

CITY OF PIKEVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF PIKEVILLE, TENNESSEE

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CITY OF PIKEVILLE, TENNESSEE

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CITY OF PIKEVILLE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2016

Mayor

Philip Cagle

Alderman

Senia Anderson

Alderman

Reed Sells

Alderman

Jane Humble

Alderman

Dale Wheeler

City Recorder

Debra Barnett

City Attorney

Edward Boring

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

Mayor and Alderman
City of Pikeville, Tennessee
Pikeville, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension schedules on pages 4-10 and 42-44, respectively, 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 Pikeville's basic financial statements. The introductory section, budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal and state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

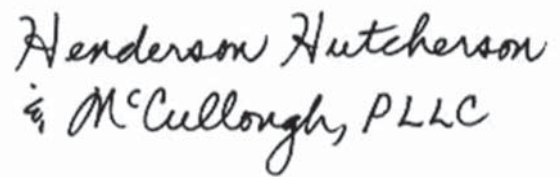
The budgetary comparison schedules, combining and individual nonmajor fund financial statements, financial schedules (all included as other supplementary information) and the schedule of expenditures of federal and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, on our consideration of the City of Pikeville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pikeville's internal control over financial reporting and compliance.

Chattanooga, Tennessee
October 10, 2016



Henderson Hutcherson
c/o McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

As management of the City of Pikeville, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Pikeville, Tennessee for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

The assets and deferred outflows of the City of Pikeville, Tennessee exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$17,507,105 (net position). The City's governmental funds reported an increase in combined fund balance of \$78,293. Total government activities under GASB 34 operated at a decrease of \$244,584. The difference is the amount by which depreciation exceeded capital outlay in the current period, unavailable property taxes, and the current period's repayment of long-term debt. See page 17 for the reconciliation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the City of Pikeville's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows of resources with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by tax and intergovernmental revenues (governmental activities).

The government-wide financial statements can be found on pages 11-13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Pikeville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are either governmental funds or proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact on the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one major governmental fund and two nonmajor governmental funds, reported as one combined opinion unit. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each opinion unit, which consists of the General Fund and combined nonmajor funds.

The City of Pikeville adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance.

The basic governmental fund financial statements can be found on pages 14 through 18 of this report.

Proprietary Funds

The City of Pikeville maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Pikeville uses enterprise funds to account for its water and sewer and gas operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and Natural Gas Fund, both of which are considered to be major funds of the City of Pikeville, Tennessee.

The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City of Pikeville. This supplementary information can be found on pages 45 through 64 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$17,507,105 at the close of this fiscal year.

City of Pikeville, Tennessee’s Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 555,487	\$ 573,275	\$ 2,169,767	\$ 2,031,912	\$ 2,725,254	\$ 2,605,187
Capital assets	<u>2,164,610</u>	<u>2,817,349</u>	<u>17,914,122</u>	<u>16,917,263</u>	<u>20,078,732</u>	<u>19,734,612</u>
Total assets	<u>2,720,097</u>	<u>3,390,624</u>	<u>20,083,889</u>	<u>18,949,175</u>	<u>22,803,986</u>	<u>22,339,799</u>
Deferred outflows	<u>53,769</u>	<u>12,688</u>	<u>103,837</u>	<u>20,203</u>	<u>157,606</u>	<u>32,891</u>
Non-current liabilities	950,947	827,061	3,436,021	3,605,831	4,386,968	4,432,892
Other liabilities	<u>93,495</u>	<u>584,366</u>	<u>517,469</u>	<u>306,135</u>	<u>610,964</u>	<u>890,501</u>
Total liabilities	<u>1,044,442</u>	<u>1,411,427</u>	<u>3,953,490</u>	<u>3,911,966</u>	<u>4,997,932</u>	<u>5,323,393</u>
Deferred inflows	<u>335,127</u>	<u>353,004</u>	<u>121,428</u>	<u>161,467</u>	<u>456,555</u>	<u>514,471</u>
Net position						
Net investment in capital assets	1,155,426	1,449,408	14,308,286	13,139,698	15,463,712	14,589,106
Restricted	73,506	45,370	122,384	72,239	195,890	117,609
Unrestricted	<u>165,365</u>	<u>144,103</u>	<u>1,682,138</u>	<u>1,684,008</u>	<u>1,847,503</u>	<u>1,828,111</u>
Total net position	<u>\$ 1,394,297</u>	<u>\$ 1,638,881</u>	<u>\$ 16,112,808</u>	<u>\$ 14,895,945</u>	<u>\$ 17,507,105</u>	<u>\$ 16,534,826</u>

Eighty-eight percent (88%) of the City’s net position represents net investment in capital assets (e.g. land, buildings and parks, machinery and equipment, vehicles, infrastructure, landfill, utility system and infrastructure, and gas lines and meters). This amount of total net position is not available for future spending. Restricted net position of \$195,890 primarily related to net position restricted for the City’s future pension needs. The remaining \$1,847,503 in unrestricted net position is available to the City to meet ongoing obligations.

Changes in Net Position

Governmental activities decreased the City’s net position by \$244,584, while business-type activities increased the City’s net position by \$886,607. The City can only use the net position obtained through business-type activities to finance the continuing operations of the water and sewer and natural gas systems.

(Continued)

Changes in Net Position (Continued)

The table below provides a summary of the changes in the City's change in net position:

City of Pikeville, Tennessee's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 159,297	\$ 140,013	\$ 2,325,580	\$ 2,604,197	\$ 2,484,877	\$ 2,744,210
Operating grants and contributions	112,190	20,461	-	-	112,190	20,461
Capital grants and contributions	-	-	1,105,611	239,763	1,105,611	239,763
General revenues:						
Property taxes	263,878	241,227	-	-	263,878	241,227
Other taxes	615,587	600,136	-	-	615,587	600,136
Pension income	12,980	14,489	26,452	23,069	39,432	37,558
Other income	<u>108,961</u>	<u>231,341</u>	<u>44,689</u>	<u>8,980</u>	<u>153,650</u>	<u>240,321</u>
Total revenues	<u>1,272,893</u>	<u>1,247,667</u>	<u>3,502,332</u>	<u>2,876,009</u>	<u>4,775,225</u>	<u>4,123,676</u>
Expenses:						
General government	729,902	418,880	-	-	729,902	418,880
Public safety	319,491	370,857	-	-	319,491	370,857
Public works	202,307	249,569	-	-	202,307	249,569
Public welfare	101,622	6,099	-	-	101,622	6,099
State street aid	135,234	132,903	-	-	135,234	132,903
Interest	28,921	32,077	-	-	28,921	32,077
Water and sewer	-	-	1,950,423	2,133,699	1,950,423	2,133,699
Natural gas	-	-	<u>665,302</u>	<u>832,307</u>	<u>665,302</u>	<u>832,307</u>
Total expenses	<u>1,517,477</u>	<u>1,210,385</u>	<u>2,615,725</u>	<u>2,966,006</u>	<u>4,133,202</u>	<u>4,176,391</u>
Transfers	-	-	-	-	-	-
Change in net position	<u>(244,584)</u>	<u>37,282</u>	<u>886,607</u>	<u>(89,997)</u>	<u>642,023</u>	<u>(52,715)</u>
Net position – beginning, as previously stated	1,638,881	1,583,406	14,895,945	14,956,975	16,534,826	16,540,381
Prior period adjustment	-	<u>18,193</u>	<u>330,256</u>	<u>28,967</u>	<u>330,256</u>	<u>47,160</u>
Net position – beginning, as restated	<u>1,638,881</u>	<u>1,601,599</u>	<u>15,226,201</u>	<u>14,985,942</u>	<u>16,865,082</u>	<u>16,587,541</u>
Net position – ending	<u>\$ 1,394,297</u>	<u>\$ 1,638,881</u>	<u>\$ 16,112,808</u>	<u>\$ 14,895,945</u>	<u>\$ 17,507,105</u>	<u>\$ 16,534,826</u>

At June 30, 2015, additions to the Water and Sewer Fund's infrastructure were incorrectly recorded as expenses. Therefore, a prior period adjustment of \$330,256 was recorded to properly state the capital asset and net position balances at June 30, 2015.

Financial Analysis of the City's Funds

As noted earlier, the City of Pikeville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$161,337 an increase of \$78,293 in comparison with the prior year. Eighty-five percent (98%) of this total amount constitutes unassigned fund balance.

The general fund is the chief operating fund of the City of Pikeville. At the end of the current fiscal year, unassigned fund balance of the general fund was \$157,825. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance is 11% of total general fund expenditures without transfers.

The fund balance of the City's general fund increased by \$87,556 during the current fiscal year.

Proprietary Funds

The City of Pikeville Tennessee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to \$632,091 for the Water and Sewer Fund and \$1,050,047 for the Natural Gas Fund.

General Fund Budgetary Highlights

The City of Pikeville adopts an annual appropriated budget approved by the City Council.

The overall original budget and final amended budget changed slightly throughout the fiscal year. Expenditure amendments were made to account for variances in operations that were not originally planned. General Fund budgeted expenditures increased \$44,200.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

Capital Asset and Debt Administration

Capital Assets

The City of Pikeville's capital assets for its governmental activities as of June 30, 2016, amounted to \$2,164,610 (net of accumulated depreciation). Capital assets for its business-type activities as of June 30, 2016, amounted to \$17,914,122 (net of accumulated depreciation). The City's investment in capital assets includes land, buildings and parks, machinery and equipment, vehicles, infrastructure, landfill, utility system and infrastructure, and gas lines and meters.

Major capital asset additions consist of the following:

- Land for \$35,000
- Farmers market pavilion for \$175,816
- Machinery and equipment for \$14,682
- Water and sewer treatment and distribution system for \$1,178,477
- Water and sewer equipment for \$26,060
- Water and sewer vehicles for \$5,908
- Natural gas operating equipment for \$2,596

Capital Assets (Continued)

**City of Pikeville, Tennessee's Capital Assets
(Net of depreciation)**

	2016	2015
Governmental Activities:		
Land	\$ 195,761	\$ 160,761
Construction in progress	156,482	-
Buildings and parks	678,417	1,393,989
Machinery and equipment	42,532	45,485
Vehicles	35,729	87,390
Infrastructure	964,409	1,036,010
Landfill	91,280	93,714
Total	<u>\$ 2,164,610</u>	<u>\$ 2,817,349</u>
	2016	2015
Business-type Activities:		
Land	\$ 169,847	\$ 169,847
Construction in progress	-	46,159
North Bledsoe system	2,103,019	2,178,191
Water treatment and distribution	12,518,330	12,100,421
Sewer collection and treatment	1,996,689	1,564,084
Buildings	90,831	96,125
Machinery and equipment	114,139	118,874
Vehicles	8,413	10,620
Gas lines and meters	912,854	957,725
Reservoirs and standpipes	-	5,473
Total	<u>\$ 17,914,122</u>	<u>\$ 17,247,519</u>

Additional information on the City's capital assets can be found on pages 31-32, Note 7.

Long-term Debt

At the end of the fiscal year, the City of Pikeville had long-term debt outstanding of \$4,451,900. Of that amount \$290,541 is due in the next fiscal year.

	2016	2015
Governmental Activities:		
Notes payable	\$ 969,542	\$ 1,307,419
Capital lease obligations	20,010	39,663
Landfill post-closure	19,632	20,859
Compensated absences	10,712	5,469
	<u>\$ 1,019,896</u>	<u>\$ 1,373,410</u>
Business-type Activities:		
Water and Sewer Fund –		
Notes payable	\$ 3,065,836	\$ 3,172,565
Compensated absences	5,640	888
	<u>3,071,476</u>	<u>3,173,453</u>
Natural Gas Fund –		
Bonds payable	540,000	605,000
Compensated absences	2,651	1,929
	<u>542,651</u>	<u>606,929</u>
Total	<u>\$ 4,634,023</u>	<u>\$ 3,780,382</u>

Additional information on outstanding debt can be found in Note 8 on pages 32-35.

Currently Known Conditions Affecting Future Years

The City of Pikeville, Tennessee is actively engaged in several projects that effect future years. The City also plans to upgrade the Water Treatment Plant and well number 5. The City would also add two new wells to the water system.

Requests for Information

This financial report is designed to provide a general overview of the City of Pikeville's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Pikeville, Tennessee, P.O. Box 225, Pikeville, Tennessee 37367.

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 128,619	\$ 1,539,584	\$ 1,668,203
Property taxes receivable, net	275,822	-	275,822
Accounts receivable, net	74,911	415,081	489,992
Internal balances	(21,827)	21,827	-
Inventories	-	53,290	53,290
Other assets	10	10	20
Net pension asset	97,952	139,975	237,927
Capital assets -			
Land and other nondepreciable assets	352,243	169,847	522,090
Capital assets, net of accumulated depreciation	1,812,367	17,744,275	19,556,642
Total assets	2,720,097	20,083,889	22,803,986
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	53,769	103,837	157,606
Total deferred outflows of resources	53,769	103,837	157,606
LIABILITIES			
Accounts payable	11,744	270,746	282,490
Accrued liabilities	12,802	39,645	52,447
Customer deposits	-	28,972	28,972
Compensated absences	10,712	8,291	19,003
Long-term liabilities, due within one year	58,237	169,815	228,052
Long-term liabilities, due in more than one year	950,947	3,436,021	4,386,968
Total liabilities	1,044,442	3,953,490	4,997,932
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	81,727	121,428	203,155
Unavailable revenue - property taxes	253,400	-	253,400
Total deferred inflows of resources	335,127	121,428	456,555
NET POSITION			
Net investment in capital assets	1,155,426	14,308,286	15,463,712
Restricted	73,506	122,384	195,890
Unrestricted	165,365	1,682,138	1,847,503
Total net position	\$ 1,394,297	\$ 16,112,808	\$ 17,507,105

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities -				
General government	\$ 729,902	\$ 800	\$ 112,190	\$ -
Public safety	319,491	26,830	-	-
Public works	202,307	131,667	-	-
Public welfare	101,622	-	-	-
State street aid	135,234	-	-	-
Interest	28,921	-	-	-
Total governmental activities	1,517,477	159,297	112,190	-
Business-type activities -				
Water and sewer	1,950,423	1,701,015	-	1,105,611
Natural gas	665,302	624,565	-	-
Total business-type activities	2,615,725	2,325,580	-	1,105,611
Total primary government	\$ 4,133,202	\$ 2,484,877	\$ 112,190	\$ 1,105,611

GENERAL REVENUES

Property taxes
Local sales taxes
Alcoholic beverage taxes
Franchise and excise taxes
Business taxes
In lieu of taxes
Other taxes
Interest revenue
Pension income
Other revenue
 Total general revenues

Change in net position

NET POSITION

Beginning, as previously stated
Prior period adjustment
Beginning, as restated

Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (616,912)	\$ -	\$ (616,912)
(292,661)	-	(292,661)
(70,640)	-	(70,640)
(101,622)	-	(101,622)
(135,234)	-	(135,234)
(28,921)	-	(28,921)
<u>(1,245,990)</u>	<u>-</u>	<u>(1,245,990)</u>
-	856,203	856,203
<u>-</u>	<u>(40,737)</u>	<u>(40,737)</u>
<u>-</u>	<u>815,466</u>	<u>815,466</u>
(1,245,990)	815,466	(430,524)
263,878	-	263,878
328,191	-	328,191
98,665	-	98,665
18,292	-	18,292
23,580	-	23,580
53,873	-	53,873
92,986	-	92,986
137	2,350	2,487
12,980	26,452	39,432
<u>108,824</u>	<u>42,339</u>	<u>151,163</u>
<u>1,001,406</u>	<u>71,141</u>	<u>1,072,547</u>
(244,584)	886,607	642,023
1,638,881	14,895,945	16,534,826
<u>-</u>	<u>330,256</u>	<u>330,256</u>
<u>1,638,881</u>	<u>15,226,201</u>	<u>16,865,082</u>
<u>\$ 1,394,297</u>	<u>\$ 16,112,808</u>	<u>\$ 17,507,105</u>

CITY OF PIKEVILLE, TENNESSEE

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 126,499	\$ 2,120	\$ 128,619
Property taxes receivable, net	275,822	-	275,822
Accounts receivable, net	73,519	1,392	74,911
Other assets	10	-	10
Total assets	\$ 475,850	\$ 3,512	\$ 479,362
LIABILITIES			
Accounts payable	\$ 11,744	\$ -	\$ 11,744
Accrued payroll liabilities	12,802	-	12,802
Due to other fund	21,827	-	21,827
Total liabilities	46,373	-	46,373
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	271,652	-	271,652
Total deferred inflows of resources	271,652	-	271,652
FUND BALANCES			
Restricted	-	3,512	3,512
Unassigned	157,825	-	157,825
Total fund balances	157,825	3,512	161,337
Total liabilities, deferred inflows of resources, and fund balances	\$ 475,850	\$ 3,512	\$ 479,362

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

CITY OF PIKEVILLE, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Differences in amounts reported for governmental activities in the statement of net position on page 11:

Fund balances – total governmental funds	\$ 161,337
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.	2,164,610
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	97,952
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position	(27,958)
Certain revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred or not reported in the funds.	18,252
Long-term liabilities are not due and payable in the current period and are not reported in the funds. All liabilities, both due in one year and due in more than one year, are reported in the statement of net position.	
These items consist of:	
Bonds and notes payable	(969,542)
Capital leases	(20,010)
Compensated absences	(10,712)
Landfill post-closure costs	<u>(19,632)</u>
Net position of governmental activities	<u>\$ 1,394,297</u>

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

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 705,705	\$ -	\$ 705,705
Licenses and permits	800	-	800
Intergovernmental	334,226	-	334,226
Charges for services	193,829	-	193,829
Fines and forfeitures	20,865	3,127	23,992
Other revenue	49,637	-	49,637
Total revenues	1,305,062	3,127	1,308,189
EXPENDITURES			
Current			
General government	672,915	-	672,915
Public safety	271,556	2,113	273,669
Public works	162,211	-	162,211
Public welfare	91,345	10,277	101,622
State street aid	115,601	-	115,601
Debt service -			
Principal	55,853	-	55,853
Interest and other charges	30,148	-	30,148
Total expenditures	1,399,629	12,390	1,412,019
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(94,567)	(9,263)	(103,830)
OTHER FINANCING SOURCES			
Notes payable issued	182,123	-	182,123
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	87,556	(9,263)	78,293
FUND BALANCES:			
Beginning	70,269	12,775	83,044
Ending	\$ 157,825	\$ 3,512	\$ 161,337

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

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

Differences in amounts reported for governmental activities in the statement of activities on page 12-13:

Net change in fund balances – total governmental funds \$ 78,293

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

Capital outlay reported as expenditures in the governmental funds that meet the capitalization threshold are shown as capital assets in the statement of net position. 381,980

Depreciation expense on governmental capital assets are included in the statement of activities. (193,316)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Notes issued	(182,123)	
Principal repayments	55,853	
Amortization	<u>1,227</u>	(125,043)

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of:

Change in compensated absences		(5,243)
Loss on transfer or property and buildings		
Transfer of property and building	(841,403)	
Transfer of note payable	<u>483,800</u>	(357,603)
Change in pension income		12,980
Deferred pension contributions		11,644

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. (48,276)

Change in net position of governmental activities \$ (244,584)

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GAAP BASIS - GENERAL FUND

YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 658,900	\$ 658,900	\$ 705,705	\$ 46,805
Licenses and permits	1,950	1,950	800	(1,150)
Intergovernmental	1,165,250	1,165,250	334,226	(831,024)
Charges for services	128,700	172,900	193,829	20,929
Fines and forfeitures	15,000	15,000	20,865	5,865
Miscellaneous	25,895	25,895	49,637	23,742
Total revenue	1,995,695	2,039,895	1,305,062	(734,833)
EXPENDITURES				
Current -				
General government	2,897,913	2,866,163	672,915	2,193,248
Public safety	284,910	307,937	271,556	36,381
Public works	205,872	193,482	162,211	31,271
Public welfare	29,465	91,560	91,345	215
State street aid	114,035	115,868	115,601	267
Debt service -				
Principal	46,500	47,800	55,853	(8,053)
Interest	17,000	17,085	30,148	(13,063)
Total expenditures	3,595,695	3,639,895	1,399,629	2,240,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(1,600,000)	(1,600,000)	(94,567)	1,505,433
OTHER FINANCING SOURCES (USES)				
Notes issued	1,600,000	1,600,000	182,123	(1,417,877)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	\$ -	\$ -	87,556	\$ 87,556
FUND BALANCES:				
Beginning			70,269	
Ending			\$ 157,825	

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2016

ASSETS	Water and Sewer Fund	Natural Gas Fund	Total
Current assets -			
Cash and cash equivalents	\$ 509,508	\$ 1,030,076	\$ 1,539,584
Accounts receivable, net	400,379	14,702	415,081
Due from other funds	3,551	18,276	21,827
Inventories	14,182	39,108	53,290
Net pension asset	98,042	41,933	139,975
Other assets	-	10	10
Total current assets	1,025,662	1,144,105	2,169,767
Noncurrent assets -			
Capital assets -			
Land and other nondepreciable assets	158,709	11,138	169,847
Capital assets, net of accumulated depreciation	16,775,256	969,019	17,744,275
Total noncurrent assets	16,933,965	980,157	17,914,122
TOTAL ASSETS	17,959,627	2,124,262	20,083,889
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	73,059	30,778	103,837
Total deferred outflows of resources	73,059	30,778	103,837
LIABILITIES			
Current liabilities -			
Accounts payable	249,877	20,869	270,746
Accrued liabilities	29,125	10,520	39,645
Customer deposits	10,887	18,085	28,972
Compensated absences	5,640	2,651	8,291
Long-term liabilities, due within one year	104,815	65,000	169,815
Total current liabilities	400,344	117,125	517,469
Noncurrent liabilities			
Long-term liabilities, due in more than one year	2,961,021	475,000	3,436,021
Total noncurrent liabilities	2,961,021	475,000	3,436,021
TOTAL LIABILITIES	3,361,365	592,125	3,953,490
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	85,107	36,321	121,428
Total deferred inflows of resources	85,107	36,321	121,428
NET POSITION			
Net investment in capital assets	13,868,129	440,157	14,308,286
Restricted	85,994	36,390	122,384
Unrestricted	632,091	1,050,047	1,682,138
Total net position	\$ 14,586,214	\$ 1,526,594	\$ 16,112,808

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

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Water and Sewer Fund	Natural Gas Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,658,476	\$ 612,070	\$ 2,270,546
Customer penalties	31,855	-	31,855
Connection fees	45,904	12,475	58,379
Interest revenue	472	1,878	2,350
Total revenues	1,736,707	626,423	2,363,130
OPERATING EXPENSES			
Purchased gas	-	266,691	266,691
Transmission and distribution	907,658	126,090	1,033,748
Sewer collection, treatment and disposal	266,696	-	266,696
Administration	174,612	191,950	366,562
Depreciation	492,068	54,372	546,440
Total operating expenses	1,841,034	639,103	2,480,137
OPERATING INCOME (LOSS)	(104,327)	(12,680)	(117,007)
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	1,105,611	-	1,105,611
Net pension income	18,624	7,828	26,452
Miscellaneous revenue	7,119	20	7,139
Interest expense	(109,389)	(26,199)	(135,588)
Total nonoperating revenues (expenses)	1,021,965	(18,351)	1,003,614
Changes in net position	917,638	(31,031)	886,607
Net position, beginning, <i>as previously recorded</i>	13,338,320	1,557,625	14,895,945
Prior period adjustment	330,256	-	330,256
Net position, beginning, <i>as restated</i>	13,668,576	1,557,625	15,226,201
Net position, ending	\$ 14,586,214	\$ 1,526,594	\$ 16,112,808

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	Water and Sewer Fund	Natural Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,506,986	\$ 669,368	\$ 2,176,354
Receipts (payments) from other funds	(2,788)	2,436	(352)
Payments to suppliers	(615,717)	(478,623)	(1,094,340)
Payments to employees	(549,054)	(133,293)	(682,347)
Interest	472	1,878	2,350
Net cash from operating activities	339,899	61,766	401,665
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenue	7,119	20	7,139
Net cash from noncapital financing activities	7,119	20	7,139
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds of capital grants	1,105,611	-	1,105,611
Principal paid on long-term debt	(106,729)	(65,000)	(171,729)
Interest paid on long-term debt	(109,389)	(26,199)	(135,588)
Net pension income	18,624	7,828	26,452
Acquisition and construction of capital assets	(1,210,446)	(2,597)	(1,213,043)
Net cash from capital and related financing activities	(302,329)	(85,968)	(388,297)
Net change in cash and cash equivalents	44,689	(24,182)	20,507
Cash and cash equivalents, June 30, 2015	464,819	1,054,258	1,519,077
Cash and cash equivalents, June 30, 2016	\$ 509,508	\$ 1,030,076	\$ 1,539,584

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	\$ (104,327)	\$ (12,680)	\$ (117,007)
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	492,068	54,372	546,440
(Increase) decrease in -			
Accounts receivable	(229,249)	44,823	(184,426)
Due from other funds	(2,788)	2,436	(352)
Inventories	-	(6,098)	(6,098)
Net pension asset	51,768	21,760	73,528
Deferred pension outflows	(58,883)	(24,751)	(83,634)
Increase (decrease) in -			
Accounts payable	206,457	(8,286)	198,171
Accrued payables	8,291	1,317	9,608
Deferred pension inflows	(28,190)	(11,849)	(40,039)
Compensated absences	4,752	722	5,474
Total adjustments	<u>444,226</u>	<u>74,446</u>	<u>518,672</u>
Net cash from operating activities	<u>\$ 339,899</u>	<u>\$ 61,766</u>	<u>\$ 401,665</u>

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

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The City of Pikeville, Tennessee (the “City”) was incorporated in 1939 under Tennessee law. The City is governed by the elected Mayor and four elected Aldermen and provides services to the citizens of the City including police and fire protection, public works, sanitation, solid waste and garbage services, parks and recreation facilities, maintenance of streets and highways, and general administrative services.

As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements includes all the funds and the account groups relevant to the operations of the City.

Blended Component Unit

The Industrial Development Board

The Industrial Development Board (Board) was formed on September 25, 1978 and serves all citizens of the government. The Board was formed to promote industrial development within the City. The organization is governed by a board as appointed by City Council. Debt issuance authorizations are approved by City Council, and the City is legally obligated in case there are deficiencies in debt service payments and resources are not available from any other remedies. The Board is reported as a nonmajor special revenue fund and does not issue separate financial statements.

Joint Venture

Sequatchie/Bledsoe County Landfill

The Sequatchie/Bledsoe County Landfill (SBCL) is a joint venture entered into by four governmental entities, Bledsoe and Sequatchie Counties and the cities of Dunlap and Pikeville. The landfill was formed by agreements entered into by these governments for the purpose of providing solid waste disposal for the citizens of Sequatchie and Bledsoe Counties. The landfill is administered under the oversight of a Board of Directors consisting of three people from each county and two from each city. The County Executive of each county and the Mayors of each city are members of the Board, and the remaining members are appointed by these officials subject to the approval of their respective governing body. Financial statements of the SBCL can be obtained by contacting the Bledsoe County Courthouse.

Basic Financial Statements

The Basic Financial Statements consists of the following:

- 1) Government-wide financial statements;
- 2) Fund financial statements;
- 3) Notes to the basic financial statements.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The Government-wide Financial Statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government (governmental activities and business-type activities). The City reports capital assets in the government-wide statement of net position and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities.

Governmental activities are normally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety (police, fire, and animal control), public works, public welfare, culture and recreation and general administrative support services.

The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City’s functions, e.g., public safety, public works, etc. The expense of individual functions is compared to the revenue generated directly by the function. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three specific categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its blended component unit. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental fund:

The *General Fund* is the government’s primary operating fund and is the only fund that qualifies as a major fund under GASB No. 34. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The *Water and Sewer Fund* accounts for the government’s water and sewer operations to the City’s citizens.

The *Natural Gas Fund* accounts for the government’s natural gas operations to the City’s citizens.

Additionally, the City reports the following other fund types:

Special Revenue Funds. These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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 from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in 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 in internal balances in the governmental activities columns. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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. Similarly, 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

The *governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 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 and expenditures relating to claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current fiscal period are considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurements focus* and the *accrual basis of accounting*.

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Budgets and Budgetary Accounting

Formal budgets are adopted by the Mayor and City Council as a management control device during the year for the governmental type funds and special revenue funds.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

Expenditures may not legally exceed budgeted appropriations at the fund level. Budgetary integration is employed as a management tool during the fiscal year, and the budget is amended, as necessary, to meet changing needs. Council approves departmental budgets. Transfers between departments and any revisions in the total appropriation must be approved by the Mayor and City Council Board of Alderman. Unused appropriations for any of the annually funds lapse at the end of the year.

At June 30, 2016, General Fund expenditures exceeded budgeted appropriations within the debt service function by \$21,116.

Cash and Cash Equivalents

For purposes of reporting cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The City follows state investment policy guidelines for types of allowable investments.

Inventories and Prepaid Items

Inventories, which consist primarily of materials used in the Water and Sewer and Natural Gas Funds, are recorded at the lower of cost or market. The cost of such inventories is recorded as expenditures/expenses when consumed rather than purchased.

Certain payments to vendors reflect costs applicable to future reporting 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.

Accounts Receivables

With respect to the accounts receivable for water and sewer fees and property taxes, the City uses the allowance method to estimate uncollectible accounts based on a projection of balances unlikely to be collected. Individual accounts are written off only when they are determined to be uncollectible.

Capital Assets

Capital assets, including property, plant, equipment, landfill and infrastructure assets (e.g., primary and secondary roads, drainage) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life greater than two years. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives is not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes net interest costs and interest earned as part of the cost of construction when material. No interest was capitalized during the fiscal year ended June 30, 2016. Governmental activities capital assets of the City are depreciated using the straight-line method over the following estimated useful lives of the assets are as follows:

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Useful Life
Buildings and improvements	15-40 years
Infrastructure	10-20 years
Vehicles	5-15 years
Machinery and equipment	3-7 years
Landfill	50 years

Capital assets of the proprietary funds are accounted for in the respective proprietary fund and are stated at cost or estimated fair market value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains and losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

	Useful Life
North Bledsoe system	10-40 years
Water treatment and distribution	5-50 years
Sewer collection and treatment	50 years
Building	30-40 years
Machinery and equipment	5-50 years
Vehicles	5 years
Gas lines and meters	30-40 years
Reservoirs and standpipes	10-50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow or resources (as either an expense or expenditure) until that period. The City reports deferred contributions on pension plans and certain amounts related to pensions, as detailed as (2) below. Deferred contributions for the pension plan were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arise under a modified accrual basis of accounting and full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and government-wide statement of net position. (1) The governmental funds and governmental activities report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. (2) Certain amounts related to pensions must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees.

Net Position Flow Assumption

Sometimes the City will 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 government-wide and proprietary fund 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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Compensated Absences

City employees are paid for vacation and absence due to sickness by prescribed formulas based on length of service. Vacation and sick leave for employees of governmental funds are recorded as expenditures in the period it is used and considered payable from current financial resources. Sick leave does not vest for City employees, so no liability exists at year end. Vacation leave is based on employment date, and unused vacation leave does not carry over beyond employment anniversary. Some employees have vacation leave remaining since their anniversary dates cross the fiscal year-end. Government-wide proprietary funds accrue vacation benefits in the period they are earned. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities statement of net position. Similarly, long-term debt and other obligations of the City are recorded as liabilities in the appropriate fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the position of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Position represents net position that is not restricted for any project or other purpose. While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance – represents amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period. Committed resources cannot be used for any other purposes unless the City Council removes or changes the specified use by resolution.

Assigned Fund Balance – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. Assignment of amounts to a specific purpose as part of the annual budget ordinance may be made by resolution of motion of the City Council.

Unassigned Fund Balance – represents fund balance that has not been assigned to other funds and as not been restricted, committed, or assigned to specific purposes within the general fund.

Property Tax Information

Property taxes attach as an enforceable lien on the property as of January 1 and are levied for the calendar year in October. They are payable immediately and become past due March 1 of the succeeding year and are subject to assessment of penalties and interest. On February 1 of the following year, the delinquent property taxes are filed with the office of the Bledsoe County Clerk and Master by the Trustee's office.

Property taxes are recognized when they become available. Available includes those property taxes receivable, which are expected to be collected within 60 days after year-end.

Property taxes levied for 2016 are recorded as receivables and deferred inflows of resources. The allowance recorded for uncollectible taxes totaled \$37,510 and was based on historical collection data.

Interfund Transactions

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds". Long-term loans between funds are classified as "loans to/from other funds". All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year.

Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of City of Pikeville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from City of Pikeville'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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The City reports its cash and other investments under GASB Statement No. 40, “Deposit and Investment Risk Disclosures”. This statement eliminated or modified portions of the disclosures previously required by GASB Statement No. 3. GASB Statement No. 40 is designed to improve financial reporting of deposit and investment risks.

The City’s investments are carried at fair value which is based on quoted market prices and consist of certificates of deposits totaling \$508,124. The City’s investments are listed as cash and cash equivalents within the Statement of Net Position.

Interest Rate Risk

As a means of limiting its exposure to losses resulting from rising interest rates, the City’s usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The City’s investments experienced no significant fluctuations in fair value during the year.

Custodial Credit Risk

The City’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by the federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held in the City’s agent in the City’s name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the City may participate. The City limits its investments to certificates of deposit and savings and money market accounts with local banks. The City could also invest with the State of Tennessee local government pooled investment fund, but has not chosen to do so.

Credit Risk

The City’s policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2016, consist of the following:

	General	Other Governmental	Water and Sewer	Natural Gas	Total
Funds					
Property taxes	\$ 313,332	\$ -	\$ -	\$ -	\$ 313,332
Accounts	<u>74,134</u>	<u>1,392</u>	<u>408,379</u>	<u>19,178</u>	<u>503,083</u>
Gross receivables	387,466	1,392	408,379	19,178	816,415
Less: Allowance for uncollectible	<u>(38,125)</u>	<u>-</u>	<u>(8,000)</u>	<u>(4,476)</u>	<u>(50,601)</u>
Net receivables	<u>\$ 349,341</u>	<u>\$ 1,392</u>	<u>\$ 400,379</u>	<u>\$ 14,702</u>	<u>\$ 765,814</u>

NOTE 5 – INTERFUND TRANSFERS

Transfers within the City are substantially for the purpose of subsidizing operating functions and transferring cash receipt collection on utility accounts. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Interfund transfers are transactions between transferring funds out of one fund to support the operations of another fund.

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balance as of June 30, 2016, is as follows:

	Payable Fund		
	General Fund	Natural Gas Fund	Total
Receivables Fund			
General Fund	\$ -	\$ -	\$ -
Water and Sewer Fund	1,778	1,773	3,551
Natural Gas Fund	<u>20,049</u>	<u>-</u>	<u>20,049</u>
 Total	 <u>\$ 21,827</u>	 <u>\$ 1,773</u>	 <u>\$ 23,600</u>

The Natural Gas Fund Statement of Net Position reports a due from other funds balance of \$18,276. The amount is reflective of a receivable from the General Fund of \$20,049 and a payable to the Water and Sewer Fund of \$1,773. The net balance is \$18,276.

The outstanding balances between funds result mainly from monthly utility collections. The Water and Sewer Fund collects sanitation, natural gas, and water and sewer charges, and remits collections to the respective funds after month end closing procedures.

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation:

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 160,761	\$ 35,000	\$ -	\$ 195,761
Construction in progress	<u>-</u>	<u>156,482</u>	<u>-</u>	<u>156,482</u>
Total non-depreciable assets	<u>160,761</u>	<u>191,482</u>	<u>-</u>	<u>352,243</u>
Depreciable capital assets:				
Buildings and parks	1,848,753	175,816	977,669	1,046,900
Machinery and equipment	449,890	14,682	-	464,572
Vehicles	651,909	-	-	651,909
Infrastructure	1,581,971	-	-	1,581,971
Landfill	<u>121,706</u>	<u>-</u>	<u>-</u>	<u>121,706</u>
	<u>4,654,229</u>	<u>190,498</u>	<u>977,669</u>	<u>3,867,058</u>
Less accumulated depreciation:				
Buildings and parks	454,764	49,985	136,266	368,483
Machinery and equipment	404,405	17,635	-	422,040
Vehicles	564,519	51,661	-	616,180
Infrastructure	545,961	71,601	-	617,562
Landfill	<u>27,992</u>	<u>2,434</u>	<u>-</u>	<u>30,426</u>
	<u>1,997,641</u>	<u>193,316</u>	<u>136,266</u>	<u>2,054,691</u>
Total depreciable assets, net	<u>2,656,588</u>	<u>(2,818)</u>	<u>841,403</u>	<u>1,812,367</u>
Total capital assets, net	<u>\$ 2,817,349</u>	<u>\$ 188,664</u>	<u>\$ 841,403</u>	<u>\$ 2,164,610</u>

(Continued)

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

General government	\$ 67,661
Public safety	61,861
Public works	40,596
State street aid	<u>23,198</u>
Total	<u>\$ 193,316</u>

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Business-type Activities				
Non-depreciable capital assets:				
Land	\$ 169,847	\$ -	\$ -	\$ 169,847
Construction in progress	46,159	-	46,159	-
Total non-depreciable assets	<u>216,006</u>	<u>-</u>	<u>46,159</u>	<u>169,847</u>
Depreciable capital assets:				
North Bledsoe system	3,008,661	-	-	3,008,661
Water treatment and distribution	15,304,810	734,306	-	16,039,116
Sewer collection and treatment	3,395,661	490,329	-	3,885,990
Buildings	184,075	-	-	184,075
Machinery and equipment	335,737	28,656	-	364,393
Vehicles	236,589	5,908	-	242,497
Gas lines and meters	1,862,260	-	-	1,862,260
Reservoirs and standpipes	345,661	-	-	345,661
	<u>24,673,454</u>	<u>1,259,199</u>	<u>-</u>	<u>25,932,653</u>
Less accumulated depreciation:				
North Bledsoe system	830,470	75,172	-	905,642
Water treatment and distribution	3,204,389	316,397	-	3,520,786
Sewer collection and treatment	1,831,577	57,724	-	1,889,301
Buildings	87,950	5,294	-	93,244
Machinery and equipment	216,863	33,391	-	250,254
Vehicles	225,969	8,115	-	234,084
Gas lines and meters	904,535	44,871	-	949,406
Reservoirs and standpipes	340,188	5,473	-	345,661
	<u>7,641,941</u>	<u>546,437</u>	<u>-</u>	<u>8,188,378</u>
Total depreciable assets, net	<u>17,031,513</u>	<u>712,762</u>	<u>-</u>	<u>17,744,275</u>
Total capital assets, net	<u>\$ 17,247,519</u>	<u>\$ 712,762</u>	<u>\$ 46,159</u>	<u>\$ 17,914,122</u>

NOTE 8 – LONG-TERM LIABILITIES

Governmental Activities

In the government-wide financial statements, long-term debt and other long-term obligations relative to governmental activities are reported as liabilities of the entity. Debt reported in the government-wide financial statements is expected to be liquidated with general government resources. The debt represents amounts not expected to be paid with expendable, available resources, and consists of the following:

Notes:

Note of \$1,000,000 to Tennessee Municipal League Bond Fund, payable in variable, annual installments through 2031, with interest payable monthly at .44%	\$ 787,419
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(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Bond Anticipation Note up to \$1,550,000 to Tennessee Municipal League Bond Fund, payable at maturity on January 8, 2018, including accrued interest per annum 3.125% 182,123

\$ 969,542

Capital lease obligations:

Payable to Ford Motor Credit Company in annual installments of \$19,310, including interest at 6.10%, through June 2017 \$ 18,200

Payable to Applied Concepts, Inc. in monthly installments of \$243.27, including interest at 8.5%, through February 2017 1,810

\$ 20,010

Landfill post-closure estimate

Original estimate of \$36,810 amortized over thirty (30) years or \$1,227 per year \$ 19,632

\$ 10,712

Liability for compensated absences as discussed in Note 1

Maturities of general long-term liabilities are as follows:

For the Year Ending June 30,	Notes	Capital Lease Obligations	Landfill Post-closure	Compensated Absences	Total
2017	\$ 37,000	\$ 20,010	\$ 1,227	\$ 10,712	\$ 68,949
2018	220,123	-	1,227	-	221,350
2019	40,000	-	1,227	-	41,227
2020	42,000	-	1,227	-	43,227
2021	44,000	-	1,227	-	45,227
2022-2026	258,000	-	6,135	-	264,135
2027-2031	328,419	-	6,135	-	334,554
2032	-	-	1,227	-	1,227
	<u>\$ 969,542</u>	<u>\$ 20,010</u>	<u>\$ 19,632</u>	<u>\$ 10,712</u>	<u>\$ 1,019,896</u>

Business-type Activities

Long-term debt and long-term obligations relative to business-type activities are reported as liabilities with the proprietary fund financial statements. Debt related to business-type activities at June 30, 2016, consisted of the following:

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued)

Water and Sewer Fund

Notes:

Note of \$1,670,000 to USDA Rural Development, Series 2011, payable in monthly installments of \$6,627, including interest at 3.50% through June 2052	\$ 1,616,167
Note of \$60,000 to Tennessee Municipal League, Bond Fund, Series 2014, payable in variable, annual installments, plus semi-annual interest at 3.07% through February 2018	30,900
Note of \$483,000 to USDA Rural Development, Series 2006, payable in monthly installments of \$2,179, including interest at 4.375% through 2046	431,982
Note of \$380,000 to Tennessee Municipal League Bond Fund, Series 2007, payable in variable, annual installments, plus semi-annual interest at 3.68% through December 2016	40,000
Note of \$1,042,700 to USDA Rural Development, Series 2008, payable in monthly installments of \$4,609, including interest at 4.375% through 2048	<u>946,787</u>
	<u>\$ 3,065,836</u>
Liability for compensated absences as discussed in Note 1	<u>\$ 5,640</u>

Maturities of water and sewer long-term liabilities are as follows:

For the Year Ending June 30,	Notes	Compensated Absences	Total
2017	\$ 104,815	\$ 5,640	\$ 110,455
2018	67,059	-	67,059
2019	53,168	-	53,168
2020	55,043	-	55,043
2021	56,989	-	56,989
2022-2026	316,771	-	316,771
2027-2031	377,605	-	377,605
2032-2036	450,857	-	450,857
2037-2041	539,202	-	539,202
2042-2046	629,448	-	629,448
2047-2051	<u>414,879</u>	<u>-</u>	<u>414,879</u>
	<u>\$ 3,065,836</u>	<u>\$ 5,640</u>	<u>\$ 3,071,476</u>

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Natural Gas Fund

Revenue and tax bonds:

Series 2002, payable in variable, annual installments,
plus interest at rates of 3.25% to 4.25%, through December 2022 \$ 540,000

Liability for compensated absences as discussed in Note 1 \$ 2,651

Maturities of natural gas long-term liabilities are as follows:

For the Year Ending June 30,	Notes	Compensated Absences	Total
2017	\$ 65,000	\$ 2,651	\$ 67,651
2018	70,000	-	70,000
2019	75,000	-	75,000
2020	75,000	-	75,000
2021	80,000	-	80,000
2022-2023	<u>175,000</u>	<u>-</u>	<u>175,000</u>
	<u>\$ 540,000</u>	<u>\$ 2,651</u>	<u>\$ 542,651</u>

During the year ended June 30, 2016, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Retirements	Ending Balance	Amount Due Within One Year
Governmental Activities					
Notes payable	\$ 1,307,419	\$ 182,123	\$ 520,000	\$ 969,542	\$ 37,000
Capital lease obligations	39,663	-	19,653	20,010	20,010
Landfill post-closure	20,859	-	1,227	19,632	1,227
Compensated absences	<u>5,469</u>	<u>10,712</u>	<u>5,469</u>	<u>10,712</u>	<u>10,712</u>
	<u>\$ 1,373,410</u>	<u>\$ 192,835</u>	<u>\$ 546,349</u>	<u>\$ 1,019,896</u>	<u>\$ 68,949</u>
Business-type Activities					
Water and Sewer Fund:					
Notes payable	\$ 3,172,565	\$ -	\$ 106,729	\$ 3,065,836	\$ 104,815
Compensated absences	<u>888</u>	<u>5,640</u>	<u>888</u>	<u>5,640</u>	<u>5,640</u>
	<u>3,173,453</u>	<u>5,640</u>	<u>107,617</u>	<u>\$ 3,071,476</u>	<u>110,455</u>
Natural Gas Fund:					
Bonds payable	605,000	-	65,000	540,000	65,000
Compensated absences	<u>1,929</u>	<u>2,651</u>	<u>1,929</u>	<u>2,651</u>	<u>2,651</u>
	<u>606,929</u>	<u>2,651</u>	<u>66,929</u>	<u>542,651</u>	<u>67,651</u>
	<u>\$ 3,780,382</u>	<u>\$ 8,291</u>	<u>\$ 174,546</u>	<u>\$ 4,634,023</u>	<u>\$ 178,106</u>

NOTE 9 – LANDFILL POST-CLOSURE COSTS

The City of Pikeville is involved in a joint venture with the City of Dunlap, Bledsoe County, and Sequatchie County in the Sequatchie/Bledsoe County Landfill. The City of Pikeville shares in the closure and post-closure costs in a ratio equal to the proportion that the City's population bears to the total population of the county.

Rules designated by the federal Environmental Protection Agency and the Tennessee Solid Waste Management Act of 1991 require municipalities operating landfills in Tennessee to be financially responsible for certain closure and post-closure care costs.

Closure and post-closure care costs include:

- The cost of equipment expected to be installed and facilities expected to be constructed near or after the date the landfill stops accepting waste and during the post-closure period.
- The costs of final cover expected to be applied near or after the closure date.
- The costs of monitoring and maintaining the expected usable landfill areas during the post-closure period. Statement No. 18, *Accounting for Solid Waste Landfill Closure and Post-closure Care Costs*, issued by the Government Accounting Standards Board, requires governments to accrue a liability for these closure and post-closure care costs. This liability represents a proportionate share of estimated total current cost of closure and post-closure care. The liability is based on the cost to provide the required care on the date of the financial statements. The amount accrued each period is determined using the depletion method based on the percentage of landfill capacity use during the period. Estimates of closure and post-closure care costs are recalculated each year to reflect the effects of general inflation/deflation, changes in the landfill's closure or post-closure care plan and for changes in operating conditions such as technology or changes in applicable laws or regulations.

The estimated total current cost of closure and post-closure care of the Sequatchie/Bledsoe County Landfill is \$178,473. The City of Pikeville's share of the estimated total current cost of closure and post-closure, based upon population percentages, would be 11% or \$19,632. This amount has been recorded as a liability on the Statement of Net Position, as discussed in the previous note disclosure, Note 8.

NOTE 10 – RESTRICTED NET POSITION

Governmental Activities

Restricted net position represents \$206 restricted for the industrial development purposes; \$3,306 is restricted for drug prevention purposes; and \$69,994 is restricted for the City's future pension needs. Governmental activities restricted net position totaled \$73,506 at June 30, 2016.

Business-type Activities

Restricted net position represents \$122,384 restricted for the City's future pension needs.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM

Tennessee Consolidated Retirement System

General Information about the Pension Plan

Plan description. Employees of Pikeville 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 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 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>18</u>
	<u>41</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City of Pikeville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Pikeville were \$32,871 based on a rate of 4.49 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Pikeville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pikeville's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability 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 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

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

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.

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:

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

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 City 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.

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Position Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 6/30/14	\$ 1,949,243	\$ 2,296,832	\$ (347,589)
Changes for the year:			
Service cost	50,122	-	50,122
Interest	143,616	-	143,616
Differences between expected and actual experience	53,535	-	53,535
Contributions – employer	-	32,871	(32,871)
Contributions – employees	-	36,605	(36,605)
Net investment income	-	69,191	(69,191)
Benefit payments, including refunds of employee contributions	(168,960)	(168,960)	-
Administrative expense	-	(1,056)	1,056
Net changes	<u>78,313</u>	<u>(31,349)</u>	<u>(109,662)</u>
Balance at 6/30/15	<u>\$ 2,027,556</u>	<u>\$ 2,265,483</u>	<u>\$ (237,927)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	<u>\$ 563</u>	<u>\$ (237,927)</u>	<u>\$ (438,021)</u>

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension income. For the year ended June 30, 2016, the City recognized pension income of \$39,432.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, the City 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	\$ 42,828	\$ 96,036
Net difference between projected and actual earnings on pension plan investments	79,441	107,119
Contributions subsequent to the measurement date of June 30, 2015	35,337	-
Total	<u>\$ 157,606</u>	<u>\$ 203,155</u>

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

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	\$ (29,149)
2018	(29,149)
2019	(29,149)
2020	6,561
2021	-
Thereafter	<u>-</u>
	<u>\$ (80,886)</u>

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

Payable to the Plan

At June 30, 2016, the City did not report any outstanding contribution amounts to the pension plan at the year ended June 30, 2016.

NOTE 12 – RESTRICTIONS AND CONTINGENCIES

Federal and State Grants

The City has received funds from federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditure disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

NOTE 13 – RISK MANAGEMENT AND LITIGATION

The City of Pikeville is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TML-RMP) to provide workers' compensation coverage and general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by TML-RMP management. As claims arise they are submitted to and paid by TMP-RMP. During the fiscal year ended June 30, 2016, the City contributed a total of \$71,427 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

NOTE 15 – RELATED PARTY TRANSACTIONS

Alderman Reed Sells is a part owner in a local building supply business. During the year the City purchased items totaling \$12,229 from this business in the normal course of operations.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

At June 30, 2015, additions to the Water and Sewer Fund's infrastructure were incorrectly recorded as expenses. Therefore, a prior period adjustment of \$330,256 was recorded to properly state the capital asset and net position balances at June 30, 2015.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PIKEVILLE'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

FISCAL YEAR ENDING JUNE 30

	2014	2015
Total Pension Liability (Asset)		
Service cost	\$ 54,731	\$ 50,122
Interest	148,479	143,616
Changes in benefit terms	-	-
Differences between actual and expected experience	(144,054)	53,535
Change in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(69,797)</u>	<u>(168,960)</u>
Net change in total pension liability	(10,641)	78,313
Total pension liability - beginning	<u>1,959,884</u>	<u>1,949,243</u>
Total pension liability - ending (a)	<u><u>\$ 1,949,243</u></u>	<u><u>\$ 2,027,556</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 46,983	\$ 32,871
Contributions - employee	34,496	36,605
Net investment income	325,944	69,191
Benefit payments, including refunds of employee contributions	(69,797)	(168,960)
Administrative expense	<u>(855)</u>	<u>(1,056)</u>
Net change in plan fiduciary net position	336,771	(31,349)
Plan fiduciary net position - beginning	<u>1,960,061</u>	<u>2,296,832</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,296,832</u></u>	<u><u>\$ 2,265,483</u></u>
 Net Pension Liability (asset) - ending (a) - (b)	<u><u>\$ (347,589)</u></u>	<u><u>\$ (237,927)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	117.83%	111.73%
 Covered - employee payroll	\$ 689,905	\$ 732,089
 Net pension liability (asset) as a percentage of covered-employee payroll	50.38%	32.50%

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

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PIKEVILLE'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 46,983	\$ 32,871	\$ 35,337
Contributions in relation to the actuarially determined contribution	<u>46,983</u>	<u>32,871</u>	<u>35,337</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 689,905	\$ 732,089	\$ 787,016
Contributions as a percentage covered-employee payroll	6.81%	4.49%	4.49%

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

CITY OF PIKEVILLE, TENNESSEE

NOTES TO PENSION SCHEDULES

JUNE 30, 2016

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	5 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, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

OTHER SUPPLEMENTARY INFORMATION

CITY OF PIKEVILLE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2016

	<u>Industrial Development Board</u>	<u>Drug Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,120	\$ 2,120
Accounts receivable, net	206	1,186	1,392
Total assets	<u>206</u>	<u>3,306</u>	<u>3,512</u>
FUND BALANCES			
Restricted	206	3,306	3,512
Total fund balances	<u>\$ 206</u>	<u>\$ 3,306</u>	<u>\$ 3,512</u>

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Industrial Development Board	Drug Fund	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	\$ -	\$ 3,127	\$ 3,127
Total revenues	<u>-</u>	<u>3,127</u>	<u>3,127</u>
EXPENDITURES			
Current -			
Public safety	-	2,113	2,113
Public welfare	10,277	-	10,277
Total expenditures	<u>10,277</u>	<u>2,113</u>	<u>12,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,277)</u>	<u>1,014</u>	<u>(9,263)</u>
FUND BALANCES			
Beginning	<u>10,483</u>	<u>2,292</u>	<u>12,775</u>
Ending	<u>\$ 206</u>	<u>\$ 3,306</u>	<u>\$ 3,512</u>

CITY OF PIKEVILLE, TENNESSEE

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES -				
Property taxes	\$ 292,000	\$ 292,000	\$ 351,875	\$ 59,875
Local sales taxes	190,000	190,000	198,404	8,404
Business taxes	25,300	25,300	23,580	(1,720)
Local beer taxes	110,000	110,000	97,880	(12,120)
Wholesale liquor tax	35,100	35,100	26,817	(8,283)
Franchise taxes	6,500	6,500	7,149	649
Total taxes	<u>658,900</u>	<u>658,900</u>	<u>705,705</u>	<u>46,805</u>
LICENSES AND PERMITS -				
Privilege licenses	1,950	1,950	800	(1,150)
Total licenses and permits	<u>1,950</u>	<u>1,950</u>	<u>800</u>	<u>(1,150)</u>
INTERGOVERNMENTAL -				
State sales tax	115,000	115,000	129,787	14,787
State beer tax	800	800	785	(15)
State income and excise tax	20,000	20,000	28,443	8,443
City streets and transportation	43,500	43,500	47,069	3,569
TVA in lieu of tax	18,000	18,000	14,152	(3,848)
State and other grants	332,150	332,150	93,990	(238,160)
Federal grants	635,800	635,800	20,000	(615,800)
Total intergovernmental	<u>1,165,250</u>	<u>1,165,250</u>	<u>334,226</u>	<u>(831,024)</u>
CHARGES FOR SERVICES -				
Sanitation fees	121,050	121,050	131,667	10,617
Other	7,650	51,850	62,162	10,312
Total charges for services	<u>128,700</u>	<u>172,900</u>	<u>193,829</u>	<u>20,929</u>
FINES AND FORFEITS -				
City court fines and fees	15,000	15,000	20,865	5,865
Total fines and forfeits	<u>15,000</u>	<u>15,000</u>	<u>20,865</u>	<u>5,865</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Insurance recoveries	\$ -	\$ -	\$ 2,875	\$ 2,875
Interest	645	645	137	(508)
Rent	7,200	7,200	7,100	(100)
Contributions	8,000	8,000	4,991	(3,009)
Refunds	5,000	5,000	34,509	29,509
Other	5,050	5,050	25	(5,025)
Total miscellaneous	25,895	25,895	49,637	23,742
Total revenues	1,995,695	2,039,895	1,305,062	(734,833)
GENERAL GOVERNMENT				
Legislative -				
Salaries	7,200	7,200	7,200	-
Payroll taxes	375	389	408	(19)
Insurance	2,100	2,641	2,641	-
	9,675	10,230	10,249	(19)
Judicial -				
Salaries	4,800	4,800	4,800	-
Payroll taxes	350	367	367	-
Insurance	9,900	10,450	10,450	-
	15,050	15,617	15,617	-
Mayor -				
Salaries	13,000	13,000	13,000	-
Payroll taxes	925	941	941	-
Insurance	22,000	22,817	22,817	-
	35,925	36,758	36,758	-
Elections -				
Professional services	6,000	5,201	5,201	-
	6,000	5,201	5,201	-
(Continued)				

CITY OF PIKEVILLE, TENNESSEE

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Central Staff Agencies -				
Salaries	\$ 71,770	\$ 73,726	\$ 73,527	\$ 199
Payroll taxes	5,400	5,499	5,495	4
Insurance	25,000	21,854	21,854	-
Pension	3,225	3,287	3,284	3
Training	-	250	250	-
Data processing	5,000	5,044	5,044	-
Contract services	3,000	2,400	2,389	11
Professional services	10,000	8,650	8,650	-
Subscriptions	2,000	1,400	1,331	69
Telephone	5,000	5,000	4,977	23
Operating supplies	6,300	4,255	4,137	118
Repair and maintenance	775	955	950	5
Travel	1,000	855	853	2
Other equipment	10,000	-	-	-
	148,470	133,175	132,741	434
City Hall Buildings -				
Utilities	25,405	18,258	18,129	129
Contract services	3,500	26,221	26,221	-
Operating supplies	8,650	8,650	8,898	(248)
Repair and maintenance	500	100	100	-
Travel	-	500	497	3
Buildings	-	35,000	35,000	-
Equipment	3,050	-	-	-
Other	16,700	17,613	17,460	153
	57,805	106,342	106,305	37
Special Projects -				
Contract services	2,400,000	2,286,542	136,497	2,150,045
Operating supplies	47,300	47,536	5,262	42,274
City projects	132,533	177,787	177,786	1
	2,579,833	2,511,865	319,545	2,192,320
General Government -				
Other insurance	21,080	31,502	31,502	-
Unemployment insurance	3,075	700	225	475
Professional services	20,000	13,440	13,440	-
Subscriptions and dues	500	1,333	1,332	1
Operating supplies	500	-	-	-
	45,155	46,975	46,499	476
TOTAL GENERAL GOVERNMENT	2,897,913	2,866,163	672,915	2,193,248

(Continued)

CITY OF PIKEVILLE, TENNESSEE

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC SAFETY				
Police -				
Salaries	\$ 93,575	\$ 109,410	\$ 109,176	\$ 234
Payroll taxes	7,175	8,275	8,271	4
Insurance	55,000	56,497	56,497	-
Pension	4,200	4,795	4,795	-
Employee training	1,000	1,141	1,141	-
Subscriptions and dues	1,000	411	410	1
Telephone	6,400	6,495	6,492	3
Utilities	3,500	2,329	2,329	-
Travel	500	1,576	1,576	-
Operating supplies	10,000	9,911	9,729	182
Contract services	20,310	21,535	2,228	19,307
Equipment	3,500	7,550	4,629	2,921
Repair and maintenance	2,500	3,428	3,403	25
	<u>208,660</u>	<u>233,353</u>	<u>210,676</u>	<u>22,677</u>
Fire -				
Employee training	4,250	3,550	3,539	11
Insurance	22,000	28,300	28,300	-
Subscriptions and dues	1,000	400	319	81
Telephone	3,000	1,860	1,855	5
Utilities	7,900	7,100	6,707	393
Travel	2,300	500	401	99
Operating supplies	9,500	9,401	8,462	939
Contract services	3,800	2,640	2,579	61
Repair and maintenance	7,000	5,333	5,117	216
Equipment	8,000	8,000	-	8,000
Land rental	500	500	500	-
	<u>69,250</u>	<u>67,584</u>	<u>57,779</u>	<u>9,805</u>
Support Services -				
Employee training	1,000	-	-	-
Equipment	2,000	2,000	-	2,000
Operating supplies	4,000	5,000	3,101	1,899
	<u>7,000</u>	<u>7,000</u>	<u>3,101</u>	<u>3,899</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY	<u>284,910</u>	<u>307,937</u>	<u>271,556</u>	<u>36,381</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC WORKS				
Highways and Streets -				
Insurance	\$ 32,000	\$ 31,362	\$ 31,360	\$ 2
Contract services	8,000	7,100	7,094	6
Telephone	3,400	3,444	3,444	-
Operating supplies	13,377	16,932	16,847	85
Equipment	-	700	688	12
Street projects	25,000	10,000	-	10,000
Repair and maintenance	3,000	2,850	2,791	59
	<u>84,777</u>	<u>72,388</u>	<u>62,224</u>	<u>10,164</u>
Sanitation -				
Contract services	121,095	121,094	99,987	21,107
	<u>121,095</u>	<u>121,094</u>	<u>99,987</u>	<u>21,107</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>205,872</u>	<u>193,482</u>	<u>162,211</u>	<u>31,271</u>
DEPARTMENT OF STATE STREET AID				
State Street Aid -				
Salaries	76,720	80,220	79,989	231
Payroll taxes	5,870	6,128	6,128	-
Pension	3,445	3,570	3,565	5
Utilities	28,000	25,950	25,919	31
	<u>114,035</u>	<u>115,868</u>	<u>115,601</u>	<u>267</u>
TOTAL DEPARTMENT OF STATE STREET AID	<u>114,035</u>	<u>115,868</u>	<u>115,601</u>	<u>267</u>
DEPARTMENT OF PUBLIC WELFARE				
Parks and Recreation -				
Utilities	13,195	14,820	15,116	(296)
Insurance	5,420	5,420	5,420	-
Operating supplies	6,350	50,520	50,509	11
Contract services	3,500	20,300	20,300	-
Repair and maintenance	1,000	500	-	500
	<u>29,465</u>	<u>91,560</u>	<u>91,345</u>	<u>215</u>
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>29,465</u>	<u>91,560</u>	<u>91,345</u>	<u>215</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEBT SERVICE				
Principal	\$ 46,500	\$ 47,800	\$ 55,853	\$ (8,053)
Interest	17,000	17,085	30,148	(13,063)
TOTAL DEBT SERVICE	<u>63,500</u>	<u>64,885</u>	<u>86,001</u>	<u>(21,116)</u>
TOTAL EXPENDITURES	<u>3,595,695</u>	<u>3,639,895</u>	<u>1,399,629</u>	<u>2,240,266</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(1,600,000)	(1,600,000)	(94,567)	1,505,433
OTHER FINANCING SOURCES (USES)				
Notes payable issued	<u>1,600,000</u>	<u>1,600,000</u>	<u>182,123</u>	<u>1,417,877</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USE	<u>\$ -</u>	<u>\$ -</u>	87,556	<u>\$ 87,556</u>
FUND BALANCES				
Beginning			<u>70,269</u>	
Ending			<u>\$ 157,825</u>	

CITY OF PIKEVILLE, TENNESSEE

INDUSTRIAL DEVELOPMENT BOARD FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE	\$ -	\$ -	\$ -	\$ -
DEPARTMENT OF PUBLIC WELFARE				
Industrial Development -				
Land development	-	2,200	2,200	-
Electric	-	-	28	(28)
Operating supplies	-	28	20	8
Subscriptions and dues	-	8,029	8,029	-
TOTAL EXPENDITURES	-	10,257	10,277	(20)
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	\$ -	\$ (10,257)	(10,277)	\$ 20
FUND BALANCES				
Beginning			10,483	
Ending			\$ 206	

CITY OF PIKEVILLE, TENNESSEE

DRUG FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
FINES AND FORFEITS -				
City court fines and fees	\$ 500	\$ -	\$ 3,127	\$ 3,127
Total revenues	<u>500</u>	<u>-</u>	<u>3,127</u>	<u>3,127</u>
DEPARTMENT OF PUBLIC SAFETY				
Drug enforcement	500	1,800	2,113	(313)
	<u>500</u>	<u>1,800</u>	<u>2,113</u>	<u>(313)</u>
TOTAL EXPENDITURES	<u>500</u>	<u>1,800</u>	<u>2,113</u>	<u>(313)</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ -</u>	<u>\$ (1,800)</u>	1,014	<u>\$ 2,814</u>
FUND BALANCES				
Beginning			<u>2,292</u>	
Ending			<u>\$ 3,306</u>	

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2016

<u>Year</u>	<u>Tax Rate Per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2006	0.6600	\$ 28,873,636	\$ 190,566
2007	0.6600	28,567,121	188,543
2008	0.6600	41,161,818	271,668
2009	0.8500	30,589,294	260,009
2010	0.8500	30,071,059	255,604
2011	0.8412	30,551,236	256,997
2012	0.8412	30,587,256	257,300
2013	0.8412	28,980,817	247,769
2014	0.8412	27,302,275	230,200
2015	0.8412	29,880,797	251,600
2016	0.8412	30,162,984	253,600

Uncollected Delinquent Accounts: The City of Pikeville has filed delinquent taxes with the Bledsoe County Trustee for collection at June 30, 2016.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2016

Tax Year	Property Tax Receivable Balance June 30, 2015	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2016
2016	\$ -	\$ -	\$ 253,400	\$ -	\$ -	253,400
2015	-	251,600	-	-	(226,192)	25,408
2014	35,835	-	-	-	(16,537)	19,298
2013	16,201	-	-	-	(3,785)	12,416
2012	8,254	-	-	-	(8,216)	38
2011	5,194	-	-	-	(5,194)	-
2010	80	-	-	-	(41)	39
2009	136	-	-	-	-	136
2008	883	-	-	-	-	883
2007	273	-	-	-	-	273
2006	-	-	-	-	-	-
2005	838	-	-	-	-	838
2004	114	-	-	-	-	114
2003	489	-	-	-	-	489
	<u>\$ 68,297</u>	<u>\$ 251,600</u>	<u>\$ 253,400</u>	<u>\$ -</u>	<u>\$ (259,965)</u>	<u>\$ 313,332</u>

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Year Ending June 30,	Tennessee Municipal League Bond Fund Series 2006		Bond Anticipation Note		Ford Motor Credit Capital Lease Obligation		Applied Concepts Capital Lease Obligation		Landfill Post-Closure Estimate	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$ 37,000	\$ 3,546	\$ -	\$ -	\$ 18,200	\$ 1,110	\$ 1,810	\$ 245	\$ 1,227	\$ 58,237	\$ 4,901
2018	38,000	3,379	182,123	5,690	-	-	-	-	1,227	221,350	9,069
2019	40,000	3,208	-	-	-	-	-	-	1,227	41,227	3,208
2020	42,000	3,028	-	-	-	-	-	-	1,227	43,227	3,028
2021	44,000	2,839	-	-	-	-	-	-	1,227	45,227	2,839
2022	47,000	2,641	-	-	-	-	-	-	1,227	48,227	2,641
2023	49,000	2,430	-	-	-	-	-	-	1,227	50,227	2,430
2024	51,000	2,209	-	-	-	-	-	-	1,227	52,227	2,209
2025	54,000	1,980	-	-	-	-	-	-	1,227	55,227	1,980
2026	57,000	1,737	-	-	-	-	-	-	1,227	58,227	1,737
2027	60,000	1,480	-	-	-	-	-	-	1,227	61,227	1,480
2028	62,000	1,210	-	-	-	-	-	-	1,227	63,227	1,210
2029	66,000	931	-	-	-	-	-	-	1,227	67,227	931
2030	69,000	634	-	-	-	-	-	-	1,227	70,227	634
2031	71,419	324	-	-	-	-	-	-	1,227	72,646	324
2032	-	-	-	-	-	-	-	-	1,227	1,227	-
Total	<u>\$ 787,419</u>	<u>\$ 31,576</u>	<u>\$ 182,123</u>	<u>\$ 5,690</u>	<u>\$ 18,200</u>	<u>\$ 1,110</u>	<u>\$ 1,810</u>	<u>\$ 245</u>	<u>\$ 19,632</u>	<u>\$ 1,009,184</u>	<u>\$ 38,621</u>

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
WATER AND SEWER PROPRIETARY FUND
JUNE 30, 2016

Year Ending June 30,	Tennessee Municipal League Bond Fund Series 2014		USDA Series 2011		USDA Series 2006	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 15,200	\$ 949	\$ 28,051	\$ 56,558	\$ 7,396	\$ 18,752
2018	15,700	482	28,832	55,742	7,727	18,421
2019	-	-	29,635	54,896	8,072	18,076
2020	-	-	30,461	54,020	8,431	17,717
2021	-	-	31,309	53,113	8,808	17,340
2022	-	-	32,181	52,173	9,201	16,947
2023	-	-	33,077	51,201	9,611	16,537
2024	-	-	33,998	50,193	10,041	16,107
2025	-	-	34,945	49,150	10,489	15,659
2026	-	-	35,918	48,070	10,957	15,191
2027	-	-	36,919	46,951	11,446	14,702
2028	-	-	37,947	45,793	11,957	14,191
2029	-	-	39,004	44,593	12,491	13,657
2030	-	-	40,090	43,351	13,048	13,100
2031	-	-	41,206	42,064	13,631	12,517
2032	-	-	42,354	40,732	14,239	11,909
2033	-	-	43,533	39,352	14,875	11,273
2034	-	-	44,746	37,924	15,539	10,609
2035	-	-	45,992	36,444	16,232	9,916
2036	-	-	47,273	34,912	16,957	9,191
2037	-	-	48,589	33,325	17,714	8,434
2038	-	-	49,943	31,682	18,505	7,643
2039	-	-	51,333	29,981	19,331	6,817
2040	-	-	52,763	28,218	20,193	5,955
2041	-	-	54,232	26,394	21,095	5,053
2042	-	-	55,743	24,504	22,036	4,112
2043	-	-	57,295	22,547	23,020	3,128
2044	-	-	58,891	20,521	24,048	2,100
2045	-	-	60,531	18,422	25,120	1,028
2046	-	-	62,218	16,249	9,772	9,839
2047	-	-	63,949	13,999	-	19,611
2048	-	-	65,730	11,668	-	-
2049	-	-	67,561	9,255	-	-
2050	-	-	69,442	6,756	-	-
2051	-	-	60,476	4,167	-	-
2052	-	-	-	1,486	-	-
Total	<u>\$ 30,900</u>	<u>\$ 1,431</u>	<u>\$ 1,616,167</u>	<u>\$ 1,236,406</u>	<u>\$ 431,982</u>	<u>\$ 365,532</u>

Tennessee Municipal League Bond Fund Series 2007		USDA Series 2008		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 40,000	\$ 736	\$ 14,168	\$ 41,140	\$ 104,815	\$ 118,135
-	-	14,800	40,508	67,059	115,153
-	-	15,461	39,847	53,168	112,819
-	-	16,151	39,157	55,043	110,894
-	-	16,872	38,436	56,989	108,889
-	-	17,625	37,683	59,007	106,803
-	-	18,412	36,896	61,100	104,634
-	-	19,234	36,074	63,273	102,374
-	-	20,093	35,215	65,527	100,024
-	-	20,989	34,319	67,864	97,580
-	-	21,926	33,382	70,291	95,035
-	-	22,905	32,403	72,809	92,387
-	-	23,928	31,380	75,423	89,630
-	-	24,996	30,312	78,134	86,763
-	-	26,111	29,197	80,948	83,778
-	-	27,277	28,031	83,870	80,672
-	-	28,495	26,813	86,903	77,438
-	-	29,767	25,541	90,052	74,074
-	-	31,095	24,213	93,319	70,573
-	-	32,483	22,825	96,713	66,928
-	-	33,933	21,375	100,236	63,134
-	-	35,448	19,860	103,896	59,185
-	-	37,030	18,278	107,694	55,076
-	-	38,683	16,625	111,639	50,798
-	-	40,410	14,898	115,737	46,345
-	-	42,214	13,094	119,993	41,710
-	-	44,098	11,210	124,413	36,885
-	-	46,067	9,241	129,006	31,862
-	-	48,123	7,185	133,774	26,635
-	-	50,272	5,036	122,262	31,124
-	-	52,515	2,793	116,464	36,403
-	-	35,206	1,295	100,936	12,963
-	-	-	-	67,561	9,255
-	-	-	-	69,442	6,756
-	-	-	-	60,476	4,167
-	-	-	-	-	1,486
<u>\$ 40,000</u>	<u>\$ 736</u>	<u>\$ 946,787</u>	<u>\$ 804,262</u>	<u>\$ 3,065,836</u>	<u>\$ 2,408,367</u>

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
NATURAL GAS PROPRIETARY FUND
JUNE 30, 2016

Year Ending June 30,	Series 2002	
	Principal	Interest
2017	\$ 65,000	23,436
2018	70,000	20,515
2019	75,000	17,325
2020	75,000	13,894
2021	80,000	10,213
2022	85,000	6,294
2023	90,000	4,275
Total	\$ 540,000	\$ 95,952

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF MUNICIPAL UTILITY RATES AND NUMBERS OF CUSTOMERS

JUNE 30, 2016

WATER RATE SCHEDULE

	<u>Residential</u>	<u>Commercial</u>	<u>Outside City</u>
Water Rates:			
First 2,000 Gallons	\$17.76/month	\$20.42/month	\$17.76/month
2,001 to 12,000 Gallons	\$17.76/month	\$20.42/month	\$17.76/month
12,000 Gallons and over	\$17.76/month	\$20.42/month	\$17.76/month

SEWER RATE SCHEDULE

The City's sewer rate is 100% of the water rate

NATURAL GAS RATE SCHEDULE

Gas rates fluctuate on a monthly basis depending on the wholesale gas cost.

GARBAGE RATE SCHEDULE

\$12.95/month

NUMBER OF CUSTOMERS

Water	1677
Sewer	682
Garbage	689
Natural Gas	955

SCHEDULE FOR UNACCOUNTED FOR WATER LOSS

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association.
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Click to access definition
 Click to add a comment

Water Audit Report for: **City of Pikeville (TN0000551)**
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.

WATER SUPPLIED

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

Volume from own sources:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="353.491"/>	MG/Yr
Water imported:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="10"/>	<input type="text" value="7.336"/>	MG/Yr
Water exported:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	<input type="text" value=""/>	Value:	<input type="text" value=""/>	MG/Yr
<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="radio"/>	<input type="radio"/>	MG/Yr
<input type="button" value="+"/>	<input type="button" value="?"/>	<input checked="" type="radio"/>	<input type="radio"/>	MG/Yr
<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="radio"/>	<input checked="" type="radio"/>	MG/Yr

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

WATER SUPPLIED: **360.827** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="208.085"/>	MG/Yr
Billed unmetered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="0.049"/>	MG/Yr
Unbilled metered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="0.777"/>	MG/Yr

Click here: for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied
OR value

AUTHORIZED CONSUMPTION: **208.911** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

151.916 MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

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

Customer metering inaccuracies:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="20.580"/>	MG/Yr
Systematic data handling errors:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="0.020"/>	MG/Yr

Pcnt: Value: MG/Yr

MG/Yr
 MG/Yr

Apparent Losses: **21.502** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **130.414** MG/Yr

WATER LOSSES: **151.916** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **152.693** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="74.2"/>	miles
Number of active AND inactive service connections:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="1,724"/>	
Service connection density:	<input type="button" value="?"/>			<input type="text" value="23"/>	conn./mile main

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

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

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

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="\$1,476,000"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="8"/>	<input type="text" value="\$8.31"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="\$1,229.46"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 82 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: Billed metered
- 3: Unauthorized consumption

Schedule for Unaccounted for Water Loss



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for:
Reporting Year:

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 *****

System Attributes:

Apparent Losses:	<input type="text" value="21.502"/>	MG/Yr
+ Real Losses:	<input type="text" value="130.414"/>	MG/Yr
= Water Losses:	<input type="text" value="151.916"/>	MG/Yr

Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

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

Performance Indicators:

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

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

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

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

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

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDING JUNE 30, 2016

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
FEDERAL AWARDS						
CDBG Sewer Plant	14.228	41112	\$ -	\$ 442,505	\$ 442,505	\$ -
Total U. S. Department of Agriculture			<u>-</u>	<u>442,505</u>	<u>442,505</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>-</u>	<u>442,505</u>	<u>442,505</u>	<u>-</u>
STATE AWARDS						
USDA ARC Farmer's Market	N/A	48-004-620714825	-	20,000	20,000	-
USDA RBEG Farmer's Market	N/A	48-004-620714825	-	20,000	20,000	-
CDBG 2013 Water Line Extension	N/A	7713	-	199,327	199,327	-
CDBG 2013 Façade Grant Program	N/A	43330	-	5,362	5,362	-
Tennessee Department of Agriculture Farmer's Market Grant	N/A	9816	<u>-</u>	<u>59,200</u>	<u>59,200</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>-</u>	<u>303,889</u>	<u>303,889</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 746,394</u>	<u>\$ 746,394</u>	<u>\$ -</u>

CITY OF PIKEVILLE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE

YEAR ENDED JUNE 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards include the federal and state grant activity of the City of Pikeville, Tennessee and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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

Mayor and Aldermen
City of Pikeville, Tennessee
Pikeville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pikeville, Tennessee as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pikeville, 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

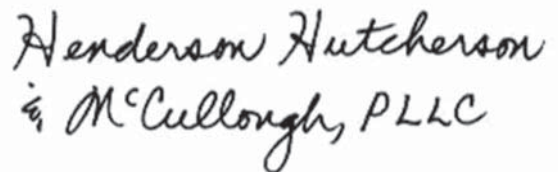
Compliance and Other Matters

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

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.

Chattanooga, Tennessee
October 10, 2016



Henderson Hutcherson
is McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2016

2015-001: Controls over the Financial Reporting Process

Status: Corrected. Management has implemented a financial closeout process to ensure that all year-end adjustments are posted to the financial records.

2015-002: Non-municipal Building Purchase

Status: Corrected. Management transferred the building to Bledsoe County during the fiscal year to be used for industrial development purposes.