

CITY OF PIKEVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF PIKEVILLE, TENNESSEE

TABLE OF CONTENTS

JUNE 30, 2017

	PAGE
INTRODUCTORY SECTION	
Table of Contents	i-ii
City Officials	iii
FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis (unaudited)	4-10
Basic Financial Statements	
Government-Wide Financial Statements –	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements –	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – GAAP Basis – General Fund	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21-22
Notes to Financial Statements	23-40
Required Supplementary Information (unaudited)	
Schedule of Changes in Pikeville’s Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	41
Schedule of Pikeville’s Contributions Based on Participation in the Public Employee Pension Plan of TCRS	42
Notes to Pension Schedules	43

(Continued)

CITY OF PIKEVILLE, TENNESSEE

TABLE OF CONTENTS

JUNE 30, 2017

OTHER SUPPLEMENTARY INFORMATION

Combining Financial Statements

Nonmajor Governmental Funds – Combining Balance Sheet	44
Nonmajor Governmental Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	45

Budgetary Comparison Schedules

General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	46-51
Industrial Development Board Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	52
Drug Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	53

Financial Schedules

Schedule of Property Tax Rates and Assessments	54
Schedule of Changes in Property Tax Receivable	55
Schedule of Debt Service Requirements	56-59
Schedule of Municipal Utility Rates and Numbers of Customers	60
Schedule for Unaccounted for Water Loss	61-62
Schedule of Expenditures of Federal and State Financial Assistance	63
Notes to the Schedule of Expenditures of Federal and State Financial Assistance	64

COMPLIANCE SECTION

Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65-66
Schedule of Prior Year Findings	67

CITY OF PIKEVILLE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2017

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



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, 2017, 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, 2017, 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 41-43, 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, 2017, 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, 2017

Henderson Hutcherson
is McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017. 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, 2017 by \$17,148,446 (net position). The City's governmental funds reported an increase in combined fund balance of \$19,775. Total government activities under GASB 34 operated at an increase of \$116,414. 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 40 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 44 through 63 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 \$17,148,446 at the close of this fiscal year.

City of Pikeville, Tennessee’s Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 583,657	\$ 555,487	\$ 1,547,480	\$ 2,169,767	\$ 2,131,137	\$ 2,725,254
Capital assets	<u>3,561,411</u>	<u>2,164,610</u>	<u>17,613,028</u>	<u>17,914,122</u>	<u>21,174,439</u>	<u>20,078,732</u>
Total assets	<u>4,145,068</u>	<u>2,720,097</u>	<u>19,160,508</u>	<u>20,083,889</u>	<u>23,305,576</u>	<u>22,803,986</u>
Deferred outflows	<u>51,068</u>	<u>53,769</u>	<u>96,915</u>	<u>103,837</u>	<u>147,983</u>	<u>157,606</u>
Non-current liabilities	2,279,597	950,947	3,299,467	3,436,021	5,579,064	4,386,968
Other liabilities	<u>83,896</u>	<u>93,495</u>	<u>229,504</u>	<u>517,469</u>	<u>313,400</u>	<u>610,964</u>
Total liabilities	<u>2,363,493</u>	<u>1,044,442</u>	<u>3,528,971</u>	<u>3,953,490</u>	<u>5,892,464</u>	<u>4,997,932</u>
Deferred inflows	<u>321,932</u>	<u>335,127</u>	<u>90,717</u>	<u>121,428</u>	<u>412,649</u>	<u>456,555</u>
Net position						
Net investment in capital assets	1,242,587	1,155,426	14,177,003	14,308,286	15,419,590	15,463,712
Restricted	96,800	73,506	176,867	122,384	273,667	195,890
Unrestricted	<u>171,324</u>	<u>165,365</u>	<u>1,283,865</u>	<u>1,682,138</u>	<u>1,455,189</u>	<u>1,847,503</u>
Total net position	<u>\$ 1,510,711</u>	<u>\$ 1,394,297</u>	<u>\$ 15,637,735</u>	<u>\$ 16,112,808</u>	<u>\$ 17,148,446</u>	<u>\$ 17,507,105</u>

Ninety percent (90%) 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 \$273,667 primarily related to net position restricted for the City’s future pension needs. The remaining \$1,455,189 in unrestricted net position is available to the City to meet ongoing obligations.

Changes in Net Position

Governmental activities increased the City’s net position by \$116,414, while business-type activities decreased the City’s net position by \$475,073. 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 156,520	\$ 159,297	\$ 2,241,845	\$ 2,325,580	\$ 2,398,365	\$ 2,484,877
Operating grants and contributions	244,452	112,190	-	-	244,452	112,190
Capital grants and contributions	-	-	195,245	1,105,611	195,245	1,105,611
General revenues:						
Property taxes	243,185	263,878	-	-	243,185	263,878
Other taxes	621,556	615,587	-	-	621,556	615,587
Pension income	10,005	12,980	25,618	26,452	35,623	39,432
Other income	<u>67,208</u>	<u>108,961</u>	<u>12,369</u>	<u>44,689</u>	<u>79,577</u>	<u>153,650</u>
Total revenues	<u>1,342,926</u>	<u>1,272,893</u>	<u>2,475,077</u>	<u>3,502,332</u>	<u>3,818,003</u>	<u>4,775,225</u>
Expenses:						
General government	430,974	729,902	-	-	430,974	729,902
Public safety	337,287	319,491	-	-	337,287	319,491
Public works	203,969	202,307	-	-	203,969	202,307
Public welfare	56,988	101,622	-	-	56,988	101,622
State street aid	152,800	135,234	-	-	152,800	135,234
Interest	44,494	28,921	-	-	44,494	28,921
Water and sewer	-	-	2,298,093	1,950,423	2,298,093	1,950,423
Natural gas	-	-	<u>652,057</u>	<u>665,302</u>	<u>652,057</u>	<u>665,302</u>
Total expenses	<u>1,226,512</u>	<u>1,517,477</u>	<u>2,950,150</u>	<u>2,615,725</u>	<u>4,176,662</u>	<u>4,133,202</u>
Transfers		-		-		
Change in net position	<u>116,414</u>	<u>(244,584)</u>	<u>(475,073)</u>	<u>886,607</u>	<u>(358,659)</u>	<u>642,023</u>
Net position – beginning, as previously stated	1,394,297	1,638,881	16,112,808	14,895,945	17,507,105	16,534,826
Prior period adjustment	-	-	-	330,256	-	330,256
Net position – beginning, as restated	<u>1,394,297</u>	<u>1,638,881</u>	<u>16,112,808</u>	<u>15,226,201</u>	<u>17,507,105</u>	<u>16,865,082</u>
Net position – ending	<u>\$ 1,510,711</u>	<u>\$ 1,394,297</u>	<u>\$ 15,637,735</u>	<u>\$ 16,112,808</u>	<u>\$ 17,148,446</u>	<u>\$ 17,507,105</u>

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.

(Continued)

Financial Analysis of the City's Funds (Continued)

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 \$181,112 an increase of \$19,775 in comparison with the prior year. Ninety-seven percent (97%) 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 \$175,584. 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 6% of total general fund expenditures without transfers.

The fund balance of the City's general fund increased by \$17,759 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 \$351,011 for the Water and Sewer Fund and \$932,854 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 \$17,391.

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, 2017, amounted to \$3,561,411 (net of accumulated depreciation). Capital assets for its business-type activities as of June 30, 2017, amounted to \$17,613,028 (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 \$25,000
- Machinery and equipment for \$26,527
- Water and sewer treatment and distribution system for \$203,382
- Water and sewer equipment for \$7,180
- Water and sewer vehicles for \$16,833
- Natural gas operating equipment for \$42,212

(Continued)

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

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

	2017	2016
Governmental Activities:		
Land	\$ 220,761	\$ 195,761
Construction in progress	1,651,745	156,482
Buildings and parks	644,293	678,417
Machinery and equipment	43,561	42,532
Vehicles	19,397	35,729
Infrastructure	892,808	964,409
Landfill	88,846	91,280
Total	<u>\$ 3,561,411</u>	<u>\$ 2,164,610</u>
	2017	2016
Business-type Activities:		
Land	\$ 169,847	\$ 169,847
North Bledsoe system	2,027,847	2,103,019
Water treatment and distribution	12,390,234	12,518,330
Sewer collection and treatment	1,927,729	1,996,689
Buildings	85,789	90,831
Machinery and equipment	123,403	114,139
Vehicles	20,195	8,413
Gas lines and meters	867,984	912,854
Total	<u>\$ 17,613,028</u>	<u>\$ 17,914,122</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 \$5,783,762. Of that amount \$1,755,199 is due in the next fiscal year.

	2017	2016
Governmental Activities:		
Notes payable	\$ 2,300,419	\$ 969,542
Capital lease obligations	-	20,010
Landfill post-closure	18,405	19,632
Compensated absences	14,369	10,712
	<u>\$ 2,333,193</u>	<u>\$ 1,019,896</u>
Business-type Activities:		
Water and Sewer Fund –		
Notes payable	\$ 2,961,025	\$ 3,065,836
Compensated absences	11,400	5,640
	<u>2,972,425</u>	<u>3,071,476</u>
Natural Gas Fund –		
Bonds payable	475,000	540,000
Compensated absences	3,144	2,651
	<u>478,144</u>	<u>542,651</u>
Total	<u>\$ 3,450,569</u>	<u>\$ 3,614,127</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, 2017

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 146,651	\$ 1,121,559	\$ 1,268,210
Property taxes receivable, net	276,911	-	276,911
Accounts receivable, net	63,834	178,920	242,754
Internal balances	(13,685)	13,685	-
Inventories	-	62,637	62,637
Other assets	10	10	20
Net pension asset	109,936	170,669	280,605
Capital assets -			
Land and other nondepreciable assets	1,872,506	169,847	2,042,353
Capital assets, net of accumulated depreciation	1,688,905	17,443,181	19,132,086
Total assets	4,145,068	19,160,508	23,305,576
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	51,068	96,915	147,983
Total deferred outflows of resources	51,068	96,915	147,983
LIABILITIES			
Accounts payable	26,064	36,070	62,134
Accrued liabilities	4,236	13,360	17,596
Customer deposits	-	28,972	28,972
Compensated absences	14,369	14,544	28,913
Long-term liabilities, due within one year	1,589,227	137,059	1,726,286
Long-term liabilities, due in more than one year	729,597	3,298,966	4,028,563
Total liabilities	2,363,493	3,528,971	5,892,464
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	69,732	90,717	160,449
Unavailable revenue - property taxes	252,200	-	252,200
Total deferred inflows of resources	321,932	90,717	412,649
NET POSITION			
Net investment in capital assets	1,242,587	14,177,003	15,419,590
Restricted	96,800	176,867	273,667
Unrestricted	171,324	1,283,865	1,455,189
Total net position	\$ 1,510,711	\$ 15,637,735	\$ 17,148,446

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
PRIMARY GOVERNMENT		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities -				
General government	\$ 430,974	\$ 1,150	\$ 244,452	\$ -
Public safety	337,287	24,676	-	-
Public works	203,969	130,694	-	-
Public welfare	56,988	-	-	-
State street aid	152,800	-	-	-
Interest	44,494	-	-	-
Total governmental activities	1,226,512	156,520	244,452	-
Business-type activities -				
Water and sewer	2,298,093	1,652,935	-	195,245
Natural gas	652,057	588,910	-	-
Total business-type activities	2,950,150	2,241,845	-	195,245
Total primary government	\$ 4,176,662	\$ 2,398,365	\$ 244,452	\$ 195,245
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				
Ending				

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (185,372)	\$ -	\$ (185,372)
(312,611)	-	(312,611)
(73,275)	-	(73,275)
(56,988)	-	(56,988)
(152,800)	-	(152,800)
(44,494)	-	(44,494)
<u>(825,540)</u>	<u>-</u>	<u>(825,540)</u>
-	(449,913)	(449,913)
-	(63,147)	(63,147)
-	(513,060)	(513,060)
(825,540)	(513,060)	(1,338,600)
243,185	-	243,185
333,584	-	333,584
92,014	-	92,014
14,522	-	14,522
27,384	-	27,384
57,895	-	57,895
96,157	-	96,157
191	1,345	1,536
10,005	25,618	35,623
67,017	11,024	78,041
<u>941,954</u>	<u>37,987</u>	<u>979,941</u>
116,414	(475,073)	(358,659)
<u>1,394,297</u>	<u>16,112,808</u>	<u>17,507,105</u>
<u>\$ 1,510,711</u>	<u>\$ 15,637,735</u>	<u>\$ 17,148,446</u>

CITY OF PIKEVILLE, TENNESSEE

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 141,329	\$ 5,322	\$ 146,651
Property taxes receivable, net	276,911	-	276,911
Accounts receivable, net	63,628	206	63,834
Other assets	10	-	10
Total assets	\$ 481,878	\$ 5,528	\$ 487,406
LIABILITIES			
Accounts payable	\$ 26,064	\$ -	\$ 26,064
Accrued payroll liabilities	4,236	-	4,236
Due to other fund	13,685	-	13,685
Total liabilities	43,985	-	43,985
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	262,309	-	262,309
Total deferred inflows of resources	262,309	-	262,309
FUND BALANCES			
Restricted	-	5,528	5,528
Unassigned	175,584	-	175,584
Total fund balances	175,584	5,528	181,112
Total liabilities, deferred inflows of resources, and fund balances	\$ 481,878	\$ 5,528	\$ 487,406

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, 2017

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

Fund balances – total governmental funds	\$ 181,112
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.	3,561,411
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	109,936
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	(18,664)
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.	10,109
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	(2,300,419)
Compensated absences	(14,369)
Landfill post-closure costs	<u>(18,405)</u>
Net position of governmental activities	<u>\$ 1,510,711</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, 2017

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 655,120	\$ -	\$ 655,120
Licenses and permits	1,150	-	1,150
Intergovernmental	462,216	-	462,216
Charges for services	158,388	-	158,388
Fines and forfeitures	19,487	2,016	21,503
Other revenue	42,687	-	42,687
Total revenues	1,339,048	2,016	1,341,064
EXPENDITURES			
Current			
General government	1,910,966	-	1,910,966
Public safety	302,271	-	302,271
Public works	177,207	-	177,207
Public welfare	56,988	-	56,988
State street aid	139,003	-	139,003
Debt service -			
Principal	57,010	-	57,010
Interest and other charges	45,721	-	45,721
Total expenditures	2,689,166	-	2,689,166
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,350,118)	2,016	(1,348,102)
OTHER FINANCING SOURCES			
Notes payable issued	1,367,877	-	1,367,877
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	17,759	2,016	19,775
FUND BALANCES:			
Beginning	157,825	3,512	161,337
Ending	\$ 175,584	\$ 5,528	\$ 181,112

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, 2017

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

Net change in fund balances – total governmental funds	\$	19,775
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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.		1,546,790
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Depreciation expense on governmental capital assets are included in the statement of activities.		(149,989)
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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	(1,367,877)	
Principal repayments	57,010	
Amortization	<u>1,227</u>	(1,309,640)

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		(3,657)
Change in net pension asset and related deferrals		10,005
Deferred pension contributions		11,273

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.		<u>(8,143)</u>
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Change in net position of governmental activities	\$	<u>116,414</u>
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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, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 633,400	\$ 647,763	\$ 655,120	\$ 7,357
Licenses and permits	1,350	1,350	1,150	(200)
Intergovernmental	498,100	498,100	462,216	(35,884)
Charges for services	163,200	163,200	158,388	(4,812)
Fines and forfeitures	15,000	16,337	19,487	3,150
Miscellaneous	22,595	24,286	42,687	18,401
Total revenue	1,333,645	1,351,036	1,339,048	(11,988)
EXPENDITURES				
Current -				
General government	2,153,410	2,093,445	1,910,966	182,479
Public safety	302,405	333,096	302,271	30,825
Public works	216,195	197,104	177,207	19,897
Public welfare	32,625	57,022	56,988	34
State street aid	117,010	139,003	139,003	-
Debt service -				
Principal	46,000	48,185	57,010	(8,825)
Interest	16,000	33,181	45,721	(12,540)
Total expenditures	2,883,645	2,901,036	2,689,166	211,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(1,550,000)	(1,550,000)	(1,350,118)	199,882
OTHER FINANCING SOURCES (USES)				
Notes issued	1,550,000	1,550,000	1,367,877	(182,123)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	\$ -	\$ -	17,759	\$ 17,759
FUND BALANCES:				
Beginning			157,825	
Ending			\$ 175,584	

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2017

ASSETS	Water and Sewer Fund	Natural Gas Fund	Total
Current assets -			
Cash and cash equivalents	\$ 208,538	\$ 913,021	\$ 1,121,559
Accounts receivable, net	164,878	14,042	178,920
Due from other funds	8,174	5,511	13,685
Inventories	14,182	48,455	62,637
Net pension asset	121,002	49,667	170,669
Other assets	-	10	10
Total current assets	516,774	1,030,706	1,547,480
Noncurrent assets -			
Capital assets -			
Land and other nondepreciable assets	158,709	11,138	169,847
Capital assets, net of accumulated depreciation	16,491,392	951,789	17,443,181
Total noncurrent assets	16,650,101	962,927	17,613,028
TOTAL ASSETS	17,166,875	1,993,633	19,160,508
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	67,881	29,034	96,915
Total deferred outflows of resources	67,881	29,034	96,915
LIABILITIES			
Current liabilities -			
Accounts payable	13,903	22,167	36,070
Accrued liabilities	8,571	4,789	13,360
Customer deposits	10,887	18,085	28,972
Compensated absences	11,400	3,144	14,544
Long-term liabilities, due within one year	67,059	70,000	137,059
Total current liabilities	111,820	118,185	230,005
Noncurrent liabilities			
Long-term liabilities, due in more than one year	2,893,966	405,000	3,298,966
Total noncurrent liabilities	2,893,966	405,000	3,298,966
TOTAL LIABILITIES	3,005,786	523,185	3,528,971
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	62,134	28,583	90,717
Total deferred inflows of resources	62,134	28,583	90,717
NET POSITION			
Net investment in capital assets	13,689,076	487,927	14,177,003
Restricted	126,749	50,118	176,867
Unrestricted	351,011	932,854	1,283,865
Total net position	\$ 14,166,836	\$ 1,470,899	\$ 15,637,735

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, 2017

	Water and Sewer Fund	Natural Gas Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,608,232	\$ 578,010	\$ 2,186,242
Customer penalties	15,528	-	15,528
Connection fees	29,175	10,900	40,075
Interest revenue	368	977	1,345
Total revenues	1,653,303	589,887	2,243,190
OPERATING EXPENSES			
Purchased gas	-	263,227	263,227
Transmission and distribution	1,224,267	101,030	1,325,297
Sewer collection, treatment and disposal	276,215	-	276,215
Administration	180,665	204,923	385,588
Depreciation	511,260	59,441	570,701
Total operating expenses	2,192,407	628,621	2,821,028
OPERATING INCOME (LOSS)	(539,104)	(38,734)	(577,838)
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	195,245	-	195,245
Net pension income	19,163	6,455	25,618
Miscellaneous revenue	11,004	20	11,024
Interest expense	(105,686)	(23,436)	(129,122)
Total nonoperating revenues (expenses)	119,726	(16,961)	102,765
Changes in net position	(419,378)	(55,695)	(475,073)
Net position, beginning	14,586,214	1,526,594	16,112,808
Net position, ending	\$ 14,166,836	\$ 1,470,899	\$ 15,637,735

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, 2017

	Water and Sewer Fund	Natural Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,888,436	\$ 589,570	\$ 2,478,006
Receipts (payments) from other funds	(4,623)	12,765	8,142
Payments to suppliers	(1,356,382)	(455,622)	(1,812,004)
Payments to employees	(616,288)	(140,573)	(756,861)
Interest	368	977	1,345
Net cash from operating activities	(88,489)	7,117	(81,372)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenue	11,004	20	11,024
Net cash from noncapital financing activities	11,004	20	11,024
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds of capital grants	195,245	-	195,245
Principal paid on long-term debt	(104,811)	(65,000)	(169,811)
Interest paid on long-term debt	(105,686)	(23,436)	(129,122)
Net pension income	19,163	6,455	25,618
Acquisition and construction of capital assets	(227,396)	(42,211)	(269,607)
Net cash from capital and related financing activities	(223,485)	(124,192)	(347,677)
Net change in cash and cash equivalents	(300,970)	(117,055)	(418,025)
Cash and cash equivalents, June 30, 2016	509,508	1,030,076	1,539,584
Cash and cash equivalents, June 30, 2017	\$ 208,538	\$ 913,021	\$ 1,121,559

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, 2017

	Water and Sewer Fund	Natural Gas Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	\$ (539,104)	\$ (38,734)	\$ (577,838)
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	511,260	59,441	570,701
(Increase) decrease in -			
Accounts receivable	235,501	660	236,161
Due from other funds	(4,623)	12,765	8,142
Inventories	-	(9,347)	(9,347)
Net pension asset	(22,960)	(7,734)	(30,694)
Deferred pension outflows	5,178	1,744	6,922
Increase (decrease) in -			
Accounts payable	(235,974)	1,298	(234,676)
Accrued payables	(20,554)	(5,731)	(26,285)
Deferred pension inflows	(22,973)	(7,738)	(30,711)
Compensated absences	5,760	493	6,253
Total adjustments	450,615	45,851	496,466
Net cash from operating activities	\$ (88,489)	\$ 7,117	\$ (81,372)

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

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

		<u>Page</u>
Note 1	Summary of Significant Accounting Policies	23
Note 2	Stewardship, Compliance and Accountability	29
Note 3	Cash Deposits and Investments	30
Note 4	Receivables	30
Note 5	Interfund Transfers	30
Note 6	Interfund Receivables and Payables	31
Note 7	Capital Assets	31
Note 8	Long-term Liabilities	32
Note 9	Landfill Post-Closure Costs	35
Note 10	Restricted Net Position	36
Note 11	Employment Retirement System	36
Note 12	Restrictions and Contingencies	40
Note 13	Risk Management and Litigation	40
Note 14	Subsequent Events	40
Note 15	Related Party Transactions	40

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 including 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, 2017, General Fund expenditures exceeded budgeted appropriations within the debt service function by \$21,365.

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, 2017. 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 2017 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 \$509,023. 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, 2017, consist of the following:

	General	Other Governmental	Water and Sewer	Natural Gas	Total
Funds					
Property taxes	\$ 314,421	\$ -	\$ -	\$ -	\$ 314,421
Accounts	<u>64,288</u>	<u>206</u>	<u>173,556</u>	<u>14,760</u>	<u>252,810</u>
Gross receivables	378,709	206	173,556	14,760	567,231
Less: Allowance for uncollectible	<u>(38,170)</u>	<u>-</u>	<u>(8,678)</u>	<u>(718)</u>	<u>(47,566)</u>
Net receivables	<u>\$ 340,539</u>	<u>\$ 206</u>	<u>\$ 164,878</u>	<u>\$ 14,042</u>	<u>\$ 519,665</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, 2017, is as follows:

	Payable Fund			Total
	General Fund	Natural Gas Fund	Water and Sewer Fund	
Receivables Fund				
General Fund	\$ -	\$ -	\$ 6,364	\$ 6,364
Water and Sewer Fund	-	14,538	-	14,538
Natural Gas Fund	<u>20,049</u>	<u>-</u>	<u>-</u>	<u>20,049</u>
Total	<u>\$ 20,049</u>	<u>\$ 14,538</u>	<u>\$ 6,364</u>	<u>\$ 40,951</u>

The Water and Sewer Fund Statement of Net Position reports a due from other funds balance of \$8,174. The amount is reflective of a receivable from the Natural Gas Fund of \$14,538 and a payable to the General Fund of \$6,364. The net balance is \$8,174.

The Natural Gas Fund Statement of Net Position reports a due from other funds balance of \$5,511. The amount is reflective of a receivable from the General Fund of \$20,049 and a payable to the Water and Sewer Fund of \$14,538. The net balance is \$5,511.

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	\$ 195,761	\$ 25,000	\$ -	\$ 220,761
Construction in progress	<u>156,482</u>	<u>1,495,263</u>	<u>-</u>	<u>1,651,745</u>
Total non-depreciable assets	<u>352,243</u>	<u>1,520,263</u>	<u>-</u>	<u>1,872,506</u>
Depreciable capital assets:				
Buildings and parks	1,046,900	-	-	1,046,900
Machinery and equipment	464,572	18,194	-	482,766
Vehicles	651,909	8,333	-	660,242
Infrastructure	1,581,971	-	-	1,581,971
Landfill	<u>121,706</u>	<u>-</u>	<u>-</u>	<u>121,706</u>
	<u>3,867,058</u>	<u>26,527</u>	<u>-</u>	<u>3,893,585</u>
Less accumulated depreciation:				
Buildings and parks	368,483	34,124	-	402,607
Machinery and equipment	422,040	17,165	-	439,205
Vehicles	616,180	24,665	-	640,845
Infrastructure	617,562	71,601	-	689,163
Landfill	<u>30,426</u>	<u>2,434</u>	<u>-</u>	<u>32,860</u>
	<u>2,054,691</u>	<u>149,989</u>	<u>-</u>	<u>2,204,680</u>
Total depreciable assets, net	<u>1,812,367</u>	<u>(123,462)</u>	<u>-</u>	<u>1,688,905</u>
Total capital assets, net	<u>\$ 2,164,610</u>	<u>\$ 1,396,801</u>	<u>\$ -</u>	<u>\$ 3,561,411</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	\$ 52,496
Public safety	47,996
Public works	31,498
State street aid	<u>17,999</u>
Total	<u>\$ 149,989</u>

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Business-type Activities				
Non-depreciable capital assets:				
Land	\$ 169,847	\$ -	\$ -	\$ 169,847
Total non-depreciable assets	<u>169,847</u>	<u>-</u>	<u>-</u>	<u>169,847</u>
Depreciable capital assets:				
North Bledsoe system	3,008,661	-	-	3,008,661
Water treatment and distribution	16,039,116	203,382	-	16,242,498
Sewer collection and treatment	3,885,990	-	-	3,885,990
Buildings	184,075	-	-	184,075
Machinery and equipment	364,393	49,392	-	413,785
Vehicles	242,497	16,833	-	259,330
Gas lines and meters	1,862,260	-	-	1,862,260
Reservoirs and standpipes	345,661	-	-	345,661
	<u>25,932,653</u>	<u>269,607</u>	<u>-</u>	<u>26,202,260</u>
Less accumulated depreciation:				
North Bledsoe system	905,642	75,172	-	980,814
Water treatment and distribution	3,520,786	331,478	-	3,852,264
Sewer collection and treatment	1,889,301	68,960	-	1,958,261
Buildings	93,244	5,042	-	98,286
Machinery and equipment	250,254	40,128	-	290,382
Vehicles	234,084	5,051	-	239,135
Gas lines and meters	949,406	44,870	-	994,276
Reservoirs and standpipes	345,661	-	-	345,661
	<u>8,188,378</u>	<u>570,701</u>	<u>-</u>	<u>8,759,079</u>
Total depreciable assets, net	<u>17,744,275</u>	<u>(301,094)</u>	<u>-</u>	<u>17,443,181</u>
Total capital assets, net	<u>\$ 17,914,122</u>	<u>\$ (301,094)</u>	<u>\$ -</u>	<u>\$ 17,613,028</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%	\$ 750,419
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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%	<u>1,550,000</u>
	<u>\$ 2,300,419</u>
Landfill post-closure estimate	
Original estimate of \$36,810 amortized over thirty (30) years or \$1,227 per year	<u>18,405</u>
Liability for compensated absences as discussed in Note 1	<u>14,369</u>

Maturities of general long-term liabilities are as follows:

For the Year Ending June 30,	Notes	Landfill Post-Closure	Compensated Absences	Total
2018	\$ 1,588,000	\$ 1,227	\$ 14,369	\$ 1,603,596
2019	40,000	1,227	-	41,227
2020	42,000	1,227	-	43,227
2021	44,000	1,227	-	45,227
2022	47,000	1,227	-	48,227
2023-2027	271,000	6,135	-	277,135
2028-2032	<u>268,419</u>	<u>6,135</u>	<u>-</u>	<u>274,554</u>
	<u>\$ 2,300,419</u>	<u>\$ 18,405</u>	<u>\$ 14,369</u>	<u>\$ 2,333,193</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, 2017, consisted of the following:

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	\$ 1,588,117
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	15,700
Note of \$483,000 to USDA Rural Development, Series 2006, payable in monthly installments of \$2,179, including interest at 4.375% through 2046	424,587

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued)

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

932,621
\$ 2,961,025

Liability for compensated absences as discussed in Note 1

\$ 11,400

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

For the Year Ending June 30,	Notes	Compensated Absences	Total
2018	\$ 67,059	\$ 11,400	\$ 78,459
2019	53,168	-	53,168
2020	55,043	-	55,043
2021	56,989	-	56,989
2022	59,007	-	59,007
2023-2027	328,054	-	328,054
2028-2032	391,180	-	391,180
2033-2037	467,219	-	467,219
2038-2042	558,954	-	558,954
2043-2047	625,923	-	625,923
2048-2052	<u>298,429</u>	<u>-</u>	<u>298,429</u>
	<u>\$ 2,961,025</u>	<u>\$ 11,400</u>	<u>\$ 2,972,425</u>

Natural Gas Fund

Revenue bonds:

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

\$ 475,000

Liability for compensated absences as discussed in Note 1

\$ 3,144

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

For the Year Ending June 30,	Notes	Compensated Absences	Total
2018	\$ 70,000	\$ 3,144	\$ 73,144
2019	75,000	-	75,000
2020	75,000	-	75,000
2021	80,000	-	80,000
2022	85,000	-	85,000
2023	<u>90,000</u>	<u>-</u>	<u>90,000</u>
	<u>\$ 475,000</u>	<u>\$ 3,144</u>	<u>\$ 478,144</u>

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

During the year ended June 30, 2017, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Retirements	Ending Balance	Amount Due Within One Year
Governmental Activities					
Notes payable	\$ 969,542	\$ 1,367,877	\$ 37,000	\$ 2,300,419	\$ 1,588,000
Capital lease obligations	20,010	-	20,010	-	-
Landfill post-closure	19,632	-	1,227	18,405	1,227
Compensated absences	<u>10,712</u>	<u>14,369</u>	<u>10,712</u>	<u>14,369</u>	<u>14,369</u>
	<u>\$ 1,019,896</u>	<u>\$ 1,382,246</u>	<u>\$ 68,949</u>	<u>\$ 2,333,193</u>	<u>\$ 1,603,596</u>
Business-type Activities					
Water and Sewer Fund:					
Notes payable	\$ 3,065,836	\$ -	\$ 104,811	\$ 2,961,025	\$ 67,059
Compensated absences	<u>5,640</u>	<u>11,400</u>	<u>5,640</u>	<u>11,400</u>	<u>11,400</u>
	<u>3,071,476</u>	<u>11,400</u>	<u>110,451</u>	<u>2,972,425</u>	<u>78,459</u>
Natural Gas Fund:					
Bonds payable	540,000	-	65,000	475,000	70,000
Compensated absences	<u>2,651</u>	<u>3,144</u>	<u>2,651</u>	<u>3,144</u>	<u>3,144</u>
	<u>542,651</u>	<u>3,144</u>	<u>67,651</u>	<u>478,144</u>	<u>73,144</u>
	<u>\$ 3,614,127</u>	<u>\$ 14,544</u>	<u>\$ 178,102</u>	<u>\$ 3,450,569</u>	<u>\$ 151,603</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.

(Continued)

NOTE 9 – LANDFILL POST-CLOSURE COSTS (Continued)

- 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 \$167,318. 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 \$18,405. 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; \$5,322 is restricted for drug prevention purposes; and \$91,272 is restricted for the City's future pension needs. Governmental activities restricted net position totaled \$96,800 at June 30, 2017.

Business-type Activities

Restricted net position represents \$176,867 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 publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

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, 2016, 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	11
Active employees	<u>25</u>
	<u>43</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, 2017, employer contributions for Pikeville were \$40,138 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, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 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.

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

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%	<u>1%</u>
		100%

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the 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.

Changes in the Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Pension (b)</u>	<u>Net Position Liability (Asset) (a) – (b)</u>
Balance at 6/30/15	\$ 2,027,556	\$ 2,265,483	\$ (237,927)
Changes for the year:			
Service cost	44,050	-	44,050
Interest	151,894	-	151,894
Differences between expected and actual experience	(106,106)	-	(106,106)
Contributions – employer	-	35,247	(35,247)
Contributions – employees	-	39,251	(39,251)
Net investment income	-	59,830	(59,830)
Benefit payments, including refunds of employee contributions	(92,695)	(92,695)	-
Administrative expense	-	(1,812)	1,812
Net changes	<u>(2,857)</u>	<u>39,821</u>	<u>(42,678)</u>
Balance at 6/30/16	<u>\$ 2,024,699</u>	<u>\$ 2,305,304</u>	<u>\$ (280,605)</u>

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

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>\$ (38,425)</u>	<u>\$ (280,605)</u>	<u>\$ (482,885)</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, 2017, the City recognized pension income of \$35,623.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,121	\$ (160,449)
Net difference between projected and actual earnings on pension plan investments	147,046	(71,412)
Contributions subsequent to the measurement date of June 30, 2016	<u>40,138</u>	<u>-</u>
Total	<u>\$ 219,305</u>	<u>\$ (231,861)</u>

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:	
2018	\$ (24,967)
2019	(24,967)
2020	10,740
2021	4,182
Thereafter	<u>(17,682)</u>
	<u>\$ (52,694)</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, 2017, the City reported a payable of \$9,272 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

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, 2017, 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 \$19,125 from this business in the normal course of operations.

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

	<u>2016</u>	<u>2017</u>
Total Pension Liability (Asset)		
Service cost	\$ 50,122	\$ 44,050
Interest	143,616	151,894
Changes in benefit terms	-	-
Differences between actual and expected experience	53,535	(106,106)
Change in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(168,960)</u>	<u>(92,695)</u>
Net change in total pension liability	78,313	(2,857)
Total pension liability - beginning	<u>1,949,243</u>	<u>2,027,556</u>
Total pension liability - ending (a)	<u>\$ 2,027,556</u>	<u>\$ 2,024,699</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 32,871	\$ 35,247
Contributions - employee	36,605	39,251
Net investment income	69,191	59,830
Benefit payments, including refunds of employee contributions	(168,960)	(92,695)
Administrative expense	<u>(1,056)</u>	<u>(1,812)</u>
Net change in plan fiduciary net position	(31,349)	39,821
Plan fiduciary net position - beginning	<u>2,296,832</u>	<u>2,265,483</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,265,483</u>	<u>\$ 2,305,304</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ (237,927)</u>	<u>\$ (280,605)</u>
Plan fiduciary net position as a percentage of total pension liability	111.73%	113.86%
Covered - employee payroll	\$ 732,089	\$ 785,025
Net pension liability (asset) as a percentage of covered-employee payroll	32.50%	35.74%

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

	2015	2016	2017
Actuarially determined contribution	\$ 32,871	\$ 35,247	\$ 40,138
Contributions in relation to the actuarially determined contribution	32,871	35,247	40,138
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 732,089	\$ 785,025	\$ 893,942
Contributions as a percentage covered-employee payroll	4.49%	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, 2017

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2016 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, 2017

	<u>Industrial Development Board</u>	<u>Drug Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 5,322	\$ 5,322
Accounts receivable, net	206	-	206
Total assets	<u>206</u>	<u>5,322</u>	<u>5,528</u>
FUND BALANCES			
Restricted	206	5,322	5,528
Total fund balances	<u>\$ 206</u>	<u>\$ 5,322</u>	<u>\$ 5,528</u>

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

	Industrial Development Board	Drug Fund	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	\$ -	\$ 2,016	\$ 2,016
Total revenues	<u>-</u>	<u>2,016</u>	<u>2,016</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>2,016</u>	<u>2,016</u>
FUND BALANCES			
Beginning	<u>206</u>	<u>3,306</u>	<u>3,512</u>
Ending	<u>\$ 206</u>	<u>\$ 5,322</u>	<u>\$ 5,528</u>

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES -				
Property taxes	\$ 285,500	\$ 292,249	\$ 291,080	\$ (1,169)
Local sales taxes	190,000	190,000	200,135	10,135
Business taxes	10,300	17,914	27,384	9,470
Local beer taxes	110,000	110,000	91,238	(18,762)
Wholesale liquor tax	30,100	30,100	37,667	7,567
Franchise taxes	<u>7,500</u>	<u>7,500</u>	<u>7,616</u>	<u>116</u>
Total taxes	<u>633,400</u>	<u>647,763</u>	<u>655,120</u>	<u>7,357</u>
LICENSES AND PERMITS -				
Privilege licenses	<u>1,350</u>	<u>1,350</u>	<u>1,150</u>	<u>(200)</u>
Total licenses and permits	<u>1,350</u>	<u>1,350</u>	<u>1,150</u>	<u>(200)</u>
INTERGOVERNMENTAL -				
State sales tax	115,000	115,000	133,449	18,449
State beer tax	800	800	776	(24)
State income and excise tax	19,000	19,000	16,296	(2,704)
City streets and transportation	43,500	43,500	47,900	4,400
TVA in lieu of tax	18,000	18,000	18,143	143
State and other grants	<u>301,800</u>	<u>301,800</u>	<u>245,652</u>	<u>(56,148)</u>
Total intergovernmental	<u>498,100</u>	<u>498,100</u>	<u>462,216</u>	<u>(35,884)</u>
CHARGES FOR SERVICES -				
Sanitation fees	121,050	121,000	130,694	9,694
Other	<u>42,150</u>	<u>42,200</u>	<u>27,694</u>	<u>(14,506)</u>
Total charges for services	<u>163,200</u>	<u>163,200</u>	<u>158,388</u>	<u>(4,812)</u>
FINES AND FORFEITS -				
City court fines and fees	<u>15,000</u>	<u>16,337</u>	<u>19,487</u>	<u>3,150</u>
Total fines and forfeits	<u>15,000</u>	<u>16,337</u>	<u>19,487</u>	<u>3,150</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Insurance recoveries	\$ -	\$ 608	\$ 11,308	\$ 10,700
Interest	345	345	191	(154)
Rent	7,200	7,375	7,275	(100)
Contributions	8,000	8,000	7,904	(96)
Refunds	5,000	5,000	5,101	101
Other	2,050	2,958	10,908	7,950
Total miscellaneous	22,595	24,286	42,687	18,401
 Total revenues	 1,333,645	 1,351,036	 1,339,048	 (11,988)
GENERAL GOVERNMENT				
Legislative -				
Salaries	7,200	7,200	7,200	-
Payroll taxes	550	379	251	128
Insurance	2,500	3,672	3,672	-
	10,250	11,251	11,123	128
Judicial -				
Salaries	4,800	4,800	4,800	-
Payroll taxes	375	367	367	-
Insurance	10,500	11,381	11,381	-
	15,675	16,548	16,548	-
Mayor -				
Salaries	13,000	13,500	13,500	-
Payroll taxes	995	969	969	-
Insurance	22,000	27,533	27,533	-
	35,995	42,002	42,002	-
Central Staff Agencies -				
Salaries	72,500	78,795	71,561	7,234
Payroll taxes	5,550	5,860	5,860	-
Insurance	25,000	22,851	22,851	-
Pension	3,255	3,385	3,385	-
Training	150	225	225	-
Data processing	5,500	5,500	5,500	-
Contract services	3,000	5,790	5,829	(39)
Professional services	10,000	8,550	8,550	-
Subscriptions	2,000	833	833	-
Telephone	5,000	5,921	5,921	-
Operating supplies	6,300	3,998	3,998	-
Repair and maintenance	775	1,132	1,132	-

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Central Staff Agencies - (Continued)				
Travel	\$ 1,000	\$ 454	\$ 454	\$ -
Other equipment	20,000	4,164	4,164	-
	<u>160,030</u>	<u>147,458</u>	<u>140,263</u>	<u>7,195</u>
City Hall Buildings -				
Utilities	27,900	9,436	9,436	-
Contract services	5,000	8,942	8,942	-
Operating supplies	8,500	8,278	8,128	150
Repair and maintenance	500	60	60	-
Buildings	-	25,050	25,050	-
Equipment	-	8,485	8,485	-
Other	16,550	19,028	19,028	-
	<u>58,450</u>	<u>79,279</u>	<u>79,129</u>	<u>150</u>
Special Projects -				
Contract services	1,814,400	1,662,616	1,487,749	174,867
Operating supplies	-	102,734	102,734	-
	<u>1,814,400</u>	<u>1,765,350</u>	<u>1,590,483</u>	<u>174,867</u>
General Government -				
Other insurance	35,000	18,068	18,068	-
Unemployment insurance	2,610	699	560	139
Professional services	20,000	11,548	11,548	-
Subscriptions and dues	500	415	415	-
Operating supplies	500	827	827	-
	<u>58,610</u>	<u>31,557</u>	<u>31,418</u>	<u>139</u>
TOTAL GENERAL GOVERNMENT	<u>2,153,410</u>	<u>2,093,445</u>	<u>1,910,966</u>	<u>182,479</u>
DEPARTMENT OF PUBLIC SAFETY				
Police -				
Salaries	95,185	123,709	123,709	-
Payroll taxes	7,285	9,313	9,313	-
Insurance	60,000	58,143	58,143	-
Pension	4,275	3,860	3,860	-
Employee training	1,000	941	941	-
Subscriptions and dues	1,000	754	754	-
Telephone	6,600	6,831	6,831	-
Utilities	2,500	2,592	2,592	-
Travel	1,000	715	715	-

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Police - (Continued)				
Operating supplies	\$ 9,500	\$ 16,680	\$ 16,080	\$ 600
Contract services	20,310	21,400	2,090	19,310
Equipment	5,000	7,138	5,083	2,055
Repair and maintenance	2,500	4,838	4,458	380
	216,155	256,914	234,569	22,345
 Fire -				
Employee training	4,250	4,839	3,973	866
Insurance	35,000	31,838	31,838	-
Subscriptions and dues	1,000	825	250	575
Telephone	2,000	1,956	1,956	-
Utilities	7,400	6,739	6,739	-
Travel	2,300	805	805	-
Operating supplies	8,000	6,709	6,692	17
Contract services	3,800	3,800	3,586	214
Repair and maintenance	7,000	3,171	1,710	1,461
Equipment	8,000	8,000	4,080	3,920
Land rental	500	500	500	-
	79,250	69,182	62,129	7,053
 Support Services -				
Employee training	1,000	149	-	149
Equipment	2,000	2,000	1,222	778
Operating supplies	4,000	4,851	4,351	500
	7,000	7,000	5,573	1,427
TOTAL DEPARTMENT OF PUBLIC SAFETY	302,405	333,096	302,271	30,825
 DEPARTMENT OF PUBLIC WORKS				
Highways and Streets -				
Insurance	37,000	36,442	36,442	-
Contract services	8,000	10,572	10,572	-
Telephone	3,400	3,400	3,400	-
Operating supplies	13,700	12,487	12,425	62
Equipment	10,000	4,910	4,910	-
Street projects	20,000	7,378	7,378	-
Repair and maintenance	3,000	820	820	-
	95,100	76,009	75,947	62

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Sanitation -				
Contract services	\$ 121,095	\$ 121,095	\$ 101,260	\$ 19,835
	<u>121,095</u>	<u>121,095</u>	<u>101,260</u>	<u>19,835</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>216,195</u>	<u>197,104</u>	<u>177,207</u>	<u>19,897</u>
DEPARTMENT OF STATE STREET AID				
State Street Aid -				
Salaries	82,050	99,071	99,071	-
Payroll taxes	6,275	7,623	7,623	-
Pension	3,685	4,028	4,028	-
Utilities	25,000	28,281	28,281	-
	<u>117,010</u>	<u>139,003</u>	<u>139,003</u>	<u>-</u>
TOTAL DEPARTMENT OF STATE STREET AID	<u>117,010</u>	<u>139,003</u>	<u>139,003</u>	<u>-</u>
DEPARTMENT OF PUBLIC WELFARE				
Parks and Recreation -				
Utilities	15,925	15,325	15,325	-
Insurance	5,500	4,310	4,310	-
Operating supplies	6,700	34,686	34,652	34
Contract services	3,500	2,701	2,701	-
Repair and maintenance	1,000	-	-	-
	<u>32,625</u>	<u>57,022</u>	<u>56,988</u>	<u>34</u>
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>32,625</u>	<u>57,022</u>	<u>56,988</u>	<u>34</u>
DEBT SERVICE				
Principal	46,000	48,185	57,010	(8,825)
Interest	16,000	33,181	45,721	(12,540)
	<u>62,000</u>	<u>81,366</u>	<u>102,731</u>	<u>(21,365)</u>
TOTAL DEBT SERVICE	<u>62,000</u>	<u>81,366</u>	<u>102,731</u>	<u>(21,365)</u>
TOTAL EXPENDITURES	<u>2,883,645</u>	<u>2,901,036</u>	<u>2,689,166</u>	<u>211,870</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(1,550,000)	(1,550,000)	(1,350,118)	199,882
OTHER FINANCING SOURCES (USES)				
Notes payable issued	\$ 1,550,000	\$ 1,550,000	\$ 1,367,877	\$ 182,123
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USE	\$ -	\$ -	17,759	\$ 17,759
FUND BALANCES				
Beginning			157,825	
Ending			\$ 175,584	

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE	\$ -	\$ -	\$ -	\$ -
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCES				
Beginning			206	
Ending			\$ 206	

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
FINES AND FORFEITS -				
City court fines and fees	\$ 500	\$ 500	\$ 2,016	\$ 1,516
Total revenues	<u>500</u>	<u>500</u>	<u>2,016</u>	<u>1,516</u>
DEPARTMENT OF PUBLIC SAFETY				
Drug enforcement	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL EXPENDITURES	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	2,016	<u>\$ 2,016</u>
FUND BALANCES				
Beginning			<u>3,306</u>	
Ending			<u>\$ 5,322</u>	

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2017

<u>Year</u>	<u>Tax Rate Per \$100</u>	<u>Assessment</u>	<u>Levy</u>
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
2017	0.8412	29,986,595	252,200

Uncollected Delinquent Accounts: The City of Pikeville has filed delinquent taxes with the Bledsoe County Trustee for collection at June 30, 2017.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2017

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2016</u>	<u>Property Tax Levied</u>	<u>Anticipated Property Tax Levy</u>	<u>Abatements and Adjustments</u>	<u>Tax Collections</u>	<u>Property Tax Receivable Balance June 30, 2017</u>
2017	\$ -	\$ -	\$ 252,200	\$ -	\$ -	\$ 252,200
2016	-	253,400	-	(1,150)	(224,450)	27,800
2015	25,408	-	-	-	(14,249)	11,159
2014	19,298	-	-	-	(5,575)	13,723
2013	12,416	-	-	-	(5,687)	6,729
2012	38	-	-	-	-	38
2011	-	-	-	-	-	-
2010	39	-	-	-	-	39
2009	136	-	-	-	-	136
2008	883	-	-	-	-	883
2007	273	-	-	-	-	273
2006	-	-	-	-	-	-
2005	838	-	-	-	-	838
2004	114	-	-	-	-	114
2003	489	-	-	-	-	489
	<u>\$ 59,932</u>	<u>\$ 253,400</u>	<u>\$ 252,200</u>	<u>\$ (1,150)</u>	<u>\$ (249,961)</u>	<u>\$ 314,421</u>

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Year Ending June 30,	Tennessee Municipal League Bond Fund Series 2006		Bond Anticipation Note		Landfill Post-Closure Estimate	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2018	\$ 38,000	\$ 3,379	\$ 1,550,000	\$ 48,438	\$ 1,227	\$ 1,589,227	\$ 51,817
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>\$ 750,419</u>	<u>\$ 28,030</u>	<u>\$ 1,550,000</u>	<u>\$ 48,438</u>	<u>\$ 18,405</u>	<u>\$ 2,318,824</u>	<u>\$ 76,468</u>

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
WATER AND SEWER PROPRIETARY FUND
JUNE 30, 2017

Year Ending June 30,	Tennessee Municipal League Bond Fund Series 2014		USDA Series 2011		USDA Series 2006	
	Principal	Interest	Principal	Interest	Principal	Interest
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	9,773	9,838
2047	-	-	63,949	13,999	-	19,611
2048	-	-	65,730	11,668	-	-
2049	-	-	67,561	9,255	-	-
2050	-	-	69,442	6,756	-	-
2051	-	-	60,477	4,167	-	-
2052	-	-	-	1,486	-	-
Total	\$ 15,700	\$ 482	\$ 1,588,117	\$ 1,179,848	\$ 424,587	\$ 346,779

USDA Series 2008		Total	
Principal	Interest	Principal	Interest
\$ 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	122,263	31,123
52,515	2,793	116,464	36,403
35,208	1,295	100,938	12,963
-	-	67,561	9,255
-	-	69,442	6,756
-	-	60,477	4,167
-	-	-	1,486
<u>\$ 932,621</u>	<u>\$ 763,122</u>	<u>\$ 2,961,025</u>	<u>\$ 2,290,231</u>

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
NATURAL GAS PROPRIETARY FUND
JUNE 30, 2017

Year Ending June 30,	Revenue Bond Series 2002	
	Principal	Interest
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	\$ 475,000	\$ 72,516

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF MUNICIPAL UTILITY RATES AND NUMBERS OF CUSTOMERS

JUNE 30, 2017

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	\$4.79/month	\$6.07/month	\$8.61/month
12,000 Gallons and over	\$4.48/month	\$5.76/month	\$5.74/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	1675
Sewer	673
Garbage	676
Natural Gas	964



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 (TN000551)
Reporting Year: 2017 7/2016 - 6/2017

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:	+ ? 9	238.105	MG/Yr
Water imported:	+ ? 9	43.294	MG/Yr
Water exported:	+ ? n/a	0.000	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	Value:	MG/Yr
+ ?		
+ ?		
+ ?		

WATER SUPPLIED: 281.399 MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 6	184.663	MG/Yr
Billed unmetered:	+ ? 9	0.005	MG/Yr
Unbilled metered:	+ ? n/a	0.000	MG/Yr
Unbilled unmetered:	+ ? 7	0.275	MG/Yr

AUTHORIZED CONSUMPTION: 184.943 MG/Yr

Click here: ?
for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: MG/Yr

MG/Yr
 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

96.456 MG/Yr

Apparent Losses

Unauthorized consumption: 0.703 MG/Yr

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

Customer metering inaccuracies:	+ ? 7	19.385	MG/Yr
Systematic data handling errors:	+ ? 7	0.100	MG/Yr

Apparent Losses: 20.188 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 76.268 MG/Yr

WATER LOSSES: 96.456 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 96.731 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 7	75.3	miles
Number of active AND inactive service connections:	+ ? 7	1,744	
Service connection density:	+ ?	23	conn./mile main

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

Average length of customer service line: 0 (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: 105.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 9	\$2,640,840	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 8	\$14.30	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 9	\$1,968.41	\$/Million gallo. <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Billed metered
- 2: Volume from own sources
- 3: Unauthorized consumption



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: City of Pikeville (TN0000551)
 Reporting Year: 2017 7/2016 - 6/2017

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 ***

System Attributes:

	Apparent Losses:	20.188	MG/Yr
+	Real Losses:	76.268	MG/Yr
=	Water Losses:	96.456	MG/Yr

? Unavoidable Annual Real Losses (UARL): 25.64 MG/Yr

Annual cost of Apparent Losses: \$288,689

Annual cost of Real Losses: \$150,126

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:	34.4%	
		Non-revenue water as percent by cost of operating system:	16.6%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	31.71	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	2,774.93	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 76.27 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.97

* 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, 2017

<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	\$ -	\$ 26,298	\$ 26,298	\$ -
Total U. S. Department of Agriculture			<u>-</u>	<u>26,298</u>	<u>26,298</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>-</u>	<u>26,298</u>	<u>26,298</u>	<u>-</u>
STATE AWARDS						
Tennessee Department of Agriculture Fire Assistance Grant	N/A	60768	-	2,953	2,953	-
Tennessee Department of Safety and Homeland Security Grant	N/A	154AL-17-190	-	5,000	5,000	-
USDA Rural Business Development Grant	N/A	N/A	-	45,800	45,800	-
Property Conservation Grant	N/A	N/A	-	2,500	2,500	-
Safety Partners Grant	N/A	N/A	-	1,500	1,500	-
Tennessee Department of Environment and Conservation	N/A	98669	<u>-</u>	<u>187,949</u>	<u>187,949</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>-</u>	<u>245,702</u>	<u>245,702</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 272,000</u>	<u>\$ 272,000</u>	<u>\$ -</u>

CITY OF PIKEVILLE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE

YEAR ENDED JUNE 30, 2017

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, 2017, 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, 2017.

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, 2017

Henderson Hutcherson
is McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2017

None noted