OFFICIAL STATEMENT

NEW ISSUE Rating: S&P: “AA-”
BOOK-ENTRY-ONLY (See “MISCELLANEOUS-Rating”)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters” herein).

$3,850,000
CITY OF FAYETTEVILLE, TENNESSEE
General Obligation Refunding Bonds, Series 2017

Dated: September 28, 2017 Due: June 1 (as indicated below)

The $3,850,000 General Obligation Refunding Bonds, Series 2017 (the “Bonds”) shall be issued by the City of Fayetteville, Tennessee (the “City”) as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2017 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

Due (June 1)	Amount	Interest Rate	Yield		CUSIPs**
2019	$ 750,000	5.00%	0.90%		312855 PL7
2020	755,000	5.00	1.00		312855 PM5
2021	460,000	5.00	1.10		312855 PN3
2022	470,000	2.00	1.15	c	312855 PP8
2023	$ 475,000	2.00%	1.20%	c	312855 PQ6
2024	465,000	2.00	1.35	c	312855 PR4
2025	475,000	2.00	1.55	c	312855 PS2

c = Yield to call on June 1, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from John D. Hill, Jr., Esq., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about September 28, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

August 30, 2017

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by S&P CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF FAYETTEVILLE, TENNESSEE

OFFICIALS

Honorable Jon Law	*Mayor*
Scott Collins	*City Administrator/City Clerk*
Tonya Travis	*Finance Director/Assistant City Clerk*
John D. Hill, Jr.	*City Attorney*

BOARD OF MAYOR AND ALDERMEN

Danny Bryant

Violet Harry

Anna Catherine Osteen

Gwen Shelton

Dorothy Small

Michael Whisenant

UNDERWRITER

Fifth Third Securities, Inc.
Cincinnati, Ohio

BOND REGISTRAR AND PAYING AGENT AND ESCROW AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

Issuer	City of Fayetteville, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds	$3,850,000 General Obligation Refunding Bonds, Series 2017 (the “Bonds”).
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds (as defined herein) of the City, as described herein; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated or deemed designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating	S&P: “AA-”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the “Registration Agent”).
Bond Counsel	Bass, Berry & Sims PLC, Nashville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parities; Others”, herein.
Underwriter	Fifth Third Securities, Inc., Cincinnati, Ohio.
Book-Entry-Only	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book–Entry-Only System”.

General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID") established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled "MISCELLANEOUS - Continuing Disclosure" for additional information.
Other Information	The information in the *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City, or the OFFICIAL STATEMENT, contact Jon Law, Mayor, 110 Elk Ave. South, Fayetteville, TN 37334, (931) 433-6154, Telephone: 865-273-3100; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES

Summary of Changes In Fund Balances

(In Thousands)

For the Fiscal Year Ended June 30

	2012	2013	2014	2015	2016
Beginning Fund Balance	$ 5,090,356	$5,906,237	$6,057,608	$6,481,134	$6,969,694
Revenues	6,822,460	7,014,536	7,788,635	8,614,051	8,718,365
Expenditures	6,937,313	7,356,616	7,405,831	8,019,341	8,149,348
Excess of Revenues Over (under) Expenditures	(114,853)	(342,080)	382,804	594,710	569,017
Other Financing Sources:					
Transfers In	1,165,841	1,220,128	1,321,638	1,338,425	1,434,838
Transfers Out	(966,376)	(946,227)	(1,302,500)	(1,531,681)	(1,762,200)
Sale of Capital Assets	726,863	200,648	9,250	82,104	22,379
Insurance Proceeds	4,406	18,902	12,334	5,003	2,885
Over (Under) Expenditures	815,881	151,371	423,526	488,561	266,899
Ending Fund Balance	**$ 5,906,237**	**$6,057,608**	**$6,481,134**	**$6,969,694**	**$7,236,593**

Source: Comprehensive Annual Financial Reports of the City of Fayetteville, Tennessee.

$3,850,000
CITY OF FAYETTEVILLE, TENNESSEE
General Obligation Refunding Bonds, Series 2017

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Fayetteville, Tennessee (the "City", "Municipality" or "Issuer") of its $3,850,000 General Obligation Refunding Bonds, Series 2017 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to resolutions (the "Resolution") adopted by the Board of Mayor and Aldermen of the City (the "Board") on August 8, 2017.

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Debt, as described in the "Refunding Plan" below; and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The City is proposing to refinance the City's outstanding General Obligation Bonds, Series 2009, dated June 15, 2009, maturing June 1, 2019 and thereafter (the "Outstanding Bonds") to the June 1, 2019 call date at par plus accrued interest. The Outstanding Bonds will be called for redemption on June 1, 2018 at par plus accrued interest.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the "Plan") for the Outstanding Bonds was submitted to the Director of the Office of State and Local Finance for review, and a report was received thereon.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

W. Edward Souther, CPA, Knoxville, Tennessee, a firm of independent arbitrage consultants, will deliver to the Issuer, on or before the settlement date of the Series 2017 Bonds, its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the City and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Investments to pay, when due, the principal of and interest on the Outstanding 2009 Bonds and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2017 Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder. The examinations performed by W. Edward Souther, CPA, will be solely based upon data, information and documents provided to it by the City and its representatives. W.

Edward Souther, CPA report of its examination will state that it has no obligation to update the report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance September 28, 2017. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2017. The Bonds are issuable in registered book-entry form only and in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Clerk. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the City or other available funds of the City to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the “Code”), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain “qualified tax-exempt obligations,” as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be “qualified tax-exempt obligations” within the meaning of the Code.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2022, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2021 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Mayor and Alderman of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

NOTICE OF REDEMPTION

Notice of call for redemption shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the "Book Entry Only System"). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect

Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled “SECURITIES OFFERED – Redemption.”

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

(a) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bonds until and through the redemption date therefor shall be deposited with a financial institution acting as escrow agent under a refunding escrow agreement to be held in an Escrow Fund established thereunder to be held and applied as provided therein, including paying the redemption price of the Outstanding Bonds on the earliest optional redemption date; and

(b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or

3. By delivering such Bonds to the Registration Agent for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended, (the "Code")
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also the section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time, and as it is amortized, a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, bond counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has given the Bonds the rating of "AA-".

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on August 30, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated August 24, 2017.

The successful bidder for the Bonds was an account led by Fifth Third Securities Inc., Cincinnati, Ohio (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $4,077,900.36 (consisting of the par amount of the Bonds, plus a reoffering premium of $241,272.05 less an underwriter's discount of $13,371.69) or 105.919490% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliated or constractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Finaincial Advisor as to its accuracy or completeness or otherwise. The Financial Advoisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the City’s Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City’s Board of Public Utilities (the “System”) has received approval for an additional four million dollar ($4,000,000) loan from the State Revolving Fund, but has not yet closed on this loan. The City also has ongoing capital needs that may or may not require the issuance of additional debt. The City may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

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CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2017 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. The required information for Fiscal Year Ending June 30, 2013 was filed to EMMA on time on June 26, 2014. However, the Top Ten Taxpayers information was revised on July 7, 2014. EMMA only reflects the date that the revised information was filed, so it appears to have been filed seven days late. While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The City does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-6;

1. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;

2. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as show on page B-9;

3. Information about the Bonded Debt Service Requirements – Water and Sewer Fund as of the end of such fiscal year as show on page B-10;

4. Information about the Bonded Debt Service Requirements – Gas System Debt Service Fund as of the end of such fiscal year as show on page B-11;

5. Information about the Bonded Debt Service Requirements – Cable System Debt Service Fund as of the end of such fiscal year as show on page B-12;

6. Information about the Bonded Debt Service Requirements – Electric System Debt Service Fund as of the end of such fiscal year as show on page B-13;

7. The fund balances and retained earnings for the fiscal year as shown on page B-14;

8. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-15;

9. Summary of Revenues, Expenditures and Changes in Fund Balances – Electric System Fund for the fiscal year as shown on page B-16;

11. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-22;

12. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-22; and

13. The ten largest taxpayers as shown on page B-23.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

   c. Unscheduled draws on debt service reserves reflecting financial difficulties;

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

   e. Substitution of credit or liquidity providers, or their failure to perform;

   f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

   g. Modifications to rights of Bondholders, if material;

   h. Bond calls, if material, and tender offers;

   i. Defeasances;

   j. Release, substitution, or sale of property securing repayment of the securities, if material;

   k. Rating changes;

   l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

   m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

   n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Jon Law
City Mayor

ATTEST:

/s/ Scott Collins
City Administrator / City Clerk

APPENDIX A

FORM OF LEGAL OPINION

September 28, 2017

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

Fifth Third Securities, Inc.
38 Fountain Square Plaza
MD 10903B
Cincinnati, OH 45263

Ladies and Gentlemen:

We have acted as bond counsel to the City of Fayetteville, Tennessee (the "Issuer") in connection with the issuance of $3,850,000 General Obligation Refunding Bonds, Series 2017, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.

2. The resolutions of the Board of Mayor and Aldermen of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are valid and binding agreements of the Issuer enforceable in accordance with their terms.

3. The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes.

Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Fayetteville, Tennessee (the "City") is the county seat of Lincoln County (the “County”), which consists of about 408 square miles. The County is located within 500 miles of 76% of major U.S. markets, and is situated about 78 miles south of Nashville and 25 miles north of Huntsville, Alabama. Five Tennessee Counties border the County: Giles County is to the West; Marshall, Bedford and Moore Counties are to the north; and Franklin County is to the East. The southern border of the County is the Alabama state line. Population in Fayetteville as of the 2010 Census is 6,827. According to the 2010 Census, the County’s population is 33,361.

GENERAL

A part-time Mayor and Board of Aldermen with a full-time City Administrator govern the City. The Municipal Analysis Services of Austin, Texas ranked the City to within the top 10% of cities nationwide in terms of efficiency (one of only 840 out of 8,331 cities and counties nationwide to receive such a rating.)

The County is especially prominent as a producer of livestock and dairy products. Grain, cotton, tobacco and soybeans are the leading crops.

TRANSPORTATION

Highways. U.S. Highways 64, 231 and 431 and State Highways 50, 110 and 121 pass through Fayetteville. Interstate I-65 is 17 miles west of Fayetteville, and I-24 is 30 miles northeast of Fayetteville.

Rail and Intermodal. CSX transportation has a main rail line which runs through southwestern Lincoln County, and an offloading rail spur located in Delrose. In addition, the City also has access to a full-service intermodal facility (rail, motor freight, international air cargo) in Huntsville, which is served by Norfolk Southern.

Airports. For commercial aviation, Fayetteville is served by two international airports. Huntsville/Madison County International Airport is 35 miles south of Fayetteville and the Nashville International Airport is located 78 miles north of Fayetteville. In addition, Fayetteville Municipal Airport can accommodate corporate aircraft and is currently being upgraded to include state-of-the-art Global Positioning System (GPS) navigation equipment and a runway length of 6,000 feet.

EDUCATION

There are two school systems in the County. The *Fayetteville City School System* has three schools: one elementary, one middle and one high school. The fall 2015 enrollment was 1,542 students (K-9) with 96 teachers. The *Lincoln County School System* has eight schools: six elementary schools, one ninth grade school and one high school. The fall 2015 enrollment was 4,009 students with 256 teachers. There is one private school.

Source: Tennessee Department of Education.

Located 25 miles away in Huntsville is the University of Alabama in Huntsville (UAH), one of the premiere engineering schools in the southeast; Alabama A&M University and Oakwood College. Lincoln County residents do not have to pay out-of-state tuition to attend these schools. Conversely, Madison County residents do not pay out-of-state tuition to attend Motlow College in Tennessee.

Motlow State Community College Fayetteville Center. Motlow State Community College is an accredited public comprehensive community college that had a 2015 enrollment of 5,294 students. The College was founded in 1969 and is located in Tullahoma in Coffee County, Tennessee. The associate degree program offers students an opportunity to earn an Associate of Arts or Associate of Science degree designed for transfer to a four-year-college or university. Motlow State has offices and classrooms in Fayetteville, McMinnville and Smyrna.

Source: Motlow State Community College.

Don Sundquist Center of Advanced Technologies. Located adjacent to Motlow State Community College-Fayetteville Center in the Bullington Industrial Park is Fayetteville & Lincoln County's premier training facility for area businesses and industries. The Sundquist Center works directly with businesses and industries to design and develop customized training programs. Using state-of-the-art instructional technology, the 32,280 square feet facility provides video-teleconferencing/distance learning capability, specialty classrooms, and three high-bay industrial training areas. The Sundquist Center also provides courses in Computer-Aided Design, Technical Certificate Programs in Microcomputer Applications, Electronics, and Production Maintenance. The Center also houses the Licensed Practical Nursing program.

The Tennessee Technology Center at Pulaski. The Tennessee Technology Center at Pulaski is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Pulaski serves the south central region of the state including Giles, Lincoln, Lawrence and Marshall Counties. The Technology Center at Pulaski began operations in 1969, and the main campus is located in Giles County. Fall 2014 enrollment was 1,669 students.

Source: Tennessee Technology Center at Pulaski.

HEALTH FACILITIES

Lincoln County Health System. The Lincoln County Health System is located in Fayetteville and is owned and operated by Lincoln County. The 55-bed facility is a full-service, JCAHO-accredited health care system that serves the County and surrounding counties. The facility began operation in 1917 and was moved to its current location in 2001. In addition, Lincoln Medical Center now offers a wide variety of services, such as a 24-hour emergency department and diagnostic services that include radiology, MRI, CT-scanning, ultrasound, mammography, laboratory testing, EKG, stress testing, Holter monitoring, echocardiograms, vascular imaging with Doppler studies, bronchoscopy, systoscopy, laparoscopy, colonoscopy, gastroscopy, and endoscopy. Outpatient surgery is a convenient alternative at Lincoln Medical Center, and the Family Birthplace offers one of the most modern labor-delivery-recovery units in the Tennessee Valley.

The City has the advantage of being within an hour's drive to two major cities like Nashville and Huntsville. Nashville has several nationally recognized hospitals like Vanderbilt, St Thomas, Baptist, Centennial plus many other quality hospitals. Huntsville, only 25 miles south, has the Huntsville Hospital and Columbia Medical Center.

MANUFACTURING AND COMMERCE

There are several major employers which support the County. The County is also well located for the aerospace industry with easy commuting distance of Huntsville's Redstone Arsenal and Tullahoma's Arnold Engineering (AERO). Fayetteville/Lincoln County also has several available prime tracts for industrial development, with full infrastructure, including water, sewer, gas, electric, fire protection, and telecommunications.

Major Employers in Fayetteville

Company	Product	Employees
Goodman Manufacturing*	Air Conditioner & Furnaces	1,800
Frito-Lay, Inc.	Snack Foods	725
Lincoln County Board of Education	Education	707
Lincoln County Health System	Healthcare	630
Wal-Mart	Retail	362
TMD (Toledo Molding & Die)	Automotive Plastics	248
Franke, Inc.	Restaurant Equipment	200
Fayetteville City Schools	Education	189
C&S Plastics, LLC	Injection Molding	150
Lincoln County	Government	136
Fushi Copperweld	Bimetallic Wire	125
Fayetteville Public Utilities	Utilities	114
City of Fayetteville	Government	110
Gregory Manufacturing	Metal Racks	100
Parsons Oil Co	Fuel & Convenience Stores	90
Genesco	Shoe Terminal	85
Conner Industries, Inc.	Remanufacture Wood Pallets	70
Nippon Steel & Sumikin Materials	Metal Substrate	65
Palatec	Wood Pallets	60
Davie Ashley Sawmill, LLC	Sawmill	48
RTR Group, Inc. (Trilogy Pools)	Fiberglass swimming pools	45

* Goodman Manufacturing announced plans to close the plant by 2018.
Source: Middle Tennessee Industrial Development Association - 2017.

EMPLOYMENT INFORMATION

Unemployment levels for Lincoln County have been historically lower than average for counties in the State of Tennessee. As of May 2017 the unemployment rate for the County was 2.6%, with 15,720 persons employed in a total labor force of 16,140.

Lincoln County Unemployment

	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.7%	5.8%	4.8%
Lincoln County	**5.5%**	**5.8%**	**5.3%**	**4.9%**	**4.2%**
Index vs. National	68	78	85	92	86
Index vs. State	69	71	79	84	88

Source: Tennessee Department of Labor & Workforce Development.

ECONOMIC DATA

Lincoln County Per Capita Personal Income

	2011	**2012**	**2013**	**2014**	**2015**
National	$42,453	$44,267	$44,462	$46,414	$48,112
Tennessee	$37,452	$38,771	$38,806	$40,233	$42,094
Lincoln County	**$33,794**	**$34,670**	**$35,492**	**$36,244**	**$37,279**
Index vs. National	80	78	80	78	77
Index vs. State	90	89	91	90	89

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

	National	**Tennessee**	**Lincoln County**	**Fayetteville**
Median Value Owner Occupied Housing	$178,600	$142,100	$109,100	$95,300
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	82.4%	79.9%
% Persons with Income Below Poverty Level	13.50%	16.70%	16.0%	32.2%
Median Household Income	$53,889	$45,219	$40,389	$29,224

Source: U.S. Census Bureau State & County QuickFacts - 2015.

RECREATION

Lincoln County Fair. The Fair has been consistently judged as one of the best local fairs in America. Traditional fair activities include shows, the carnival midway, rides and livestock, agricultural and craft exhibitions. In addition, Lincoln County's fair boasts the only horse harness racing in the State.

RECENT DEVELOPMENTS

Goodman Manufacturing. The air conditioning and heating equipment plant announced plans to close the plant by 2018 to consolidate all of its production in a new $417 million facility in Houston, Texas. This announcement also included the plant in Dayton, TN. With both plants closing it adds up to nearly 2,000 jobs lost in the state.

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CITY OF FAYETTEVILLE, TENNESSEE

SUMMARY OF BONDED INDEBTEDNESS

Amount Issued (1)		Purpose	Due Date	Interest Rate(s)	Outstanding Debt As of June 30, 2017 (1)
$ 10,100,000	(3)	General Obligation Bonds, Series 2009	June 2025	Fixed	$ 4,700,000
2,070,465	(5)	State of Tennessee Utility Relocation Loan, Series 2005	June 2025	Fixed	1,106,882
3,500,000	(5)	RUS (Phase I) Rural Economic Development Loan (USDA), Series 2010	June 2049	Fixed	3,260,960
4,980,000	(5)	RUS (Phase II) Rural Economic Development Loan (USDA), Series 2011	October 2051	Fixed	4,774,382
2,660,000	(6)	General Obligation Refunding Bonds, Series 2011	April 2020	Fixed	1,035,000
12,525,000	(2)	Electric System Revenue Refunding Bonds, Series 2009	June 2024	Fixed	5,370,000
9,750,000	(2)	Electric System Revenue Refunding Bonds, Series 2016	June 2028	Fixed	9,720,000
6,140,000		General Obligation Refunding Bonds, Series 2013	June 2024	Fixed	5,305,000
1,045,000		General Obligation Bonds, Series 2013B	June 2033	Fixed	870,000
2,000,000		General Obligation Bonds, Series 2014, Dated December 19, 2014	June 2035	Fixed	1,920,000
972,360	(5)	SRF Loan (CWO 2013-315)	June 2035	Fixed	635,780
4,300,000	(5)	SRF Loan (CWO 2013-316)	June 2036	Fixed	3,628,337
2,623,000	(5)	RUS (Phase III) Rural Economic Development Loan (USDA), Series 2009	June 2053	Fixed	2,556,740
4,000,000	(5)	SRF Loan (2015-0350)	Apr 2037	Fixed	3,693,048
1,900,000	(5)(7)	RUS (Phase IV) Rural Economic Development Loan (USDA), Series 2015	Est. 2055	Fixed	1,873,672
1,700,000	(5)(8)	SRF Loan (2015-01-23)	Est. 2038	Fixed	1,700,000
5,050,000	(5)(8)	SRF Loan (2016-05-10)	Est. 2038	Fixed	5,050,000
$ 75,315,825		**BONDED INDEBTEDNESS**			**$ 57,199,801**
$ 3,850,000		General Obligation Refunding Bonds, Series 2017	June 2025	Fixed	$ 3,850,000
(3,950,000)		Less Refunded Debt: General Obligation Bonds, Series 2009	June 2025	Fixed	$ (3,950,000)
$ (18,735,465)		Less: Revenue Supported Indebtedness			$ (32,824,374)
(22,275,000)	(2)	Less: Revenue Only Indebtedness			(15,090,000)
$ 34,205,360		**NET DIRECT BONDED INDEBTEDNESS**			**$ 9,185,427**

Notes:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Revenue Only Indebtedness.

(3) $2,555,000 of the Series 2009 Bonds are supported by the Gas System and $1,035,000 of the Series 2009 Bonds are supported by the Water and Sewer System.

(4) The City budgets to account for interest rate and/or basis risk.

(5) Water and Sewer System Supported Debt

(6) Telecom System Supported Debt

(7) lThe Water and Sewer System has entered into a loan agreement with the U.S. Department of Agriculture Rural Development. The loan matured April 9, 2017 and the System took out permanent financing for 38 years at 2.75% through USDA.

(8) The Water and Sewer System has entered into loan agreements with the Tennesse Department of Environment and Conservation to borrow these loans. The 2015 loan will bear interest at 1.38% and the 2016 loan will bear interest at 1.12%. The loans will have a 20 year amortization once all advances on the loans have been received.

CITY OF FAYETTEVILLE, TENNESSEE

INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this PRELIMINARY OFFICIAL STATEMENT / OFFICIAL STATEMENT.

INDEBTEDNESS	**For Fiscal Year Ended June 30**				**Unaudited Post-Issuance**
	2013	**2014**	**2015**	**2016**	**2017**
TAX SUPPORTED					
General Obligation Bonds, Notes & Leases	$ 7,779,336	$ 8,439,558	$ 10,049,779	$ 9,655,000	$ 9,185,427
TOTAL TAX SUPPORTED	$ 7,779,336	$ 8,439,558	$ 10,049,779	$ 9,655,000	$ 9,185,427
REVENUE SUPPORTED					
Water and Sewer System	$ 11,646,797	$ 11,088,256	$ 12,070,169	$ 17,846,055	$ 29,280,359
Gas System	3,730,000	3,440,000	3,150,000	2,855,000	2,509,015
Cable System	2,345,000	2,025,000	1,700,000	1,370,000	1,035,000
Electric System	19,476,250	18,485,000	17,460,000	16,205,000	15,090,000
TOTAL REVENUE SUPPORTED	$ 37,198,047	$ 35,038,256	$ 34,380,169	$ 38,276,055	$ 47,914,374
TOTAL DEBT	$ 44,977,383	$ 43,477,814	$ 44,429,948	$ 47,931,055	$ 57,099,801
Less: Revenue Supported Debt	$ (37,198,047)	$ (35,038,256)	$ (34,380,169)	$ (38,276,055)	$ (47,914,374)
Less: Debt Service Funds	$ (311,733)	$ (311,610)	$ (310,209)	$ (308,316)	$ (308,316)
NET DIRECT DEBT	$ 7,467,603	$ 8,127,948	$ 9,739,570	$ 9,346,684	$ 8,877,111

PROPERTY TAX BASE					
Estimated Actual Value	$461,138,416	$474,554,985	$474,554,985	$522,451,977	$524,016,709
Appraised Value	461,138,416	474,554,985	474,554,985	522,451,977	505,309,312
Assessed Value	146,048,679	152,730,706	152,730,706	163,352,748	163,926,967

	For Fiscal Year Ended June 30				Unaudited Post-Issuance
DEBT RATIOS	**2013**	**2014**	**2015**	**2016**	**2017**
TOTAL DEBT to Estimated Actual Value	9.75%	9.16%	9.36%	9.17%	10.90%
TOTAL DEBT to Appraised Value	9.75%	9.16%	9.36%	9.17%	11.30%
TOTAL DEBT to Assessed Value	30.80%	28.47%	29.09%	29.34%	34.83%
NET DIRECT DEBT to Estimated Actual Value	1.62%	1.71%	2.05%	1.79%	1.69%
NET DIRECT DEBT to Appraised Value	1.62%	1.71%	2.05%	1.79%	1.76%
NET DIRECT DEBT to Assessed Value	5.11%	5.32%	6.38%	5.72%	5.42%
PER CAPITA RATIOS					
POPULATION (1)	7,124	7,102	7,121	7,051	7,051
PER CAPITA PERSONAL INCOME (2)	$35,492	$36,244	$37,279	$37,279	$37,279
Estimated Actual Value to POPULATION	$64,730	$66,820	$66,642	$74,096	$74,318
Assessed Value to POPULATION	$20,501	$21,505	$21,448	$23,167	$23,249
Total Debt to POPULATION	$6,314	$6,122	$6,239	$6,798	$8,098
Net Direct Debt to POPULATION	$1,048	$1,144	$1,368	$1,326	$1,259
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.08%	3.28%	3.79%	3.67%	3.49%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.95%	3.16%	3.67%	3.56%	3.38%

(1) Per Capita computations are based upon POPULATION data according to the U.S Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF FAYETTEVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y.	Existing Debt - General Obligation As of June 30, 2017 (1)			General Obligation Refunding Bonds, Series 2017			% 2017	Less: Refunded Debt			Total Bonded Debt Service Requirements (1)			% All
Ended 6/30	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal Repaid	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal Repaid
2018	455,000	268,956	723,956	-	20,911	20,911	0.00%	-	(37,569)	(37,569)	$ 455,000	$ 252,298	$ 707,298	4.95%
2019	465,000	258,011	723,011	115,635	30,979	146,614		(120,000)	(37,569)	(157,569)	460,635	251,421	712,057	
2020	475,000	247,091	722,091	117,517	25,197	142,714		(120,000)	(33,669)	(153,669)	472,517	238,620	711,137	
2021	515,000	235,656	750,656	149,193	19,321	168,514		(150,000)	(29,469)	(179,469)	514,193	225,509	739,702	
2022	515,000	222,294	737,294	146,215	11,862	158,077	54.19%	(145,000)	(24,031)	(169,031)	516,215	210,124	726,339	26.33%
2023	530,000	208,831	738,831	148,702	8,937	157,639		(150,000)	(18,594)	(168,594)	528,702	199,175	727,877	
2024	540,000	194,606	734,606	150,676	5,963	156,639		(155,000)	(12,594)	(167,594)	535,676	187,976	723,652	
2025	555,000	180,081	735,081	147,489	2,950	150,439		(155,000)	(6,394)	(161,394)	547,489	176,637	724,127	
2026	410,000	163,638	573,638	-	-	-		-	-	-	410,000	163,638	573,638	
2027	415,000	152,300	567,300	-	-	-	100.00%	-	-	-	415,000	152,300	567,300	52.86%
2028	430,000	140,838	570,838	-	-	-		-	-	-	430,000	140,838	570,838	
2029	445,000	127,338	572,338	-	-	-		-	-	-	445,000	127,338	572,338	
2030	450,000	113,388	563,388	-	-	-		-	-	-	450,000	113,388	563,388	
2031	470,000	98,988	568,988	-	-	-		-	-	-	470,000	98,988	568,988	
2032	480,000	83,913	563,913	-	-	-	100.00%	-	-	-	480,000	83,913	563,913	77.63%
2033	500,000	67,913	567,913	-	-	-		-	-	-	500,000	67,913	567,913	
2034	445,000	51,213	496,213	-	-	-		-	-	-	445,000	51,213	496,213	
2035	450,000	36,413	486,413	-	-	-		-	-	-	450,000	36,413	486,413	
2036	325,000	21,450	346,450	-	-	-		-	-	-	325,000	21,450	346,450	
2037	335,000	10,888	345,888	-	-	-	100.00%	-	-	-	335,000	10,888	345,888	100.00%
	$ 9,205,000	$ 2,883,803	$ 12,088,803	$ 975,427	$ 126,120	$ 1,101,547		$ (995,000)	$ (199,888)	$ (1,194,888)	$ 9,185,427	$ 2,810,035	$ 11,995,462	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

CITY OF FAYETTEVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer

F.Y. Ended 6/30	Estimated Amortization Existing Debt - Water and Sewer As of June 30, 2017 (1)			Estimated Debt Service on Unrequisitioned SRF Loans (2)			General Obligation Refunding Bonds, Series 2017			Less: Refunded Debt			Estimated Amortization Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2018	$ 1,069,289	$ 482,716	$ 1,552,005	$ 295,120	$ 91,288	$ 386,408	$ -	$ 22,463	$ 22,463	$ -	$ (23,613)	$ (23,613)	$ 1,364,408	$ 572,854	$ 1,937,263	4.66%
2019	1,102,576	457,704	1,560,280	299,218	87,190	386,408	335,169	33,278	368,447	(355,000)	(23,613)	(378,613)	1,381,963	554,559	1,936,522	
2020	1,105,263	433,194	1,538,457	303,373	83,034	386,408	330,390	16,519	346,909	(345,000)	(12,075)	(357,075)	1,394,026	520,673	1,914,699	
2021	774,945	406,150	1,181,095	307,587	78,821	386,408	-	-	-	-	-	-	1,082,532	484,971	1,567,503	
2022	789,063	392,605	1,181,668	311,858	74,549	386,408	-	-	-	-	-	-	1,100,921	467,154	1,568,075	
2023	803,469	378,198	1,181,668	316,189	70,218	386,408	-	-	-	-	-	-	1,119,659	448,416	1,568,075	25.42%
2024	817,374	364,032	1,181,406	320,580	65,827	386,408	-	-	-	-	-	-	1,137,954	429,860	1,567,814	
2025	753,765	348,294	1,102,058	325,032	61,375	386,408	-	-	-	-	-	-	1,078,797	409,669	1,488,466	
2026	687,469	336,025	1,023,494	329,546	56,861	386,408	-	-	-	-	-	-	1,017,015	392,887	1,409,902	
2027	700,097	323,397	1,023,494	334,123	52,285	386,408	-	-	-	-	-	-	1,034,220	375,682	1,409,902	
2028	712,276	310,984	1,023,260	338,763	47,644	386,408	-	-	-	-	-	-	1,051,039	358,629	1,409,667	43.59%
2029	726,144	296,882	1,023,026	343,468	42,940	386,408	-	-	-	-	-	-	1,069,612	339,822	1,409,434	
2030	739,596	283,899	1,023,494	348,238	38,170	386,408	-	-	-	-	-	-	1,087,834	322,068	1,409,902	
2031	753,335	270,160	1,023,494	353,074	33,334	386,408	-	-	-	-	-	-	1,106,409	303,493	1,409,902	
2032	766,741	256,548	1,023,289	357,977	28,430	386,408	-	-	-	-	-	-	1,124,719	284,978	1,409,697	
2033	781,687	241,400	1,023,087	362,949	23,459	386,408	-	-	-	-	-	-	1,144,636	264,859	1,409,495	62.48%
2034	796,332	227,162	1,023,494	367,989	18,418	386,408	-	-	-	-	-	-	1,164,321	245,581	1,409,902	
2035	773,454	212,385	985,840	373,100	13,308	386,408	-	-	-	-	-	-	1,146,554	225,693	1,372,247	
2036	712,046	198,043	910,089	378,281	8,126	386,408	-	-	-	-	-	-	1,090,327	206,169	1,296,497	
2037	545,952	184,166	730,118	383,535	2,873	386,408	-	-	-	-	-	-	929,487	187,039	1,116,525	
2038	379,557	173,439	552,996	-	-	-	-	-	-	-	-	-	379,557	173,439	552,996	78.57%
2039	389,777	163,219	552,996	-	-	-	-	-	-	-	-	-	389,777	163,219	552,996	
2040	399,860	153,001	552,861	-	-	-	-	-	-	-	-	-	399,860	153,001	552,861	
2041	411,050	141,682	552,732	-	-	-	-	-	-	-	-	-	411,050	141,682	552,732	
2042	422,130	130,866	552,996	-	-	-	-	-	-	-	-	-	422,130	130,866	552,996	
2043	433,513	119,483	552,996	-	-	-	-	-	-	-	-	-	433,513	119,483	552,996	85.59%
2044	444,917	107,985	552,902	-	-	-	-	-	-	-	-	-	444,917	107,985	552,902	
2045	457,214	95,602	552,817	-	-	-	-	-	-	-	-	-	457,214	95,602	552,817	
2046	469,557	83,439	552,996	-	-	-	-	-	-	-	-	-	469,557	83,439	552,996	
2047	482,238	70,758	552,996	-	-	-	-	-	-	-	-	-	482,238	70,758	552,996	
2048	495,114	57,833	552,948	-	-	-	-	-	-	-	-	-	495,114	57,833	552,948	93.62%
2049	508,647	44,264	552,911	-	-	-	-	-	-	-	-	-	508,647	44,264	552,911	
2050	522,398	30,598	552,996	-	-	-	-	-	-	-	-	-	522,398	30,598	552,996	
2051	408,326	17,653	425,979	-	-	-	-	-	-	-	-	-	408,326	17,653	425,979	
2052	224,195	8,306	232,501	-	-	-	-	-	-	-	-	-	224,195	8,306	232,501	99.30%
2053	121,948	3,725	125,672	-	-	-	-	-	-	-	-	-	121,948	3,725	125,672	
2054	79,410	1,302	80,712	-	-	-	-	-	-	-	-	-	79,410	1,302	80,712	99.99%
2055	4,075	9	4,085	-	-	-	-	-	-	-	-	-	4,075	9	4,085	
	$ 22,564,801	$ 7,807,108	$ 30,371,909	$ 6,750,000	$ 978,151	$ 7,728,151	$ 665,558	$ 72,260	$ 737,818	$ (700,000)	$ (59,300)	$ (759,300)	$ 29,280,359	$ 8,798,218	$ 38,078,578	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Estimated amortizations of authorized loans. The Water and Sewer System has entered into a $1,900,000 loan agreement with the U.S. Department of Agriculture Rural Development. The loan matured April 9, 2017 and the System took out permanent financing for 38 years at 2.75% through USDA. The Water and Sewer System has also entered into loan agreements with the Tennesee Department of Environment and Conservation to borrow these $4,000,000 (2015), $1,700,000 (2015) and $5,050,000 (2016). The 2015 loans will bear interest at 1.38% and the 2016 loan will bear interest at 1.12%. The loans will have a 20 year amortization once all advances on the loans have been received.

CITY OF FAYETTEVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Gas System

F.Y. Ended 6/30	Existing Debt - Gas System As of June 30, 2017 (1)			General Obligation Refunding Bonds, Series 2017			Less: Refunded Debt			Total Bonded Debt Service Requirements			% Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2018	300,000	66,269	366,269	-	48,393	48,393	-	(84,769)	(84,769)	$ 300,000	$ 29,893	$ 329,893	11.96%
2019	310,000	57,269	367,269	299,196	71,693	370,889	(310,000)	(84,769)	(394,769)	299,196	44,193	343,389	23.88%
2020	315,000	48,694	363,694	307,093	56,733	363,827	(315,000)	(74,694)	(389,694)	307,093	30,733	337,827	36.12%
2021	310,000	39,169	349,169	310,807	41,379	352,186	(310,000)	(63,669)	(373,669)	310,807	16,879	327,686	48.51%
2022	320,000	29,431	349,431	323,785	25,838	349,623	(320,000)	(52,431)	(372,431)	323,785	2,838	326,623	61.41%
2023	330,000	18,931	348,931	326,298	19,363	345,661	(330,000)	(40,431)	(370,431)	326,298	(2,137)	324,161	74.42%
2024	325,000	12,731	337,731	314,324	12,837	327,161	(325,000)	(27,231)	(352,231)	314,324	(1,663)	312,661	86.95%
2025	345,000	6,731	351,731	327,511	6,550	334,061	(345,000)	(14,231)	(359,231)	327,511	(950)	326,561	100.00%
	$2,555,000	$279,225	$2,834,225	$2,209,015	$282,786	$2,491,801	($2,255,000)	($442,225)	($2,697,225)	$ 2,509,015	$ 119,786	$ 2,628,801	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

CITY OF FAYETTEVILLE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS

Cable System (G.O. Backed)

As of June 30, 2017

F.Y. Ended 6/30	Total Bonded Debt Service Requirements			% Principal Repaid
	Principal	Interest	TOTAL	
2018	$ 340,000	$ 17,965	$ 357,965	32.85%
2019	345,000	12,865	357,865	66.18%
2020	350,000	7,000	357,000	100.00%
	$1,035,000	$37,830	$1,072,830	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

FAYETTEVILLE ELECTRIC SYSTEM
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended 6/30	Total Bonded Debt Service (1) As of June 30, 2017			% Principal Repaid
	Principal	Interest	TOTAL	
2018	$ 1,150,000	$ 396,038	$ 1,546,038	7.62%
2019	1,190,000	357,638	1,547,638	15.51%
2020	1,230,000	314,988	1,544,988	23.66%
2021	1,280,000	269,388	1,549,388	32.14%
2022	1,315,000	234,388	1,549,388	40.85%
2023	1,345,000	198,688	1,543,688	49.77%
2024	1,390,000	161,800	1,551,800	58.98%
2025	1,490,000	123,800	1,613,800	68.85%
2026	1,530,000	94,000	1,624,000	78.99%
2027	1,565,000	63,400	1,628,400	89.36%
2028	1,605,000	32,100	1,637,100	100.00%
	$ 15,090,000	$ 2,246,225	$ 17,336,225	

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts fund balances, net assets and retained earnings for the last five fiscal years ending June 30:

	For the Fiscal Year Ended June 30				
Fund Type	**2012**	**2013**	**2014**	**2015**	**2016**
Government Funds:					
General	$ 5,906,237	$ 6,057,608	$ 6,481,134	$ 6,969,694	$ 7,236,593
School General	4,569,813	4,448,209	3,804,176	3,335,258	3,279,330
Other Governmental	8,491,690	3,924,799	2,475,992	4,322,748	2,197,567
Total	**$18,967,740**	**$14,430,616**	**$12,761,302**	**$14,627,700**	**$12,713,490**
Enterprise Net Assets:					
Public Utilities	$73,150,180	$77,276,393	$83,620,450	$89,843,928	$96,565,832
Sanitation	586,260	586,531	553,987	693,776	693,776
Total	**$73,736,440**	**$77,862,924**	**$84,174,437**	**$90,537,704**	**$97,332,576**

Source: Comprehensive Annual Financial Report and Auditor's Report, City of Fayetteville, Tennessee.

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CITY OF FAYETTEVILLE, TENNESSEE

Five Year Summary of Revenues, Expenditures and Changes In Fund Balances - General Fund

	For the Fiscal Year Ended June 30				
	2012	**2013**	**2014**	**2015**	**2016**
Revenues:					
Taxes	$ 4,665,075	$ 4,847,704	$ 5,538,985	$ 6,322,689	$ 6,596,861
Licenses and Permits	56,887	94,268	59,841	34,312	82,387
Receipts for use of facilities	428,698	433,745	440,439	333,979	228,583
Intergovernmental	1,371,262	1,336,049	1,458,571	1,638,879	1,549,816
Other Revenues	300,538	302,770	290,799	284,192	260,718
Total Revenues	$ 6,822,460	$ 7,014,536	$ 7,788,635	$ 8,614,051	$ 8,718,365
Expenditures:					
General Government	$ 750,109	$ 697,975	$ 703,876	$ 785,906	$ 815,166
Public Safety	3,663,055	3,666,684	3,893,865	4,003,801	4,047,345
Judicial	48,341	48,843	46,579	48,711	53,997
Street Repair & Garage	1,131,905	1,405,972	1,365,310	1,609,017	1,727,535
Recreation	552,115	530,446	567,403	575,382	624,330
Other Expenses	791,788	1,006,696	828,798	996,524	880,975
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
Total Expenditures	$ 6,937,313	$ 7,356,616	$ 7,405,831	$ 8,019,341	$ 8,149,348
Excess of Revenues Over (Under) Expenditures	$ (114,853)	$ (342,080)	$ 382,804	$ 594,710	$ 569,017
Other Financing Sources (Uses):					
Transfers In	$ 1,165,841	$ 1,220,128	$ 1,321,638	$ 1,338,425	$ 1,434,838
Sale of Capital Assets	726,863	200,648	9,250	82,104	22,379
Insurance Proceeds	4,406	18,902	12,334	5,003	2,885
Transfers Out	(966,376)	(946,227)	(1,302,500)	(1,531,681)	(1,762,220)
Total	$ 930,734	$ 493,451	$ 40,722	$ (106,149)	$ (302,118)
Excess of Revenues Over (Under) Expenditures & Other Uses	$ 815,881	$ 151,371	$ 423,526	$ 488,561	$ 266,899
Fund Balance July 1	$ 5,090,356	$ 5,906,237	$ 6,057,608	$ 6,481,134	$ 6,969,694
Prior Period Adjustment	-	-	-	(1)	-
Fund Balance June 30	**$ 5,906,237**	**$ 6,057,608**	**$ 6,481,134**	**$ 6,969,694**	**$ 7,236,593**

Source: Comprehensive Annual Financial Reports of the City of Fayetteville, Tennessee.

CITY OF FAYETTEVILLE, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - Electric System

	For the Fiscal Year Ended June 30				
	2012	**2013**	**2014**	**2015**	**2016**
OPERATING REVENUES:					
Charges for services	$ 42,096,598	$ 43,829,774	$ 45,394,138	$ 44,919,622	$ 43,694,340
Other revenues	950,446	970,612	1,143,323	1,159,621	1,131,221
TOTAL OPERATING REVENUES	$ 43,047,044	$ 44,800,386	$ 46,537,461	$ 46,079,243	$ 44,825,561
OPERATING EXPENSES:					
Purchased Power/Programming	$ 32,257,274	$ 33,009,964	$ 34,333,576	$ 34,667,157	$ 33,049,930
Operation Expenses	3,731,645	3,624,398	3,479,933	3,452,816	3,698,937
Maintenance Expenses	1,873,951	2,054,591	1,811,366	1,818,152	1,866,581
Provision for Depreciation	2,128,050	2,110,595	2,412,092	2,326,588	2,351,412
Taxes & Tax Equivalents	201,393	220,410	234,964	239,345	257,070
TOTAL OPERATING EXPENSES	$ 40,192,313	$ 41,019,958	$ 42,271,931	$ 42,504,058	$ 41,223,930
INCOME FROM OPERATIONS	$ 2,854,731	$ 3,780,428	$ 4,265,530	$ 3,575,185	$ 3,601,631
OTHER INCOME AND (EXPENSE):					
Interest Income	$ 69,425	$ 37,802	$ 25,295	$ 27,427	$ 36,196
Interest Expense	(793,244)	(766,468)	(738,794)	(710,106)	(663,170)
Amortization	(70,607)	(17,925)	(15,146)	(15,146)	(44,589)
Miscellaneous	(12,344)	6,445	2,598	(18,950)	(227,035)
OTHER INCOME (EXPENSE) – NET	$ (806,770)	$ (740,146)	$ (726,047)	$ (716,775)	$ (898,598)
NET INCOME	$ 2,047,961	$ 3,040,282	$ 3,539,483	$ 2,858,410	$ 2,703,033
Capital contributions in aid of construction	$ 522,292	$ 225,069	$ 272,633	$ 340,768	$ 534,487
Transfers out - taxes and tax equivalents	(685,912)	(750,579)	(801,136)	(811,562)	(872,685)
Retained Earnings, at beginning of year	$ 44,539,070	$ 46,423,411	$ 48,643,130	$ 51,859,215	$ 54,246,831
	-	(295,053)	205,105	-	-
RETAINED EARNINGS, AT END OF YEAR	**$ 46,423,411**	**$ 48,643,130**	**$ 51,859,215**	**$ 54,246,831**	**$ 56,611,666**

Source: Comprehensive Annual Financial Report for Fayetteville Electric System, Fayetteville, Tennessee

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Clerk. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. For reporting purposes, all investments are stated at cost which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

(a) Public Utility Property, to be assessed at 55% of its value;

(b) Industrial and Commercial Property, to be assessed at 30% of its value; and

(c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of $7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated,* the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January I for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the *"Certified Tax Rate")* which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is $500 for the year in which he becomes eligible, his property taxes will remain at $500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 0.9643. The following table shows pertinent data for tax year 2016[1].

Class	**Assessed Valuation**	**Rate**	**Appraised Value**
Public Utilities	$ 4,179,828	55%	$ 9,525,894
Commercial and Industrial	87,009,320	40%	225,576,379
Personal Tangible Property	18,368,944	30%	63,387,629
Residential and Farm	54,368,875	25%	225,526,807
TOTAL	**$163,926,967**		**$524,016,709**

Source: 2016 Tax Aggregate Report of Tennessee and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2017 (tax year 2016) is $163,926,967 compared to $163,352,748 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is $524,016,709 compared to $522,451,977 for tax year 2015.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2012 through 2016 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2016.

PROPERTY TAX RATES AND COLLECTIONS				**Fiscal Yr Collections**		**Aggregate Uncollected Balance**	
Tax Year[1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**as of June 30, 2016 Amount**	**Pct**
2012	$146,048,679	$1.3195	$1,923,360	$1,869,313	97.2%	$ 2,533	0.1%
2013	152,730,706	1.6500	2,512,322	2,464,584	98.1%	3,714	0.1%
2014	160,869,320	1.6500	2,648,761	2,592,862	97.9%	14,925	0.6%
2015	163,352,748	1.6500	2,657,546	2,585,523	97.3%	72,899	2.7%
2016	163,926,967	1.6500	2,637,899	**IN PROCESS**			

Source: Comprehensive Financial Audits and the Office of City Clerk.

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[1] The tax year coincides with the calendar year, therefore, tax year 2016 is actually fiscal year 2016-2017.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City are as follows:

	Taxpayer	Business Type	Assessment	% of Assessed Valuation
1.	Goodman / Amana, Inc.	Air Conditioners	$36,083,115	22.01%
2.	BC Wood Inv Fund II LLC	Developer	4,198,860	2.56%
3.	Wal-Mart	Retail	4,005,720	2.44%
4.	David Hunt Etux Melissa	Retail Developer	2,240,560	1.37%
5.	Elkway Apartments	Apartment Complex	2,234,320	1.36%
6.	Sterling Greene Apartments	Apartment Complex	2,071,160	1.26%
7.	Easthaven Apartments	Apartment Complex	1,850,600	1.13%
8.	BellSouth Telecommunication	Telecommunication	1,391,579	0.85%
9.	Taylor Way Apartments	Apartment Complex	1,329,360	0.81%
10.	Bank of Lincoln County	Bank	1,319,025	0.80%
	TOTAL		**$56,724,299**	**34.60%**

Source: Official Records of Assessor of Property and Office of City Clerk.

PENSION PLAN

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

Political subdivisions such as Fayetteville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the' chief governing body.

For additional information on the funding status, trend information and actuarial status of the County's retirement programs, please refer to the General Purpose Financial Statements of the County located in herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF FAYETTEVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS

OF

CITY OF

FAYETTEVILLE, TENNESSEE

Year Ended June 30, 2016

CITY OF FAYETTEVILLE, TENNESSEE

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FINANCIAL SECTION

PUTMAN & HANCOCK
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Fayetteville, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Tennessee as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and the School General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the schedules of funding progress on page 73, and the pension information on pages 74 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements 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 our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other financial schedules, as listed in the table of contents, 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2017 on our consideration of the City of Fayetteville, Tennessee's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fayetteville, Tennessee's internal control over financial reporting and compliance.

Putman & Hancock, CPAs

Fayetteville, Tennessee
May 16, 2017

CITY OF FAYETTEVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2016

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, 2016. We encourage readers to consider the information that we have furnished in the basic financial statements and the accompanying notes to those financial statements.

USING THIS ANNUAL REPORT

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

Governmental Activities

Most of the City's basic services are reported in this category, including the general government (includes administration, codes enforcement, zoning, and planning), public safety (includes fire, police, and emergency communications), 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 17,396,981	$ 19,382,438	$ 48,038,515	$ 49,013,429	$ 65,435,496	$ 68,395,867
Capital assets	28,224,852	25,413,504	99,985,306	88,424,676	128,210,158	113,838,180
Total assets	45,621,833	44,795,942	148,023,821	137,438,105	193,645,654	182,234,047
Total deferred outflows of resources	1,250,231	1,210,477	676,330	352,033	1,926,561	1,562,510
Long-term liabilities outstanding	11,983,883	12,176,866	43,384,816	39,524,703	55,368,699	51,701,569
Other liabilities	1,120,419	1,249,439	7,982,759	7,727,731	9,103,178	8,977,170
Total liabilities	13,104,302	13,426,305	51,367,575	47,252,434	64,471,877	60,678,739
Total deferred inflows of resources	4,760,673	5,821,433	-	-	4,760,673	5,821,433
Net position						
Net investment in capital assets	18,473,585	18,113,165	59,000,876	51,577,077	77,474,461	69,690,242
Restricted	3,065,738	4,382,229	1,876,579	2,103,458	4,942,317	6,485,687
Unrestricted	7,467,766	4,263,287	36,455,121	36,857,169	43,922,887	41,120,456
Total net position	$ 29,007,089	$ 26,758,681	$ 97,332,576	$ 90,537,704	$ 126,339,665	$ 117,296,385

Net position of the City's governmental activities increased 8.4 percent in the fiscal year 2016. Net position of the City's business-type activities increased 7.5 percent in the fiscal year 2016.

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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for services	$ 723,201	$ 828,945	$ 61,824,407	$ 63,902,136	$ 62,547,608	$ 64,731,081
Operating grants and contributions	9,842,238	9,229,801	-	-	9,842,238	9,229,801
Capital grants and contributions	1,238,560	431,851	2,278,027	1,853,220	3,516,587	2,285,071
General revenues:						
Property taxes	3,888,705	3,899,229	-	-	3,888,705	3,899,229
Other taxes	5,961,921	5,672,826	-	-	5,961,921	5,672,826
Other general revenues	150,974	156,252	27,459	(10,524)	178,433	145,728
Total revenues	21,805,599	20,218,904	64,129,893	65,744,832	85,935,492	85,963,736
Program Expenses:						
General government	888,420	826,082	-	-	888,420	826,082
Public safety	4,101,352	3,850,551	-	-	4,101,352	3,850,551
Judicial	51,561	46,810	-	-	51,561	46,810
Recreation	729,146	678,962	-	-	729,146	678,962
Highways and streets	2,003,673	1,743,550	-	-	2,003,673	1,743,550
Sanitation	50,078	16,050	353,701	274,252	403,779	290,302
Housing and community development	720,691	888,123	-	-	720,691	888,123
Garage	153,938	176,816	-	-	153,938	176,816
Education	12,011,279	11,949,871	-	-	12,011,279	11,949,871
Interest on long-term debt	281,891	266,756	-	-	281,891	266,756
Electric, telecom, water and gas	-	-	55,546,482	57,760,388	55,546,482	57,760,388
Total expenses	20,992,029	20,443,571	55,900,183	58,034,640	76,892,212	78,478,211
Excess (deficiency) before transfers	813,570	(224,667)	8,229,710	7,710,192	9,043,280	7,485,525
Transfers	1,434,838	1,346,925	(1,434,838)	(1,346,925)	-	-
Increase in net position	$ 2,248,408	$ 1,122,258	$ 6,794,872	$ 6,363,267	$ 9,043,280	$ 7,485,525

The City's total revenues decreased 0.03 percent from the fiscal year ended June 30, 2015 to the fiscal year ended June 30, 2016 and total expenses decreased 2.02 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, 2016 and 2015. 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	
	2016	**2015**	**2016**	**2015**
General government	$ 888,420	$ 826,082	$ 565,674	$ 782,995
Public safety	4,101,352	3,850,551	3,518,826	3,349,892
Judicial	51,561	46,810	(13,136)	(64,818)
Recreation	729,146	678,962	617,564	622,417
Highways and street	2,003,673	1,743,550	670,224	1,141,525
Sanitation	50,078	16,050	50,078	16,050
Housing and community development	720,691	888,123	719,441	562,894
Garage	153,938	176,816	153,938	176,816
Education	12,011,279	11,949,871	2,623,530	3,098,447
Interest on long-term debt	281,891	266,756	281,891	266,756
Total Net Expenditures	$ 20,992,029	$ 20,443,571	$ 9,188,030	$ 9,952,974

The information below details general revenues of the City's governmental activities for the fiscal years ended June 30, 2016 and 2015. These revenues are required to cover the net expenditures listed above.

Revenues by Source

	2016	**2015**
Property taxes	$ 3,888,705	$ 3,899,229
In lieu of taxes	645,211	528,128
Sales taxes	3,475,265	3,426,991
Alcoholic beverage taxes	536,325	524,759
Other local taxes	447,696	346,350
Other state taxes	857,424	846,598
Other	129,735	103,321
Unrestricted investment earnings	24,322	19,235
Gain (loss) on sale of assets	(3,083)	33,696
Transfers	1,434,838	1,346,925
Total General Revenues and Transfers	$ 11,436,438	$ 11,075,232

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, 2016						
Total Assets and Deferred Outflows of Resources	$ 22,145,711	$ 81,101,147	$ 41,858,765	$ 3,591,576	$ 909,801	$ 149,607,000
Net Position	18,332,221	56,611,666	20,725,820	896,125	766,744	97,332,576
Change in Net Position	567,081	2,364,835	3,146,724	643,264	72,968	6,794,872
Return on Ending Total Assets	2.56%	2.92%	7.52%	17.91%	8.02%	4.54%
Return on Ending Net Position	3.09%	4.18%	15.18%	71.78%	9.52%	6.98%
Fiscal Year Ended June 30, 2015						
Total Assets and Deferred Outflows of Resources	$ 21,759,953	$ 79,406,851	$ 33,486,423	$ 3,459,762	$ 1,002,514	$ 139,115,503
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%	12.14%	13.94%	4.57%
Return on Ending Net Position	6.62%	4.40%	12.74%	166.17%	20.15%	7.03%

CAPITAL ASSETS

As of June 30, 2016, the City has $128 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 $14,371,978 or 12.62 percent, over last year.

The following is a summary of capital assets for fiscal years ended June 30, 2016 and 2015, for governmental and business-type activities.

	Governmental Activities		**Business-type Activities**		**Total Primary Government**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Land	$ 3,561,266	$ 3,541,266	$ 1,098,495	$ 1,098,495	$ 4,659,761	$ 4,639,761
Buildings	21,731,744	19,293,218	4,286,553	4,412,757	26,018,297	23,705,975
Improvements other than buildings	2,534,112	2,461,634	-	-	2,534,112	2,461,634
Machinery and equipment	8,968,181	8,686,148	145,828,331	140,898,000	154,796,512	149,584,148
Infrastructure	6,145,304	4,873,399	635,747	624,741	6,781,051	5,498,140
Total plant and equipment in service	42,940,607	38,855,665	151,849,126	147,033,993	194,789,733	185,889,658
Construction work in progress	554,077	672,701	14,244,097	4,773,667	14,798,174	5,446,368
	43,494,684	39,528,366	166,093,223	151,807,660	209,587,907	191,336,026
Less accumulated depreciation	(15,269,832)	(14,114,862)	(66,107,917)	(63,382,984)	(81,377,749)	(77,497,846)
	$ 28,224,852	$ 25,413,504	$ 99,985,306	$ 88,424,676	$ 128,210,158	$ 113,838,180

DEBT ADMINISTRATION

Debt, considered a liability of governmental and business-type activities, increased in fiscal year 2016 by $3,667,130.

	Governmental Activities		**Business-type Activities**		**Total Primary Government**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Bonds						
General Obligation	$ 9,655,000	$ 10,025,000	$ 5,575,000	$ 6,520,000	$ 15,230,000	$ 16,545,000
Revenue	-	-	28,785,008	25,792,088	28,785,008	25,792,088
Deferred amounts	95,075	100,492	348,575	115,981	443,650	216,473
Total Bonds	9,750,075	10,125,492	34,708,583	32,428,069	44,458,658	42,553,561
Loans						
Tennessee energy efficiency	-	24,778	-	-	-	24,778
Tennessee utility relocation loan	-	-	1,243,208	1,377,037	1,243,208	1,377,037
Tennessee revolving fund loan	-	-	4,726,016	3,046,756	4,726,016	3,046,756
Tennessee municipal bond fund	-	-	62,300	123,300	62,300	123,300
RUS economic development loan	-	-	122,217	-	122,217	-
Total Loans	-	24,778	6,153,741	4,547,093	6,153,741	4,571,871
Postemployment benefit obligation	725,131	648,273	810,974	693,945	1,536,105	1,342,218
Advances from TVA	-	-	856,517	1,015,089	856,517	1,015,089
Compensated absences	568,235	503,485	855,001	840,507	1,423,236	1,343,992
Net pension liability	751,073	685,469	-	-	751,073	685,469
Landfill postclosure costs	189,369	189,369	-	-	189,369	189,369
Totals	$ 11,983,883	$ 12,176,866	$ 43,384,816	$ 39,524,703	$ 55,368,699	$ 51,701,569

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 developing a greenway along the Elk River, construction of Highland Drive. During Fiscal year 2015 The City started construction on the new police building which was completed by June 30, 2016. We are also continuing progress in the Industrial Park by completing the first speculative building and have started a second building. All infrastructure in the Industrial Park is now complete and the first completed speculative building is now occupied. The City also completed construction of Chenault Ford Road on the west side of Frito-Lay and will start construction to complete Industrial Boulevard. 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 2016, 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 2017 general fund budget was positively impacted by the projected increase in the City's portion of sales tax. Residential and commercial 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 Tonya Travis, Finance Director 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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 13,030,249	$ 35,180,620	$ 48,210,869
Receivables	4,201,165	5,998,413	10,199,578
Internal balances	59,851	(59,851)	-
Inventory	33,591	1,484,451	1,518,042
Prepaid expenses	72,125	2,209,723	2,281,848
Restricted assets	-	1,876,579	1,876,579
Other assets	-	1,348,580	1,348,580
Capital assets (net of accumulated depreciation)			
Land	3,561,266	1,098,495	4,659,761
Buildings and improvements	16,481,923	2,312,504	18,794,427
Machinery and equipment	3,288,035	82,321,826	85,609,861
Infrastructure	4,339,551	8,384	4,347,935
Construction in progress	554,077	14,244,097	14,798,174
TOTAL ASSETS	45,621,833	148,023,821	193,645,654
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,250,231	-	1,250,231
Excess consideration provided for acquisition	-	137,895	137,895
Deferred charge on refunding	-	538,435	538,435
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,250,231	676,330	1,926,561
LIABILITIES			
Accounts payable and accrued expenses	1,068,697	5,984,579	7,053,276
Accrued interest payable	23,317	78,958	102,275
Unearned revenue	28,405	-	28,405
Deposits	-	1,919,222	1,919,222
Noncurrent liabilities:			
Due in one year	628,660	3,008,649	3,637,309
Due in more than one year	11,355,223	40,376,167	51,731,390
TOTAL LIABILITIES	13,104,302	51,367,575	64,471,877
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,690,723	-	2,690,723
Deferred inflows related to pensions	2,068,758	-	2,068,758
Deferred credit on refunding	1,192	-	1,192
TOTAL DEFERRED INFLOWS OF RESOURCES	4,760,673	-	4,760,673
NET POSITION			
Net investment in capital assets	18,473,585	59,000,876	77,474,461
Restricted for:			
Debt service	-	1,773,033	1,773,033
Improvements and construction	-	103,546	103,546
Drug education and enforcement	52,527	-	52,527
Community development	30,434	-	30,434
Capital projects	456,523	-	456,523
Education	2,526,254	-	2,526,254
Unrestricted	7,467,766	36,455,121	43,922,887
TOTAL NET POSITION	$ 29,007,089	$ 97,332,576	$ 126,339,665

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

STATEMENT OF ACTIVITIES

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2016

		PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Function/ Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	$ 888,420	$ 320,246	$ 2,500	$ -	$ (565,674)	$ -	$ (565,674)
Public safety	4,101,352	-	567,026	15,500	(3,518,826)	-	(3,518,826)
Judicial	51,561	64,697	-	-	13,136	-	13,136
Recreation	729,146	54,268	-	57,314	(617,564)	-	(617,564)
Highways and streets	2,003,673	-	187,701	1,145,748	(670,224)	-	(670,224)
Sanitation	50,078	-	-	-	(50,078)	-	(50,078)
Housing and community development	720,691	-	1,250	-	(719,441)	-	(719,441)
Garage	153,938	-	-	-	(153,938)	-	(153,938)
Education	12,011,279	283,990	9,083,761	19,998	(2,623,530)	-	(2,623,530)
Interest on long-term debt	281,891	-	-	-	(281,891)	-	(281,891)
Total governmental activities	20,992,029	723,201	9,842,238	1,238,560	(9,188,030)	-	(9,188,030)
Business-type activities:							
Electric	42,167,641	44,825,561	-	534,487	-	3,192,407	3,192,407
Gas	5,533,994	6,332,359	-	5,165	-	803,530	803,530
Telecom	3,649,964	4,262,832	-	30,383	-	643,251	643,251
Water and sewer	4,194,883	5,867,159	-	1,707,992	-	3,380,268	3,380,268
Sanitation	353,701	536,496	-	-	-	182,795	182,795
Total business-type activities	55,900,183	61,824,407	-	2,278,027	-	8,202,251	8,202,251
Total Government	$ 76,892,212	$ 62,547,608	$ 9,842,238	$ 3,516,587	(9,188,030)	8,202,251	(985,779)
General revenues:							
Property taxes					3,888,705	-	3,888,705
Business taxes					234,987	-	234,987
In lieu of tax					645,211	-	645,211
Sales taxes					3,475,265	-	3,475,265
Occupancy taxes					102,934	-	102,934
Alcoholic beverage taxes					536,325	-	536,325
Franchise taxes					109,034	-	109,034
Other local taxes					741	-	741
State shared revenues					857,424	-	857,424
Other					129,735	-	129,735
Gain (loss) on sale of capital assets					(3,083)	(16,976)	(20,059)
Unrestricted investment earnings					24,322	44,435	68,757
Transfers					1,434,838	(1,434,838)	-
Total general revenues and transfers					11,436,438	(1,407,379)	10,029,059
Change in net position					2,248,408	6,794,872	9,043,280
Net position - beginning					26,758,681	90,537,704	117,296,385
Net position - ending					$ 29,007,089	$ 97,332,576	$ 126,339,665

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

BALANCE SHEET
GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

	General	School General	Total Nonmajor Funds	Total Governmental Funds
Assets:				
Cash	$ 6,927,179	$ 3,738,920	$ 2,364,150	$ 13,030,249
Receivables	2,893,594	1,195	11,340	2,906,129
Due from other funds	67,003	-	1,017	68,020
Due from other governments	1,053,849	231,559	9,628	1,295,036
Inventory	16,649	-	16,942	33,591
Prepaid expenses	72,125	-	-	72,125
TOTAL ASSETS	$ 11,030,399	$ 3,971,674	$ 2,403,077	$ 17,405,150
Liabilities:				
Accounts payable	$ 115,269	$ -	$ 169,953	$ 285,222
Other accrued expenses	208,199	575,276	-	783,475
Due to other funds	1,017	-	7,152	8,169
Unearned revenue	-	-	28,405	28,405
TOTAL LIABILITIES	324,485	575,276	205,510	1,105,271
Deferred Inflows of Resources:				
Unavailable revenue - operating grants	-	10,000	-	10,000
Unavailable revenue - state and local taxes	348,647	107,068	-	455,715
Unavailable revenue - property taxes	2,768,579	-	-	2,768,579
Unavailable revenue - other	352,095	-	-	352,095
TOTAL DEFERRED INFLOWS OF RESOURCES	3,469,321	117,068	-	3,586,389
Fund Balances:				
Nonspendable				
Inventory and prepayments	88,774	-	16,942	105,716
Restricted:				
Recreation	-	-	30,434	30,434
Capital projects	-	-	456,523	456,523
Public safety	-	-	52,527	52,527
Assigned:				
Industrial park	-	-	27,510	27,510
Capital projects	-	-	1,160,767	1,160,767
Education	-	3,279,330	144,548	3,423,878
Debt service	-	-	308,316	308,316
Unassigned	7,147,819	-	-	7,147,819
TOTAL FUND BALANCES	7,236,593	3,279,330	2,197,567	12,713,490
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 11,030,399	$ 3,971,674	$ 2,403,077	

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.	28,224,852
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	895,666
Net pension assets are not current financial resources, net pension liability is not due and payable in the current period, and deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years; therefore, pension related amounts are not reported in the fund financial statements.	(1,569,600)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(11,257,319)
Net position of governmental activities	$ 29,007,089

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, 2016

	General	School General	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	$ 2,649,512	$ -	$ -	$ 2,649,512
Business	233,103	-	-	233,103
Wholesale beer	352,287	-	-	352,287
Alcoholic beverage	150,605	-	-	150,605
Sales	2,463,209	-	-	2,463,209
Occupancy	102,934	-	-	102,934
Tax equivalency	645,211	-	-	645,211
Licenses and permits	82,387	-	-	82,387
Fines	51,482	-	13,215	64,697
Franchise fees	109,092	-	-	109,092
Intergovernmental	1,549,816	9,939,340	1,514,576	13,003,732
Charges for services and use of property	228,583	115,895	178,411	522,889
Private grants and contributions	-	10,000	45,431	55,431
Investment earnings	5,264	13,461	5,597	24,322
Recreation activities	54,268	-	-	54,268
Other revenue	40,612	14,474	-	55,086
TOTAL REVENUES	8,718,365	10,093,170	1,757,230	20,568,765
EXPENDITURES				
Current				
General government	815,166	-	1,993	817,159
Public safety	4,047,345	-	10,649	4,057,994
Judicial	53,997	-	-	53,997
Recreation	624,330	-	-	624,330
Highways and streets	1,727,535	-	-	1,727,535
Sanitation	-	-	55,616	55,616
Housing and community development	697,677	-	18,110	715,787
Garage	183,298	-	-	183,298
Education	-	10,534,175	1,596,456	12,130,631
Debt service				
Principal	-	215,000	179,778	394,778
Interest	-	150,700	137,251	287,951
Capital outlay	-	86,869	2,807,132	2,894,001
TOTAL EXPENDITURES	8,149,348	10,986,744	4,806,985	23,943,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	569,017	(893,574)	(3,049,755)	(3,374,312)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,434,838	837,646	924,791	3,197,275
Transfers out	(1,762,220)	-	(217)	(1,762,437)
Insurance proceeds	2,885	-	-	2,885
Proceeds from disposition of capital assets	22,379	-	-	22,379
TOTAL OTHER FINANCING SOURCES (USES)	(302,118)	837,646	924,574	1,460,102
NET CHANGE IN FUND BALANCES	266,899	(55,928)	(2,125,181)	(1,914,210)
Fund balance - beginning	6,969,694	3,335,258	4,322,748	14,627,700
Fund balance - ending	$ 7,236,593	$ 3,279,330	$ 2,197,567	$ 12,713,490

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, 2016

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

Net change in fund balances - total governmental funds	$	(1,914,210)
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.		1,643,186
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		1,168,162
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		43,407
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.		400,346
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense attributable to the current period is derived from the actuarial present value of the projected benefit payments less the amount of the fiduciary plan's net position. This amount is the difference in the treatment of pensions and related items.		1,048,633
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.		(141,116)
Change in net position of governmental activities	$	2,248,408

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, 2016

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
ASSETS			
Current Assets			
Cash for general use	$ 26,395,418	$ 428,840	$ 26,824,258
Accounts receivable	5,576,687	38,491	5,615,178
Other receivables	383,235	-	383,235
Inventories	1,484,451	-	1,484,451
Prepaid expenses	2,209,723	-	2,209,723
Total current assets	36,049,514	467,331	36,516,845
Special and Restricted Funds	10,232,941	-	10,232,941
Capital Assets, net of accumulated depreciation	99,542,836	442,470	99,985,306
Other Assets	1,348,580	-	1,348,580
TOTAL ASSETS	147,173,871	909,801	148,083,672
DEFERRED OUTFLOW OF RESOURCES			
Excess consideration provided for acquisition	137,895	-	137,895
Deferred charge on refunding	538,435	-	538,435
TOTAL DEFERRED OUTFLOWS OF RESOURCES	676,330	-	676,330
LIABILITIES			
Current Liabilities			
Current maturities of long-term debt payable from current assets	2,486,970	62,300	2,549,270
Accounts payable	5,437,088	110	5,437,198
Due to other funds	-	59,851	59,851
Customer deposits	1,919,222	-	1,919,222
Accrued interest	78,958	-	78,958
Other accrued liabilities	874,020	3,584	877,604
Total current liabilities	10,796,258	125,845	10,922,103
Other Liabilities			
Advances from TVA	856,517	-	856,517
Long-term debt payable from special funds	129,156	-	129,156
OPEB liabilities, net	810,974	-	810,974
Compensated absences	507,566	17,212	524,778
Total other liabilities	2,304,213	17,212	2,321,425
Long-term debt	38,183,898	-	38,183,898
TOTAL LIABILITIES	51,284,369	143,057	51,427,426
NET POSITION			
Net investment in capital assets	58,620,706	380,170	59,000,876
Restricted for debt service	1,773,033	-	1,773,033
Restricted for improvements and construction	103,546	-	103,546
Unrestricted	36,068,547	386,574	36,455,121
TOTAL NET POSITION	$ 96,565,832	$ 766,744	$ 97,332,576

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, 2016

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Funds	Totals
OPERATING REVENUES			
Charges for services	$ 59,612,528	$ 535,271	$ 60,147,799
Other	1,675,383	1,225	1,676,608
TOTAL OPERATING REVENUE	61,287,911	536,496	61,824,407
OPERATING EXPENSES			
Cost of utility services	39,923,807	-	39,923,807
Pumping, distribution and collection	5,456,010	336,803	5,792,813
Customer billing and collecting	1,246,055	-	1,246,055
General and administrative	2,145,944	-	2,145,944
Taxes and tax equivalents	472,244	-	472,244
Provision for depreciation	4,595,683	22,648	4,618,331
Other	363,041	-	363,041
TOTAL OPERATING EXPENSES	54,202,784	359,451	54,562,235
INCOME FROM OPERATIONS	7,085,127	177,045	7,262,172
OTHER INCOME AND EXPENSE			
Interest income	44,262	173	44,435
Interest expense	(1,065,992)	(2,466)	(1,068,458)
Amortization	(63,389)	-	(63,389)
Debt issuance costs	(223,445)	-	(223,445)
Loss on disposition of assets	(16,976)	-	(16,976)
Miscellaneous	9,128	8,216	17,344
Other Income (Expense) -net	(1,316,412)	5,923	(1,310,489)
Income before contributions and transfers	5,768,715	182,968	5,951,683
Capital contributions in aid of construction	2,278,027	-	2,278,027
Transfers out	(1,324,838)	(110,000)	(1,434,838)
CHANGE IN NET POSITION	6,721,904	72,968	6,794,872
TOTAL NET POSITION, BEGINNING OF YEAR	89,843,928	693,776	90,537,704
TOTAL NET POSITION, END OF YEAR	$ 96,565,832	$ 766,744	$ 97,332,576

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, 2016

	Enterprise Funds		
	Fayetteville Public Utilities	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (including other funds)	$ 61,875,637	$ 546,438	$ 62,422,075
Payments to suppliers and others	(44,512,642)	(367,162)	(44,879,804)
Payments to employees	(4,100,503)	(74,321)	(4,174,824)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,262,492	104,955	13,367,447
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital borrowings	133,334	-	133,334
Noncapital borrowings repaid	(11,116)	-	(11,116)
Advances to other organizations	(133,334)	-	(133,334)
Collections on loans to other organizations	11,116	-	11,116
Transfers (to) from other funds	(1,324,838)	(110,000)	(1,434,838)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,324,838)	(110,000)	(1,434,838)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets, net	(16,732,638)	-	(16,732,638)
Removal costs of capital assets	(423,755)	-	(423,755)
Materials salvaged from retirement of capital assets	33,410	-	33,410
Proceeds from disposal of assets	219,014	-	219,014
Capital contributions received	2,764,890	-	2,764,890
Long-term borrowings, net	6,165,966	-	6,165,966
Borrowings repaid	(2,372,616)	(61,000)	(2,433,616)
Issue costs paid	(1,575)	-	(1,575)
Debt refunding cost, net	(534,150)	-	(534,150)
Interest paid, net	(1,216,848)	(2,466)	(1,219,314)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,098,302)	(63,466)	(12,161,768)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	43,612	173	43,785
Other nonoperating income, net	9,128	8,216	17,344
NET CASH PROVIDED BY INVESTING ACTIVITIES	52,740	8,389	61,129
(DECREASE) IN CASH, NET	(107,908)	(60,122)	(168,030)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,736,267	488,962	37,225,229
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 36,628,359	$ 428,840	$ 37,057,199
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from operations	$ 7,085,127	$ 177,045	$ 7,262,172
Adjustments to reconcile income from operations to net cash provided by operating activities -			
Depreciation, including amounts capitalized	4,912,762	22,648	4,935,410
Loss on disallowance of plant	534,487	-	534,487
Conservation loans advanced - customers	(69,413)	-	(69,413)
Conservation loans collected - customers	213,179	-	213,179
Conservation advances from TVA	122,084	-	122,084
Conservation advances repaid to TVA	(280,656)	-	(280,656)
Changes in operating assets and liabilities:			
Accounts and other receivables, net	196,740	1,442	198,182
Inventories	27,397	-	27,397
Prepaid expenses and other assets	128,293	8,500	136,793
Accounts payable	(24,626)	(4)	(24,630)
Accrued employee benefits	117,029	-	117,029
Customer deposits	223,914	-	223,914
Due to other funds	-	(106,062)	(106,062)
Other current liabilities and compensated absences	76,175	1,386	77,561
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 13,262,492	$ 104,955	$ 13,367,447

SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

Interim indebtedness moved to permanent amortizing financing	$ 6,467,257
Electric Series 2007 revenue bonds refunded	(9,950,000)
Electric Series 2016 bond proceeds used to refund Series 2007 bonds	9,750,000
Electric Series 2016 bond premium	249,716
Electric Series 2016 bond issuance costs	(221,870)

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes				
Property	$ 2,647,000	$ 2,632,500	$ 2,649,512	$ 17,012
Business	233,000	213,000	233,103	20,103
Wholesale beer	365,000	355,000	352,287	(2,713)
Alcoholic beverage	140,000	128,000	150,605	22,605
Sales	2,360,000	2,400,000	2,463,209	63,209
Tax equivalency	552,922	648,383	645,211	(3,172)
Occupancy	75,000	85,000	102,934	17,934
Licenses and permits	40,600	34,925	82,387	47,462
Fines	95,200	54,000	51,482	(2,518)
Franchise fees	103,000	107,000	109,092	2,092
Intergovernmental				
State sales tax allocation	515,000	537,970	549,875	11,905
State income tax allocation	70,000	70,000	102,729	32,729
State beer tax allocation	3,400	3,330	3,333	3
State mixed drink tax allocation	32,000	15,250	30,597	15,347
State gasoline and motor fuel tax	123,365	126,791	128,233	1,442
State gasoline and motor fuel tax (Gas 1989)	19,830	20,381	20,613	232
State gasoline and motor fuel tax (Gas 3 Cent)	36,805	37,828	38,258	430
State gas and motor fuel tax (Petroleum Special)	14,000	13,889	13,889	-
State excise tax allocation	38,000	51,931	58,236	6,305
State TVA in-lieu of tax	78,100	80,166	80,167	1
Lincoln County Emergency Communications	610,600	522,637	522,636	(1)
State and federal grants	-	1,250	1,250	-
Charges for services and use of property	452,852	253,252	228,583	(24,669)
Investment earnings	4,000	5,159	5,264	105
Recreation activities	44,000	52,530	54,268	1,738
Other revenue	42,500	35,908	40,612	4,704
TOTAL REVENUES	8,696,174	8,486,080	8,718,365	232,285
Expenditures:				
General government				
Salaries	416,725	416,475	412,215	4,260
Supplies	11,130	11,130	6,619	4,511
Utilities	41,160	43,660	40,017	3,643
Repairs and maintenance	6,935	20,435	18,108	2,327
Health insurance	62,500	61,670	50,896	10,774
Workers compensation	4,690	4,690	4,243	447
Payroll taxes	36,428	36,428	33,948	2,480
Employee education	20,364	19,864	9,960	9,904
Professional services	45,525	41,825	34,846	6,979
Travel	25,450	24,900	9,812	15,088
Retirement	36,250	36,250	34,590	1,660
Other insurance	20,652	28,972	24,157	4,815
Board and commission	36,475	36,475	36,510	(35)
Other general government	101,180	110,628	99,245	11,383
	865,464	893,402	815,166	78,236

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Public safety				
Salaries	$ 2,648,760	$ 2,649,310	$ 2,586,871	$ 62,439
Supplies	70,425	65,425	54,371	11,054
Utilities	106,325	103,025	95,737	7,288
Repairs and maintenance	59,200	51,500	62,120	(10,620)
Health insurance	514,100	494,100	501,835	(7,735)
Workers compensation	79,150	90,580	86,607	3,973
Payroll taxes	204,776	207,876	194,817	13,059
Employee education	19,800	18,800	18,218	582
Travel	8,500	8,500	5,148	3,352
Retirement	254,250	254,250	233,838	20,412
Other insurance	98,220	103,010	92,363	10,647
Fuel	97,500	59,000	53,222	5,778
Professional services	2,400	3,000	2,326	674
Capital outlay	-	300	275	25
Other public safety	72,680	77,945	59,597	18,348
	4,236,086	4,186,621	4,047,345	139,276
Judicial				
Salaries	31,960	31,760	31,897	(137)
Health insurance	13,000	13,000	12,731	269
Payroll taxes	2,565	2,565	2,023	542
Retirement	3,400	3,400	3,025	375
Other judicial	6,830	8,156	4,321	3,835
	57,755	58,881	53,997	4,884
Recreation				
Salaries	290,450	293,450	289,347	4,103
Supplies	39,800	43,200	51,084	(7,884)
Utilities	62,335	73,510	72,711	799
Repairs and maintenance	18,400	17,400	15,866	1,534
Health insurance	50,000	50,000	46,281	3,719
Workers compensation	6,500	9,103	9,096	7
Payroll taxes	24,216	24,316	22,082	2,234
Professional services	28,550	25,850	23,109	2,741
Travel	1,500	1,500	45	1,455
Retirement	26,000	26,000	23,875	2,125
Other insurance	11,300	8,551	8,577	(26)
Fuel	17,850	10,000	8,286	1,714
Other recreation	55,450	61,834	53,971	7,863
	632,351	644,714	624,330	20,384

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Expenditures: (Continued)				
Highways and streets				
Salaries	$ 646,700	$ 628,650	$ 604,989	$ 23,661
Supplies	16,800	16,800	13,799	3,001
Utilities	25,300	25,300	21,471	3,829
Repairs and maintenance	44,800	126,800	120,417	6,383
Health insurance	165,000	140,000	150,790	(10,790)
Workers compensation	24,000	23,000	22,820	180
Payroll taxes	50,720	50,720	45,269	5,451
Professional services	8,700	18,200	17,840	360
Retirement	63,000	58,000	53,141	4,859
Other insurance	14,100	14,785	12,127	2,658
Fuel	76,000	40,000	32,946	7,054
Street lighting	175,000	170,000	165,049	4,951
Paving and resurfacing	450,000	415,000	405,158	9,842
Other highways and streets	57,575	70,100	61,719	8,381
	1,817,695	1,797,355	1,727,535	69,820
Housing and community development				
Nonprofit allocations	303,400	318,694	303,291	15,403
Fuel	422,000	240,000	215,330	24,670
Industrial development	90,000	90,000	90,000	-
Other housing and community development	89,450	84,450	89,056	(4,606)
	904,850	733,144	697,677	35,467
Garage				
Salaries	132,400	122,400	105,278	17,122
Repairs and maintenance	9,600	8,100	6,897	1,203
Health insurance	45,000	35,000	32,187	2,813
Workers compensation	5,000	5,000	4,795	205
Payroll taxes	10,344	10,344	7,758	2,586
Retirement	12,700	12,700	9,799	2,901
Supplies	7,850	7,850	6,965	885
Fuel	4,500	2,500	1,825	675
Other garage	5,805	14,172	7,794	6,378
	233,199	218,066	183,298	34,768
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	8,747,400	8,532,183	8,149,348	382,835
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(51,226)	(46,103)	569,017	615,120

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 1,377,153	$ 1,434,653	$ 1,434,838	$ 185
Transfers out	(1,638,670)	(1,746,882)	(1,762,220)	(15,338)
Insurance proceeds	-	2,885	2,885	-
Sale of capital assets	7,000	22,000	22,379	379
TOTAL OTHER FINANCING SOURCES (USES)	(254,517)	(287,344)	(302,118)	(14,774)
NET CHANGE IN FUND BALANCES	(305,743)	(333,447)	266,899	600,346
Fund balance - beginning	6,969,694	6,969,694	6,969,694	-
Fund balance - ending	$ 6,663,951	$ 6,636,247	$ 7,236,593	$ 600,346

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Lincoln County	$ 2,357,536	$ 2,357,536	$ 2,268,310	$ (89,226)
State of Tennessee	7,603,047	7,603,047	7,661,921	58,874
Federal	500	500	9,109	8,609
Charges for services and use of property	155,704	155,704	115,895	(39,809)
Private grants and contributions	10,000	10,000	10,000	-
Investment earnings	12,000	12,000	13,461	1,461
Other revenue	15,650	15,650	14,474	(1,176)
TOTAL REVENUES	10,154,437	10,154,437	10,093,170	(61,267)
EXPENDITURES				
Instruction				
Regular instruction program	5,953,845	5,948,999	5,712,286	236,713
Special education program	681,785	681,785	669,667	12,118
Vocational education program	216,000	216,000	203,797	12,203
Support services				
Attendance	24,805	24,805	22,307	2,498
Health services	186,170	191,016	190,562	454
Other student support	214,365	214,365	211,655	2,710
Regular instruction program	461,255	461,255	454,360	6,895
Special education program	79,767	79,767	78,003	1,764
Vocational education program	10,000	10,000	10,000	-
Board of education	202,510	202,510	191,221	11,289
Office of the superintendent	191,790	191,790	185,561	6,229
Office of the principal	826,800	826,800	826,662	138
Fiscal services	153,710	153,710	144,100	9,610
Operation of plant	748,555	748,555	648,474	100,081
Maintenance of plant	240,200	240,200	201,281	38,919
Transportation	167,830	167,830	144,416	23,414
Central office	201,560	201,560	201,463	97
Community services	133,872	133,872	108,782	25,090
Early childhood education	454,300	454,300	329,578	124,722
Debt service				
Principal on notes	215,000	215,000	215,000	-
Interest on notes	151,000	151,000	150,700	300
Capital outlay	122,000	122,000	86,869	35,131
TOTAL EXPENDITURES	11,637,119	11,637,119	10,986,744	650,375
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,482,682)	(1,482,682)	(893,574)	589,108
OTHER FINANCING SOURCES (USES)				
Transfers in	877,100	877,100	837,646	(39,454)
Transfers out	(40,000)	(40,000)	-	40,000
Insurance recovery	500	500	-	(500)
Total Other Financing Sources (Uses)	837,600	837,600	837,646	46
Net changes in fund balances	(645,082)	(645,082)	(55,928)	589,154
Fund balance - beginning	3,335,258	3,335,258	3,335,258	-
Fund balance - ending	$ 2,690,176	$ 2,690,176	$ 3,279,330	$ 589,154

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fayetteville, Tennessee (the "government") have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting standards. The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* document these principles. The following is a summary of the government's significant accounting policies:

(A) Reporting entity

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

(B) Government-wide and fund financial statements

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

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

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

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

The government reports the following major governmental funds:

> The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The general school special revenue fund accounts for the financial resources used for general education activities.

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 departments.

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

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

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

(C) Measurement focus and basis of accounting

1. Economic Resources Measurement Focus and Accrual Basis of Accounting

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and cash equivalents

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

2. Receivables and allowance for uncollectible accounts

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

3. Inventories and prepaid items

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

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

4. Restricted assets

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.

5. Capital assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

6. Long-term liabilities

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

7. Compensated absences

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

The School System's policies regarding leave time require employees use vacation leave by the end of the fiscal year. Accordingly, there is no liability recorded in the financial statements for compensated absences at June 30, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund balance policies

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

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

Restricted – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance passed by the Fayetteville Board of Mayor and Aldermen, the government's highest level of decision-making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. For the Fayetteville City Schools committed balances arise pursuant to constraints imposed by formal action of the Board of Education in the form of a motion with a majority vote of approval and cannot be used for any other purposes unless the Board rescinds or modifies the specified use by taking the same action that was employed when the funds were initially committed. The government has no committed funds as of June 30, 2016.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. In the government-wide statement of net position the government has 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 in a prior year exceeded the acquisition value of the net position acquired. 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.

10. Net position flow assumption

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. 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 $1,209,526. Of this, $143,534 was capitalized with the remainder charged to expense. The School System's net interest cost incurred in the current year totaled $147,410 of which $0 was capitalized. The government's net interest cost incurred in the current year totaled $134,481 of which $0 was capitalized.

12. 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.

13. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

National Rural Electric Cooperative Association (NRECA) RS Plan

During the prior 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 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 $11,257,319 difference are identified as follows:

Bonds and notes payable	$	9,655,000
Add: Issuance premium (to be amortized over life of debt)		95,075
Add: Deferred credit on refunding		1,192
Accrued interest payable		23,317
Compensated absences		568,235
Other postemployment benefit obligations		725,131
Landfill post closure costs		189,369
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$	11,257,319

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 $28,224,852 difference are as follows:

Land	$	3,561,266
Construction in progress		554,077
Buildings and improvements		24,265,856
Less: Accumulated depreciation-building and improvements		(7,783,933)
Machinery and equipment		8,968,181
Less: Accumulated depreciation-machinery and equipment		(5,680,146)
Infrastructure		6,145,304
Less: Accumulated depreciation-infrastructure		(1,805,753)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	28,224,852

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

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

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

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." In addition, certain capital outlays not meeting the definition of capital assets are reported as expenditures in the governmental funds. These expenditures total $42,980 in the current year. The details of this $1,643,186 difference are as follows:

Capital outlay	$ 2,851,021
Depreciation expense	(1,207,835)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	$ 1,643,186

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 $(141,116) difference are as follows:

Compensated absences	$ (64,750)
Net OPEB obligation	(76,858)
Accrued interest	492
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	$ (141,116)

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 $1,168,162 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.	$ (3,084)
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	1,171,246
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	$ 1,168,162

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 $400,346 difference are as follows:

Principal Repayment:		
General obligation bond	$	394,778
Amortization of debt premiums		5,417
Amortization of deferred credit on refunding		151
Net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net position of governmental activities	$	400,346

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Prior to May 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally enacted through passage of an ordinance.

4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Board of Mayor and Aldermen.

5. Formal budgetary integration is employed as a management control device during the year for the general fund, and other governmental funds including: special revenue funds, debt service, and capital projects funds.

6. Budgets for the General and Other Governmental Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

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

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, 2016:

General use:		
On deposit and on hand		$ 39,654,507
Negotiable certificates of deposit		200,000
Restricted and other special funds:		
On deposit-restricted (externally)	$ 1,876,579	
On deposit-special funds (internally restricted)	8,356,362	10,232,941
Total		$ 50,087,448

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, 2016, the following restricted funds were maintained:

Externally restricted:	
Sinking and reserve fund	1,773,033
Improvements and construction fund	103,546
Total	$ 1,876,579

Special funds totaling $8,356,362 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, 2016, the government has invested $200,000 in negotiable certificates of deposits, which are covered by FDIC insurance. 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.

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, if any.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At June 30, 2016, 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, 2016, the government's cash consists of deposits in financial institutions with bank balances of $50,790,569 and carrying amounts of $50,083,426 plus cash on hand of $4,022. Of the amounts on deposit, $46,482,504 is fully insured by the FDIC or the Tennessee Bank Collateral Pool. The remaining $3,600,922 is collateralized by securities pledged by financial institutions in the name of the government.

Custodial credit risk - investments - In the case of an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have an investment policy for custodial credit risk. The government does not have any investments as of June 30, 2016.

(B) Receivables

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

	General	School General	Nonmajor Governmental	Total
Receivables:				
Taxes	$ 2,848,667	$ -	$ -	$ 2,848,667
Accounts	61,564	1,195	11,340	74,099
Intergovernmental	1,053,849	231,559	9,628	1,295,036
Gross receivables	3,964,080	232,754	20,968	4,217,802
Less: Allowance for Uncollectibles	(16,637)	-	-	(16,637)
Net total receivables	$ 3,947,443	$ 232,754	$ 20,968	$ 4,201,165

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 $108,765.

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets

Capital asset activity for the year ended June 30, 2016, for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 3,541,266	$ 20,000	$ -	$ 3,561,266
Construction in progress	672,701	501,633	(620,257)	554,077
Total capital assets, not being depreciated	4,213,967	521,633	(620,257)	4,115,343
Capital assets, being depreciated:				
Buildings	19,293,218	2,438,526	-	21,731,744
Improvements other than buildings	2,461,634	72,478	-	2,534,112
Machinery and equipment	8,686,148	337,982	(55,949)	8,968,181
Infrastructure	4,873,399	1,271,905	-	6,145,304
Total capital assets being depreciated	35,314,399	4,120,891	(55,949)	39,379,341
Less accumulated depreciation for:				
Buildings	(6,534,404)	(434,433)	-	(6,968,837)
Improvements other than buildings	(700,684)	(114,412)	-	(815,096)
Machinery and equipment	(5,296,656)	(436,355)	52,865	(5,680,146)
Infrastructure	(1,583,118)	(222,635)	-	(1,805,753)
Total accumulated depreciation	(14,114,862)	(1,207,835)	52,865	(15,269,832)
Total capital assets, being depreciated, net	21,199,537	2,913,056	(3,084)	24,109,509
Governmental activities capital assets, net	$ 25,413,504	$3,434,689	$ (623,341)	$ 28,224,852

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

Governmental Activities:	
General government	$ 77,551
Public safety	163,226
Recreation	114,068
Highways and streets	311,319
Housing and community development	4,903
Education	536,768
Total depreciation expense - governmental activities	$ 1,207,835

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

(C) Capital assets (Continued)

Capital asset activity for the year ended June 30, 2016, for business-type activities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 1,098,495	$ -	$ -	$ 1,098,495
Construction in progress	4,773,667	16,181,139	(6,710,709)	14,244,097
Total capital assets, not being depreciated	5,872,162	16,181,139	(6,710,709)	15,342,592
Capital assets, being depreciated:				
Structures and improvements	4,412,757	300,977	(427,181)	4,286,553
Machinery and equipment	140,898,000	6,543,755	(1,613,424)	145,828,331
Infrastructure	624,741	26,523	(15,517)	635,747
Total capital assets being depreciated	145,935,498	6,871,255	(2,056,122)	150,750,631
Less accumulated depreciation for:				
Structures and improvements	(2,297,049)	(104,181)	427,181	(1,974,049)
Machinery and equipment	(60,479,791)	(4,791,858)	1,765,144	(63,506,505)
Infrastructure	(606,144)	(39,371)	18,152	(627,363)
Total accumulated depreciation	(63,382,984)	(4,935,410)	2,210,477	(66,107,917)
Total capital assets, being depreciated, net	82,552,514	1,935,845	154,355	84,642,714
Business-type activities capital assets, net	$ 88,424,676	$ 18,116,984	$ (6,556,354)	$ 99,985,306

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

Business-type Activities:	
Public utilities	$ 4,912,762
Sanitation fund	22,648
Total depreciation expense - business-type activities	$ 4,935,410

The amount of $317,079 of depreciation expense related to transportation equipment is allocated to utility plant and operating expenses based on usage.

Construction commitments

At June 30, 2016, the government's Fayetteville Public Utilities (FPU) enterprise fund had outstanding engineering and construction contract commitments totaling $9,764,070.

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, 2016, is as follows:

	Due from				
	Capital Projects Fund	Sanitation Fund	Drug Fund	General Fund	Total
Due to:					
General fund	$ 323	$ 59,851	$ 6,829	$ -	$ 67,003
Drug fund	-	-	-	1,017	1,017
	$ 323	$ 59,851	$ 6,829	$ 1,017	$ 68,020

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, 2016 is as follows:

	Transfers In			
	General Fund	School General Fund	Other Governmental Funds	Total
Transfers Out:				
General fund	$ -	$ 837,429	$ 924,791	$ 1,762,220
School title fund	-	217	-	217
	$ -	$ 837,646	$ 924,791	$ 1,762,437
Fayetteville Public Utilities	$ 1,324,838	$ -	$ -	$ 1,324,838
Sanitation fund	110,000	-	-	110,000
Subtotal - proprietary funds	1,434,838	-	-	1,434,838
	$ 1,434,838	$ 837,646	$ 924,791	$ 3,197,275

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.

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(A) General Obligation Bonds (Continued)

General obligation bonds currently outstanding are as follows:

City of Fayetteville (Government) and Fayetteville Public Utilities (Water and Gas Departments):	
Series 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%.	$ 5,430,000
City of Fayetteville (Government):	
Series 2013B, $1,045,000 general obligation bonds, issued October 2013 to finance certain public facility construction and improvements and related costs. The bonds mature serially at annual interest rates ranging from 1.00% to 4.5% with final maturity in 2033.	910,000
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 Department):	
Series 2011, $2,660,000 general obligation bonds, issued December 2011 to refund revenue bonds totaling $3,600,000. The bonds are additionally payable from telecom system revenues. The bonds mature serially at annual interest rates ranging from 1.00% to 2.00% with final maturity in 2020. The bonds are not subject to redemption prior to maturity.	1,370,000
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.	5,520,000
Total general obligation bonds	$ 15,230,000

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

Year Ending	Governmental Activities		Business Type Activities	
June 30,	Principal	Interest	Principal	Interest
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	515,000	235,655	310,000	63,668
2022-2026	2,550,000	969,451	1,320,000	134,328
2027-2031	2,210,000	632,850	-	-
2032-2036	2,200,000	260,900	-	-
2037	335,000	10,888	-	-
Total	$ 9,655,000	$ 3,163,604	$ 5,575,000	$ 736,032

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds

The government also issues bonds for which the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue and revenue and tax bonds outstanding at June 30, 2016, are as follows:

Fayetteville Public Utilities (Electric Department):	
Series 2009, $12,525,000 revenue bonds, issued in August 2009 to currently refund debt totaling $7,050,000, as well as finance the improvements and extensions of the electric distribution system. The bonds mature serially at annual interest rates ranging from 3.00% to 4.125% with final maturity in 2024. The bonds are subject to redemption prior to maturity on or after June 1, 2019, at a redemption price of 100%.	$ 6,455,000
Series 2016, revenue bonds issued in the original amount of $9,750,000 in May 2016 to advance refund debt totaling $9,950,000. The bonds mature serially at annual interest rates of 2% with final maturity in 2028. The bonds are subject to redemption prior to maturity on or after June 1, 2024 at a redemption price of 100%.	9,750,000
Fayetteville Public Utilities (Water Department):	
Series 2008, revenue and tax bond (Phase I) in the original amount of $3,500,000 issued in September 2013 to finance certain costs of the water wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 2.25% per annum with final maturity in 2050. Prepayments may be made at any time.	3,326,642
Series 2009, revenue and tax bond (Phase II) in the original amount of $4,980,000 issued in October 2014 to finance certain costs of the water wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 3.00% per annum with final maturity in 2051. Prepayments may be made at any time.	4,853,369
Series 2009A, revenue and tax bond (Phase III) in the original amount of $2,623,000 issued in December 2015 to finance certain extensions and improvements to the water and wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at the rate of 2.50% per annum with final maturity in 2053. Prepayments may be made at any time.	2,601,128
Total revenue bonds	$ 26,986,139

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

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(B) Revenue Bonds (Continued)

Year Ending June 30,	Business Type Activities Principal	Interest
2017	$ 1,304,057	$ 715,938
2018	1,344,074	674,248
2019	1,389,228	630,693
2020	1,433,786	583,485
2021	1,489,937	531,734
2022-2026	8,205,781	2,038,312
2027-2031	4,465,435	1,161,484
2032-2036	1,477,511	883,909
2037-2041	1,686,738	674,682
2042-2046	1,925,465	435,955
2047-2051	2,070,396	164,007
2052-2053	193,731	3,030
Total	$ 26,986,139	$ 8,497,477

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, 2016.

Revenue and Tax Bond Interim Certificates of Indebtedness (Phase IV): 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 has received advances totaling $1,798,869 as of June 30, 2016. 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, 2016:

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.	$ 62,300
Fayetteville Public Utilities (Water Department) State of Tennessee Utility Relocation Loan, entered into August 9, 2005, to finance the cost of certain water department utility lines. The original term of the loan is 15 years and bears interest at 1.85%.	1,243,208

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(C) Loans (Continued)

Fayetteville Public Utilities (Water Department)

State of Tennessee Revolving Fund Loan Program, entered into January 3, 2013, to finance the cost of certain improvements to the water wastewater system. The loan will mature 20 years from the project completion and bears interest at 1.17%.	3,801,255
State of Tennessee Revolving Fund Loan Program, entered into January 3, 2013, to finance the cost of certain improvements to the water wastewater system. The loan will mature 20 years from project completion and bears interest at 1.17%.	669,209
RUS Rural Development Loan: FPU entered into a loan agreement on November 30, 2015 with the USDA pursuant to the Rural Electrification Act of 1936 for a Rural Economic Development Loan in the amount of $133,334 the proceeds of which were passed through to the Lincoln County Health System, the ultimate recipient. The loan bears no interest and is payable monthly for a term of seven years.	122,218
Total Loans	$ 5,898,190

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

Year Ending June 30,	Business Type Activities Principal	Interest
2017	$ 424,370	$ 74,597
2018	367,049	68,372
2019	372,100	63,321
2020	377,224	58,197
2021	382,432	52,989
2022-2026	1,684,375	187,129
2027-2031	1,189,320	101,640
2032-2036	1,101,320	30,930
Total	$ 5,898,190	$ 637,175

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 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%. FPU has received $255,551 in advances as of June 30, 2016.

NOTE 5 - LONG-TERM DEBT (CONTINUED)

(C) Loans (Continued)

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 have been received as of June 30, 2016.

FPU entered into loan agreements on May 10, 2016, with the Tennessee Department of Environment and Conservation to borrow $5,050,000. 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 1.12%. No advances have been received as of June 30, 2016.

(D) Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds - fixed rate	$ 10,025,000	$ -	$ (370,000)	$ 9,655,000	$ 450,000
Unamortized bond premium	100,492	-	(5,417)	95,075	-
Total bonds payable	10,125,492	-	(375,417)	9,750,075	450,000
Loans payable:					
Tennessee Energy Efficiency Loan	24,778	-	(24,778)	-	-
Total loans payable	24,778	-	(24,778)	-	-
Landfill postclosure costs	189,369	-	-	189,369	8,000
Postemployment benefit obligation	648,273	198,974	(122,116)	725,131	-
Net pension liability	685,469	3,919,109	(3,853,505)	751,073	-
Compensated absences	503,485	215,964	(151,214)	568,235	170,660
Governmental Activity Long-Term Liabilities	$ 12,176,866	$ 4,334,047	$ (4,527,030)	$ 11,983,883	$ 628,660

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 25,792,088	$ 14,160,669	$ (11,167,749)	$ 28,785,008	$ 1,304,057
General obligation bonds	6,520,000	-	(945,000)	5,575,000	950,000
Unamortized bond premium	115,981	249,715	(17,121)	348,575	-
Total bonds payable	32,428,069	14,410,384	(12,129,870)	34,708,583	2,254,057
Loans:					
Tennessee Utility Relocation Loan	1,377,037	-	(133,829)	1,243,208	136,326
Tennessee revolving fund program loan	3,046,756	1,755,298	(76,038)	4,726,016	206,688
Tennessee municipal bond fund	123,300	-	(61,000)	62,300	62,300
RUS Rural Development Loan	-	133,334	(11,117)	122,217	19,056
Total loans payable	4,547,093	1,888,632	(281,984)	6,153,741	424,370
Postemployment benefit obligation	693,945	117,029	-	810,974	-
Advances from TVA	1,015,089	-	(158,572)	856,517	-
Compensated absences	840,507	347,125	(332,631)	855,001	330,222
Business-type Activity Long-Term Liabilities	$ 39,524,703	$ 16,763,170	$ (12,903,057)	$ 43,384,816	$ 3,008,649

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, 2016, there were two series of IDRB outstanding. The aggregate principal amount payable was $9,705,000. The original issue amounts totaled $15,615,000.

(F) Advance refundings

On May 27, 2016, FPU issued $9,750,000 in revenue bonds with an average interest rate of 2% to advance refund $9,950,000 of outstanding Series 2007 revenue bonds with an average interest rate of 4.2%. The net proceeds of $9,777,846 (after payment of $221,870 in underwriting fees and other issuance costs plus a bond premium of $249,716) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2007 revenue bonds. As a result, the Series 2007 revenue bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $361,995. This difference, reported in the accompanying financial statements as a deferred outflow in deferred charges on refundings, is being charged to operations through the year 2028 using the effective-interest method. The System completed the advance refunding to reduce its total debt service payments over the next 12 years by $1,734,334 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,513,927. On June 30, 2016, $9,950,000 of bonds outstanding are considered defeased.

NOTE 6 - LEASING ACTIVITY

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

Leased equipment under capital leases in capital assets at June 30, 2016, includes the following:

Equipment	$ 19,425
Less: Accumulated depreciation	(9,551)
Total	$ 9,874

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.

NOTE 6 - LEASING ACTIVITY (CONTINUED)

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 June 30,	Future Minimum Payments
2017	$ 12,204
2018	12,204
2019	12,204
2020	4,068
	$ 40,680

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

Year Ending June 30,	
2017	$ 26,708
2018	16,161
2019	12,519
2020	12,519
2021	2,819
	$ 70,726

Lease expenditures for the year ending June 30, 2016 totaled $33,258.

NOTE 7 - SEGMENT INFORMATION

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

NOTE 7 - SEGMENT INFORMATION (CONTINUED)

	Electric	Gas	Telecom	Water
Condensed Statement of Net Position				
Assets				
Current assets	$ 32,434,240	$ 1,966,631	$ 397,503	$ 1,251,140
Special funds	2,606,995	2,348,665	163,540	5,113,741
Capital assets	43,498,392	17,639,516	2,958,711	35,446,217
Other assets	1,258,788	29,541	22,290	37,961
Due from other departments	846,998	-	-	-
	80,645,413	21,984,353	3,542,044	41,849,059
Deferred Outflows of Resources	455,734	161,358	49,532	9,706
Liabilities				
Current liabilities	7,262,075	1,018,150	707,993	1,808,040
Other liabilities	1,740,864	210,608	102,875	249,866
Long term debt	15,486,542	2,584,732	1,037,585	19,075,039
Due to other departments	-	-	846,998	-
	24,489,481	3,813,490	2,695,451	21,132,945
Net Position (Deficit)				
Net investment in capital assets	26,755,576	14,754,784	1,586,126	15,524,220
Restricted	1,811,564	64,903	-	112
Unrestricted	28,044,526	3,512,534	(690,001)	5,201,488
	$ 56,611,666	$ 18,332,221	$ 896,125	$ 20,725,820
Condensed Statement of Revenues, Expenses, and Changes in Net Position				
Operating revenues	$ 44,825,561	$ 6,332,359	$ 4,262,832	$ 5,867,159
Depreciation expense	2,351,412	567,001	416,599	1,260,671
Other operating expenses	38,872,518	4,846,625	3,210,735	2,670,725
Operating income	3,601,631	918,733	635,498	1,935,763
Nonoperating revenue (expenses):				
Investment income	36,196	4,535	13	3,518
Interest expense	(663,170)	(113,885)	(28,158)	(260,779)
Gain (loss) on disposition of assets	8,917	8,993	-	(34,886)
Other	(280,541)	15	5,528	(2,708)
Contributions/Transfers - net	(338,198)	(251,310)	30,383	1,505,816
Change in net position	2,364,835	567,081	643,264	3,146,724
Beginning net position	54,246,831	17,765,140	252,861	17,579,096
Ending net position	$ 56,611,666	$ 18,332,221	$ 896,125	$ 20,725,820
Condensed Statement of Cash Flows				
Net cash provided (used) by:				
Operating activities	$ 7,553,688	$ 1,678,549	$ 1,184,436	$ 2,852,317
Noncapital financing activities	(560,231)	(256,475)	(312,454)	(202,176)
Capital and related financing activities	(6,193,778)	(3,050,408)	(809,678)	(2,044,438)
Investing activities	21,594	11,740	17,833	1,573
Net increase (decrease)	821,273	(1,616,594)	80,137	607,276
Beginning cash and cash equivalents	26,499,689	5,063,013	174,309	4,999,256
Ending cash and cash equivalents	$ 27,320,962	$ 3,446,419	$ 254,446	$ 5,606,532

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 - CONTINGENT LIABILITIES

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

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

(a) Gross revenues from electric operations will be used for (1) current electric system operating expenses, (2) current debt service payments, including sinking fund payments, when due; (3) provision of reasonable reserves for renewals, replacements, and contingencies; and working capital adequate to cover operating expenses for a reasonable number of weeks, and; (4) to pay tax equivalent payments into the government's general funds, within certain guidelines established by TVA, from any revenues then remaining.

(b) All revenues remaining over and above the requirements stipulated are considered surplus revenues. These revenues may be used for new electric system construction or for the retirement of electric system indebtedness prior to maturity with consideration that resale rates and charges will be reduced from time to time to the lowest practicable levels.

The City of Fayetteville and Lincoln County, Tennessee, operated a landfill as a joint venture for the residents of Lincoln County that was closed in February 1995. The government acts as administrator of the postclosure activities. Based upon the most recent information available for financial assurance provided by the Tennessee Department of Environment and Conservation, the total remaining closure and postclosure care costs are estimated to be $378,738 as of June 30, 2016. 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 $55,616 and is reported as an expenditure of the Internal Capital Projects Fund.

NOTE 10 - PENSION AND BENEFIT PLANS

AGGREGATE FOR ALL PLANS

The total of the government's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the year ended June 30, 2016, for all plans is as follows:

	Pension Liabilities (Assets)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Public Employee Retirement Plan	$ 691,307	$ 521,740	$ 656,690	$ 6,316
Teacher Legacy Pension Plan	64,059	705,917	1,410,669	(22,256)
Teacher Retirement Plan	(4,293)	22,574	1,399	5,626
Fayetteville City Schools 401(k) Plan	-	-	-	27,726
NRECA Retirement Security Plan	-	-	-	909,076
NRECA 401(k) Plan	-	-	-	64,284
Total for All Plans	$ 751,073	$ 1,250,231	$ 2,068,758	$ 990,772

The following is a summary of each of these plans:

PUBLIC EMPLOYEE RETIREMENT PLAN

GENERAL INFORMATION ABOUT THE PLAN

Plan Description

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

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

Employees covered by benefit terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	97
Active employees	165
	363

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, the Actuarially Determined Contribution (ADC) for Fayetteville was $483,255 based on a rate of 9.65 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fayetteville's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NET PENSION LIABILITY (ASSET)

The government's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the June 30, 2015, 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, 2015, 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.

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 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 estimates of arithmetic real rates of return of each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
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%
		100%

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.

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (ASSET)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance June 30, 2014	$ 17,906,661	$ 17,221,192	$ 685,469
Changes for the year:			
Service cost	$ 406,371	$ -	$ 406,371
Interest	1,330,008	-	1,330,008
Differences between expected and actual experience	(480,678)		- (480,678)
Contributions-employer	-	483,255	(483,255)
Contributions-employees	-	250,391	(250,391)
Net investment income	-	524,049	(524,049)
Benefit payments, including refunds of employee contributions	(1,159,172)	(1,159,172)	-
Administrative expenses	-	(7,832)	7,832
Other changes	-	-	-
Net changes	$ 96,529	$ 90,691	$ 5,838
Balance June 30, 2015	$ 18,003,190	$ 17,311,883	$ 691,307

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 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Fayetteville's net pension liability (asset)	$ 2,918,672	$ 691,307	$(1,158,167)

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expense

For the year ended June 30, 2016, the government recognized pension expense of $6,316.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2016, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 441,458
Net difference between projected and actual earnings on pension plan investments	601,031	816,263
Contributions subsequent to the measurement date of June 30, 2015	521,740	N/A
	$ 1,122,771	$ 1,257,721

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30,	
2017	$ (212,166)
2018	(212,166)
2019	(212,166)
2020	59,922
2021	(80,113)
Thereafter	-

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

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)

PAYABLE TO THE PENSION PLAN

At June 30, 2016, the government had no amount payable for contributions to the pension plan required at the year ended June 30, 2016.

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 are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the government for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were $495,380 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, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension liabilities (assets)

At June 30, 2016, the government reported a liability of $64,059 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The government's proportion of the net pension liability was based on the government's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the government's proportion was 0.156381 percent. The proportion measured as of June 30, 2014, was 0.151502 percent.

Negative pension expense

For the year ended June 30, 2016, the government recognized negative pension expense of $22,256.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,410	$ 997,085
Net difference between projected and actual earnings on pension plan investments	1,156,702	1,570,285
Changes in proportion of net pension liability (asset)	159,127	-
Contributions subsequent to the measurement date of June 30, 2015	495,380	N/A
	$ 1,862,619	$ 2,567,370

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

The government's employer contributions of $495,380, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. 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,		
2017	$	(391,563)
2018		(391,563)
2019		(391,563)
2020		131,866
2021		(157,310)
Thereafter		-

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

Actuarial assumptions

The total pension liability in the June 30, 2015 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 an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 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

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Long-term Expected Real Rate of Return**	**Target Allocation**
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%
		100%

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.

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 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	$ 4,367,314	$ 64,059	$(3,498,529)

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER LEGACY PENSION PLAN (CONTINUED)

Pension plan fiduciary net position

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

PAYABLE TO THE PENSION PLAN

At June 30, 2016, the government had no amount payable for contributions to the pension plan required at the year ended June 30, 2016.

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 closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing multiple-employer defined benefit plan. 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 Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The 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, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted.

Employer contributions for the year ended June 30, 2016 to the Teacher Retirement Plan were $22,227, 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 (assets)

At June 30, 2016, the government reported an asset of $4,293 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset 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 asset was based on Fayetteville City Schools' share of contributions to the pension plan relative to the contribution of all participating LEAs. At the measurement date of June 30, 2015 Fayetteville City Schools' proportion was 0.106705 percent.

Pension expense

For the year ended June 30, 2016, the government recognized pension expense of $5,626.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,397
Net difference between projected and actual earnings on pension plan investments	347	-
Fayetteville City Schools's contributions subsequent to the measurement date of June 30, 2015	22,227	N/A
	$ 22,574	$ 1,397

Employer contributions of $22,227 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. 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,	
2017	$ (30)
2018	(30)
2019	(30)
2020	(30)
2021	(116)
Thereafter	(815)

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

Actuarial assumptions

The total pension liability in the June 30, 2015 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

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

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

The actuarial assumptions used in the June 30, 2015 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
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%
		100%

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

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

TEACHER RETIREMENT PLAN (CONTINUED)

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

The following presents Fayetteville City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 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 percent) or 1-percentage- point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Fayetteville City Schools' proportionate share of the net pension liability (asset)	$ 761	$ (4,293)	$ (7,999)

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, 2016, the government had no payable for contributions to the pension plan required at the year ended June 30, 2016.

Fayetteville City Schools 401(K) Plan

Fayetteville City Schools also has a defined contribution plan (administered by Great West Financial), under section 401(k) of the Internal Revenue Code, covering all teachers of the system.

Benefit terms, including contribution requirements, for the Great West 401(k) pension plan are established and may be amended by the TCRS Board. Under the Plan, the System contributes 5% to the accounts of teachers hired after July 1, 2014; these contributions are not subject to any matching employee contribution. These teachers are automatically enrolled in the plan with a 2% employee deferral and an opt-out feature through which they may make no contributions. In addition, teachers who participate in the Legacy Plan of TCRS have the option to make contributions to this defined contribution plan with no system matching contributions. After-tax Roth 401K employee contributions are permitted by the Plan up to limits imposed by the Internal Revenue Code. Employee contributions to the Plan totaled $4,123 for the year ended June 30, 2016. The System recognized pension expense under the defined contribution plan of $27,726 for the year ended June 30, 2016.

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

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

Fayetteville City Schools Deferred Compensation

Fayetteville City Schools offers its employees a deferred compensation plan established pursuant to IRC Section 403(b) and administered by TSA Consulting Group. All costs of administering and funding this program are the responsibility of plan participants. The Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plan. Employee contributions to the Plan totaled $40,634 for the year ended June 30, 2016.

NRECA Retirement Security Plan

Plan description

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

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, 2016, FPU had 102 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, 2016, was 18.40% 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, 2016, was $909,076.

NOTE 10 - PENSION AND BENEFIT PLANS (CONTINUED)

NRECA 401(k) Plan

FPU also has a defined contribution plan (administered by National Rural Electric Cooperative Association (NRECA), under section 401(k) of the Internal Revenue Code, covering all 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 $164,762 for the year ended June 30, 2016. FPU recognized pension expense under the defined contribution plan of $64,284 for the year ended June 30, 2016.

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The government maintains two separate single-employer and one state-administered agent multiple-employer defined post-employment healthcare plans. The plans cover the employees of Fayetteville Public Utilities, the general government and the Fayetteville City Schools.

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-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 are eligible for retirement under TCRS, participated in the health insurance program for at least twelve months immediately prior to retirement and meets at least one of the following conditions (a) attained the age of 55 years with a minimum of 20 years of service, (b) completion of 30 years of service at any age or, (c) have a minimum of 10 years of continuous service and be covered through the TCRS as a disabled retiree. The government pays 80% of the employee only medical coverage for these benefits for the shorter period of 24 months from the time of retirement or the retiree is eligible for Medicare insurance, with an exception for extension for qualifying disabled retirees. Also, if included in the plan, the retiree's spouse is 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, 2016, was $11,336. The Board of Mayor and Alderman may amend the benefit provisions. A separate report was not issued for the plan.

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

PLAN DESCRIPTION - FAYETTEVILLE CITY SCHOOLS

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/news/22812.

FUNDING POLICY - FAYETTEVILLE PUBLIC UTILITIES AND GOVERNMENT

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, 2016, FPU contributed $0 and the government contributed $48,116 to fund premiums for retirees receiving benefits.

FUNDING POLICY - FAYETTEVILLE CITY SCHOOLS

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 40% of premiums and the Fayetteville City Schools contributes on average 60% of premiums. For active plan members electing single coverage, plan members contribute on average 30% of premiums and the Fayetteville City Schools contributes on average 70% of premiums. The Fayetteville City Schools makes no contributions for premiums for retired plan members.

ANNUAL OPEB COST, NET OPEB OBLIGATION AND FUNDED STATUS - ALL PLANS

All three 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, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* 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 table on the following page shows the components of OPEB cost for the year, the amount actually contributed to the plans, and changes in the net OPEB obligation:

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

	FPU	City	Teacher Group Plan
Annual required contribution	$ 118,806	$ 113,806	$ 83,000
Interest on net OPEB obligation	23,112	26,967	1,800
Adjustment to the annual required contribution	(24,889)	(24,799)	(1,800)
Annual OPEB cost (expense)	117,029	115,974	83,000
Contributions made	-	(48,116)	(74,000)
Increase in net OPEB obligation	117,029	67,858	9,000
Net OPEB obligation - beginning of year	693,945	599,273	49,000
Net OPEB obligation - end of year	$ 810,974	$ 667,131	$ 58,000

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

	Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
FPU				
	6/30/2014	$ 114,896	0.0%	$ 583,415
	6/30/2015	110,530	0.0%	693,945
	6/30/2016	117,029	0.0%	810,974
City				
	6/30/2014	148,844	36.4%	541,064
	6/30/2015	112,572	48.3%	599,273
	6/30/2016	115,974	41.5%	667,131
Teacher Group				
	6/30/2014	53,000	167.9%	70,000
	6/30/2015	54,000	138.9%	49,000
	6/30/2016	83,000	89.2%	58,000

All three plans were not funded as of the most recent actuarial valuation dates listed on the following page.

ACTUARIAL METHODS AND ASSUMPTIONS - FAYETTEVILLE PUBLIC UTILITIES AND GOVERNMENT

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

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

are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial accrued unfunded liability (UAAL) for benefits at June 30, 2016, as well as actuarial methods and assumptions for both plans, was as follows:

	FPU	City	Teacher Group Plan
Actuarial valuation date	7/1/2014	7/1/2014	7/1/2015
Actuarial accrued liability (AAL) - Projected Unit Credit	$ 1,108,556	$ 1,182,642	$ 746,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	$ 1,108,556	$ 1,182,642	$ 746,000
Actuarial Value of Assets as a % of the AAL	0.0%	0.0%	0.0%
Covered payroll (active plan members)	$ 4,969,906	$ 3,647,247	$ 5,944,000
UAAL as a percentage of covered payroll	22.3%	32.4%	12.6%

For the 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.

ACTUARIAL METHODS AND ASSUMPTIONS - FAYETTEVILLE CITY SCHOOLS

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.

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

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, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The rate decreased to 6.0 percent in fiscal year 2016 and then will be reduced by decrements to an ultimate rate of 4.645 percent by fiscal year 2051. 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, 2016, related to these funds is shown below.

Intergovernmental revenue	
Gasoline and motor fuel tax	$ 187,104
City street and transportation	13,889
Total	$ 200,993

NOTE 13 - RELATED PARTIES

One board of education member is 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, 2016, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2016, the government received $58,236 from the State of Tennessee for this shared revenue.

NOTE 15 - JOINT VENTURES

The government participates with Lincoln County, Tennessee in joint venture arrangements to provide air travel, library services, industrial development and landfill services for Lincoln County and Fayetteville, Tennessee. The 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.

	Fayetteville - Lincoln County		
	Regional Airport Authority	Public Library	Industrial Development Board
Total assets	$ 6,450,618	$ 3,099,951	$ 5,632,566
Total deferred outflows	-	13,814	9,824
Total liabilities	240,388	46,685	3,264,033
Total deferred inflows	-	6,935	10,094
Net position	$ 6,210,230	$ 3,060,145	$ 2,368,263
Revenues	$ 511,889	$ 252,057	$ 690,865
Expenditures	397,132	339,496	651,002
Transfers	-	-	(820,426)
Increase (decrease) in net position	$ 114,757	$ (87,439)	$ (780,563)

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

Fayetteville Lincoln County Airport
37 Airport Road
Fayetteville, TN 37334

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

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

NOTE 15 - JOINT VENTURES (CONTINUED)

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

Complete financial statements for the Volunteer State Cooperative can be obtained from its administrative office at Volunteer State Cooperative, 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:

Department	Operating Revenues	Current Year Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Remaining Pledge based on future Principal and Interest Requirements	Commitment Period through Fiscal Year
Electric	$ 44,825,561	$ 1,736,919	3.9%	$ 18,883,934	2028
Gas	6,332,359	409,619	6.5%	3,413,496	2025
Telecom	4,262,832	356,115	8.4%	1,430,150	2020
Water & Wastewater	5,867,159	1,083,929	18.5%	26,496,832	2053
	$ 61,287,911	$ 3,586,582	5.9%	$ 50,224,412	

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, 2016, credits resulting from solar power generation totaled $1,547,269. In instances where solar generation actually exceeds normal electric usage, the customer is paid the difference. At June 30, 2016, the liability for such amounts due to customers was $295,856 which is included in accounts payable on the statement of net position. FPU is credited on its wholesale power cost by TVA for the solar generated power.

NOTE 18 - ON-BEHALF PAYMENTS

Employees of Fayetteville City Schools participate in various state administered group insurance plans including the Teacher Group Plan, the Local Education Employee Group Plan, and the Medicare Supplement Plan. The State of Tennessee makes contributions on-behalf of Fayetteville City School retiree participants. For the year ended June 30, 2016 these contributions totaled $9,350 to the Medicare Supplement Plan and $24,471 to the Local Education Employee Group Plan which are reflected in the financial statements as intergovernmental revenues and education expenditures.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to year-end, FPU's water and wastewater department issued Series 2015 revenue and tax bond (Phase IV) in the original amount of $1,900,000 through the U.S. Department of Agriculture (USDA) Rural Development to finance the cost of certain extensions and improvements to the Water and Wastewater Department's water and wastewater system and refinance maturing interim certificates of indebtedness. The bond bears interest at a rate of 2.75% per annum with final maturity in 2054. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of FPU.

REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2016

Teacher Group Insurance Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	$ -	$ 746	$ 746	0.00%	$ 5,944	12.6%
July 1, 2013	$ -	$ 460	$ 460	0.00%	$ 5,857	7.9%
July 1, 2011	$ -	$ 693	$ 693	0.00%	$ 4,680	14.8%

Fayetteville Public Utilities retiree health care plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2014	$ -	$ 1,109	$ 1,109	0.00%	$ 4,970	22.3%
July 1, 2012	$ -	$ 1,192	$ 1,192	0.00%	$ 4,993	23.9%
July 1, 2010	$ -	$ 1,024	$ 1,024	0.00%	$ 4,998	20.5%

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2014	$ -	$ 1,641	$ 1,641	0.00%	$ 3,647	45.0%
July 1, 2012	$ -	$ 1,624	$ 1,624	0.00%	$ 3,091	52.5%
July 1, 2008	$ -	$ 1,349	$ 1,349	0.00%	$ 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

Last Fiscal Year ending June 30,

		2014		2015
TOTAL PENSION LIABILITY				
Service cost	$	409,344	$	406,371
Interest		1,289,974		1,330,008
Changes in benefit terms		-		-
Differences between actual & expected experience		(61,339)		(480,678)
Change of assumptions		-		-
Benefit payments, including refunds of employee contributions		(1,043,255)		(1,159,172)
Net change in total pension liability		594,724		96,529
Total pension liability-beginning		17,311,937		17,906,661
Total pension liability-ending (a)	$	17,906,661	$	18,003,190
PLAN FIDUCIARY NET POSITION				
Contributions-employer	$	480,331	$	483,255
Contributions-employee		243,467		250,391
Net investment income		2,478,367		524,049
Benefit payments, including refunds of employee contributions		(1,043,255)		(1,159,172)
Administrative expense		(6,306)		(7,832)
Net change in plan fiduciary net position		2,152,604		90,691
Plan fiduciary net position-beginning		15,068,588		17,221,192
Plan fiduciary net position-ending (b)	$	17,221,192	$	17,311,883
Net pension liability (asset)-ending (a) - (b)	$	685,469	$	691,307
Plan fiduciary net position as a percentage of total pension liability		96.17%		96.16%
Covered payroll	$	4,866,570	$	5,007,817
Net pension liability (asset) as a percentage of covered employee payroll		14.09%		13.80%

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS

BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year ending June 30,

	2014	2015	2016
Actuarially determined contribution	$ 480,331	$ 483,255	$ 521,740
Contributions in relation to the actuarially determined contribution	480,331	483,255	521,740
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 4,866,570	$ 5,007,817	$ 5,407,692
Contributions as a percentage of covered-employee payroll	9.87%	9.65%	9.65%

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

Notes to Schedule

Valuation date:
Actuarially determined contribution rates for 2016 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
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
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

Fiscal Year ended June 30, *

	2015	2016
Fayetteville City Schools's proportion of the net pension liability (asset)	0.151502%	0.156381%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	$ (24,618)	$ 64,059
Fayetteville City Schools's covered-employee payroll	$ 5,946,429	$ 5,854,119
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.413996%	1.094252%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS

TEACHER LEGACY PLAN OF TCRS

Fiscal Year ended June 30,

	2014	2015	2016
Actuarially determined contribution	$ 528,043	$ 529,211	$ 495,380
Contributions in relation to the actuarially determined contribution	528,043	529,211	495,380
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 5,946,414	$ 5,854,119	$ 5,479,871
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET

TEACHER RETIREMENT PLAN OF TCRS

Fiscal Year ended June 30, *

		2016
Fayetteville City Schools's proportion of the net pension liability (asset)		0.106705%
Fayetteville City Schools's proportionate share of the net pension liability (asset)	$	(4,293)
Fayetteville City Schools's covered-employee payroll	$	221,703
Fayetteville City Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		-1.94%
Plan fiduciary net position as a percentage of the total pension liability		127.46%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS

TEACHER RETIREMENT PLAN OF TCRS

Fiscal Year ending June 30,

	2015	2016
Contractually required	$ 222	$ 22,227
Contribution in relation to the contractually required contribution	8,868	22,227
Contribution deficiency (excess)	$ (8,646)	$ -
Covered-employee payroll	$ 221,703	$ 555,670
Contributions as a percentage of covered-employee payroll	4.00%	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.

Special Revenue Funds

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

- School Title Fund
- School Cafeteria Fund
- Drug Fund

Debt Service Fund

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

Capital Projects Funds

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

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

	Special Revenue Funds				
	School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Assets:					
Cash in bank	$ 2,777	$ 133,208	$ 58,439	$ 194,424	$ 308,316
Accounts receivable	-	11,340	-	11,340	-
Due from other funds	-	-	1,017	1,017	-
Due from other governments	628	-	-	628	-
Inventory	-	16,942	-	16,942	-
TOTAL ASSETS	$ 3,405	$ 161,490	$ 59,456	$ 224,351	$ 308,316
Liabilities:					
Accounts payable	$ -	$ -	$ 100	$ 100	$ -
Due to other funds	-	-	6,829	6,829	-
Unearned revenues	3,405	-	-	3,405	-
TOTAL LIABILITIES	3,405	-	6,929	10,334	-
Fund Balances:					
Nonspendable - inventory	-	16,942	-	16,942	-
Restricted:					
Public safety	-	-	52,527	52,527	-
Assigned					
Education	-	144,548	-	144,548	-
Debt service	-	-	-	-	308,316
TOTAL FUND BALANCES	-	161,490	52,527	214,017	308,316
TOTAL LIABILITIES AND FUND BALANCES	$ 3,405	$ 161,490	$ 59,456	$ 224,351	$ 308,316

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

	Capital Projects Funds					
	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	Total Nonmajor Governmental Funds
Assets:						
Cash in bank	$ 27,510	$ 49,614	$ 406,909	$ 1,377,377	$ 1,861,410	$ 2,364,150
Accounts receivable	-	-	-	-	-	11,340
Due from other funds	-	-	-	-	-	1,017
Due from other governments	-	-	-	9,000	9,000	9,628
Inventory	-	-	-	-	-	16,942
TOTAL ASSETS	$ 27,510	$ 49,614	$ 406,909	$ 1,386,377	$ 1,870,410	$ 2,403,077
Liabilities:						
Accounts payable	$ -	$ -	$ -	$ 169,853	$ 169,853	$ 169,953
Due to other funds	-	-	-	323	323	7,152
Unearned revenues	-	-	-	25,000	25,000	28,405
TOTAL LIABILITIES	-	-	-	195,176	195,176	205,510
Fund Balances:						
Nonspendable - inventory	-	-	-	-	-	16,942
Restricted						
Recreation	-	-	-	30,434	30,434	30,434
Public safety	-	-	-	-	-	52,527
Capital projects	-	49,614	406,909	-	456,523	456,523
Assigned						
Education	-	-	-	-	-	144,548
Debt service	-	-	-	-	-	308,316
Industrial park	27,510	-	-	-	27,510	27,510
Capital projects	-	-	-	1,160,767	1,160,767	1,160,767
TOTAL FUND BALANCES	27,510	49,614	406,909	1,191,201	1,675,234	2,197,567
TOTAL LIABILITIES AND FUND BALANCES	$ 27,510	$ 49,614	$ 406,909	$ 1,386,377	$ 1,870,410	$ 2,403,077

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2016

	Special Revenue Funds				
	School Title	School Cafeteria	Drug	Total Special Revenue	Debt Service Fund
Revenues:					
Intergovernmental	$ 785,958	$ 662,126	$ -	$ 1,448,084	$ -
Charges for services	-	178,411	-	178,411	-
Investment earnings	-	59	18	77	99
Other	-	45,431	-	45,431	-
Fines and confiscations	-	-	13,215	13,215	-
TOTAL REVENUES	785,958	886,027	13,233	1,685,218	99
Expenditures:					
Current:					
General government	-	-	-	-	1,993
Public safety	-	-	10,649	10,649	-
Education	785,741	810,715	-	1,596,456	-
Debt Service:					
Principal	-	-	-	-	179,778
Interest	-	-	-	-	137,251
Capital outlay	-	36,179	-	36,179	-
TOTAL EXPENDITURES	785,741	846,894	10,649	1,643,284	319,022
Excess (deficiency) of revenues over expenditures	217	39,133	2,584	41,934	(318,923)
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	317,030
Transfers out	(217)	-	-	(217)	-
TOTAL OTHER FINANCING SOURCES (USES)	(217)	-	-	(217)	317,030
Net change in fund balances	-	39,133	2,584	41,717	(1,893)
Fund balances - July 1, 2015	-	122,357	49,943	172,300	310,209
Fund balances - June 30, 2016	$ -	$ 161,490	$ 52,527	$ 214,017	$ 308,316

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2016

	Capital Projects Funds					
Revenues:	Industrial Park	CDBG	UDAG	Internal Capital Projects	Total Capital Projects	Total Other Governmental Funds
Intergovernmental	$ -	$ -	$ -	$ 66,492	$ 66,492	$ 1,514,576
Charges for services	-	-	-	-	-	178,411
Investment earnings	12	16	131	5,262	5,421	5,597
Contributions	-	-	-	-	-	45,431
Fines and forfeitures	-	-	-	-	-	13,215
TOTAL REVENUES	12	16	131	71,754	71,913	1,757,230
Expenditures:						
Current:						
General government	-	-	-	-	-	1,993
Public safety	-	-	-	-	-	10,649
Education	-	-	-	-	-	1,596,456
Community development	18,110	-	-	-	18,110	18,110
Sanitation	-	-	-	55,616	55,616	55,616
Debt service:						
Principal	-	-	-	-	-	179,778
Interest	-	-	-	-	-	137,251
Capital outlay	-	-	-	2,770,953	2,770,953	2,807,132
TOTAL EXPENDITURES	18,110	-	-	2,826,569	2,844,679	4,806,985
Excess (deficiency) of revenues over expenditures	(18,098)	16	131	(2,754,815)	(2,772,766)	(3,049,755)
Other Financing Sources (Uses):						
Transfers in	-	-	-	607,761	607,761	924,791
Transfers out	-	-	-	-	-	(217)
TOTAL OTHER FINANCING SOURCES	-	-	-	607,761	607,761	924,574
Net change in fund balances	(18,098)	16	131	(2,147,054)	(2,165,005)	(2,125,181)
Fund balances - July 1, 2015	45,608	49,598	406,778	3,338,255	3,840,239	4,322,748
Fund balances - June 30, 2016	$ 27,510	$ 49,614	$ 406,909	$ 1,191,201	$ 1,675,234	$ 2,197,567

SCHOOL TITLE SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Title programs	$ 481,468	$ 486,831	$ 486,831	$ -
Vocational education programs	19,758	19,708	19,708	-
Special education programs	297,194	279,419	279,419	-
Total Revenues	798,420	785,958	785,958	-
Expenditures:				
Current:				
Instruction:				
Regular instruction program				
Salaries and benefits	196,724	200,989	200,989	-
Contracted services	24,000	24,000	24,000	-
Supplies	18,586	18,719	18,719	-
Equipment	71,944	87,438	87,438	-
Other	-	789	789	-
Special education program				
Salaries and benefits	209,261	197,365	197,365	-
Equipment	-	3,163	3,163	-
Contracted services	-	3,325	3,325	-
Supplies	5,000	6,353	6,353	-
Vocational education program				
Salaries and benefits	2,685	-	-	-
Supplies	5,085	8,655	8,655	-
Equipment	4,000	4,000	4,000	-
Support services:				
Regular instruction program				
Salaries and benefits	51,639	53,492	53,492	-
Contracted services	68,729	55,670	55,670	-
Travel	1,845	-	-	-
Supplies	235	203	203	-
In service	32,778	44,679	44,679	-
Special education program				
Contracted services	61,197	46,542	46,542	-
In service	13,191	10,947	10,947	-
Supplies	2,930	4,500	4,500	-
Equipment	800	-	-	-
Other Student Support				
Salaries and benefits	1,128	-	-	-
Travel	5,800	5,074	5,074	-
Supplies	4,500	676	676	-
Contracted services	6,760	-	-	-
In service	988	974	974	-
Other	3,800	1,005	1,005	-
Transportation				
Salaries and benefits	4,815	4,783	4,783	-
Other	-	2,400	2,400	-
Total Expenditures	798,420	785,741	785,741	-
Excess of Revenues over Expenditures	-	217	217	-
OTHER FINANCING SOURCES				
Transfers (to) other funds	-	(217)	(217)	-
Net Change in Fund Balance	-	-	-	-
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	$ -	$ -	$ -	$ -

SCHOOL CAFETERIA SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Intergovernmental				
National school lunch program	$ 408,000	$ 437,400	$ 437,309	$ (91)
School breakfast program	137,000	155,500	155,476	(24)
USDA commodities	43,560	43,560	43,150	(410)
NSLP equipment grant	-	18,649	18,600	(49)
Other	8,000	7,778	7,591	(187)
Charges for services	218,200	204,500	178,411	(26,089)
Investment earnings	100	100	59	(41)
Other revenues	39,610	45,432	45,431	(1)
Total Revenues	854,470	912,919	886,027	(26,892)
EXPENDITURES				
Current:				
Salaries and benefits	389,610	401,610	366,911	34,699
Repairs and maintenance	8,000	8,500	7,595	905
Travel	3,000	4,000	3,785	215
Contracted services	6,000	7,000	6,876	124
Food and preparation supplies	408,560	436,560	422,287	14,273
Supplies	2,000	2,000	697	1,303
Other	10,000	7,500	2,564	4,936
Capital outlay	28,000	46,449	36,179	10,270
Total Expenditures	855,170	913,619	846,894	66,725
Excess (Deficiency) of Revenues over Expenditures	(700)	(700)	39,133	39,833
OTHER FINANCING SOURCES				
Transfers (to) other funds	(40,000)	-	-	-
Transfers from other funds	40,000	-	-	-
Sale of capital assets	700	700	-	(700)
Net Change in Fund Balance	-	-	39,133	39,133
Fund Balance - beginning	122,357	122,357	122,357	-
Fund Balance - ending	$ 122,357	$ 122,357	$ 161,490	$ 39,133

DRUG SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Investment earnings	$ 20	$ 20	$ 18	$ (2)
Fines	17,000	9,500	12,198	2,698
Confiscations	-	-	1,017	1,017
Total Revenues	17,020	9,520	13,233	3,713
EXPENDITURES				
Current:				
Operating				
Salaries	3,300	6,800	6,829	(29)
Education and training	5,000	1,500	160	1,340
Travel	5,000	5,000	274	4,726
Supplies	5,900	5,900	1,193	4,707
Contractual	3,000	3,000	-	3,000
Telephone	1,330	1,330	1,293	37
Professional services	1,000	1,000	645	355
Equipment	61,198	6,198	-	6,198
Investigative transactions	10,000	6,000	-	6,000
Other drug fund	2,000	2,000	255	1,745
Total Expenditures	97,728	38,728	10,649	28,079
Net Change in Fund Balance	(80,708)	(29,208)	2,584	31,792
Fund Balance - beginning	49,943	49,943	49,943	-
Fund Balance - ending	$ (30,765)	$ 20,735	$ 52,527	$ 31,792

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Investment earnings	$ 90	$ 90	$ 99	$ 9
Total Revenues	90	90	99	9
EXPENDITURES				
Current:				
Operating - agent fees	750	1,993	1,993	-
Debt Service:				
Principal	179,778	179,778	179,778	-
Interest	137,254	137,284	137,251	33
Debt issuance costs	-	-	-	-
Total Expenditures	317,782	319,055	319,022	33
Excess (Deficiency) of Revenues over Expenditures	(317,692)	(318,965)	(318,923)	42
OTHER FINANCING SOURCES (USES)				
Transfers in	317,030	317,030	317,030	-
Total Other Financing Sources (Uses)	317,030	317,030	317,030	-
Net Change in Fund Balance	(662)	(1,935)	(1,893)	42
Fund Balance - beginning	310,209	310,209	310,209	-
Fund Balance - ending	$ 309,547	$ 308,274	$ 308,316	$ 42

INDUSTRIAL PARK CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Investment earnings	$ 20	$ 12	$ 12	$ -
Total Revenues	20	12	12	-
EXPENDITURES				
Current:				
Contribution to IDB	-	18,111	18,110	1
Total Expenditures	-	18,111	18,110	1
Net Change in Fund Balance	20	(18,099)	(18,098)	1
Fund Balance - beginning	45,608	45,608	45,608	-
Fund Balance - ending	$ 45,628	$ 27,509	$ 27,510	$ 1

CDBG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Investment earnings	$ -	$ (7)	$ 16	$ 23
Total Revenues	-	(7)	16	23
EXPENDITURES				
Current:				
Operating	45,590	45,590	-	45,590
Total Expenditures	45,590	45,590	-	45,590
Net Change in Fund Balance	(45,590)	(45,597)	16	45,613
Fund Balance - beginning	49,598	49,598	49,598	-
Fund Balance - ending	$ 4,008	$ 4,001	$ 49,614	$ 45,613

UDAG CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Investment earnings	$ 100	$ 100	$ 131	$ 31
Total Revenues	100	100	131	31
EXPENDITURES				
Current:				
Operating	1,000	1,000	-	1,000
Total Expenditures	1,000	1,000	-	1,000
Net Change in Fund Balance	(900)	(900)	131	1,031
Fund Balance - beginning	406,778	406,778	406,778	-
Fund Balance - ending	$ 405,878	$ 405,878	$ 406,909	$ 1,031

INTERNAL CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE

CITY OF FAYETTEVILLE, TENNESSEE

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Investment earnings	$ 350	$ 5,190	$ 5,262	$ 72
Intergovernmental	70,000	7,729	66,492	58,763
Total Revenues	70,350	12,919	71,754	58,835
EXPENDITURES				
Current:				
Operating - landfill	250,000	75,000	55,616	19,384
Capital outlay	2,713,555	2,713,555	2,770,953	(57,398)
Total Expenditures	2,963,555	2,788,555	2,826,569	(38,014)
(Deficiency) of Revenues over Expenditures	(2,893,205)	(2,775,636)	(2,754,815)	20,821
OTHER FINANCING SOURCES				
Transfers in	508,500	500,000	607,761	107,761
Total Other Financing Sources	508,500	500,000	607,761	107,761
Net Change in Fund Balance	(2,384,705)	(2,275,636)	(2,147,054)	128,582
Fund Balance - beginning	3,338,255	3,338,255	3,338,255	-
Fund Balance - ending	$ 953,550	$ 1,062,619	$ 1,191,201	$ 128,582

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

CITY OF FAYETTEVILLE, TENNESSEE

For the year ended June 30, 2016

					Fayetteville Public Utilities										
	General Debt		Sanitation Capital Outlay Note		Electric Department Total For All Debt		Gas Department Series 2009		Telecom Department Series 2011		Water & Sewer Department Total For All Debt		Total	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	$ 450,000	$ 279,801	$ 62,300	$ 1,246	$ 1,134,056	$ 432,711	$ 300,000	$ 105,768	$ 335,000	$ 22,320	$ 847,071	$ 402,940	$ 3,128,427	$ 1,244,786	$ 4,373,213
2018	455,000	268,957	-	-	1,169,056	396,038	300,000	95,270	340,000	17,965	877,067	381,920	3,141,123	1,160,150	4,301,273
2019	465,000	258,010	-	-	1,209,056	357,637	310,000	84,768	345,000	12,865	907,272	359,989	3,236,328	1,073,269	4,309,597
2020	475,000	247,092	-	-	1,249,056	314,987	315,000	74,694	350,000	7,000	906,954	338,769	3,296,010	982,542	4,278,552
2021	515,000	235,655	-	-	1,299,056	269,387	310,000	63,668	-	-	573,313	315,336	2,697,369	884,046	3,581,415
2022	515,000	222,295	-	-	1,334,056	234,387	320,000	52,432	-	-	584,177	304,471	2,753,233	813,585	3,566,818
2023	530,000	208,831	-	-	1,352,882	198,687	330,000	40,432	-	-	595,292	293,357	2,808,174	741,307	3,549,481
2024	540,000	194,606	-	-	1,390,000	161,800	325,000	27,232	-	-	605,953	282,696	2,860,953	666,334	3,527,287
2025	555,000	180,082	-	-	1,490,000	123,800	345,000	14,232	-	-	538,786	270,777	2,928,786	588,891	3,517,677
2026	410,000	163,637	-	-	1,530,000	94,000	-	-	-	-	469,010	261,466	2,409,010	519,103	2,928,113
2027	415,000	152,300	-	-	1,565,000	63,400	-	-	-	-	478,087	252,388	2,458,087	468,088	2,926,175
2028	430,000	140,837	-	-	1,605,000	32,100	-	-	-	-	486,772	243,704	2,521,772	416,641	2,938,413
2029	445,000	127,338	-	-	-	-	-	-	-	-	496,847	233,629	941,847	360,967	1,302,814
2030	450,000	113,387	-	-	-	-	-	-	-	-	506,566	223,910	956,566	337,297	1,293,863
2031	470,000	98,988	-	-	-	-	-	-	-	-	516,483	213,993	986,483	312,981	1,299,464
2032	480,000	83,912	-	-	-	-	-	-	-	-	526,105	204,371	1,006,105	288,283	1,294,388
2033	500,000	67,913	-	-	-	-	-	-	-	-	537,020	193,456	1,037,020	261,369	1,298,389
2034	445,000	51,212	-	-	-	-	-	-	-	-	547,651	182,825	992,651	234,037	1,226,688
2035	450,000	36,413	-	-	-	-	-	-	-	-	520,708	172,153	970,708	208,566	1,179,274
2036	325,000	21,450	-	-	-	-	-	-	-	-	447,347	162,034	772,347	183,484	955,831
2037	335,000	10,888	-	-	-	-	-	-	-	-	319,821	152,463	654,821	163,351	818,172
2038	-	-	-	-	-	-	-	-	-	-	328,384	143,900	328,384	143,900	472,284
2039	-	-	-	-	-	-	-	-	-	-	337,179	135,105	337,179	135,105	472,284
2040	-	-	-	-	-	-	-	-	-	-	345,871	126,413	345,871	126,413	472,284
2041	-	-	-	-	-	-	-	-	-	-	355,483	116,801	355,483	116,801	472,284
2042	-	-	-	-	-	-	-	-	-	-	365,016	107,268	365,016	107,268	472,284
2043	-	-	-	-	-	-	-	-	-	-	374,809	97,475	374,809	97,475	472,284
2044	-	-	-	-	-	-	-	-	-	-	384,632	87,652	384,632	87,652	472,284
2045	-	-	-	-	-	-	-	-	-	-	395,196	77,088	395,196	77,088	472,284
2046	-	-	-	-	-	-	-	-	-	-	405,812	66,472	405,812	66,472	472,284
2047	-	-	-	-	-	-	-	-	-	-	416,717	55,567	416,717	55,567	472,284
2048	-	-	-	-	-	-	-	-	-	-	427,804	44,480	427,804	44,480	472,284
2049	-	-	-	-	-	-	-	-	-	-	439,427	32,857	439,427	32,857	472,284
2050	-	-	-	-	-	-	-	-	-	-	451,251	21,033	451,251	21,033	472,284
2051	-	-	-	-	-	-	-	-	-	-	335,197	10,070	335,197	10,070	345,267
2052	-	-	-	-	-	-	-	-	-	-	149,043	2,751	149,043	2,751	151,794
2053	-	-	-	-	-	-	-	-	-	-	44,688	279	44,688	279	44,967
	$ 9,655,000	$ 3,163,604	$ 62,300	$ 1,246	$ 16,327,218	$ 2,678,934	$ 2,855,000	$ 558,496	$ 1,370,000	$ 60,150	$ 17,844,811	$ 6,571,858	$ 48,114,329	$ 13,034,288	$ 61,148,617

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

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

Year Ending	General Obligation Bonds Series 2013		General Obligation Bonds Series 2013 B		General Obligation Bonds Series 2009		General Obligation Bonds Series 2014		Total General	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest
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
	$ 5,520,000	$ 1,898,338	$ 910,000	$ 356,223	$ 1,225,000	$ 249,531	$ 2,000,000	$ 659,512	$ 9,655,000	$ 3,163,604

FAYETTEVILLE PUBLIC UTILITIES

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - ELECTRIC

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

Year					RUS Rural Economic		Total Electric	
Ending	Series 2009		Series 2016		Development Loan (LCHS)		Total	Total
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 1,085,000	$ 235,544	$ 30,000	$ 197,167	$ 19,056	$ -	$ 1,134,056	$ 432,711
2018	1,120,000	201,638	30,000	194,400	19,056	-	1,169,056	396,038
2019	1,160,000	163,837	30,000	193,800	19,056	-	1,209,056	357,637
2020	1,200,000	121,787	30,000	193,200	19,056	-	1,249,056	314,987
2021	470,000	76,787	810,000	192,600	19,056	-	1,299,056	269,387
2022	470,000	57,987	845,000	176,400	19,056	-	1,334,056	234,387
2023	470,000	39,187	875,000	159,500	7,882	-	1,352,882	198,687
2024	480,000	19,800	910,000	142,000	-	-	1,390,000	161,800
2025	-	-	1,490,000	123,800	-	-	1,490,000	123,800
2026	-	-	1,530,000	94,000	-	-	1,530,000	94,000
2027	-	-	1,565,000	63,400	-	-	1,565,000	63,400
2028	-	-	1,605,000	32,100	-	-	1,605,000	32,100
	$ 6,455,000	$ 916,567	$ 9,750,000	$ 1,762,367	$ 122,218	$ -	$ 16,327,218	$ 2,678,934

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER
CITY OF FAYETTEVILLE, TENNESSEE
June 30, 2016

Year					State Revolving Fund Loan		State Revolving Fund Loan	
Ending	Series 2009		TDOT Utility Reloc Loan		CW0 2013-315		CG1 2013-316	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 315,000	$ 46,362	$ 136,326	$ 21,847	$ 33,420	$ 7,656	$ 173,268	$ 43,848
2018	335,000	35,338	138,869	19,304	33,816	7,260	175,308	41,808
2019	355,000	23,612	141,460	16,713	34,212	6,864	177,372	39,744
2020	345,000	12,074	144,100	14,073	34,620	6,456	179,448	37,668
2021	-	-	146,788	11,385	35,028	6,048	181,560	35,556
2022	-	-	149,527	8,646	35,436	5,640	183,696	33,420
2023	-	-	152,317	5,856	35,856	5,220	185,868	31,248
2024	-	-	155,159	3,014	36,276	4,800	188,052	29,064
2025	-	-	78,662	425	36,696	4,380	190,260	26,856
2026	-	-	-	-	37,128	3,948	192,504	24,612
2027	-	-	-	-	37,572	3,504	194,760	22,356
2028	-	-	-	-	38,016	3,060	197,052	20,064
2029	-	-	-	-	38,460	2,616	199,368	17,748
2030	-	-	-	-	38,916	2,160	201,720	15,396
2031	-	-	-	-	39,372	1,704	204,084	13,032
2032	-	-	-	-	39,828	1,248	206,484	10,632
2033	-	-	-	-	40,308	768	208,920	8,196
2034	-	-	-	-	40,788	288	211,380	5,736
2035	-	-	-	-	3,461	-	213,864	3,252
2036	-	-	-	-	-	-	136,287	810
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-
	$ 1,350,000	$ 117,386	$ 1,243,208	$ 101,263	$ 669,209	$ 73,620	$ 3,801,255	$ 461,046

FAYETTEVILLE PUBLIC UTILITIES

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS - WATER (CONTINUED)

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

Year	RUS Phase I		RUS Phase II		RUS Phase III		Total Water	
Ending	Series 2008		Series 2009		Series 2013		Total	Total
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 65,683	$ 74,177	$ 78,986	$ 144,526	$ 44,388	$ 64,524	$ 847,071	$ 402,940
2018	67,176	72,684	81,388	142,124	45,510	63,402	877,067	381,920
2019	68,703	71,157	83,864	139,648	46,661	62,251	907,272	359,989
2020	70,074	69,786	86,038	137,474	47,674	61,238	906,954	338,769
2021	71,858	68,002	89,032	134,480	49,047	59,865	573,313	315,336
2022	73,491	66,368	91,740	131,772	50,287	58,625	584,177	304,471
2023	75,162	64,698	94,530	128,982	51,559	57,353	595,292	293,357
2024	76,698	63,162	97,059	126,453	52,709	56,203	605,953	282,696
2025	78,615	61,245	100,357	123,155	54,196	54,716	538,786	270,777
2026	80,402	59,458	103,410	120,102	55,566	53,346	469,010	261,466
2027	82,229	57,630	106,555	116,957	56,971	51,941	478,087	252,388
2028	83,946	55,914	109,484	114,028	58,274	50,638	486,772	243,704
2029	86,007	53,853	113,126	110,386	59,886	49,026	496,847	233,629
2030	87,963	51,897	116,567	106,945	61,400	47,512	506,566	223,910
2031	89,962	49,898	120,112	103,400	62,953	45,959	516,483	213,993
2032	91,877	47,983	123,492	100,020	64,424	44,488	526,105	204,371
2033	94,096	45,764	127,522	95,990	66,174	42,738	537,020	193,456
2034	96,235	43,625	131,400	92,112	67,848	41,064	547,651	182,825
2035	98,423	41,437	135,397	88,115	69,563	39,349	520,708	172,153
2036	100,554	39,306	139,286	84,226	71,220	37,692	447,347	162,034
2037	102,946	36,914	143,752	79,760	73,123	35,789	319,821	152,463
2038	105,287	34,573	148,124	75,388	74,973	33,939	328,384	143,900
2039	107,680	32,180	152,630	70,882	76,869	32,043	337,179	135,105
2040	110,048	29,812	157,092	66,420	78,731	30,181	345,871	126,413
2041	112,630	27,230	162,050	61,462	80,803	28,109	355,483	116,801
2042	115,190	24,670	166,979	56,533	82,847	26,065	365,016	107,268
2043	117,809	22,051	172,058	51,454	84,942	23,970	374,809	97,475
2044	120,435	19,425	177,166	46,346	87,031	21,881	384,632	87,652
2045	123,225	16,635	182,680	40,832	89,291	19,621	395,196	77,088
2046	126,027	13,833	188,236	35,276	91,549	17,363	405,812	66,472
2047	128,892	10,968	193,961	29,551	93,864	15,048	416,717	55,567
2048	131,801	8,059	199,799	23,713	96,204	12,708	427,804	44,480
2049	134,818	5,042	205,938	17,574	98,671	10,241	439,427	32,857
2050	137,883	1,977	212,202	11,310	101,166	7,746	451,251	21,033
2051	12,817	26	218,656	4,856	103,724	5,188	335,197	10,070
2052	-	-	42,701	181	106,342	2,570	149,043	2,751
2053	-	-	-	-	44,688	279	44,688	279
	$ 3,326,642	$ 1,441,439	$ 4,853,369	$ 3,012,433	$ 2,601,128	$ 1,364,671	$ 17,844,811	$ 6,571,858

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

June 30, 2016

Residential

Customer Charge		$21.90 per month
Energy Charge		7.272 cents per KWH
TVA Total Monthly Fuel Cost		1.967 cents per KWH

General Services

LESS THAN 50 KW

Customer Charge	Usage less than 500 KWH	$35.15 per month
Customer Charge	Usage greater than 500 KWH	$36.00 per month
Energy Charge		8.358 cents per KWH
TVA Total Monthly Fuel Cost		1.937 cents per KWH

51 KW TO 1,000 KW

Customer Charge		$195.00 per month
Demand Charge	First 50 KW	$2.00 per KW
	Excess over 50 KW	$15.36 per KW
Energy Charge	First 15,000 KWH	8.058 cents per KWH
	Additional KWH	4.227 cents per KWH
TVA Total Monthly Fuel Cost	First 15,000 KWH	1.937 cents per KWH
	Additional KWH	1.903 cents per KWH

1,001 KW TO 5,000 KW

Customer Charge		$450.00 per month
Demand Charge	First 1,000 KW	$16.26 per KW
	Excess over 1,000 KW	$18.58 per KW
Energy Charge		4.090 cents per KWH.
TVA Total Monthly Fuel Cost		1.903 cents per KWH

Manufacturing Services

5,001 KW TO 15,000 KW

Customer Charge		$1,850 per delivery point
Demand Charge	Onpeak	$9.52 per KW
	Maximum	$2.14 per KW
	Excess over Contract	$9.52 per KW
Energy Charge	Onpeak	5.365 cents per KWH
	Offpeak first 200 hours	3.042 cents per KWH
	Offpeak next 200 hours	0.284 cents per KWH
	Offpeak additional KWH	0.046 cents per KWH
TVA Total Monthly Fuel Cost		1.785 cents per KWH

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF GAS UTILITY RATES IN EFFECT

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

Residential		
Monthly minimum	$	5.00
Per ccf consumed per month		1.08
General Commercial and Industrial *(average usage under 500 ccf per day)*		
Monthly minimum	$	5.66
Per ccf consumed per month		1.13
General Commercial and Industrial		
Monthly minimum	$	5.66
Per ccf consumed per month		1.017
Housing Authority		
Monthly minimum	$	5.00
Per ccf consumed per month		0.999
Interruptible Service		
Per ccf consumed per month	$	0.35

Note: ccf represents 100 cubic feet.

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF TELECOM RATES IN EFFECT

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

Cable TV Service		
Budget basic	$	27.56
Basic plus		59.54
Basic digital		74.88
Digital service with DVR only		80.08
Digital service with HD only		75.92
Complete digital package		81.12
Digital Premium Channels		
HBO		16.00
Cinemax		10.95
HBO/Cinemax package		22.50
Showtime/Movie channel/FLIX package		14.95
Encore		7.95
Encore/Starz package		11.95
Additional Cable Equipment Available		
Digital receiver		6.50
DVR		11.00
HD & DVR with multi channel recording		12.00
Analog converter		1.50
Inside wire maintenance		3.00
Internet Services		
3 Meg	$	43.99
5 Meg		63.99
10 Meg		76.59
15 Meg		45.99
17 Meg		65.99
20 Meg		78.59
Cable modem (may be purchased for $50.00)		5.50
VOIP Phone Services		
Unlimited service	$	45.95
Basic service		43.95
With internet and cable		
Unlimited service		30.95
Basic service		28.95
With internet or cable		
Unlimited service		35.95
Basic service		33.95

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

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

	RESIDENTIAL		COMMERCIAL				WHOLESALE	
	Inside City	Outside City	Inside City	Outside City	Industrial	Frito Lay	With Contracts	Without Contracts
Water Rates								
First 100 cubic feet	$ 9.46	$ 12.30	$ 10.40	$ 13.52	$ 9.93	$ 10.40	$ 9.83	$ 10.13
All over 100 cubic feet*	4.02	5.22						
Next 900 cubic feet*			4.43	5.76	4.22	4.43	4.12	4.42
All over 1,000 cubic feet*			3.24	4.23	3.19	N/A	3.09	3.39
Next 119,000 cubic feet*						3.54		
All over 120,000 cubic feet*						2.36		
Wastewater Rates								
First 100 cubic feet	14.94	17.19	17.03		17.03			
All over 100 cubic feet*	6.35	7.30	7.24		7.24			

**Per 100 cubic feet*

Number of water and wastewater customers at June 30,

	2016	2015
Water	4,575	4,543
Sewer	3,490	3,478

FAYETTEVILLE PUBLIC UTILITIES
SCHEDULE OF SANITATION RATES IN EFFECT

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

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, 2016

	June 30,	
	2016	2015
Electric	18,139	18,028
Gas	6,237	6,192
Telecom division -Cable	3,130	3,202
Telecom division -Internet	2,364	2,236
Telecom division -Phone	300	296
Water	4,575	4,543
Wastewater	3,490	3,478
Sanitation	2,666	2,652

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

? Click to access definition
\+ Click to add a comment

Water Audit Report for: **Fayetteville Public Utilities (0000242)**
Reporting Year: **2016** | **7/2015 - 6/2016**

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.

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

WATER SUPPLIED

	Grade	Value	Unit	Master Meter and Supply Error Adjustments: Grade	Pcnt:		Value:	
Volume from own sources:	9	848.179	MG/Yr	7	0.65%	● ○		MG/Yr
Water imported:	n/a	0.000	MG/Yr			● ○		MG/Yr
Water exported:	9	178.635	MG/Yr	5	-0.25%	● ○		MG/Yr

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

WATER SUPPLIED: **663.612** MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

	Grade	Value	Unit
Billed metered:	10	484.666	MG/Yr
Billed unmetered:	n/a	0.000	MG/Yr
Unbilled metered:	10	11.705	MG/Yr
Unbilled unmetered:	10	13.364	MG/Yr

Unbilled unmetered – Pcnt: ○ Value: ● 13.364 MG/Yr

Use buttons to select percentage of water supplied **OR** value

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **509.735** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) **153.877** MG/Yr

Apparent Losses

	Grade	Value	Unit	Pcnt:		Value:	
Unauthorized consumption:		1.659	MG/Yr	0.25%	● ○		MG/Yr

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

	Grade	Value	Unit	Pcnt:		Value:	
Customer metering inaccuracies:	7	10.130	MG/Yr	2.00%	● ○		MG/Yr
Systematic data handling errors:		1.212	MG/Yr	0.25%	● ○		MG/Yr

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

Apparent Losses: **13.001** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **140.876** MG/Yr

WATER LOSSES: **153.877** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **178.946** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

	Grade	Value	Unit
Length of mains:	5	142.2	miles
Number of active AND inactive service connections:	7	5,036	
Service connection density:		35	conn./mile main

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

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: 4 | 76.8 psi

COST DATA

	Grade	Value	Unit
Total annual cost of operating water system:	10	$2,669,585	$/Year
Customer retail unit cost (applied to Apparent Losses):	10	$3.78	$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses):	10	$380.32	$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 87 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources
2: Unauthorized consumption
3: Systematic data handling errors

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0

Water Audit Report for: **Fayetteville Public Utilities (0000242)**
Reporting Year: **2016** **7/2015 - 6/2016**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***

System Attributes:

Apparent Losses:	13.001	MG/Yr
+ Real Losses:	140.876	MG/Yr
= **Water Losses:**	**153.877**	MG/Yr
? Unavoidable Annual Real Losses (UARL):	42.74	MG/Yr
Annual cost of Apparent Losses:	$65,694	
Annual cost of Real Losses:	$53,578	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:	27.0%	
	Non-revenue water as percent by cost of operating system:	4.8%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	7.07	gallons/connection/day
	Real Losses per service connection per day:	76.64	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	1.00	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):	140.88	million gallons/year
? Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.30	

* 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, 2016

Year	Balance July 1, 2015	Taxes Levied	Adjustments	Collections	Balance June 30, 2016
2016	$ -	$ 2,637,899	$ -	$ -	$ 2,637,899
2015	2,657,546	-	876	(2,585,523)	72,899
2014	66,534	-	(120)	(51,489)	14,925
2013	16,386	-	230	(12,902)	3,714
2012	2,591	-	-	(58)	2,533
2011	179	-	(168)	(11)	-
2010	-	-	-	-	-
2009	159	-	(149)	(10)	-
2008	50	-	(50)	-	-
2007	52	-	(52)	-	-
2006	-	-	-	-	-
2005	197	-	(197)	-	-
2004	6	-	(6)	-	-
	$ 2,743,700	$ 2,637,899	$ 364	$ (2,649,993)	2,731,970
Less allowance for uncollectible taxes					(16,637)
Balance, end of year, net of allowance					$ 2,715,333

All uncollectible taxes for years prior to 2015 have been turned over to the Clerk and Master for collection.

DIRECTORY OF OFFICIALS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

Mayor - Jon Law

Board of Alderman

Dorothy Small - Vice Mayor

Danny Bryant

Gwen Shelton

Anna Catherine Osteen

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, CFMO

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, 2016

During the year ended June 30, 2016, the government turned over $17,463 of 2014 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, 2016

Tax Year	Total Assessed Value	City Property Tax Rate	Levy
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
2016	159,870,174	1.6500	2,637,899

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
CITY OF FAYETTEVILLE, TENNESSEE
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor	CFDA Number	Grant/Project/ Contract /Program Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
Federal Awards						
U.S. Department of Justice	16.607	N/A	$ (6,679)	$ 6,679	$ -	$ -
State Financial Assistance						-
TN Department of Environment & Conservation	N/A	48748	-	-	9,000	(9,000)
TN Department of Environment & Conservation	N/A	43265	3,735	48,314	52,049	-
TN Arts Commission	N/A	31625-27869	-	1,250	1,250	-
Total State Awards			3,735	49,564	62,299	(9,000)
Total Federal & State Awards			$ (2,944)	$ 56,243	$ 62,299	$ (9,000)

NOTE A - BASIS OF PRESENTATION

This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the government under programs of the federal and state governments for the year ended June 30, 2016. Separate Schedules of Expenditures of Federal Awards and State Financial Assistance for Fayetteville Public Utilities and Fayetteville City Schools are included in their separately issued, publicly available financial reports. This schedule is presented using the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE SECTION

PUTMAN & HANCOCK
Certified Public Accountants

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

(931) 433-1040
Fax (931) 433-9290

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

Board of Mayor and Aldermen
City of Fayetteville
Fayetteville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fayetteville, Tennessee, as of and for the year ended June 30, 2016, 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 May, 16 2017.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fayetteville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as 2016-001.

City of Fayetteville Response to Findings

The City of Fayetteville's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the government's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Putman & Hancock

Fayetteville, TN
May 16, 2017

SCHEDULE OF FINDINGS

CITY OF FAYETTEVILLE, TENNESSEE

June 30, 2016

Finding 2016-001

Condition and Criteria: We noted the City's Internal Capital Projects Fund had actual expenditures in excess of budgeted expenditures for capital outlay.

Effect: Actual expenditures in excess of budgeted expenditures are in violation of Tennessee Code Annotated 7-86-120.

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

Management Response: We concur with the finding. Certain year-end accruals related to the new police station caused expenditures on this line item to be more than was budgeted. Budgets will be amended in the future as required.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF FAYETTEVILLE

For the Fiscal Year Ended June 30, 2016

Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	Reconciliation of accounts payable subledger	Corrected

Federal Award Findings and Questioned Costs

Not applicable