

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

June 30, 2015

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Fayetteville, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fayetteville Public Utilities, which is a major fund and which represents 99% of the assets, net position, and revenues of the business-type activities. We also did not audit the Fayetteville School System, which includes the school general fund, a major fund. The Fayetteville School System represents 3%, 3%, and 98%, respectively, of the assets, fund balances, and revenues of the aggregate remaining fund information and 40%, 42%, and 56%, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Fayetteville Public Utilities and the Fayetteville School System, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and school general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the schedules of funding progress on page 71 and the pension information on pages 72 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The other financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016, on our consideration of the City of Fayetteville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fayetteville, Tennessee's internal control over financial reporting and compliance.

Winnett Associates, PLLC

June 3, 2016

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

Our discussion and analysis of the City of Fayetteville, Tennessee's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2015. We encourage readers to consider the information that we have furnished in the basic financial statements and the accompanying notes to those financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

Governmental Activities

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

Business-Type Activities

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

REPORT ON THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

THE CITY AS A WHOLE

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

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

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

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

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

The City's total revenues increased 2.29 percent from the fiscal year ended June 30, 2014 to the fiscal year ended June 30, 2015, while total expenses increased 0.26 percent.

THE CITY'S FUNDS

The following is an analysis of balances in the City's major individual funds.

Governmental Activities

The information below details the costs and net expenditures (expenditures less program revenues) of the City's governmental activities for the fiscal years ended June 30, 2015 and 2014. The net costs show the financial burden that was placed on the City's taxpayers by each of these functions.

Total Costs and Net Expenditures By Function

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

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

Revenues by Source

	2015	2014
Property taxes	\$ 3,899,229	\$ 3,981,828
In lieu of taxes	528,128	481,855
Sales taxes	3,426,991	2,595,120
Alcoholic beverage taxes	524,759	535,665
Other local taxes	346,350	365,225
Other state taxes	846,598	735,281
Other	103,321	62,851
Unrestricted investment earnings	19,235	30,930
Gain on sale of assets	33,696	22,335
Transfers	1,346,925	1,330,138
Total General Revenues and Transfers	<u>\$ 11,075,232</u>	<u>\$ 10,141,228</u>

Proprietary Funds

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

	Gas	Electric	Water	Telecom	Sanitation	Total
Fiscal Year Ended June 30, 2015						
Total Assets and Deferred						
Outflows of Resources	\$ 21,759,953	\$ 79,406,851	\$ 33,486,423	\$ 2,300,310	\$ 1,002,514	\$ 137,956,051
Net Position	17,765,140	54,246,831	17,579,096	252,861	693,776	90,537,704
Change in Net Position	1,176,222	2,387,616	2,239,470	420,170	139,789	6,363,267
Return on Ending Total Assets	5.41%	3.01%	6.69%	18.27%	13.94%	4.61%
Return on Ending Net Position	6.62%	4.40%	12.74%	166.17%	20.15%	7.03%
Fiscal Year Ended June 30, 2014						
Total Assets and Deferred						
Outflows of Resources	\$ 20,881,282	\$ 77,559,003	\$ 26,581,996	\$ 2,232,713	\$ 960,032	\$ 128,215,026
Net Position	16,588,918	51,859,215	15,339,626	(167,309)	553,987	84,174,437
Change in Net Position	931,696	3,010,980	1,730,019	509,809	(32,544)	6,149,960
Return on Ending Total Assets	4.46%	3.88%	6.51%	22.83%	-3.39%	4.80%
Return on Ending Net Position	5.62%	5.81%	11.28%	n/a	-5.87%	7.31%

CAPITAL ASSETS

As of June 30, 2015, the City has \$113 million invested in capital assets (after depreciation) including police and fire equipment, buildings, park facilities, street and sanitation equipment, roads, bridges and other infrastructure, and water, sewer, gas, electric, telecommunication lines and equipment. This represents a net increase of \$6,608,126 or 6.16 percent, over last year.

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

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

DEBT ADMINISTRATION

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

As the City closed fiscal year 2015, the financial condition of the City is solid due to the management approach of the Board of Mayor and Alderman, administration, and the departments. This approach has resulted in a stable tax rate with only three tax increases since 1985.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

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

STATEMENT OF ACTIVITIES
CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2015

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

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2015**

	General	School General	Total Nonmajor Funds	Total Governmental Funds
Assets:				
Cash	\$ 6,494,630	\$ 3,606,320	\$ 2,335,738	\$ 12,436,688
Investments	-	-	1,987,890	1,987,890
Receivables	2,827,801	809	11,144	2,839,754
Due from other funds	2,438	2,209	165,070	169,717
Due from other governments	1,215,753	605,021	6,181	1,826,955
Inventory	28,505	-	17,438	45,943
Prepaid expenses	63,178	-	-	63,178
TOTAL ASSETS	<u>\$ 10,632,305</u>	<u>\$ 4,214,359</u>	<u>\$ 4,523,461</u>	<u>\$ 19,370,125</u>
Liabilities:				
Accounts payable	\$ 132,448	\$ -	\$ 163,166	\$ 295,614
Other accrued expenses	159,506	745,269	-	904,775
Due to other funds	-	-	12,305	12,305
Unearned revenue	-	-	25,242	25,242
TOTAL LIABILITIES	<u>291,954</u>	<u>745,269</u>	<u>200,713</u>	<u>1,237,936</u>
Deferred Inflows of Resources:				
Unavailable revenue - operating grants	-	10,000	-	10,000
Unavailable revenue - state and local taxes	343,205	123,832	-	467,037
Unavailable revenue - property taxes	2,721,449	-	-	2,721,449
Unavailable revenue - other	306,003	-	-	306,003
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,370,657</u>	<u>133,832</u>	<u>-</u>	<u>3,504,489</u>
Fund Balances:				
Nonspendable				
Inventory and prepayments	91,683	-	17,438	109,121
Restricted:				
Career ladder	-	731	-	731
Recreation	-	-	30,424	30,424
Capital projects	-	-	456,376	456,376
Public safety	-	-	2,007,409	2,007,409
Assigned:				
Industrial park	-	-	45,608	45,608
Capital projects	-	-	1,350,365	1,350,365
Education	-	3,334,527	104,919	3,439,446
Debt service	-	-	310,209	310,209
Unassigned	6,878,011	-	-	6,878,011
TOTAL FUND BALANCES	<u>6,969,694</u>	<u>3,335,258</u>	<u>4,322,748</u>	<u>14,627,700</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 10,632,305</u>	<u>\$ 4,214,359</u>	<u>\$ 4,523,461</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,413,504
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	852,258
Net pension assets are not current financial resources, net pension liability is not due and payable in the current period, and deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years; therefore, pension related amounts are not reported in the fund financial statements.	(2,618,234)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(11,516,547)
Net position of governmental activities	<u>\$ 26,758,681</u>

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

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

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2015

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

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

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$ 1,866,399
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(265,578)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	170,926
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	49,296
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,629,019)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense attributable to the current period is derived from the actuarial present value of the projected benefit payments less the amount of the fiduciary plan's net position. This amount is the difference in the treatment of pensions and related items.	960,178
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(29,944)
Change in net position of governmental activities	<u><u>\$ 1,122,258</u></u>

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

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

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

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2015

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
CITY OF FAYETTEVILLE, TENNESSEE
Year ended June 30, 2015

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (including other funds)	\$ 63,152,499	\$ 532,448	\$ 63,684,947
Payments to suppliers and others	(46,432,242)	(187,349)	(46,619,591)
Payments to employees	(4,117,810)	(106,722)	(4,224,532)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>12,602,447</u>	<u>238,377</u>	<u>12,840,824</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital borrowings repaid	-	-	-
Collections on loans to other organizations	-	-	-
Transfers (to) from other funds	(1,235,582)	(118,500)	(1,354,082)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,235,582)</u>	<u>(118,500)</u>	<u>(1,354,082)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets, net	(10,987,141)	-	(10,987,141)
Removal costs of capital assets	(628,875)	-	(628,875)
Materials salvaged from retirement of capital assets	138,233	-	138,233
Acquisition of Ardmore gas operations	(602,000)	-	(602,000)
Capital contributions received	1,853,220	-	1,853,220
Long-term borrowings, net	5,098,294	-	5,098,294
Borrowings repaid	(2,219,092)	(56,700)	(2,275,792)
Issue costs paid	(8,235)	-	(8,235)
Interest paid, net	(1,150,442)	(3,410)	(1,153,852)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,506,038)</u>	<u>(60,110)</u>	<u>(8,566,148)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	33,319	152	33,471
Other nonoperating income (expense), net	9,422	-	9,422
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>42,741</u>	<u>152</u>	<u>42,893</u>
INCREASE (DECREASE) IN CASH, NET	2,903,568	59,919	2,963,487
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,832,699	429,043	34,261,742
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 36,736,267</u>	<u>\$ 488,962</u>	<u>\$ 37,225,229</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operations	\$ 6,740,355	\$ 261,547	\$ 7,001,902
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	4,818,589	25,878	4,844,467
Loss on disallowance of plant	340,768	-	340,768
Conservation loans advanced - customers	(204,546)	-	(204,546)
Conservation loans collected - customers	230,427	-	230,427
Conservation advances from TVA	251,697	-	251,697
Conservation advances repaid to TVA	(275,528)	-	(275,528)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(353,695)	59	(353,636)
Inventories	110,946	-	110,946
Prepaid expenses and other assets	248,392	(8,500)	239,892
Accounts payable	374,085	(49)	374,036
Accrued employee benefits	110,530	-	110,530
Customer deposits	110,566	-	110,566
Due to other funds	-	(40,683)	(40,683)
Other current liabilities and compensated absences	99,861	125	99,986
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 12,602,447</u>	<u>\$ 238,377</u>	<u>\$ 12,840,824</u>
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:			
Water interim certificates of indebtedness refinanced	\$ 2,725,277		

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
CITY OF FAYETTEVILLE, TENNESSEE
For the year ended June 30, 2015

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2015

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2015

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2015

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

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

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2015

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

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

NOTES TO FINANCIAL STATEMENTS
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fayetteville, Tennessee (the “government”) have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. GAAP include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the government's accounting policies are described as follows:

(A) Reporting entity

The City of Fayetteville, Tennessee is a municipal corporation governed by an elected mayor and a six member board of aldermen. The accompanying financial statements present only the City of Fayetteville. There are no component units for which the government is considered financially accountable to be blended in accordance with GAAP.

(B) Government-wide and fund financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes as well as charges for utilities provided to City departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate fund financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The general school special revenue fund accounts for the financial resources used for general education activities.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major enterprise funds:

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

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

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

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

(C) Measurement focus and basis of accounting

1. Economic Resources Measurement Focus and Accrual Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. For the activities of FPU, an accrual is made for unbilled revenue for services from the date of the most recent meter readings to the balance sheet date consistent with costs for utility services.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement focus and basis of accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. For expenditure-driven grants, in a departure from the 30 day period defined above, the consideration to defer recognition of revenue is considered in situations where reimbursement is not expected within a reasonable period. All other revenue items are considered to be measurable and available only when cash is received by the government.

2. Revenues and expenditures/expenses

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Fayetteville Public Utilities are charges to customers for sales and services related to utilities. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Property taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable October 1. Property taxes become delinquent March 1 of the following year.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Assets, liabilities, net position and fund balances

1. Cash and cash equivalents

Cash and cash equivalents represent all investments that are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents include cash in bank and on hand.

2. Investments

Investments are stated at cost which approximates fair value.

3. Receivables and allowance for uncollectible accounts

Receivables consist of taxes receivable including real and personal property, trade receivables, due from other governments and interest receivable. The government provides for an allowance for uncollectible receivables equal to the estimated loss that may be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.

4. Inventories and prepaid items

Inventories are comprised of materials and supplies and natural gas utility reserves and are stated at the lower of cost or market. Cost for materials and supplies is determined substantially by the moving average method of inventory valuation. For the School System inventories are comprised of food items and supplies and are stated at cost, which approximates market, using the first in first out method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

5. Restricted assets

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

6. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets used in governmental-type activities are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$25,000 for School System buildings) and an estimated useful life in excess of one year. Donated capital assets are recorded at fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

7. Long-term liabilities

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

8. Compensated absences

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

The School System's policies regarding leave time require employees use vacation leave by the end of the fiscal year. Accordingly, there is no liability recorded in the financial statements for compensated absences at June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund balance policies

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Deferred outflows/inflows of resources

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

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

11. Net position flow assumption

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Capitalized interest

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

13. Estimates

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

14. Pensions

Public Employee Retirement Plan

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

Teacher Plans

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NRECA RS Plan

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

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

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

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(265,578) difference are as follows:

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

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

Compensated absences	\$ (14,669)
Net OPEB obligation	(37,209)
Accrued interest	(3,676)
Landfill post closure costs	<u>25,610</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (29,944)</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$170,926 difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining cost of the capital assets sold.	\$ (53,412)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources	<u>224,338</u>
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 170,926</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

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

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

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

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

(A) Deposits and investments

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

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

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

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

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

Special funds totaling \$8,628,981 are designated for specific purposes by FPU. The funds include funded substation replacement, operating reserves, improvements and construction costs, safety incentive funds, debt service reserves, and post-retirement health benefits.

Credit risk - investments - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law limits investments by municipalities to federal obligations, certain other federally guaranteed obligations, certificates of deposit, the Local Government Investment Pool and certain other highly rated instruments. The government has not adopted policies to further limit its deposit or investment choices. As of June 30, 2015, the government has invested \$1,250,695 in negotiable certificates of deposits. The entire amount of these investments are covered by FDIC insurance. As of June 30, 2015, the government has also invested \$249,998 in government sponsored securities. Government sponsored securities do create an exposure to credit risk because they are only implicitly federally backed. The government's government sponsored securities have not been rated. U.S. obligations are implicitly guaranteed by the U.S. government and therefore are not considered to have credit risk. Governmental accounting standards require disclosure of credit quality ratings for external investment pools; however, the Local Government Investment Pool is unrated.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(A) Deposits and investments (Continued)

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

Custodial credit risk – deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At June 30, 2015, certain deposits are held in financial institutions, which are members of the Tennessee Bank Collateral Pool (the Pool). The Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities

At June 30, 2015, the government's cash consists of deposits in financial institutions with bank balances of \$50,638,133 and carrying amounts of \$50,145,196 plus cash on hand of \$3,918. Of the amounts on deposit, \$46,488,707 is fully insured by the FDIC or the Tennessee Bank Collateral Pool. The remaining \$3,656,489 is collateralized by securities pledged by financial institutions in the name of the government.

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

(B) Receivables

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

	<u>General</u>	<u>School General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	2,799,828	-	-	-	2,799,828
Accounts	46,622	809	-	11,144	58,575
Intergovernmental	<u>1,215,753</u>	<u>605,021</u>	-	<u>6,181</u>	<u>1,826,955</u>
Gross receivables	4,062,203	605,830	-	17,325	4,685,358
Less: Allowance for					
Uncollectibles	<u>(18,649)</u>	-	-	-	<u>(18,649)</u>
Net total receivables	<u>\$ 4,043,554</u>	<u>\$ 605,830</u>	<u>\$ -</u>	<u>\$ 17,325</u>	<u>\$ 4,666,709</u>

Revenues of the Fayetteville Public Utilities, an enterprise fund, are reported net of uncollectible amounts. Total uncollectible amounts related to sales of the current period amounted to \$134,754.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(C) Capital assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(C) Capital assets (Continued)

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

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

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

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

Construction commitments

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

(D) Interfund receivables, payables, and transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be liquidated within one year. The composition of interfund balances as of June 30, 2015, is as follows:

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

Transfers are used to move receipts for funding of capital projects and to finance various programs accounted for in other funds using unrestricted revenues collected in the general fund in accordance with budgetary authorizations. FPU makes tax equivalent payments to the general fund. The composition of interfund transfers for the year ended June 30, 2015 is as follows:

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

NOTE 5 - LONG-TERM DEBT

(A) General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

General obligation bonds currently outstanding are as follows:

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

City of Fayetteville (General Government):

Series 2013B, \$1,045,000 general obligation bonds, issued October 2013 to finance certain public facility construction and improvements and related costs. The bonds mature serially at annual interest rates ranging from 1.00% to 4.5% with final maturity in 2033. 950,000

Series 2014, \$2,000,000 general obligation bonds, issued December 2014 to finance certain construction, improvements and equipping of a law enforcement facility. The bonds mature serially at annual interest rates ranging from 2.0% to 3.5% with final maturity in 2035. 2,000,000

Fayetteville Public Utilities (Telecom Division):

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

Fayetteville City Schools

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

Total general obligation bonds \$ 16,545,000

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

(B) Revenue Bonds

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

Fayetteville Public Utilities (Electric Division):

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

\$ 7,510,000

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

9,950,000

Fayetteville Public Utilities (Water Division):

Series 2008 Revenue and tax bond in the original amount of \$3,500,000 issued in September 2013 to finance certain costs of the water wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 2.25% per annum with final maturity in 2050. Prepayments may be made at any time.

3,390,865

Series 2009 Revenue and tax bond in the original amount of \$4,980,000 issued in October 2014 to finance certain costs of the water wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 3.00% per annum with final maturity in 2051. Prepayments may be made at any time.

4,930,023

Total revenue bonds

\$ 25,780,888

Revenue bond debt service requirements to maturity are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

(B) Revenue Bonds (Continued)

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

Certain of the government's bonds require establishment of sinking funds and compliance with various covenants. The government was in compliance with these requirements at June 30, 2015.

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

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

(C) Loans

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

City of Fayetteville (General Government):

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

\$ 24,778

City of Fayetteville (Sanitation Fund):

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

123,300

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

(C) Loans (Continued)

Fayetteville Public Utilities (Water Division)

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

1,377,037

State of Tennessee Utility Relocation Loan, entered into January 3, 2013, to finance the cost of certain improvements to the water wastewater system. The loan will mature 20 years from project completion and bears interest at 1.17%.

702,245

Total Loans

\$ 2,227,360

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

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

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

Fayetteville Public Utilities (State of Tennessee Revolving Loan Fund)

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

(D) Changes in long-term liabilities

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

(E) Other long-term liability information

From time to time, the government has issued Industrial Development Revenue Bonds (IDRB) to provide assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2015, there were two series of IDRBB outstanding. The aggregate principal amount payable was \$10,350,000. The original issue amounts totaled \$15,615,000.

NOTE 6 - LEASING ACTIVITY

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 6 - LEASING ACTIVITY (Continued)

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

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

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

NOTE 7 - SEGMENT INFORMATION

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 7 - SEGMENT INFORMATION (Continued)

Condensed Statement of Revenues,

Expenses, and Changes in Net Position

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

Condensed Statement of Cash Flows

Net cash provided (used) by:

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

NOTE 8 - RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 9 - CONTINGENT LIABILITIES

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

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

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

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

NOTE 10 - PENSION AND BENEFIT PLANS

Public Employee Retirement Plan

GENERAL INFORMATION ABOUT THE PLAN

Plan Description

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Public Employee Retirement Plan (Continued)

Benefits provided

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	96
Inactive employees entitled to but not yet receiving benefits	96
Active employees	<u>147</u>
	<u>339</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Fayetteville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the government were \$483,638 based on a rate of 9.65 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fayetteville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NET PENSION LIABILITY (ASSET)

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Public Employee Retirement Plan (Continued)

Actuarial Assumptions

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Public Employee Retirement Plan (Continued)

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

Discount Rate

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

CHANGES IN THE NET PENSION LIABILITY (ASSET)

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Public Employee Retirement Plan (Continued)

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

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

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

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

Pension expense

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

DEFERRED OUTFLOWS OF RESOURCES

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

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

The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Public Employee Retirement Plan (Continued)

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

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

PAYABLE TO THE PENSION PLAN

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

Teacher Legacy Pension Plan

Plan description

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

Benefits provided

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Teacher Legacy Pension Plan (Continued)

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

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the government for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$530,198 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension asset

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

Pension expense

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

Deferred outflows of resources and deferred inflows of resources

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Teacher Legacy Pension Plan (Continued)

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

The government's employer contributions of \$530,198, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ (475,746)
2017	(475,746)
2018	(475,746)
2019	(475,746)
2020	31,353
Thereafter	31,353

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

Actuarial assumptions

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Teacher Legacy Pension Plan (Continued)

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

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

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

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

Discount rate

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Teacher Legacy Pension Plan (Continued)

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

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

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

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

PAYABLE TO THE PENSION PLAN

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

Teacher retirement plan

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of the government are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Teacher retirement plan (Continued)

Benefits provided

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

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5.0 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted.

Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$8,525, which is 4 percent of covered payroll. The employer rate, when combined with member contribution, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Teacher retirement plan (Continued)

Pension expense

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

Deferred outflows of resources and deferred inflows of resources

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

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

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

Payable to the pension plan

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

NRECA Retirement Security Plan

Plan description

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

NRECA Retirement Security Plan (Continued)

Benefits provided

NRECA provides retirement, disability, and death benefits. Benefits are determined by a formula using the member's high five-year average salary, years of service and benefit rate of 1.7%. Members become eligible to retire at the age of 62. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members who become totally disabled. Members become vested after five years of service. Benefit terms are established and may be amended by the NRECA Board. At June 30, 2015, FPU had 104 employees covered by the RS plan.

Contributions

Contribution requirements of the active employees and the participating employers are established and may be amended by the NRECA Board. The RS plan does not require member contributions. FPU is required to contribute an actuarially determined normal cost annually and a past service adjustment cost which provides for crediting retirement benefits for past service on a uniform basis for all participants. FPU's contractually required contribution rate for the year ended June 30, 2015, was 17.54% percent of annual payroll. All members age 21 years and older with one year of completed service are eligible to participate.

FPU's required contribution based on the payroll of eligible participants for the year ended June 30, 2015, was \$886,106.

401(k) Plan

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 10 - PENSION AND BENEFIT PLANS (Continued)

Aggregate For All Plans

The total of the government's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the year ended June 30, 2015, for all plans is as follows:

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

The following is a summary of each of these plans:

PLAN DESCRIPTION-FAYETTEVILLE PUBLIC UTILITIES

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

PLAN DESCRIPTION-GENERAL GOVERNMENT

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

FUNDING POLICY

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

ANNUAL OPEB COST, NET OPEB OBLIGATION AND FUNDED STATUS

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

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

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

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

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

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

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

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

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

FAYETTEVILLE CITY SCHOOLS

PLAN DESCRIPTION

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

FUNDING POLICY

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

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

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

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

FUNDED STATUS AND FUNDING PROGRESS

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

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

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

NOTE 12 - STATE STREET AID FUNDS

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

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

NOTE 13 - RELATED PARTIES

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

NOTE 14 - NONEXCHANGE TRANSACTION

The government receives shared revenue from the State of Tennessee for a tax the state assesses on the earnings of certain financial institutions. The government is required to recognize receivables and deferred revenues as the banks earn the income. However, the banks file at different times of the year, and it is difficult to follow state statutes' guidance concerning what time period is being filed on. Therefore, the receivable and deferred revenue at June 30, 2015, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2015, the government received \$44,679 from the State of Tennessee for this shared revenue.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 15 - JOINT VENTURES

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

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

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

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

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

Fayetteville Lincoln County Airport
37 Airport Road
Fayetteville, TN 37334

The Fayetteville City Schools participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Manchester City, Marshall County, Robertson County, and Stewart County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Stewart County School Department through August 31, 2014, and Fayetteville City School Department beginning September 1, 2014) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 15 - JOINT VENTURES (Continued)

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

NOTE 16 - PLEDGED REVENUES

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

<u>Division</u>	<u>Operating Revenues</u>	<u>Current Year Principal and Interest Paid on Revenue Bonds</u>	<u>Percent of Current Revenue</u>	<u>Remaining Pledge Based on Future Principal and Interest Requirement</u>	<u>Commitment Period through Fiscal Year</u>
Electric	\$ 46,079,243	\$ 1,737,669	3.8%	\$ 22,889,335	2028
Gas	7,926,239	413,319	5.2	3,823,116	2025
Telecom	4,013,298	354,365	8.8	1,786,265	2020
Water & Sewer	<u>5,350,967</u>	<u>952,893</u>	<u>17.8</u>	<u>19,484,477</u>	2052
	<u>\$ 63,369,747</u>	<u>\$ 3,458,246</u>	<u>5.5%</u>	<u>\$ 47,983,193</u>	

NOTE 17 - SOLAR POWER GENERATION

Certain customers of FPU's electric department have installed solar panels at their homes or businesses. The power generated flows through separate "generation" meters. These customers are given credit against their normal monthly electric bills for the solar generated power which is included in "cost of utility services" on the statement of revenues, expenses, and changes in net position. For the year ended June 30, 2015, credits resulting from solar power generation totaled \$1,601,054. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2015, the liability for such amounts due to customers was \$310,784 which is included in accounts payable on the statement of net position. FPU is credited on its wholesale power cost by TVA for the solar generated power.

NOTE 18 - GOVERNMENT ACQUISITION

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

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

NOTE 19 - SUBSEQUENT EVENTS

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

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

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

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

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

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

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

June 30, 2015

(Dollar amounts in thousands)

Teacher Group Insurance Plan

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

Fayetteville Public Utilities retiree health care plan

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

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

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER LEGACY PLAN OF TCRS

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

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FAYETTEVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS

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

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

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

June 30, 2015

Special Revenue Funds

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

- School Title Fund
- School Cafeteria Fund
- Drug Fund

Debt Service Fund

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

Capital Projects Funds

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

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

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

June 30, 2015

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

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

June 30, 2015

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

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

For the year ended June 30, 2015

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

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

For the year ended June 30, 2015

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

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

For the year ended June 30, 2015

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

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

Year ended June 30, 2015

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

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

Year ended June 30, 2015

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

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2015

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

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

Year ended June 30, 2015

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

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

Year ended June 30, 2015

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

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

Year ended June 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 126	\$ 26
Total Revenues	<u>100</u>	<u>100</u>	<u>126</u>	<u>26</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	(900)	(900)	126	1,026
Fund Balance - beginning	<u>406,652</u>	<u>406,652</u>	<u>406,652</u>	<u>-</u>
Fund Balance - ending	<u><u>\$ 405,752</u></u>	<u><u>\$ 405,752</u></u>	<u><u>\$ 406,778</u></u>	<u><u>\$ 1,026</u></u>

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

Year ended June 30, 2015

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

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

Year ended June 30, 2015

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

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

Fayetteville Public Utilities															
General Debt		Sanitation Capital Outlay Note		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	Principal	Interest
2016	\$ 394,778	\$ 287,953	\$ 62,300	\$ 1,246	\$ 1,055,000	\$ 681,919	\$ 295,000	\$ 114,620	\$ 330,000	\$ 26,115	\$ 627,130	\$ 311,453	\$ 2,764,208	\$ 1,423,306	\$ 4,187,514
2017	450,000	279,801	-	-	1,085,000	650,269	300,000	105,768	335,000	22,320	629,398	294,585	2,799,398	1,352,743	4,152,141
2018	455,000	268,957	-	-	1,120,000	616,363	300,000	95,270	340,000	17,965	656,232	276,727	2,871,232	1,275,282	4,146,514
2019	465,000	258,010	-	-	1,160,000	578,562	310,000	84,768	345,000	12,865	683,221	258,012	2,963,221	1,192,217	4,155,438
2020	475,000	247,092	-	-	1,200,000	536,512	315,000	74,694	350,000	7,000	679,813	239,882	3,019,813	1,105,180	4,124,993
2021	515,000	235,655	-	-	1,245,000	491,512	310,000	63,668	-	-	342,687	219,934	2,412,687	1,010,769	3,423,456
2022	515,000	222,295	-	-	1,295,000	441,712	320,000	52,432	-	-	350,174	212,447	2,480,174	928,886	3,409,060
2023	530,000	208,831	-	-	1,345,000	389,499	330,000	40,432	-	-	357,845	204,776	2,562,845	843,538	3,406,383
2024	540,000	194,606	-	-	1,405,000	334,238	325,000	27,232	-	-	365,171	197,450	2,635,171	753,526	3,388,697
2025	555,000	180,082	-	-	1,525,000	276,050	345,000	14,232	-	-	294,309	189,226	2,719,309	659,590	3,378,899
2026	410,000	163,637	-	-	1,600,000	212,762	-	-	-	-	220,918	183,530	2,230,918	559,929	2,790,847
2027	415,000	152,300	-	-	1,675,000	145,562	-	-	-	-	226,334	178,114	2,316,334	475,976	2,792,310
2028	430,000	140,837	-	-	1,750,000	74,375	-	-	-	-	231,423	173,025	2,411,423	388,237	2,799,660
2029	445,000	127,338	-	-	-	-	-	-	-	-	237,569	166,879	682,569	294,217	976,786
2030	450,000	113,387	-	-	-	-	-	-	-	-	243,421	161,027	693,421	274,414	967,835
2031	470,000	98,988	-	-	-	-	-	-	-	-	249,422	155,026	719,422	254,014	973,436
2032	480,000	83,912	-	-	-	-	-	-	-	-	255,171	149,277	735,171	233,189	968,360
2033	500,000	67,913	-	-	-	-	-	-	-	-	261,899	142,549	761,899	210,462	972,361
2034	445,000	51,212	-	-	-	-	-	-	-	-	268,396	136,052	713,396	187,264	900,660
2035	450,000	36,413	-	-	-	-	-	-	-	-	237,253	129,580	687,253	165,993	853,246
2036	325,000	21,450	-	-	-	-	-	-	-	-	239,810	123,562	564,810	145,012	709,822
2037	335,000	10,888	-	-	-	-	-	-	-	-	246,669	116,704	581,669	127,592	709,261
2038	-	-	-	-	-	-	-	-	-	-	253,380	109,992	253,380	109,992	363,372
2039	-	-	-	-	-	-	-	-	-	-	260,278	103,094	260,278	103,094	363,372
2040	-	-	-	-	-	-	-	-	-	-	267,107	96,265	267,107	96,265	363,372
2041	-	-	-	-	-	-	-	-	-	-	274,647	88,725	274,647	88,725	363,372
2042	-	-	-	-	-	-	-	-	-	-	282,135	81,237	282,135	81,237	363,372
2043	-	-	-	-	-	-	-	-	-	-	289,832	73,540	289,832	73,540	363,372
2044	-	-	-	-	-	-	-	-	-	-	297,566	65,806	297,566	65,806	363,372
2045	-	-	-	-	-	-	-	-	-	-	305,867	57,505	305,867	57,505	363,372
2046	-	-	-	-	-	-	-	-	-	-	314,224	49,148	314,224	49,148	363,372
2047	-	-	-	-	-	-	-	-	-	-	322,813	40,559	322,813	40,559	363,372
2048	-	-	-	-	-	-	-	-	-	-	331,560	31,812	331,560	31,812	363,372
2049	-	-	-	-	-	-	-	-	-	-	340,714	22,658	340,714	22,658	363,372
2050	-	-	-	-	-	-	-	-	-	-	350,042	13,330	350,042	13,330	363,372
2051	-	-	-	-	-	-	-	-	-	-	231,886	4,918	231,886	4,918	236,804
2052	-	-	-	-	-	-	-	-	-	-	43,854	190	43,854	190	44,044
	<u>\$ 10,049,778</u>	<u>\$ 3,451,557</u>	<u>\$ 62,300</u>	<u>\$ 1,246</u>	<u>\$ 17,460,000</u>	<u>\$ 5,429,335</u>	<u>\$ 3,150,000</u>	<u>\$ 673,116</u>	<u>\$ 1,700,000</u>	<u>\$ 86,265</u>	<u>\$ 12,070,170</u>	<u>\$ 5,058,596</u>	<u>\$ 44,492,248</u>	<u>\$ 14,700,115</u>	<u>\$ 59,192,363</u>

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

June 30, 2015

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

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

June 30, 2015

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

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

June 30, 2015

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

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

June 30, 2015

Residential

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

General Services

LESS THAN 50 KW

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

51 KW TO 1,000 KW

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

1,001 KW to 5,000 KW

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

General Services Manufacturing Rates

5,001 KW TO 15,000 KW

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

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

Residential

Monthly minimum	\$	5.00
Per ccf consumed per month		1.12

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

Monthly minimum	\$	5.66
Per ccf consumed per month		1.17

General Commercial and Industrial

Monthly minimum	\$	5.66
Per ccf consumed per month		1.053

Housing Authority

Monthly minimum	\$	5.00
Per ccf consumed per month		1.036

Interruptible Service

Per ccf consumed per month	\$	0.435
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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, 2015

Cable TV Service

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

Digital Premium Channels

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

Additional Cable Equipment Available

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

Internet Services

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

VOIP Phone Services

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

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

June 30, 2015

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

*Per 100 cubic feet

Number of water and wastewater customers at June 30,

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

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

June 30, 2015

Residential

Per household		\$ 14
Per apartment		14

Each additional cart purchased is an additional \$10.

Commercial and Industrial

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

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

June 30, 2015

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

AWWA Free Water Audit Software:
Reporting Worksheet

Click to access definition
 Click to add a comment

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

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

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

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

Master Meter and Supply Error Adjustments

WATER SUPPLIED

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

Enter grading in column 'E' and 'J' -----
Pcnt: MG/Yr
 MG/Yr

WATER SUPPLIED: MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: MG/Yr
Unbilled unmetered: MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: MG/Yr

MG/Yr
 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

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

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

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

Apparent Losses: MG/Yr

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

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles
Number of active AND inactive service connections:
Service connection density: conn./mile main

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

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

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

Average operating pressure: psi

COST DATA

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

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 90 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Unauthorized consumption

2: Systematic data handling errors

3: Customer metering inaccuracies



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association.
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Water Audit Report for: **Fayetteville Public Utilities (0000242)**
 Reporting Year: **2015** | **7/2014 - 6/2015**

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

System Attributes:

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

Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied:
 Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

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

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

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

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

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

June 30, 2015

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

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

DIRECTORY OF OFFICIALS
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

Mayor - Jon Law

Board of Alderman

Dorothy Small - Vice Mayor

Danny Bryant

Gwen Shelton

Anna Catherine Cowley

Violet Harry

Michael Whisenant

City Administrator - Scott Collins

City Attorney - Johnny D. Hill, Jr.

City Judge - J. Rhea Thompson, III

City Finance Director - Tonya Travis

Director of Schools - Janine Wilson

Fayetteville Public Utilities:

CEO/ General Manager - Britt Dye

Secretary/Treasurer - Glenn Oldham

Manager of Finance and Office Services - Kim Posey

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

Year ended June 30, 2015

During the year ended June 30, 2015, the government turned over \$24,741 of 2013 property taxes receivable to the clerk and master in accordance with applicable laws.

PROPERTY TAX RATES AND ASSESSMENTS - LAST TEN YEARS
CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2015

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

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

Year ended June 30, 2015

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

Basis of Presentation:

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

Loans Outstanding:

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Board of Mayor and Aldermen
City of Fayetteville
Fayetteville, Tennessee

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

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

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

City of Fayetteville, Tennessee's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winneth Associates, PLLC

June 3, 2016

SCHEDULE OF FINDINGS
CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2015

Finding 2015-001

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

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

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

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE

For the Fiscal Year Ended June 30, 2015

Financial Statement Findings

Finding Number	Finding Title	Status
2014-001	Budgeting (original finding # 2013-001)	Corrected

Federal Award Findings and Questioned Costs

Not applicable