total general fund expenditures exceeded appropriations by \$65,788.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

(A) Deposits and investments

The following is a summary of cash and investments as of June 30, 2013:

General use:		
On deposit and on hand		\$ 30,391,102
Restricted and other special funds:		
On deposit - restricted	\$ 7,574,053	
On deposit – special funds	6,632,123	
U.S. Government security – restricted	242,187	
Local Government Investment Pool - restricted	140,095	14,588,458
Total		<u>\$ 44,979,560</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(A) Deposits and investments (Continued)

A portion of the restricted assets shown on deposit above are maintained in the City'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, 2013, the following restricted funds were maintained:

Sinking and reserve fund	\$ 1,972,082
Improvements and construction fund	44
	<u>\$ 1,972,126</u>

The remaining restricted assets shown on deposit above included \$12,690 restricted for career ladder expenditures and \$1,575,305 for construction and improvements to the Fayetteville City Schools.

Special funds totaling \$6,632,123 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.

The City has \$140,095 invested in the Local Government Investment Pool as required by the State of Tennessee as part of a bridge construction project.

Legal provisions - 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 City has not adopted policies to further limit its deposit or investment choices.

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 City's risk is mitigated through the limited maturities of investments and time deposits.

Credit risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. 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.

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 City does not have a deposit policy for custodial credit risk. At June 30, 2013, 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. Other deposits are adequately insured either by collateral securities held by the City's agent in the City's name or Federal Depository Insurance.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(A) Deposits and investments (Continued)

At June 30, 2013, the City's cash consists of deposits in financial institutions with bank balances of \$45,716,361 and carrying amounts of \$44,593,434 plus cash on hand of \$3,844. Of the amounts on deposit, \$41,044,336 is fully insured by the FDIC or the Tennessee Bank Collateral Pool. The remaining \$3,549,098 is collateralized by securities pledged by financial institutions in the name of the City.

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 City does not have an investment policy for custodial credit risk. None of the City's investments are considered exposed to custodial credit risk.

(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 General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	2,639,196	-	-	-	2,639,196
Accounts	42,937	135	-	223	43,295
Intergovernmental	<u>914,322</u>	<u>265,924</u>	-	<u>31,315</u>	<u>1,211,561</u>
Gross receivables	3,596,455	266,059	-	31,538	3,894,052
Less: Allowance for					
Uncollectibles	<u>(17,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,614)</u>
Net total receivables	<u>\$ 3,578,841</u>	<u>\$ 266,059</u>	<u>\$ -</u>	<u>\$ 31,538</u>	<u>\$ 3,876,438</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 \$110,992.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(C) Capital assets

Capital asset activity for the year ended June 30, 2013, for governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 3,400,563	\$ 105,000	\$ (50,000)	\$ 3,455,563
Construction in progress	<u>2,446,877</u>	<u>4,364,156</u>	<u>-</u>	<u>6,811,033</u>
Total capital assets, not being depreciated	<u>5,847,440</u>	<u>4,469,156</u>	<u>(50,000)</u>	<u>10,266,596</u>
Capital assets, being depreciated:				
Buildings	13,223,456	-	-	13,223,456
Improvements other than buildings	1,589,259	18,475	-	1,607,734
Machinery and equipment	8,090,366	178,622	(5,674)	8,263,314
Infrastructure	<u>2,611,110</u>	<u>15,202</u>	<u>-</u>	<u>2,626,312</u>
Total capital assets being depreciated	<u>25,514,191</u>	<u>212,299</u>	<u>(5,674)</u>	<u>25,720,816</u>
Less accumulated depreciation for:				
Buildings	(5,402,013)	(305,444)	-	(5,707,457)
Improvements other than buildings	(510,171)	(72,705)	-	(582,876)
Machinery and equipment	(4,219,578)	(425,757)	5,674	(4,639,661)
Infrastructure	<u>(1,340,565)</u>	<u>(79,428)</u>	<u>-</u>	<u>(1,419,993)</u>
Total accumulated depreciation	<u>(11,472,327)</u>	<u>(883,334)</u>	<u>5,674</u>	<u>(12,349,987)</u>
Total capital assets, being depreciated, net	<u>14,041,864</u>	<u>(671,035)</u>	<u>-</u>	<u>13,370,829</u>
Governmental activities capital assets, net	<u>\$ 19,889,304</u>	<u>\$ 3,798,121</u>	<u>\$ (50,000)</u>	<u>\$ 23,637,425</u>

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

Governmental Activities	
General government	\$ 70,681
Public safety	155,727
Recreation	74,052
Highways and streets	168,574
Housing and community development	4,904
Education	<u>409,396</u>
Total depreciation expense – governmental activities	<u>\$ 883,334</u>

Capital asset activity for the year ended June 30, 2013, for business-type activities is as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(C) Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,077,818	\$ 20,660	\$ -	\$ 1,098,478
Construction in progress	<u>1,677,744</u>	<u>6,480,106</u>	<u>(3,545,569)</u>	<u>4,612,281</u>
Total capital assets, not being depreciated	<u>2,755,562</u>	<u>6,500,766</u>	<u>(3,545,569)</u>	<u>5,710,759</u>
Capital assets, being depreciated				
Structures and improvements	3,828,247	79,320	(26,640)	3,880,927
Machinery and equipment	122,731,411	4,088,919	(743,136)	126,077,194
Infrastructure	<u>605,705</u>	<u>7,538</u>	<u>(5,294)</u>	<u>607,949</u>
Total capital assets being depreciated	<u>127,165,363</u>	<u>4,175,777</u>	<u>(775,070)</u>	<u>130,566,070</u>
Less accumulated depreciation for:				
Structures and improvements	(1,629,768)	(100,040)	26,641	(1,703,167)
Machinery and equipment	(52,593,545)	(4,446,602)	967,229	(56,072,918)
Infrastructure	<u>(523,402)</u>	<u>(36,367)</u>	<u>8,701</u>	<u>(551,068)</u>
Total accumulated depreciation	<u>(54,746,715)</u>	<u>(4,583,009)</u>	<u>1,002,571</u>	<u>(58,327,153)</u>
Total capital assets, being depreciated, net	<u>72,418,648</u>	<u>(407,232)</u>	<u>227,501</u>	<u>72,238,917</u>
Business-type activities capital assets, net	<u>\$ 75,174,210</u>	<u>\$ 6,093,534</u>	<u>\$ (3,318,068)</u>	<u>\$ 77,949,676</u>

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

Business-type Activities	
Public utilities	\$ 4,568,729
Sanitation fund	<u>14,280</u>
Total depreciation expense – business-type activities	<u>\$ 4,583,009</u>

The amount of \$333,186 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, 2013, the City's Fayetteville Public Utilities (FPU) enterprise fund had outstanding construction contract commitments totaling \$4,408,257.

At June 30, 2013, the Fayetteville City School System had uncompleted architectural and construction contracts equipment purchase commitments in the school capital projects fund. The remaining commitment on these contracts was approximately \$1,286,553.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

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, 2013, is as follows:

	Due from					<u>Total</u>
	<u>Internal Capital Projects</u>	<u>Drug Fund</u>	<u>School Title Fund</u>	<u>General Fund</u>	<u>Sanitation Fund</u>	
Due to:						
General fund	\$ 3	\$ 1,572	\$ -	\$ -	\$ 53,720	\$ 55,295
Drug fund	-	-	-	2,007	-	2,007
Internal capital projects fund	-	-	-	1,092	-	1,092
School general fund	-	-	300	-	-	300
	<u>\$ 3</u>	<u>\$ 1,572</u>	<u>\$ 300</u>	<u>\$ 3,099</u>	<u>\$ 53,720</u>	<u>\$ 58,694</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. The composition of interfund transfers for the year ended June 30, 2013 is as follows:

	Transfers In				<u>Total</u>
	<u>General Fund</u>	<u>School General Fund</u>	<u>Sanitation Fund</u>	<u>Other Governmental Funds</u>	
Transfers Out:					
General fund	\$ -	\$ 752,330	\$ -	\$ 193,897	\$ 946,227
Internal capital projects fund	-	-	-	-	-
Subtotal – governmental funds	-	<u>752,330</u>	-	<u>193,897</u>	<u>946,227</u>
Fayetteville Public Utilities	1,110,128	-	-	-	1,110,128
Sanitation fund	<u>110,000</u>	-	-	<u>28,500</u>	<u>138,500</u>
Subtotal – proprietary funds	<u>1,220,128</u>	-	-	<u>28,500</u>	<u>1,248,628</u>
	<u>\$ 1,220,128</u>	<u>\$ 752,330</u>	<u>\$ -</u>	<u>\$ 222,397</u>	<u>\$ 2,194,855</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 5 - LONG-TERM DEBT

(A) General Obligation Bonds

The City 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 City.

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 maturing 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%. \$ 7,580,000

Series 2011, \$2,660,000 general obligation bonds, issued December 2011 to refund revenue bonds totaling \$3,600,000 maturing serially at annual interest rates ranging from 1.00% to 2.00% with final maturity in 2020. The bonds are additionally payable from telecom system revenues. The bonds are not subject to redemption prior to maturity. 2,345,000

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. 6,140,000

Total general obligation bonds \$ 16,065,000

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

Year ending <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>
2014	\$ 305,000	\$ 227,852	\$ 920,000	\$ 238,995
2015	325,000	207,419	920,000	217,797
2016	330,000	199,770	945,000	196,697
2017	330,000	192,018	950,000	174,450
2018	330,000	183,694	975,000	148,573
2019-2023	1,820,000	787,631	2,980,000	371,545
2024-2028	1,560,000	539,875	670,000	41,464
2029-2033	1,420,000	338,863	-	-
2034-2037	<u>1,285,000</u>	<u>105,788</u>	-	-
Total	<u>\$ 7,705,000</u>	<u>\$ 2,782,910</u>	<u>\$ 8,360,000</u>	<u>\$ 1,389,521</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 6 - 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, 2013, 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%.

\$ 9,485,000

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

Total revenue bonds

\$ 19,435,000

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending</u> <u>June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 950,000	\$ 741,169
2015	1,025,000	712,669
2016	1,055,000	681,919
2017	1,085,000	650,269
2018	1,120,000	616,363
2019-2023	6,245,000	2,437,797
2024-2028	<u>7,955,000</u>	<u>1,042,987</u>
Total	<u>\$ 19,435,000</u>	<u>\$ 6,883,173</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, 2013.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 6 - LONG-TERM DEBT (Continued)

(C) Loans

The City has the following loans outstanding at June 30, 2013:

City of Fayetteville:

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.	\$ 74,335
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Fayetteville Public Utilities (Electric Division):

RUS Rural Economic Development Loan, 2004, no interest with ten year term, pass through loan to South Central Human Resource Agency.	41,250
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Fayetteville Public Utilities (Water Division)

State of Tennessee Utility Relocation Loan, 2005, with 15 year term, interest at 1.85%.	1,637,386
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U.S. Department of Agriculture loan agreement to borrow \$3,350,000 to finance the cost of extensions and improvements to the Water and Wastewater Department's water and wastewater system and refinance maturing bond anticipation notes. The loan matures October 21, 2014, and bears interest at a rate of 2.25%. These loans are authorized under a resolution approved by the Board of Mayor and Aldermen in anticipation of issuance of \$3,500,000 bonds through the USDA under the Consolidated Farm and Rural Development Act.	2,993,902
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Fayetteville Public Utilities (Water Division)

Loan agreement with the U.S. Department of Agriculture (USDA) Rural Development to borrow \$4,865,000 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 October 25, 2013, and bears interest at a rate of 3.00%. This loan is authorized under a resolution approved by the Board of Mayor and Aldermen in anticipation of issuance of \$4,980,000 bonds through the USDA under the Consolidated Farm and Rural Development Act. Accordingly, the loan is included in long-term debt based on the terms of the anticipated bond issue.	738,760
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Fayetteville Public Utilities (Water Division)

Loan agreement 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, 2015, and bears interest at a rate of 2.50%. This loan is 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. Accordingly, the loan is included in long-term debt based on the terms of the anticipated bond issue.	5,200
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Total Loans	<u>\$ 5,490,833</u>
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NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 6 - LONG-TERM DEBT (Continued)

(C) Loans (Continued)

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 \$5,272,360 of which \$670,173 is to be forgiven. These loans will be used to finance the cost of certain improvements to the Wastewater Department's wastewater system. The loans mature 20 years from project completion and bear interest a rate of 1.17%. FPU had received no advances at June 30, 2013.

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

<u>Year ending</u> <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>
2014	\$ 24,778	\$ -	\$ 217,139	\$ 113,077
2015	24,778	-	196,569	114,790
2016	24,779	-	200,655	110,604
2017	-	-	204,764	106,492
2018	-	-	208,960	102,298
2019-2023	-	-	1,110,885	445,403
2024-2028	-	-	658,348	344,334
2029-2033	-	-	478,542	286,880
2034-2038	-	-	539,547	225,874
2039-2043	-	-	608,468	156,954
2044-2048	-	-	686,356	79,066
2049-2053	-	-	306,265	7,918
Total	<u>\$ 74,335</u>	<u>\$ -</u>	<u>\$ 5,416,498</u>	<u>\$ 2,093,690</u>

(D) Changes in long-term liabilities

Current Refundings: On May 1, 2013, FPU issued \$6,140,000 in general obligation bonds which currently refund \$6,000,000 of FPU's general capital outlay notes - series 2011. The refunding was undertaken to reduce FPU's periodic payment requirements. The difference in the cash flow required to service the new debt versus the old totaled \$1,579,427. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,667. This difference, reflected as a deferred inflow in the statement of net position, is being amortized over the remainder of the old debt's life which was 11 years. FPU realized an economic loss (difference between the present values of the old and new debt service payments) on the refunding of \$165,158.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 6 - LONG-TERM DEBT (Continued)

(E) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning			Ending	Due
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within</u>
					<u>One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds – fixed rate	\$ 1,675,000	\$ 6,140,000	\$ (110,000)	\$ 7,705,000	\$ 305,000
Deferred credit on refunding	-	1,667	(25)	1,642	-
Unamortized bond premium	<u>14,865</u>	<u>67,020</u>	<u>(1,606)</u>	<u>80,279</u>	<u>-</u>
Total bonds payable	1,689,865	6,208,687	(111,631)	7,786,921	305,000
Loans payable:					
Tennessee Energy Efficiency Loan	99,114	-	(24,779)	74,335	24,778
General obligation capital outlay note	6,000,000	-	(6,000,000)	-	-
Unamortized premium	<u>1,793</u>	<u>-</u>	<u>(1,793)</u>	<u>-</u>	<u>-</u>
Total loans payable	6,100,907	-	(6,026,572)	74,335	24,778
Capital leases	34,660	-	(16,752)	17,908	17,908
Landfill postclosure costs	237,546	-	(10,616)	226,930	10,600
Postemployment benefit obligation	449,966	241,237	(138,771)	552,432	-
Compensated absences	<u>549,311</u>	<u>293,457</u>	<u>(279,500)</u>	<u>563,268</u>	<u>286,602</u>
Governmental Activity Long-Term Liability	<u>\$ 9,062,255</u>	<u>\$ 6,743,381</u>	<u>\$(6,583,842)</u>	<u>\$ 9,221,794</u>	<u>\$ 644,888</u>
	Beginning			Ending	Due
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within</u>
					<u>One Year</u>
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 20,355,000	\$ -	\$ (920,000)	\$ 19,435,000	\$ 950,000
General obligation	9,255,000	-	(895,000)	8,360,000	920,000
Unamortized bond premium	<u>162,139</u>	<u>-</u>	<u>(15,385)</u>	<u>146,754</u>	<u>-</u>
Total bonds payable	29,772,139	-	(1,830,385)	27,941,754	1,870,000
Loans:					
Tennessee utility relocation loan	1,763,995	-	(126,609)	1,637,386	128,971
RUS economic development loan	86,250	-	(45,000)	41,250	41,250
Bond anticipation note	<u>3,125,717</u>	<u>612,145</u>	<u>-</u>	<u>3,737,862</u>	<u>-</u>
Total loans payable	4,975,962	612,145	(171,609)	5,416,498	170,221
Postemployment benefit obligation	357,756	111,149	(386)	468,519	-
Compensated absences	<u>808,293</u>	<u>438,217</u>	<u>(500,820)</u>	<u>745,690</u>	<u>473,044</u>
Business-type Activity Long-Term Liabilities	<u>\$ 35,914,180</u>	<u>\$1,161,511</u>	<u>\$(2,503,200)</u>	<u>\$34,572,461</u>	<u>\$ 2,513,265</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 6 - LONG-TERM DEBT (Continued)

(F) Other long-term liability information

From time to time, the City 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 City 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, 2013, there were two series of IDRFB outstanding. The aggregate principal amount payable was \$11,620,000. The original issue amounts totaled \$15,615,000.

NOTE 7 - LEASING ACTIVITY

The Fayetteville City School System has entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations.

As of June 30, 2013, capital lease annual amortization is as follows:

	Year Ending	Governmental
	June 30,	Activities
	2014	<u>\$ 19,144</u>
	Total requirements	19,144
	Less interest	<u>(1,236)</u>
	Present value of remaining payments	<u>\$ 17,908</u>

Leased equipment under capital leases in capital assets at June 30, 2013, includes the following:

Equipment	\$ 19,425
Less: Accumulated depreciation	<u>(3,723)</u>
Total	<u>\$ 15,702</u>

One capital lease for the purchase of computer equipment is not included in capital assets because the cost of individual items acquired is less than the capitalization threshold. Amortization of leased equipment under capital assets is included with depreciation expense.

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>	
	2014	\$ 12,269
	2015	11,984
	2016	11,585
	2017	7,786
	2018	<u>1,612</u>
		<u>\$ 45,236</u>

Lease expenditures for the year ending June 30, 2013 totaled \$16,707.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 8 - 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>
Assets				
Current assets	\$ 27,946,562	\$ 2,620,068	\$ 270,865	\$ 821,774
Special funds	2,594,566	2,793,648	132,351	3,083,684
Capital assets	41,071,316	14,709,010	3,289,591	18,546,512
Other assets	1,387,000	52,844	19,914	56,527
Due from other divisions	<u>1,792,744</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>74,792,188</u>	<u>20,175,570</u>	<u>3,712,721</u>	<u>22,508,497</u>
 Deferred Outflows of Resources	 <u>132,348</u>	 <u>32,824</u>	 <u>88,475</u>	 <u>16,985</u>
Liabilities				
Current liabilities	6,161,125	970,164	555,571	1,528,413
Other liabilities	1,572,858	101,366	56,795	126,148
Long term debt	18,547,423	3,479,642	2,029,652	7,261,314
Due to other divisions	<u>-</u>	<u>-</u>	<u>1,792,744</u>	<u>-</u>
	<u>26,281,406</u>	<u>4,551,172</u>	<u>4,434,762</u>	<u>8,915,875</u>
Net Position				
Net investment in capital assets	21,573,893	10,939,368	939,939	10,846,271
Restricted	1,972,082	-	-	44
Unrestricted	<u>25,097,155</u>	<u>4,717,854</u>	<u>(1,573,505)</u>	<u>2,763,292</u>
	<u>\$ 48,643,130</u>	<u>\$ 15,657,222</u>	<u>\$ (633,566)</u>	<u>\$ 13,609,607</u>
 <u>Condensed Statement of Revenues, Expenses, and Changes in Net Position</u>				
Operating revenues	\$ 44,800,386	\$ 6,999,626	\$ 3,622,620	\$ 4,768,621
Depreciation expense	2,110,595	526,592	570,397	1,027,959
Other operating expenses	<u>38,909,363</u>	<u>5,552,439</u>	<u>2,435,442</u>	<u>2,870,801</u>
Operating income	3,780,428	920,595	616,781	869,861
Nonoperating revenue (expenses):				
Investment income	37,802	5,594	133	3,296
Interest expense	(766,468)	(139,993)	(41,229)	(179,099)
Other	(11,480)	4,916	2,693	(11,626)
Contributions/Transfers – net	<u>(525,510)</u>	<u>(230,655)</u>	<u>22,851</u>	<u>269,497</u>
Change in net position	2,514,772	560,457	601,229	951,929
Beginning net position, restated	<u>46,128,358</u>	<u>15,096,765</u>	<u>(1,234,795)</u>	<u>12,657,678</u>
Ending net position	<u>\$ 48,643,130</u>	<u>\$ 15,657,222</u>	<u>\$ (633,566)</u>	<u>\$ 13,609,607</u>
 <u>Condensed Statement of Cash Flows</u>				
Net cash provided (used) by:				
Operating activities	\$ 4,108,696	\$ 1,909,710	\$ 1,233,885	\$ 2,134,588
Noncapital financing activities	(266,561)	(230,655)	(484,018)	(128,894)
Capital and related financing activities	(5,304,675)	(1,301,523)	(755,391)	(1,966,774)
Investing activities	<u>43,377</u>	<u>12,999</u>	<u>15,119</u>	<u>(3,381)</u>
Net increase (decrease)	(1,419,163)	390,531	9,595	35,539
Cash and cash equivalents, July 1	<u>23,621,498</u>	<u>3,986,556</u>	<u>122,756</u>	<u>3,152,471</u>
Cash and cash equivalents, June 30	<u>\$ 22,202,335</u>	<u>\$ 4,377,087</u>	<u>\$ 132,351</u>	<u>\$ 3,188,010</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 9 - RISK MANAGEMENT

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

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

NOTE 10 - CONTINGENT LIABILITIES

The government participates in a number of federally assisted 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 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 City'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 City acts as administrator of the postclosure activities. Total remaining closure and postclosure care costs are estimated to be \$453,860 at June 30, 2013. These costs will be shared equally by the City and Lincoln County, Tennessee. The City's share of this estimated liability (\$226,930) is included as a liability in the statement of net position. The City's current year share of required funding was \$18,159 and is reported as an expenditure of the Internal Capital Projects Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 10 - CONTINGENT LIABILITIES (Continued)

FPU's Board has approved the purchase of 164 gas customers in the Ardmore, Tennessee area and the existing utility plant for \$574,000. This purchase is contingent upon finalization of certain legal issues which had not been completed as of June 30, 2013.

NOTE 11 - PENSION AND BENEFIT PLANS

PLAN DESCRIPTION

General government and Fayetteville City Board of Education employees are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the government participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

FUNDING POLICY

The government requires employees to contribute 5.0 percent of earnable compensation.

The government is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013, was 9.87% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the government is established and may be amended by the TCRS Board of Trustees.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 11 - PENSION AND BENEFIT PLANS (Continued)

ANNUAL PENSION COST

For the year ending June 30, 2013, the government's annual pension cost of \$473,851 to TCRS was equal to the government's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/13	\$473,851	100.00%	\$0.00
6/30/12	\$452,405	100.00%	\$0.00
6/30/11	\$442,884	100.00%	\$0.00

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the plan was 83.66 percent funded. The actuarial accrued liability for benefits was \$17.29 million, and the actuarial value of assets was \$14.47 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.83 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.54 million, and the ratio of the UAAL to the covered payroll was 62.28 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage Of Covered Payroll <u>((b-a)/c)</u>
7/1/11	\$14,468	\$17,294	\$ 2,826	83.66%	\$4,538	62.28%
7/1/09	\$12,291	\$15,260	\$ 2,968	80.55%	\$4,307	68.92%
7/1/07	\$12,198	\$12,373	\$ 175	98.59%	\$3,785	4.62%

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 11 - PENSION AND BENEFIT PLANS (Continued)

FAYETTEVILLE CITY SCHOOLS-TEACHERS PLAN

PLAN DESCRIPTION

The Fayetteville City Schools contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

FUNDING POLICY

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The employer contribution rate for Fayetteville City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for Fayetteville City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2013, 2012, and 2011 were \$490,626, \$478,925, and \$442,897, respectively, equal to the required contributions for each year.

FAYETTEVILLE PUBLIC UTILITIES

Substantially all employees of FPU are participants in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program, a defined benefit pension plan qualified under section 401 and tax-exempt under section 501(a) of the Internal Revenue Code. FPU's total payroll for the fiscal year 2013 was \$5,648,815. FPU's contributions were based on covered payroll totaling \$4,529,238 which reflects certain adjustments in accordance with the plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 11 - PENSION AND BENEFIT PLANS (Continued)

All members age 21 years and older with one year of completed service are eligible to participate. 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.

The 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 contributions based on the payroll of eligible participants for the years ended June 30, 2013, 2012, and 2011 were \$1,029,376, \$1,093,148, and \$1,040,098, respectively.

The plan (a master multiple-employer plan) does not make separate measurements of assets and pension benefit obligation for individual employers. Information concerning the plan's total net position available for benefits, total pension benefit obligation and ten-year historical trend data is disclosed at the NRECA level. That information may be obtained by writing to Retirement Safety & Insurance Department, National Rural Electric Cooperative Association, 4301 Wilson Boulevard, Arlington, Virginia 22203-1860 or by calling (703) 907-5500.

FPU also has a defined contribution plan, under section 401(k) of the Internal Revenue Code, covering all employees who have completed six months of service. 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. Employer and employee contributions to the Plan totaled \$53,057 and \$56,477 and \$179,385 and \$169,338 for the years ended June 30, 2013 and 2012, respectively.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

PLAN DESCRIPTION-GENERAL GOVERNMENT

The City 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 City 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, 2013 was \$8,822. 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, 2013, FPU contributed \$386 and the City contributed \$54,771 to fund premiums for retirees receiving benefits.

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 excess) 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	\$ 111,428	\$ 146,488
Interest on net OPEB obligation	12,214	10,736
Adjustment to annual required contribution	<u>(12,493)</u>	<u>(8,987)</u>
Annual OPEB cost (expense)	111,149	148,237
Contributions made	<u>(386)</u>	<u>(54,771)</u>
Increase in net OPEB obligation	110,763	93,466
Net OPEB obligation, beginning of year	<u>357,756</u>	<u>352,966</u>
Net OPEB obligation, end of year	<u>\$ 468,519</u>	<u>\$ 446,432</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:

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

	<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
<u>FPU</u>				
	June 30, 2011	\$ 101,889	3.96%	\$ 256,486
	June 30, 2012	106,655	5.05%	357,757
	June 30, 2013	111,149	0.35%	468,519
 <u>City</u>				
	June 30, 2011	\$ 130,855	39.4%	\$ 274,508
	June 30, 2012	139,284	43.7%	352,966
	June 30, 2013	148,237	36.9%	446,432

As of July 1, 2012, the most recent actuarial valuation date for the City, and July 1, 2012, the most recent actuarial valuation date for FPU, 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.

The actuarial accrued unfunded liability (UAAL) for benefits at June 30, 2013, as well as actuarial methods and assumptions for both plans, was as follows:

	<u>FPU</u>	<u>City</u>
Actuarial valuation date	7/01/2012	7/01/2012
UAAL	\$ 1,192,329	\$ 1,624,121
Covered payroll	\$ 4,993,025	\$ 3,494,902
Ratio of UAAL to covered payroll	23.9%	46.5%
Actuarial valuation method	Projected unit credit	Entry age normal
Amortization period	30 yrs	30 yrs
Actuarial assumptions:		
Discount rate	4.0%	4.5%
Projected salary increases	not available	4.0%

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

For the general government the actuarial assumptions include an annual medical cost trend increase of 8% initially with future annual increases assumed to grade uniformly to 5% over a 5 year period. For FPU the actuarial assumptions include an annual medical cost trend increase of 8% initially with future annual increases assumed to grade uniformly to 5% over a 6 year period. The valuations did not include an investment rate of return on plan assets as there were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was twenty-six 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. In previous years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred organization (PPO) 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>.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

<u>Annual OPEB cost and Net OPEB Obligation</u>	<u>Teacher Group Plan</u>
Annual required contribution	\$ 93,000
Interest on net OPEB obligation	4,000
Adjustment to the annual required contribution	<u>(4,000)</u>
Annual OPEB cost (expense)	93,000
Amount of contribution	<u>(84,000)</u>
Increase in net OPEB obligation	9,000
Net OPEB obligation, beginning of year	<u>97,000</u>
Net OPEB obligation, end of year	<u>\$ 106,000</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 OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Teacher Group	6/30/2011	\$ 64,000	106.3%	\$ 67,000
Teacher Group	6/30/2012	\$ 92,000	67.4%	\$ 97,000
Teacher Group	6/30/2013	\$ 93,000	90.3%	\$ 106,000

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2011, was as follows (dollars in thousands):

	<u>Teacher Group Plan</u>
Actuarial valuation date	7/1/2011
Actuarial accrued liability (AAL)	\$ 693
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	693
Actuarial value of assets as a % of the AAL	0.0%
Covered payroll (active plan members)	4,680
UAAL as a percentage of covered payroll	14.8%

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The rate includes a 2.5 percent inflation assumption, which also represents projected salary increase. 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.

NOTE 13 - STATE STREET AID FUNDS

The City 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, 2013, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	\$ 175,378
City street and transportation	<u>13,989</u>
Total	<u>\$ 189,367</u>

NOTE 14 - RELATED PARTIES

Two board of education members are employed by financial institutions with which the Fayetteville City Schools transacts business.

NOTE 15 - 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, 2013, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2013, the government received \$26,791 from the State of Tennessee for this shared revenue.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 16 - JOINT VENTURES

The City 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. Audited financial statements for the Fayetteville - Lincoln County Industrial Development Board were not available as of the date this report was issued.

	<u>Fayetteville – Lincoln County</u>	
	Regional Airport <u>Authority</u>	Public <u>Library</u>
Total assets	\$ 5,883,720	\$ 3,373,507
Total liabilities	<u>108,455</u>	<u>9,454</u>
Net position	<u>\$ 5,775,265</u>	<u>\$ 3,364,053</u>
Revenues	\$ 1,360,592	\$ 176,661
Expenditures	<u>286,861</u>	<u>261,571</u>
Increase (decrease) in net position	<u>\$ 1,073,731</u>	<u>\$ (84,960)</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
110 South Elk Avenue
Fayetteville, TN 37334

Fayetteville Lincoln County Airport
37 Airport Road
Fayetteville, TN 37334

NOTE 17 - PLEDGED REVENUES

FPU has pledged the respective revenues of each division to secure certain revenue bonds as described in Note 6. 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	\$ 44,800,386	\$ 1,688,769	3.8%	\$ 26,318,173	2028
Gas	6,999,626	430,719	6.2%	4,658,452	2025
Telecom	3,622,620	350,715	9.7%	2,493,195	2020
Water & Sewer	<u>4,768,621</u>	<u>531,285</u>	<u>11.1%</u>	<u>10,210,741</u>	<u>2053</u>
	<u>\$ 60,191,253</u>	<u>\$ 3,001,488</u>	<u>5.0%</u>	<u>\$ 43,680,561</u>	

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 18 - JOINT VENTURE

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, Maury County, 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) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

Complete financial statements for the Volunteer State Cooperative can be obtained from its administrative office at Volunteer State Cooperative, P.O. Box 433, 110 Natcor Drive, Dover, TN 37058.

NOTE 19 - 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, 2013, credits resulting from solar power generation totaled \$1,509,827. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2013, the liability for such amounts due to customers was \$138,011 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 20 - GASB STATEMENT NUMBER 65 IMPLEMENTATION

The government early implemented the provisions of GASBS 65, *Items Previously Reported as Assets and Liabilities*, in the current period. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. Among these items, the statement requires debt issuance costs, except any portion related to prepaid insurance costs, to be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this Statement are to be applied retroactively by restating financial statements. The cumulative effect of applying this Statement has been reported as a restatement of beginning net position as follows:

	Governmental Activities	Business-type Activities
Net position June 30, 2012 as previously reported	\$ 12,724,210	\$ 73,150,180
GASB 65 implementation:		
Unamortized debt issuance costs	(70,941)	(673,845)
less prepaid insurance reclassified	<u> -</u>	<u> 171,611</u>
Net position June 30, 2012, restated	<u>\$ 12,653,269</u>	<u>\$ 72,648,006</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

NOTE 21 - TERMINATION BENEFITS

During the year, FPU offered an early retirement window, the Special Early Retirement Program ("SERP"). SERP is a one-time early retirement incentive plan offered to all employees age 58 or older. The window period was October 1, 2012 through November 30, 2012, the retirement date. Under the plan, employees taking advantage of this incentive received an additional five years of benefit service in the retirement plan through NRECA. In addition, FPU agreed to a one-time cash payment to each employee participating in the SERP of an amount equating to health insurance coverage for a period of one to three years depending on the employee's age and eligibility for Medicare coverage. The cost of these benefits totaled \$1,015,908 and is reflected in the financial statements according to the participating employees' labor distribution for the year. These amounts are in addition to any accrued sick and vacation leave otherwise payable upon retirement. All costs had been paid before June 30, 2013.

NOTE 22 - SUBSEQUENT EVENT

On October 15, 2013, the government issued \$1,045,000 of general obligation bonds to fund the construction of a swimming pool. Interest payments are required twice a year and coupon rates range from 1% to 4.5%, maturing at various dates beginning June 1, 2016 and ending June 1, 2013.

REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2013

(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)
June 30, 2011	\$ -	\$ 693	\$ 693	0.0%	\$ 5,218	13.3%
June 30, 2010	\$ -	\$ 496	\$ 496	0.0%	\$ 4,272	11.6%
June 30, 2009	\$ -	\$ 664	\$ 664	0.0%	\$ 4,476	14.8%

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, 2008	\$ -	\$ 883	\$ 883	0.0%	\$ 4,524	19.5%
July 1, 2010	\$ -	\$ 1,024	\$ 1,024	0.0%	\$ 4,998	20.5%
July 1, 2012	\$ -	\$ 1,192	\$ 1,192	0.0%	\$ 4,993	23.9%

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, 2012	\$ -	\$ 1,624	\$ 1,624	0.0%	\$ 3,091	52.5%
July 1, 2008	\$ -	\$ 1,349	\$ 1,349	0.0%	\$ 2,993	45.1%

Note: Additional years will be reported as data becomes available.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION BENEFITS

SCHEDULE OF FUNDING PROGRESS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

City of Fayetteville Political Subdivision Pension Plan (PSPP)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 14,468	\$ 17,294	\$ 2,826	83.66%	\$ 4,538	62.28%
July 1, 2009	\$ 12,291	\$ 15,260	\$ 2,968	80.55%	\$ 4,307	68.92%
July 1, 2007	\$ 12,198	\$ 12,373	\$ 175	98.59%	\$ 3,785	4.62%

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

June 30, 2013

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- School Title Fund
- School Cafeteria Fund
- Drug Fund

Debt Service Fund

The debt service fund is used to account for the receipt of special assessments and the associated repayment of debt.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

- Industrial Park Fund
- CDBG Fund
- UDAG Fund
- Internal Capital Projects

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

June 30, 2013

	Special Revenue Funds				
	School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Assets:					
Cash in bank	\$ -	\$ 96,940	\$ 69,675	\$ 166,615	\$ 311,733
Investments	-	-	-	-	-
Accounts receivable	-	223	-	223	-
Due from other funds	-	-	2,007	2,007	-
Due from other governments	31,315	-	-	31,315	-
Inventory	-	13,058	-	13,058	-
TOTAL ASSETS	\$ 31,315	\$ 110,221	\$ 71,682	\$ 213,218	\$ 311,733
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,353	\$ 5,353	\$ -
Other accrued expenses	15,498	-	-	15,498	-
Due to other funds	300	-	1,572	1,872	-
Unearned revenues	-	-	-	-	-
Cash in bank - overdraft	4,540	-	-	4,540	-
TOTAL LIABILITIES	20,338	-	6,925	27,263	-
Deferred Inflows of Resources:					
Unavailable revenue - operating grants	10,977	-	-	10,977	-
Fund Balances:					
Nonspendable	-	13,058	-	13,058	-
Restricted	-	-	64,757	64,757	-
Assigned	-	97,163	-	97,163	311,733
TOTAL FUND BALANCES	-	110,221	64,757	174,978	311,733
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 31,315	\$ 110,221	\$ 71,682	\$ 213,218	\$ 311,733

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

June 30, 2013

	Capital Projects Funds				Total Capital Projects	Total Nonmajor Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects		
Assets:						
Cash in bank	\$ 194,079	\$ 49,567	\$ 406,520	\$ 1,371,654	\$ 2,021,820	\$ 2,500,168
Investments	-	-	-	242,187	242,187	242,187
Accounts receivable	-	-	-	-	-	223
Due from (to) other funds	-	-	-	1,092	1,092	3,099
Due from other governments	-	-	-	-	-	31,315
Inventory	-	-	-	-	-	13,058
TOTAL ASSETS	<u>\$ 194,079</u>	<u>\$ 49,567</u>	<u>\$ 406,520</u>	<u>\$ 1,614,933</u>	<u>\$ 2,265,099</u>	<u>\$ 2,790,050</u>
Liabilities:						
Accounts payable	\$ 31,898	\$ -	\$ -	\$ 27,980	\$ 59,878	\$ 65,231
Other accrued expenses	-	-	-	-	-	15,498
Due to other funds	-	-	-	3	3	1,875
Unearned revenues	-	-	-	25,000	25,000	25,000
Cash in bank - overdraft	-	-	-	-	-	4,540
TOTAL LIABILITIES	<u>31,898</u>	<u>-</u>	<u>-</u>	<u>52,983</u>	<u>84,881</u>	<u>112,144</u>
Deferred Inflows of Resources:						
Unavailable revenue - operating grants	-	-	-	-	-	10,977
Fund Balances:						
Nonspendable	-	-	-	-	-	13,058
Restricted	-	49,567	406,520	242,981	699,068	763,825
Assigned	162,181	-	-	1,318,969	1,481,150	1,890,046
TOTAL FUND BALANCES	<u>162,181</u>	<u>49,567</u>	<u>406,520</u>	<u>1,561,950</u>	<u>2,180,218</u>	<u>2,666,929</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 194,079</u>	<u>\$ 49,567</u>	<u>\$ 406,520</u>	<u>\$ 1,614,933</u>	<u>\$ 2,265,099</u>	<u>\$ 2,790,050</u>

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2013

		Special Revenue Funds				
		School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Revenues:						
Intergovernmental		\$ 942,036	\$ 552,942	\$ -	\$ 1,494,978	\$ -
Charges for services		-	167,868	-	167,868	-
Investment earnings		-	67	68	135	214
Fines and forfeitures		-	-	11,275	11,275	-
Contributions		-	-	-	-	-
	TOTAL REVENUES	<u>942,036</u>	<u>720,877</u>	<u>11,343</u>	<u>1,674,256</u>	<u>214</u>
Expenditures:						
Current:						
General government		-	-	-	-	4
Public safety		-	-	48,621	48,621	-
Education		942,036	743,129	-	1,685,165	-
Sanitation		-	-	-	-	-
Debt Service:						
Principal		-	-	-	-	134,778
Interest		-	-	-	-	59,119
Capital outlay		-	5,404	-	5,404	-
	TOTAL EXPENDITURES	<u>942,036</u>	<u>748,533</u>	<u>48,621</u>	<u>1,739,190</u>	<u>193,901</u>
Excess (deficiency) of revenues over expenditures		<u>-</u>	<u>(27,656)</u>	<u>(37,278)</u>	<u>(64,934)</u>	<u>(193,687)</u>
Other Financing Sources (Uses):						
Transfers in		-	-	-	-	193,897
Insurance recovery		-	10,378	-	10,378	-
Proceeds from sale of capital assets		-	-	-	-	-
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>10,378</u>	<u>-</u>	<u>10,378</u>	<u>193,897</u>
Net change in fund balances		-	(17,278)	(37,278)	(54,556)	210
Fund balances - July 1, 2012		-	127,499	102,035	229,534	311,523
Fund balances - June 30, 2013		<u>\$ -</u>	<u>\$ 110,221</u>	<u>\$ 64,757</u>	<u>\$ 174,978</u>	<u>\$ 311,733</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, 2013

	Capital Projects Funds					Total Other Governmental Funds
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,494,978
Charges for services	-	-	-	-	-	167,868
Investment earnings	306	34	278	958	1,576	1,925
Fines and forfeitures	-	-	-	-	-	11,275
Contributions	-	-	-	1,092	1,092	1,092
TOTAL REVENUES	306	34	278	2,050	2,668	1,677,138
Expenditures:						
Current:						
General government	-	-	-	-	-	4
Public safety	-	-	-	-	-	48,621
Education	-	-	-	-	-	1,685,165
Community development	57,783	-	-	-	57,783	57,783
Sanitation	-	-	-	18,159	18,159	18,159
Debt service:						
Principal	-	-	-	-	-	134,778
Interest	-	-	-	-	-	59,119
Capital outlay	-	-	-	188,170	188,170	193,574
TOTAL EXPENDITURES	57,783	-	-	206,329	264,112	2,197,203
Excess (deficiency) of revenues over expenditures	(57,477)	34	278	(204,279)	(261,444)	(520,065)
Other Financing Sources:						
Transfers in	-	-	-	28,500	28,500	222,397
Insurance recovery	-	-	-	-	-	10,378
Proceeds from sale of capital assets	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	28,500	28,500	232,775
Net change in fund balances	(57,477)	34	278	(175,779)	(232,944)	(287,290)
Fund balances - July 1, 2012	219,658	49,533	406,242	1,737,729	2,413,162	2,954,219
Fund balances - June 30, 2013	\$ 162,181	\$ 49,567	\$ 406,520	\$ 1,561,950	\$ 2,180,218	\$ 2,666,929

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

For the year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
NCLB Title programs	\$ 327,160	\$ 557,436	\$ 557,436	\$ -
Special education programs	278,841	384,600	384,600	-
Total Revenues	<u>606,001</u>	<u>942,036</u>	<u>942,036</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	281,551	383,019	383,019	-
Contracted services	-	10,250	10,250	-
Supplies	7,183	18,281	18,281	-
Textbooks	6,000	105,500	105,500	-
Special education program				
Salaries and benefits	252,273	256,326	256,326	-
Equipment	-	47,105	47,105	-
Contracted services	-	9,768	9,768	-
Supplies	500	6,195	6,195	-
Support services:				
Regular instruction program				
Salaries and benefits	-	21,791	21,791	-
Travel	5,000	10,902	10,902	-
In service	5,000	5,830	5,830	-
Other	4,000	1,862	1,862	-
Special education program				
Contracted services	3,205	57,648	57,648	-
Travel	1,500	2,501	2,501	-
In service	15,380	1,375	1,375	-
Transportation				
Salaries and benefits	4,483	3,683	3,683	-
Total Expenditures	<u>586,075</u>	<u>942,036</u>	<u>942,036</u>	<u>-</u>
Net Change in Fund Balance	19,926	-	-	-
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	<u>\$ 19,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
National school lunch program	\$ 375,000	\$ 375,000	\$ 372,653	\$ (2,347)
School breakfast program	140,000	140,000	137,624	(2,376)
USDA commodities	-	35,678	35,678	-
Other	7,500	7,500	6,987	(513)
Charges for services	233,825	233,825	167,868	(65,957)
Investment earnings	600	600	67	(533)
Other revenues	800	800	-	(800)
Total Revenues	<u>757,725</u>	<u>793,403</u>	<u>720,877</u>	<u>(72,526)</u>
EXPENDITURES				
Current:				
Salaries and benefits	393,725	392,725	352,730	39,995
Repairs and maintenance	5,000	6,991	3,649	3,342
Travel	9,000	9,000	5,586	3,414
Contracted services	11,000	13,284	11,000	2,284
Food and preparation supplies	300,000	362,487	357,496	4,991
Supplies	1,800	2,088	1,800	288
Other	11,200	11,206	10,868	338
Capital outlay	26,000	6,000	5,404	596
Total Expenditures	<u>757,725</u>	<u>803,781</u>	<u>748,533</u>	<u>55,248</u>
Excess of Revenues over Expenditures	-	(10,378)	(27,656)	(17,278)
OTHER FINANCING SOURCES				
Insurance recovery	-	10,378	10,378	-
Net Change in Fund Balance	-	-	(17,278)	(17,278)
Fund Balance - beginning	<u>127,499</u>	<u>127,499</u>	<u>127,499</u>	<u>-</u>
Fund Balance - ending	<u>\$ 127,499</u>	<u>\$ 127,499</u>	<u>\$ 110,221</u>	<u>\$ (17,278)</u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 68	\$ (32)
Fines	13,000	13,000	6,095	(6,905)
Forfeitures	-	-	5,180	5,180
Total Revenues	<u>13,100</u>	<u>13,100</u>	<u>11,343</u>	<u>(1,757)</u>
EXPENDITURES				
Current:				
Operating				
Salaries	3,000	3,000	3,206	(206)
Education and training	2,500	2,500	25	2,475
Travel	4,000	4,000	2,872	1,128
Supplies	1,500	1,500	1,162	338
Repairs and maintenance	4,000	4,000	230	3,770
Telephone	2,175	2,175	933	1,242
Professional services	1,000	1,000	86	914
Equipment	81,700	81,700	34,507	47,193
Investigative transactions	5,000	5,000	5,000	-
Other drug fund	5,100	5,100	600	4,500
Total Expenditures	<u>109,975</u>	<u>109,975</u>	<u>48,621</u>	<u>61,354</u>
Excess of Revenues over Expenditures	(96,875)	(96,875)	(37,278)	59,597
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	-	-
Net Change in Fund Balance	(96,875)	(96,875)	(37,278)	59,597
Fund Balance - beginning	<u>102,035</u>	<u>102,035</u>	<u>102,035</u>	<u>-</u>
Fund Balance - ending	<u>\$ 5,160</u>	<u>\$ 5,160</u>	<u>\$ 64,757</u>	<u>\$ 59,597</u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 350	\$ 350	\$ 214	\$ (136)
Total Revenues	<u>350</u>	<u>350</u>	<u>214</u>	<u>(136)</u>
EXPENDITURES				
Current:				
Operating - agent fees	-	-	4	(4)
Debt Service:				
Principal	134,778	134,778	134,778	-
Interest	59,119	59,119	59,119	-
Total Expenditures	<u>193,897</u>	<u>193,897</u>	<u>193,901</u>	<u>(4)</u>
Deficiency of Revenues over Expenditures	(193,547)	(193,547)	(193,687)	(140)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>193,897</u>	<u>193,897</u>	<u>193,897</u>	<u>-</u>
Net Change in Fund Balance	350	350	210	(140)
Fund Balance - beginning	<u>311,523</u>	<u>311,523</u>	<u>311,523</u>	<u>-</u>
Fund Balance - ending	<u>\$ 311,873</u>	<u>\$ 311,873</u>	<u>\$ 311,733</u>	<u>\$ (140)</u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services and use of property	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	306	306
Total Revenues	<u>-</u>	<u>-</u>	<u>306</u>	<u>306</u>
EXPENDITURES				
Current:				
Travel	1,500	1,500	-	1,500
Professional services	175,500	175,500	57,783	117,717
Total Expenditures	<u>177,000</u>	<u>177,000</u>	<u>57,783</u>	<u>119,217</u>
Excess of Revenues over Expenditures	(177,000)	(177,000)	(57,477)	119,523
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(218,000)</u>	<u>(218,000)</u>	<u>-</u>	<u>218,000</u>
Net Change in Fund Balance	(395,000)	(395,000)	(57,477)	337,523
Fund Balance - beginning	<u>219,658</u>	<u>219,658</u>	<u>219,658</u>	<u>-</u>
Fund Balance - ending	<u>\$ (175,342)</u>	<u>\$ (175,342)</u>	<u>\$ 162,181</u>	<u>\$ 337,523</u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 34	\$ 34
Total Revenues	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
EXPENDITURES				
Current:				
Operating	49,560	49,560	-	49,560
Total Expenditures	<u>49,560</u>	<u>49,560</u>	<u>-</u>	<u>49,560</u>
Net Change in Fund Balance	(49,560)	(49,560)	34	49,594
Fund Balance - beginning	<u>49,533</u>	<u>49,533</u>	<u>49,533</u>	<u>-</u>
Fund Balance - ending	<u><u>\$ (27)</u></u>	<u><u>\$ (27)</u></u>	<u><u>\$ 49,567</u></u>	<u><u>\$ 49,594</u></u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 500	\$ 500	\$ 278	\$ (222)
Total Revenues	<u>500</u>	<u>500</u>	<u>278</u>	<u>(222)</u>
EXPENDITURES				
Current:				
Operating	<u>1,000</u>	<u>1,000</u>	-	<u>1,000</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	-	<u>1,000</u>
Net Change in Fund Balance	(500)	(500)	278	778
Fund Balance - beginning	<u>406,242</u>	<u>406,242</u>	<u>406,242</u>	<u>-</u>
Fund Balance - ending	<u><u>\$ 405,742</u></u>	<u><u>\$ 405,742</u></u>	<u><u>\$ 406,520</u></u>	<u><u>\$ 778</u></u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 480	\$ 480	\$ 958	\$ 478
Contributions	-	-	1,092	1,092
Total Revenues	<u>480</u>	<u>480</u>	<u>2,050</u>	<u>1,570</u>
EXPENDITURES				
Current:				
Operating - landfill	15,590	15,590	18,159	(2,569)
Capital outlay	332,295	332,295	188,170	144,125
Total Expenditures	<u>347,885</u>	<u>347,885</u>	<u>206,329</u>	<u>141,556</u>
(Deficiency) of Revenues over Expenditures	<u>(347,405)</u>	<u>(347,405)</u>	<u>(204,279)</u>	<u>143,126</u>
OTHER FINANCING SOURCES				
Transfers in	28,500	28,500	28,500	-
Transfers out	-	-	-	-
Total Other Financing Sources	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>-</u>
Net Change in Fund Balance	(318,905)	(318,905)	(175,779)	143,126
Fund Balance - beginning	<u>1,737,729</u>	<u>1,737,729</u>	<u>1,737,729</u>	<u>-</u>
Fund Balance - ending	<u><u>\$ 1,418,824</u></u>	<u><u>\$ 1,418,824</u></u>	<u><u>\$ 1,561,950</u></u>	<u><u>\$ 143,126</u></u>

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

Year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 3,478	\$ 3,478
Total Revenues	<u>-</u>	<u>-</u>	<u>3,478</u>	<u>3,478</u>
EXPENDITURES				
Current:				
Debt issuance costs	-	154,951	154,951	-
Capital outlay	5,594,796	5,594,796	4,283,079	1,311,717
Total Expenditures	<u>5,594,796</u>	<u>5,749,747</u>	<u>4,438,030</u>	<u>1,311,717</u>
(Deficiency) of Revenues over Expenditures	<u>(5,594,796)</u>	<u>(5,749,747)</u>	<u>(4,434,552)</u>	<u>1,315,195</u>
OTHER FINANCING SOURCES (USES)				
Refunding debt issued	-	6,140,000	6,140,000	-
Payments to refunded debt escrow agent	-	(6,052,069)	(6,052,069)	-
Premiums on debt issued	-	67,020	67,020	-
Total Other Financing Sources	<u>-</u>	<u>154,951</u>	<u>154,951</u>	<u>-</u>
Net Change in Fund Balance	(5,594,796)	(5,594,796)	(4,279,601)	1,315,195
Fund Balance - beginning	<u>5,594,796</u>	<u>5,594,796</u>	<u>5,537,471</u>	<u>(57,325)</u>
Fund Balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,257,870</u>	<u>\$ 1,257,870</u>

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2013

Fayetteville Public Utilities														
General Debt		Electric Division Total For All Debt		Gas Division Series 2009		Telecom Division Series 2011		Water & Sewer Division Total For All Debt		Total	Total	Total		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	\$ 329,778	\$ 227,852	\$ 991,250	\$ 741,169	\$ 290,000	\$ 132,018	\$ 320,000	\$ 32,565	\$ 485,889	\$ 187,489	\$ 2,416,917	\$ 1,321,093	\$ 3,738,010	
2015	349,778	207,419	1,025,000	712,669	290,000	123,318	325,000	29,365	501,569	179,904	2,491,347	1,252,675	3,744,022	
2016	354,779	199,770	1,055,000	681,919	295,000	114,620	330,000	26,115	520,655	166,566	2,555,434	1,188,990	3,744,424	
2017	330,000	192,018	1,085,000	650,269	300,000	105,768	335,000	22,320	519,764	152,854	2,569,764	1,123,229	3,692,993	
2018	330,000	183,694	1,120,000	616,363	300,000	95,270	340,000	17,965	543,960	137,636	2,633,960	1,050,928	3,684,888	
2019	340,000	175,368	1,160,000	578,562	310,000	84,768	345,000	12,865	568,244	121,626	2,723,244	973,189	3,696,433	
2020	345,000	167,069	1,200,000	536,512	315,000	74,694	350,000	7,000	562,618	105,714	2,772,618	890,989	3,663,607	
2021	375,000	158,368	1,245,000	491,512	310,000	63,668	-	-	222,083	89,174	2,152,083	802,722	2,954,805	
2022	375,000	148,432	1,295,000	441,712	320,000	52,432	-	-	226,642	84,615	2,216,642	727,191	2,943,833	
2023	385,000	138,394	1,345,000	389,499	330,000	40,432	-	-	231,298	79,960	2,291,298	648,285	2,939,583	
2024	395,000	127,694	1,405,000	334,238	325,000	27,232	-	-	236,051	75,207	2,361,051	564,371	2,925,422	
2025	400,000	116,694	1,525,000	276,050	345,000	14,232	-	-	161,512	70,659	2,431,512	477,635	2,909,147	
2026	250,000	104,787	1,600,000	212,762	-	-	-	-	84,856	68,229	1,934,856	385,778	2,320,634	
2027	255,000	98,538	1,675,000	145,562	-	-	-	-	86,912	66,173	2,016,912	310,273	2,327,185	
2028	260,000	92,162	1,750,000	74,375	-	-	-	-	89,017	64,066	2,099,017	230,603	2,329,620	
2029	270,000	84,363	-	-	-	-	-	-	91,176	61,908	361,176	146,271	507,447	
2030	275,000	76,262	-	-	-	-	-	-	93,387	59,698	368,387	135,960	504,347	
2031	285,000	68,013	-	-	-	-	-	-	95,652	57,432	380,652	125,445	506,097	
2032	290,000	59,462	-	-	-	-	-	-	97,974	55,110	387,974	114,572	502,546	
2033	300,000	50,763	-	-	-	-	-	-	100,353	52,732	400,353	103,495	503,848	
2034	310,000	41,762	-	-	-	-	-	-	102,790	50,295	412,790	92,057	504,847	
2035	315,000	31,688	-	-	-	-	-	-	105,287	47,797	420,287	79,485	499,772	
2036	325,000	21,450	-	-	-	-	-	-	107,847	45,238	432,847	66,688	499,535	
2037	335,000	10,888	-	-	-	-	-	-	110,468	42,616	445,468	53,504	498,972	
2038	-	-	-	-	-	-	-	-	113,155	39,928	113,155	39,928	153,083	
2039	-	-	-	-	-	-	-	-	115,909	37,176	115,909	37,176	153,085	
2040	-	-	-	-	-	-	-	-	118,730	34,353	118,730	34,353	153,083	
2041	-	-	-	-	-	-	-	-	121,622	31,463	121,622	31,463	153,085	
2042	-	-	-	-	-	-	-	-	124,585	28,499	124,585	28,499	153,084	
2043	-	-	-	-	-	-	-	-	127,622	25,463	127,622	25,463	153,085	
2044	-	-	-	-	-	-	-	-	130,733	22,351	130,733	22,351	153,084	
2045	-	-	-	-	-	-	-	-	133,922	19,163	133,922	19,163	153,085	
2046	-	-	-	-	-	-	-	-	137,191	15,894	137,191	15,894	153,085	
2047	-	-	-	-	-	-	-	-	140,539	12,546	140,539	12,546	153,085	
2048	-	-	-	-	-	-	-	-	143,971	9,112	143,971	9,112	153,083	
2049	-	-	-	-	-	-	-	-	147,489	5,597	147,489	5,597	153,086	
2050	-	-	-	-	-	-	-	-	128,508	2,189	128,508	2,189	130,697	
2051	-	-	-	-	-	-	-	-	29,907	123	29,907	123	30,030	
2052	-	-	-	-	-	-	-	-	205	7	205	7	212	
2053	-	-	-	-	-	-	-	-	156	2	156	2	158	
	<u>\$ 7,779,335</u>	<u>\$ 2,782,910</u>	<u>\$ 19,476,250</u>	<u>\$ 6,883,173</u>	<u>\$ 3,730,000</u>	<u>\$ 928,452</u>	<u>\$ 2,345,000</u>	<u>\$ 148,195</u>	<u>\$ 7,660,248</u>	<u>\$ 2,406,564</u>	<u>\$ 40,990,833</u>	<u>\$ 13,149,294</u>	<u>\$ 54,140,127</u>	

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

June 30, 2013

Year	Tennessee Energy		General Obligation Bonds		General Obligation Bonds		Total General	
	Ending	<u>Effeciency Loan</u>	<u>Series 2013</u>		<u>Series 2009</u>		<u>Total</u>	<u>Total</u>
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 24,778	\$ -	\$ 195,000	\$ 172,033	\$ 110,000	\$ 55,819	\$ 329,778	\$ 227,852
2015	24,778	-	210,000	154,900	115,000	52,519	349,778	207,419
2016	24,779	-	215,000	150,700	115,000	49,070	354,779	199,770
2017	-	-	215,000	146,400	115,000	45,618	330,000	192,018
2018	-	-	215,000	142,100	115,000	41,594	330,000	183,694
2019	-	-	220,000	137,800	120,000	37,568	340,000	175,368
2020	-	-	225,000	133,400	120,000	33,669	345,000	167,069
2021	-	-	225,000	128,900	150,000	29,468	375,000	158,368
2022	-	-	230,000	124,400	145,000	24,032	375,000	148,432
2023	-	-	235,000	119,800	150,000	18,594	385,000	138,394
2024	-	-	240,000	115,100	155,000	12,594	395,000	127,694
2025	-	-	245,000	110,300	155,000	6,394	400,000	116,694
2026	-	-	250,000	104,787	-	-	250,000	104,787
2027	-	-	255,000	98,538	-	-	255,000	98,538
2028	-	-	260,000	92,162	-	-	260,000	92,162
2029	-	-	270,000	84,363	-	-	270,000	84,363
2030	-	-	275,000	76,262	-	-	275,000	76,262
2031	-	-	285,000	68,013	-	-	285,000	68,013
2032	-	-	290,000	59,462	-	-	290,000	59,462
2033	-	-	300,000	50,763	-	-	300,000	50,763
2034	-	-	310,000	41,762	-	-	310,000	41,762
2035	-	-	315,000	31,688	-	-	315,000	31,688
2036	-	-	325,000	21,450	-	-	325,000	21,450
2037	-	-	335,000	10,888	-	-	335,000	10,888
	<u>\$ 74,335</u>	<u>\$ -</u>	<u>\$ 6,140,000</u>	<u>\$ 2,375,971</u>	<u>\$ 1,565,000</u>	<u>\$ 406,939</u>	<u>\$ 7,779,335</u>	<u>\$ 2,782,910</u>

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

June 30, 2013

Fiscal Year Ending June 30,	Series 2009		Series 2007		RUS Rural Economic Development Loan (SCHRA)		<u>Total Electric</u>	
	<u>Bonds</u>	<u>Interest</u>	<u>Bonds</u>	<u>Interest</u>	<u>Bonds</u>	<u>Interest</u>	<u>Total Bonds</u>	<u>Total Interest</u>
2014	\$ 950,000	\$ 326,444	\$ -	\$ 414,725	\$ 41,250	\$ -	\$ 991,250	\$ 741,169
2015	1,025,000	297,944	-	414,725	-	-	1,025,000	712,669
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>\$ 9,485,000</u>	<u>\$ 1,808,149</u>	<u>\$ 9,950,000</u>	<u>\$ 5,075,024</u>	<u>\$ 41,250</u>	<u>\$ -</u>	<u>\$ 19,476,250</u>	<u>\$ 6,883,173</u>

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

June 30, 2013

Year Ending June 30,	TDOT Utility Reloc Loan		Series 2009		RUS Phase I Bond Anticipation Notes		RUS Phase II Bond Anticipation Notes		RUS Phase III Bond Anticipation Notes		Total Water	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 128,971	\$ 29,202	\$ 310,000	\$ 74,412	\$ 39,238	\$ 50,229	\$ 7,680	\$ 33,646	\$ -	\$ -	\$ 485,889	\$ 187,489
2015	131,378	26,795	305,000	65,114	53,358	65,932	11,812	21,771	21	292	501,569	179,904
2016	133,829	24,344	320,000	55,962	54,571	64,719	12,171	21,412	84	129	520,655	166,566
2017	136,326	21,847	315,000	46,362	55,811	63,478	12,541	21,041	86	126	519,764	152,854
2018	138,869	19,304	335,000	35,338	57,080	62,210	12,923	20,660	88	124	543,960	137,636
2019	141,460	16,713	355,000	23,612	58,378	60,912	13,316	20,267	90	122	568,244	121,626
2020	144,100	14,073	345,000	12,074	59,705	59,585	13,721	19,862	92	120	562,618	105,714
2021	146,788	11,385	-	-	61,062	58,227	14,138	19,445	95	117	222,083	89,174
2022	149,527	8,646	-	-	62,450	56,839	14,568	19,015	97	115	226,642	84,615
2023	152,317	5,856	-	-	63,870	55,420	15,011	18,571	100	113	231,298	79,960
2024	155,159	3,014	-	-	65,322	53,968	15,468	18,115	102	110	236,051	75,207
2025	78,662	425	-	-	66,807	52,483	15,938	17,644	105	107	161,512	70,659
2026	-	-	-	-	68,326	50,964	16,423	17,160	107	105	84,856	68,229
2027	-	-	-	-	69,879	49,411	16,923	16,660	110	102	86,912	66,173
2028	-	-	-	-	71,467	47,822	17,437	16,145	113	99	89,017	64,066
2029	-	-	-	-	73,092	46,197	17,968	15,615	116	96	91,176	61,908
2030	-	-	-	-	74,754	44,536	18,514	15,068	119	94	93,387	59,698
2031	-	-	-	-	76,453	42,836	19,077	14,505	122	91	95,652	57,432
2032	-	-	-	-	78,191	41,098	19,658	13,925	125	87	97,974	55,110
2033	-	-	-	-	79,969	39,321	20,256	13,327	128	84	100,353	52,732
2034	-	-	-	-	81,787	37,503	20,872	12,711	131	81	102,790	50,295
2035	-	-	-	-	83,646	35,643	21,507	12,076	134	78	105,287	47,797
2036	-	-	-	-	85,548	33,742	22,161	11,422	138	74	107,847	45,238
2037	-	-	-	-	87,492	31,797	22,835	10,748	141	71	110,468	42,616
2038	-	-	-	-	89,481	29,808	23,529	10,053	145	67	113,155	39,928
2039	-	-	-	-	91,516	27,774	24,245	9,338	148	64	115,909	37,176
2040	-	-	-	-	93,596	25,693	24,982	8,600	152	60	118,730	34,353
2041	-	-	-	-	95,724	23,566	25,742	7,841	156	56	121,622	31,463
2042	-	-	-	-	97,900	21,389	26,525	7,058	160	52	124,585	28,499
2043	-	-	-	-	100,126	19,164	27,332	6,251	164	48	127,622	25,463
2044	-	-	-	-	102,402	16,888	28,163	5,419	168	44	130,733	22,351
2045	-	-	-	-	104,730	14,560	29,020	4,563	172	40	133,922	19,163
2046	-	-	-	-	107,111	12,179	29,903	3,680	177	35	137,191	15,894
2047	-	-	-	-	109,546	9,744	30,812	2,771	181	31	140,539	12,546
2048	-	-	-	-	112,036	7,253	31,749	1,833	186	26	143,971	9,112
2049	-	-	-	-	114,583	4,707	32,715	868	191	22	147,489	5,597
2050	-	-	-	-	117,188	2,102	11,125	70	195	17	128,508	2,189
2051	-	-	-	-	29,707	111	-	-	200	12	29,907	123
2052	-	-	-	-	-	-	-	-	205	7	205	7
2053	-	-	-	-	-	-	-	-	156	2	156	2
	<u>\$ 1,637,386</u>	<u>\$ 181,604</u>	<u>\$ 2,285,000</u>	<u>\$ 312,874</u>	<u>\$ 2,993,902</u>	<u>\$ 1,419,810</u>	<u>\$ 738,760</u>	<u>\$ 489,156</u>	<u>\$ 5,200</u>	<u>\$ 3,120</u>	<u>\$ 7,660,248</u>	<u>\$ 2,406,564</u>

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

June 30, 2013

Residential

Customer Charge	\$21.10 per month
Energy Charge	6.812 cents per KWH per month
Total Monthly Fuel Cost	2.519 cents per KWH

General Services

LESS THAN 50 KW

Customer Charge	\$35.15 per month
Energy Charge	7.832 cents per KWH
Total Monthly Fuel Cost	2.480 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, no demand charge, excess over 50 KW at \$14.69 per KW
Energy Charge	First 15,000 KWH at 8.169 cents per KWH. Additional KWH at \$3.949 cents per KWH
Total Monthly Fuel Cost	First 15,000 KWH at 2.480 cents per KWH. Additional KWH at \$2.437 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 \$15.39 per KW, excess over 1,000 KW of billing demand per month at \$17.35
Energy Charge	3.740 cents per KWH
Total Monthly Fuel Cost	2.437 cents per KWH

General Services Manufacturing Rates

5,001 KW TO 15,000 KW

Customer Charge	\$1,850 per delivery point
Demand Charge	\$18.74 per KW of metered demand, plus an additional \$18.74 per KW per month for each KW of the amount by which the customer's billing demand exceeds contract demand
Energy Charge	1.783 cents per KWH
Total Monthly Fuel Cost	2.423 cents per KWH

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

June 30, 2013

Residential

Monthly minimum	\$ 5.00
Per ccf consumed per month	1.11

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

Monthly minimum	\$ 5.66
Per ccf consumed per month	1.16

General Commercial and Industrial

Monthly minimum	\$ 5.66
Per ccf consumed per month	1.044

Housing Authority

Monthly minimum	\$ 5.00
Per ccf consumed per month	1.027

Interruptible Service

Per ccf consumed per month	\$ 0.568
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Note: ccf represents 100 cubic feet.

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

June 30, 2013

Cable TV Service

Budget basic	\$ 24.51
Basic plus	54.75
Basic digital	71.75
Digital service with DVR only	76.75
Digital service with HD only	72.75
Complete digital package	77.75

Digital Premium Channels

HBO	12.95
Cinemax	10.95
HBO/Cinemax package	19.95
Showtime/Movie channel 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	\$ 40.99
5 Meg	60.99
10 Meg	73.59
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, 2013

	<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	\$ 8.65	\$ 11.25	\$ 9.52	\$ 12.38	\$ 9.09	\$ 9.52	\$ 8.99	\$ 9.29
All over 100 cubic feet*	3.68	4.78						
Next 900 cubic feet*			4.05	5.27	3.86	4.05	3.76	4.06
All over 1,000 cubic feet*			2.97	3.87	2.92		2.82	3.12
Next 119,000 cubic feet*						3.24		
All over 120,000 cubic feet*						2.16		
<u>Wastewater Rates</u>								
First 100 cubic feet	12.54	14.43	14.30		14.30			
All over 100 cubic feet*	5.33	6.13	6.08		6.08			

*Per 100 cubic feet

Number of water and wastewater customers at June 30,

	<u>2013</u>	<u>2012</u>
Water	\$ 4,533	\$ 4,502
Sewer	3,488	3,472

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

June 30, 2013

Residential

Per household		\$ 14
Per apartment		14

Each additional cart purchased is an additional \$10.

Commercial and Industrial

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

**SCHEDULE OF NUMBER OF UTILITY CUSTOMERS
CITY OF FAYETTEVILLE, TENNESSEE**

June 30, 2013

	June 30,	
	<u>2013</u>	<u>2012</u>
Electric	17,941	18,148
Gas	5,985	5,975
Telecom division -Cable	3,158	3,145
Telecom division -Internet	2,026	1,967
Telecom division -Phone	268	221
Water	4,533	4,502
Wastewater	3,488	3,472
Sanitation	2,531	2,526

AWWA WLCC Free Water Audit Software: Reporting Worksheet

[Back to Instructions](#)

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WAS

[?](#) Click to access definition

Water Audit Report for: **Fayetteville Public Utilities**
 Reporting Year: **2013** / 7/2012 - 6/2013

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 (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

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	<input type="text" value="7"/>	<input type="text" value="649.226"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="8"/>	<input type="text" value="7.608"/>	under-registered MG/Yr
Water imported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Water exported:	<input type="text" value="10"/>	<input type="text" value="105.027"/>	MG/Yr
WATER SUPPLIED:		<input type="text" value="551.807"/>	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="10"/>	<input type="text" value="413.875"/>	MG/Yr
Billed unmetered:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled metered:	<input type="text" value="9"/>	<input type="text" value="20.122"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="4"/>	<input type="text" value="20.299"/>	MG/Yr

Click here: for help using option buttons below

Pcnt:	<input type="text" value="0.25"/>	Value:	<input type="text" value="20.299"/>
-------	-----------------------------------	--------	-------------------------------------

AUTHORIZED CONSUMPTION: MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption:	<input type="text" value="5"/>	<input type="text" value="1.380"/>	MG/Yr
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Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	<input type="text" value="5"/>	<input type="text" value="8.857"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="6"/>	<input type="text" value="0.020"/>	MG/Yr

Pcnt:	<input type="text" value="0.25%"/>	Value:	<input type="text" value=""/>
-------	------------------------------------	--------	-------------------------------

Apparent Losses: MG/Yr

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="text" value="5"/>	<input type="text" value="141.5"/>	miles
Number of active AND inactive service connections:	<input type="text" value="5"/>	<input type="text" value="4,995"/>	
Connection density:		<input type="text" value="35"/>	conn./mile main
Average length of customer service line:	<input type="text" value="10"/>	<input type="text" value="0.0"/>	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	<input type="text" value="7"/>	<input type="text" value="76.3"/>	psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="10"/>	<input type="text" value="\$2,399,815"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="10"/>	<input type="text" value="\$6.67"/>	\$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses):	<input type="text" value="10"/>	<input type="text" value="\$2,523.57"/>	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="25.0%"/>
Non-revenue water as percent by cost of operating system:	<input type="text" value="17.2%"/>
Annual cost of Apparent Losses:	<input type="text" value="\$91,453"/>
Annual cost of Real Losses:	<input type="text" value="\$220,193"/>

Operational Efficiency Indicators

Apparent Losses per service connection per day:	<input type="text" value="5.63"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="47.86"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
Real Losses per service connection per day per psi pressure:	<input type="text" value="0.63"/>	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	<input type="text" value="42.18"/>	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="87.25"/>	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="2.07"/>	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 81 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Customer metering inaccuracies
- 3: Unauthorized consumption

[For more information, click here to see the Grading Matrix worksheet](#)

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

June 30, 2013

<u>Year</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Taxes</u> <u>Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2013</u>
2013	\$ -	\$ 2,512,142	\$ -	\$ -	\$ 2,512,142
2012	1,923,360		5,296	(1,869,313)	59,343
2011	67,006			(58,168)	8,838
2010	21,694			(20,207)	1,487
2009	2,898		-	(1,983)	915
2008	880	-	(117)	-	763
2007	882	-	(117)	-	765
2006	505	-	(131)	-	374
2005	571	-	-	-	571
2004	6	-	-	-	6
	<u>\$ 2,017,802</u>	<u>\$ 2,512,142</u>	<u>\$ 4,931</u>	<u>\$ (1,949,671)</u>	<u>2,585,204</u>
					(17,615)
					<u>\$ 2,567,589</u>

All uncollectible taxes for years prior to 2012 have been turned over to the Clerk and Master for collection.

DIRECTORY OF OFFICIALS
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

Mayor - John Ed Underwood

Board of Alderman

Gwen Shelton - Vice Mayor

Danny Bryant

Dorothy Small

Marty Pepper

Thomas Young, Sr.

Michael Whisenant

City Administrator - Scott Collins

City Judge - J. Rhea Thompson, III

City Finance Director - Tonya Steelman

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, 2013

During the year ended June 30, 2013, the City turned over \$12,560 of 2011 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, 2013

<u>Tax Year</u>	<u>Total Assessed Value</u>	<u>City Property Tax Rate</u>	<u>Levy</u>
2004	\$ 108,300,991	\$ 1.54	\$ 1,717,192
2005	110,631,457	1.54	1,755,083
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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2013

Federal Grantor / Pass - Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>FEDERAL AWARDS</u>						
U.S. Department of Homeland Security (2)	97.036	FEMA-1974-DR-TN	\$ (1,026)	\$ 1,026	\$ -	\$ -
US Department of Transportation (1)	20.205	STP-M-9304(6)	-	82,000	82,000	-
		TOTAL FEDERAL AWARDS	<u>(1,026)</u>	<u>83,026</u>	<u>82,000</u>	<u>-</u>
<u>STATE FINANCIAL ASSISTANCE</u>						
TN Department of the Military (TEMA)	n/a	FEMA-1974-DR-TN	(171)	171	-	-
TN Department of Agriculture	n/a		-	1,449	1,449	-
		TOTAL STATE AWARDS	<u>(171)</u>	<u>1,620</u>	<u>1,449</u>	<u>-</u>
		TOTAL FEDERAL AND STATE AWARDS	<u><u>\$ (1,197)</u></u>	<u><u>\$ 84,646</u></u>	<u><u>\$ 83,449</u></u>	<u><u>\$ -</u></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, 2013. The schedule is presented using the modified accrual basis of accounting.

Loans Outstanding:

Note 2: At June 30, 2013, there was an outstanding balance of \$74,335 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.

(2) - Federal funds passed through the State of Tennessee, Department of Military (TEMA).

INTERNAL CONTROL AND COMPLIANCE SECTION

**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, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2014. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of Fayetteville Public Utilities and Fayetteville City Schools, as described in our report on the City'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'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2013-1.

We noted certain matters that we reported to management of the City in a separate letter dated March 12, 2014.

City of Fayetteville, Tennessee's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City'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 result 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

March 12, 2014

SCHEDULE OF FINDINGS
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2013

Prior Year

Finding 2011-1: There is a lack of adequate segregation of duties due to the Finance Director being responsible for most of the payroll procedures, including adding and deleting employees, entering salary rates, making payroll tax deposits, preparing W-2's, preparing state and federal payroll tax returns, posting time, and reconciling the payroll bank account.

Status: This deficiency no longer exists.

Current Year

Finding 2013-1

Condition, Criteria, Cause and Effect: Tennessee Code Annotated section 6-56-203 requires the City to adopt and operate under an annual budget. Municipalities must amend their budgets by ordinance prior to increasing spending for any appropriation. Furthermore, the legal level of authority to spend for the City of Fayetteville is at the department level. The total expenditures for the year ended June 30, 2013, exceeded their corresponding budgeted amounts for the highway and streets, housing and community development, and garage departments.

Recommendation: all expenditures should be authorized either in the original budget or an amendment to that budget prior to being spent.

Management Response: The management of the City recognizes that the budget is the legal authority to spend funds. Occasions arise where money must be spent that is not budgeted to continue normal operations of the City and there are times the departments overspend budgeted amounts. The City will try to make amendments to the budget in the future before the funds are spent.