

CITY OF PIKEVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF PIKEVILLE, TENNESSEE

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CITY OF PIKEVILLE, TENNESSEE

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CITY OF PIKEVILLE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2018

Mayor

Philip Cagle

Alderman

Senia Anderson

Alderman

Reed Sells

Alderman

Jane Humble

Alderman

Dale Wheeler

City Recorder

Debra Barnett

City Attorney

Edward Boring

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

Mayor and Alderman
City of Pikeville, Tennessee
Pikeville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pikeville, Tennessee, as of and for the year ended June 30, 2018, 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, 2018, 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 December 3, 2018, 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
December 3, 2018

Henderson Hutcherson
is McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018. 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, 2018 by \$17,353,341 (net position). The City's governmental funds reported an increase in combined fund balance of \$8,657. Total government activities under GASB 34 operated at an increase of \$81,788. 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 \$17,353,341 at the close of this fiscal year.

City of Pikeville, Tennessee’s Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 672,427	\$ 583,657	\$ 1,765,308	\$ 1,547,480	\$ 2,437,735	\$ 2,131,137
Capital assets	<u>3,821,919</u>	<u>3,561,411</u>	<u>17,462,531</u>	<u>17,613,028</u>	<u>21,284,450</u>	<u>21,174,439</u>
Total assets	<u>4,494,346</u>	<u>4,145,068</u>	<u>19,227,839</u>	<u>19,160,508</u>	<u>23,722,185</u>	<u>23,305,576</u>
Deferred outflows	<u>49,751</u>	<u>51,068</u>	<u>93,448</u>	<u>96,915</u>	<u>143,199</u>	<u>147,983</u>
Non-current liabilities	2,455,581	2,279,597	3,161,912	3,299,467	5,617,493	5,579,064
Other liabilities	<u>117,410</u>	<u>83,896</u>	<u>258,410</u>	<u>229,504</u>	<u>375,820</u>	<u>313,400</u>
Total liabilities	<u>2,572,991</u>	<u>2,363,493</u>	<u>3,420,322</u>	<u>3,528,971</u>	<u>5,993,313</u>	<u>5,892,464</u>
Deferred inflows	<u>378,607</u>	<u>321,932</u>	<u>140,123</u>	<u>90,717</u>	<u>518,730</u>	<u>412,649</u>
Net position						
Net investment in capital assets	1,292,799	1,242,587	14,163,560	14,177,003	15,456,359	15,419,590
Restricted	119,998	96,800	237,205	176,867	357,203	273,667
Unrestricted	<u>179,702</u>	<u>171,324</u>	<u>1,360,077</u>	<u>1,283,865</u>	<u>1,539,779</u>	<u>1,455,189</u>
Total net position	<u>\$ 1,592,499</u>	<u>\$ 1,510,711</u>	<u>\$ 15,760,842</u>	<u>\$ 15,637,735</u>	<u>\$ 17,353,341</u>	<u>\$ 17,148,466</u>

Eighty-nine percent (89%) 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 \$357,203 primarily related to net position restricted for the City’s future pension needs. The remaining \$1,539,779 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 \$81,788, while business-type activities increased the City’s net position by \$123,107. 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 149,615	\$ 156,520	\$ 2,483,318	\$ 2,241,845	\$ 2,632,933	\$ 2,398,365
Operating grants and contributions	70,051	244,452	-	-	70,051	244,452
Capital grants and contributions	-	-	379,073	195,245	379,073	195,245
General revenues:						
Property taxes	248,224	243,185	-	-	248,224	243,185
Other taxes	567,166	621,556	-	-	567,166	621,556
Pension income	14,214	10,005	37,421	25,618	51,635	35,623
Other income	186,799	67,208	3,414	12,369	190,213	79,577
Total revenues	<u>1,236,069</u>	<u>1,342,926</u>	<u>2,903,226</u>	<u>2,475,077</u>	<u>4,139,295</u>	<u>3,818,003</u>
Expenses:						
General government	353,303	430,974	-	-	353,303	430,974
Public safety	372,859	337,287	-	-	372,859	337,287
Public works	209,037	203,969	-	-	209,037	203,969
Public welfare	52,929	56,988	-	-	52,929	56,988
State street aid	166,746	152,800	-	-	166,746	152,800
Interest	69,407	44,494	-	-	69,407	44,494
Water and sewer	-	-	1,945,537	2,298,093	1,945,537	2,298,093
Natural gas	-	-	764,582	652,057	764,582	652,057
Total expenses	<u>1,224,281</u>	<u>1,226,512</u>	<u>2,710,119</u>	<u>2,950,150</u>	<u>3,934,400</u>	<u>4,176,662</u>
Transfers	70,000	-	(70,000)	-	-	-
Change in net position	<u>81,788</u>	<u>116,414</u>	<u>123,107</u>	<u>(475,073)</u>	<u>204,895</u>	<u>(358,659)</u>
Net position – beginning	<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>
Net position – ending	<u>\$ 1,592,499</u>	<u>\$ 1,510,711</u>	<u>\$ 15,760,842</u>	<u>\$ 15,637,735</u>	<u>\$ 17,353,341</u>	<u>\$ 17,148,446</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 \$189,769 an increase of \$8,657 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 \$183,962. 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 12% of total general fund expenditures without transfers.

The fund balance of the City's general fund increased by \$8,378 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 \$380,556 for the Water and Sewer Fund and \$979,521 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 \$438,998.

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, 2018, amounted to \$3,821,919 (net of accumulated depreciation). Capital assets for its business-type activities as of June 30, 2018, amounted to \$17,462,531 (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:

- Municipal building for \$1,839,386
- Fire hall for \$201,746
- Machinery and equipment for \$28,683
- Water and sewer equipment for \$6,885
- Water and sewer vehicles for \$11,300
- Natural gas operating equipment for \$7,695

(Continued)

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

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

	2018	2017
Governmental Activities:		
Land	\$ 220,761	\$ 220,761
Construction in progress	-	1,651,745
Buildings and parks	2,633,235	644,293
Machinery and equipment	43,206	43,561
Vehicles	17,098	19,397
Infrastructure	821,207	892,808
Landfill	86,412	88,846
Total	<u>\$ 3,821,919</u>	<u>\$ 3,561,411</u>
	2018	2017
Business-type Activities:		
Land	\$ 169,847	\$ 169,847
Construction in progress	381,239	-
North Bledsoe system	1,952,675	2,027,847
Water treatment and distribution	12,079,668	12,390,234
Sewer collection and treatment	1,858,769	1,927,729
Buildings	80,997	85,789
Machinery and equipment	92,959	123,403
Vehicles	23,267	20,195
Gas lines and meters	823,110	867,984
Total	<u>\$ 17,462,531</u>	<u>\$ 17,613,028</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 \$5,857,004. Of that amount \$239,511 is due in the next fiscal year.

	2018	2017
Governmental Activities:		
Notes payable	\$ 2,511,942	\$ 2,300,419
Capital lease obligations	-	-
Landfill post-closure	17,178	18,405
Compensated absences	14,369	14,369
	<u>\$ 2,543,489</u>	<u>\$ 2,333,193</u>
Business-type Activities:		
Water and Sewer Fund –		
Notes payable	\$ 2,893,971	\$ 2,961,025
Compensated absences	11,400	11,400
	<u>2,905,371</u>	<u>2,972,425</u>
Natural Gas Fund –		
Bonds payable	405,000	475,000
Compensated absences	3,144	3,144
	<u>408,144</u>	<u>478,144</u>
Total	<u>\$ 3,313,515</u>	<u>\$ 3,450,569</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.

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, 2018

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 147,254	\$ 1,275,861	\$ 1,423,115
Property taxes receivable, net	300,217	-	300,217
Accounts receivable, net	79,147	155,686	234,833
Internal balances	(7,140)	7,140	-
Inventories	-	42,728	42,728
Other assets	10	13	23
Net pension asset	152,939	283,880	436,819
Capital assets -			
Land and other nondepreciable assets	220,761	551,086	771,847
Capital assets, net of accumulated depreciation	3,601,158	16,911,445	20,512,603
Total assets	4,494,346	19,227,839	23,722,185
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	49,751	93,448	143,199
Total deferred outflows of resources	49,751	93,448	143,199
LIABILITIES			
Accounts payable	25,487	64,741	90,228
Accrued liabilities	4,015	13,177	17,192
Customer deposits	-	28,889	28,889
Compensated absences	14,369	14,544	28,913
Long-term liabilities, due within one year	73,539	128,167	201,706
Long-term liabilities, due in more than one year	2,455,581	3,170,804	5,626,385
Total liabilities	2,572,991	3,420,322	5,993,313
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	88,499	140,123	228,622
Unavailable revenue - property taxes	290,108	-	290,108
Total deferred inflows of resources	378,607	140,123	518,730
NET POSITION			
Net investment in capital assets	1,292,799	14,163,560	15,456,359
Restricted	119,998	237,205	357,203
Unrestricted	179,702	1,360,077	1,539,779
Total net position	\$ 1,592,499	\$ 15,760,842	\$ 17,353,341

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental activities -				
General government	\$ 353,303	\$ 950	\$ 70,051	\$ -
Public safety	372,859	17,083	-	-
Public works	209,037	131,582	-	-
Public welfare	52,929	-	-	-
State street aid	166,746	-	-	-
Interest	<u>69,407</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,224,281</u>	<u>149,615</u>	<u>70,051</u>	<u>-</u>
Business-type activities -				
Water and sewer	1,945,537	1,650,121	-	379,073
Natural gas	<u>764,582</u>	<u>833,197</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,710,119</u>	<u>2,483,318</u>	<u>-</u>	<u>379,073</u>
Total primary government	<u>\$ 3,934,400</u>	<u>\$ 2,632,933</u>	<u>\$ 70,051</u>	<u>\$ 379,073</u>

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

TRANSFERS

Total general revenues and transfers

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>
\$ (282,302)	\$ -	\$ (282,302)
(355,776)	-	(355,776)
(77,455)	-	(77,455)
(52,929)	-	(52,929)
(166,746)	-	(166,746)
(69,407)	-	(69,407)
<u>(1,004,615)</u>	<u>-</u>	<u>(1,004,615)</u>
-	83,657	83,657
-	<u>68,615</u>	<u>68,615</u>
-	<u>152,272</u>	<u>152,272</u>
(1,004,615)	152,272	(852,343)
248,224	-	248,224
292,532	-	292,532
95,830	-	95,830
12,400	-	12,400
21,039	-	21,039
57,533	-	57,533
87,832	-	87,832
248	1,518	1,766
14,214	37,421	51,635
186,551	1,896	188,447
<u>70,000</u>	<u>(70,000)</u>	<u>-</u>
<u>1,086,403</u>	<u>(29,165)</u>	<u>1,057,238</u>
81,788	123,107	204,895
<u>1,510,711</u>	<u>15,637,735</u>	<u>17,148,446</u>
<u>\$ 1,592,499</u>	<u>\$ 15,760,842</u>	<u>\$ 17,353,341</u>

CITY OF PIKEVILLE, TENNESSEE

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 141,653	\$ 5,601	\$ 147,254
Property taxes receivable, net	300,217	-	300,217
Accounts receivable, net	78,941	206	79,147
Other assets	10	-	10
Total assets	520,821	5,807	526,628
LIABILITIES			
Accounts payable	25,487	-	25,487
Accrued payroll liabilities	4,015	-	4,015
Due to other fund	7,140	-	7,140
Total liabilities	36,642	-	36,642
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	300,217	-	300,217
Total deferred inflows of resources	300,217	-	300,217
FUND BALANCES			
Restricted	-	5,807	5,807
Unassigned	183,962	-	183,962
Total fund balances	183,962	5,807	189,769
Total liabilities, deferred inflows of resources, and fund balances	\$ 520,821	\$ 5,807	\$ 526,628

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, 2018

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

Fund balances – total governmental funds	\$ 189,769
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.	3,821,919
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	152,939
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	(38,748)
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	(2,511,942)
Compensated absences	(14,369)
Landfill post-closure costs	<u>(17,178)</u>
Net position of governmental activities	<u>\$ 1,592,499</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, 2018

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 580,483	\$ -	\$ 580,483
Licenses and permits	950	-	950
Intergovernmental	304,958	-	304,958
Charges for services	161,870	-	161,870
Fines and forfeitures	14,273	279	14,552
Other revenue	<u>159,042</u>	<u>-</u>	<u>159,042</u>
Total revenues	<u>1,221,576</u>	<u>279</u>	<u>1,221,855</u>
EXPENDITURES			
Current			
General government	493,822	-	493,822
Public safety	534,126	-	534,126
Public works	192,090	-	192,090
Public welfare	52,929	-	52,929
State street aid	151,120	-	151,120
Debt service -			
Principal	59,625	-	59,625
Interest and other charges	<u>70,634</u>	<u>-</u>	<u>70,634</u>
Total expenditures	<u>1,554,346</u>	<u>-</u>	<u>1,554,346</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(332,770)	279	(332,491)
OTHER FINANCING SOURCES			
Transfers	70,000	-	70,000
Notes issued	<u>271,148</u>	<u>-</u>	<u>271,148</u>
Total other financing sources	<u>341,148</u>	<u>-</u>	<u>341,148</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	8,378	279	8,657
FUND BALANCES:			
Beginning	<u>175,584</u>	<u>5,528</u>	<u>181,112</u>
Ending	<u>\$ 183,962</u>	<u>\$ 5,807</u>	<u>\$ 189,769</u>

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, 2018

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

Net change in fund balances – total governmental funds \$ 8,657

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. 426,080

Depreciation expense on governmental capital assets are included in the statement of activities. (165,572)

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	(271,148)	
Principal repayments	59,625	
Amortization	<u>1,227</u>	(210,296)

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 net pension asset and related deferrals	14,214
Deferred pension contributions	<u>8,705</u>

Change in net position of governmental activities \$ 81,788

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 643,400	\$ 643,400	\$ 580,483	\$ (62,917)
Licenses and permits	1,600	1,600	950	(650)
Intergovernmental	355,885	355,885	304,958	(50,927)
Charges for services	163,200	167,925	161,870	(6,055)
Fines and forfeitures	15,000	15,000	14,273	(727)
Miscellaneous	30,245	99,518	159,042	59,524
Total revenue	1,209,330	1,283,328	1,221,576	(61,752)
EXPENDITURES				
Current -				
General government	294,274	508,348	493,822	14,526
Public safety	424,462	595,346	534,126	61,220
Public works	192,695	200,802	192,090	8,712
Public welfare	26,525	53,007	52,929	78
State street aid	145,990	151,165	151,120	45
Debt service -				
Principal	95,369	62,914	59,625	3,289
Interest	30,015	76,746	70,634	6,112
Total expenditures	1,209,330	1,648,328	1,554,346	93,982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	(365,000)	(332,770)	32,230
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	70,000	70,000
Notes payable issued	-	365,000	271,148	(93,852)
Total other financing sources	-	365,000	341,148	(23,852)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	\$ -	\$ -	8,378	\$ 8,378
FUND BALANCES:				
Beginning			175,584	
Ending			\$ 183,962	

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2018

ASSETS	Water and Sewer <u>Fund</u>	Natural Gas <u>Fund</u>	<u>Total</u>
Current assets -			
Cash and cash equivalents	\$ 268,856	\$ 1,007,005	\$ 1,275,861
Accounts receivable, net	141,732	13,954	155,686
Due from (to) other funds	37,852	(30,712)	7,140
Inventories	14,182	28,546	42,728
Net pension asset	204,133	79,747	283,880
Other assets	-	13	13
Total current assets	<u>666,755</u>	<u>1,098,553</u>	<u>1,765,308</u>
Noncurrent assets -			
Capital assets -			
Land and other nondepreciable assets	539,948	11,138	551,086
Capital assets, net of accumulated depreciation	<u>16,012,669</u>	<u>898,776</u>	<u>16,911,445</u>
Total noncurrent assets	<u>16,552,617</u>	<u>909,914</u>	<u>17,462,531</u>
TOTAL ASSETS	<u>17,219,372</u>	<u>2,008,467</u>	<u>19,227,839</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	<u>65,335</u>	<u>28,113</u>	<u>93,448</u>
Total deferred outflows of resources	<u>65,335</u>	<u>28,113</u>	<u>93,448</u>
LIABILITIES			
Current liabilities -			
Accounts payable	51,075	13,666	64,741
Accrued liabilities	8,735	4,442	13,177
Customer deposits	10,856	18,033	28,889
Compensated absences	11,400	3,144	14,544
Long-term liabilities, due within one year	<u>53,167</u>	<u>75,000</u>	<u>128,167</u>
Total current liabilities	<u>135,233</u>	<u>114,285</u>	<u>249,518</u>
Noncurrent liabilities			
Long-term liabilities, due in more than one year	<u>2,840,804</u>	<u>330,000</u>	<u>3,170,804</u>
Total noncurrent liabilities	<u>2,840,804</u>	<u>330,000</u>	<u>3,170,804</u>
TOTAL LIABILITIES	<u>2,976,037</u>	<u>444,285</u>	<u>3,420,322</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	<u>98,413</u>	<u>41,710</u>	<u>140,123</u>
Total deferred inflows of resources	<u>98,413</u>	<u>41,710</u>	<u>140,123</u>
NET POSITION			
Net investment in capital assets	13,658,646	504,914	14,163,560
Restricted	171,055	66,150	237,205
Unrestricted	<u>380,556</u>	<u>979,521</u>	<u>1,360,077</u>
Total net position	<u>\$ 14,210,257</u>	<u>\$ 1,550,585</u>	<u>\$ 15,760,842</u>

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, 2018

	Water and Sewer Fund	Natural Gas Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,599,563	\$ 822,202	\$ 2,421,765
Customer penalties	15,833	-	15,833
Connection fees	34,725	10,975	45,700
Interest revenue	410	1,108	1,518
Total revenues	1,650,531	834,285	2,484,816
OPERATING EXPENSES			
Purchased gas	-	347,821	347,821
Transmission and distribution	866,488	132,962	999,450
Sewer collection, treatment and disposal	294,989	-	294,989
Administration	184,424	202,575	386,999
Depreciation	496,908	60,709	557,617
Total operating expenses	1,842,809	744,067	2,586,876
OPERATING INCOME (LOSS)	(192,278)	90,218	(102,060)
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	379,073	-	379,073
Net pension income	27,478	9,943	37,421
Miscellaneous revenue	1,876	40	1,916
Interest expense	(102,728)	(20,515)	(123,243)
Total nonoperating revenues (expenses)	305,699	(10,532)	295,167
Income before transfers	113,421	79,686	193,107
Transfers out	(70,000)	-	(70,000)
Changes in net position	43,421	79,686	123,107
Net position, beginning	14,166,836	1,470,899	15,637,735
Net position, ending	\$ 14,210,257	\$ 1,550,585	\$ 15,760,842

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, 2018

	Water and Sewer Fund	Natural Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,673,236	\$ 833,213	\$ 2,506,449
Receipts (payments) from other funds	(29,678)	36,223	6,545
Payments to suppliers	(767,931)	(545,153)	(1,313,084)
Payments to employees	(584,940)	(143,179)	(728,119)
Interest	410	1,108	1,518
Net cash from operating activities	291,097	182,212	473,309
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	(70,000)	-	(70,000)
Miscellaneous revenue	1,876	40	1,916
Net cash from noncapital financing activities	(68,124)	40	(68,084)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds of capital grants	379,073	-	379,073
Principal paid on long-term debt	(67,054)	(70,000)	(137,054)
Interest paid on long-term debt	(102,728)	(20,515)	(123,243)
Net pension income	27,478	9,943	37,421
Acquisition and construction of capital assets	(399,424)	(7,696)	(407,120)
Net cash from capital and related financing activities	(162,655)	(88,268)	(250,923)
Net change in cash and cash equivalents	60,318	93,984	154,302
Cash and cash equivalents, June 30, 2017	208,538	913,021	1,121,559
Cash and cash equivalents, June 30, 2018	\$ 268,856	\$ 1,007,005	\$ 1,275,861

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, 2018

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	\$ (192,278)	\$ 90,218	\$ (102,060)
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	496,908	60,709	557,617
(Increase) decrease in -			
Accounts receivable	23,146	88	23,234
Due from other funds	(29,678)	36,223	6,545
Inventories	-	19,906	19,906
Net pension asset	(83,131)	(30,080)	(113,211)
Deferred pension outflows	2,546	921	3,467
Increase (decrease) in -			
Accounts payable	37,172	(8,501)	28,671
Accrued payables	164	(347)	(183)
Customer deposits	(31)	(52)	(83)
Deferred pension inflows	<u>36,279</u>	<u>13,127</u>	<u>49,406</u>
Total adjustments	<u>483,375</u>	<u>91,994</u>	<u>575,369</u>
 Net cash from operating activities	 <u>\$ 291,097</u>	 <u>\$ 182,212</u>	 <u>\$ 473,309</u>

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

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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, 2018. 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 prepaid expenses) 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 2018 are recorded as receivables and deferred inflows of resources. The allowance recorded for uncollectible taxes totaled \$41,039 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 \$509,921. 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, 2018, consist of the following:

	General	Other Governmental	Water and Sewer	Natural Gas	Total
Funds					
Property taxes	\$ 341,256	\$ -	\$ -	\$ -	\$ 341,256
Accounts	<u>79,601</u>	<u>206</u>	<u>150,410</u>	<u>14,672</u>	<u>244,889</u>
Gross receivables	420,857	206	150,410	14,672	586,145
Less: Allowance for uncollectible	<u>(41,699)</u>	<u>-</u>	<u>(8,678)</u>	<u>(718)</u>	<u>(51,095)</u>
Net receivables	<u>\$ 379,158</u>	<u>\$ 206</u>	<u>\$ 141,732</u>	<u>\$ 13,954</u>	<u>\$ 535,050</u>

NOTE 5 – INTERFUND TRANSFERS

Transfers within the City are substantially for the purpose of 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. During the fiscal year, the water and sewer fund transferred a total of \$70,000 to the general fund.

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balance as of June 30, 2018, is as follows:

	Payable Fund			Total
	General Fund	Natural Gas Fund	Water and Sewer Fund	
Receivables Fund				
General Fund	\$ -	\$ 12,909	\$ -	\$ 12,909
Water and Sewer Fund	-	37,852	-	37,852
Natural Gas Fund	<u>20,049</u>	<u>-</u>	<u>-</u>	<u>20,049</u>
Total	<u>\$ 20,049</u>	<u>\$ 50,761</u>	<u>\$ -</u>	<u>\$ 70,810</u>

The Water and Sewer Fund Statement of Net Position reports a due from other funds balance of \$37,852. The amount is reflective of a receivable from the Natural Gas Fund of \$37,852. The net balance is \$37,852.

The Natural Gas Fund Statement of Net Position reports a due to other funds balance of \$30,712. The amount is reflective of a receivable from the General Fund of \$20,049 and a payable to the Water and Sewer Fund of \$37,852 and General Fund of \$12,909. The net balance is \$30,712.

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	\$ 220,761	\$ -	\$ -	\$ 220,761
Construction in progress	<u>1,651,745</u>	<u>-</u>	<u>1,651,745</u>	<u>-</u>
Total non-depreciable assets	<u>1,872,506</u>	<u>-</u>	<u>1,651,745</u>	<u>220,761</u>
Depreciable capital assets:				
Buildings and parks	1,046,900	2,049,142	-	3,096,042
Machinery and equipment	482,766	15,483	-	498,249
Vehicles	660,242	13,200	-	673,442
Infrastructure	1,581,971	-	-	1,581,971
Landfill	<u>121,706</u>	<u>-</u>	<u>-</u>	<u>121,706</u>
	<u>3,893,585</u>	<u>2,077,825</u>	<u>-</u>	<u>5,971,410</u>
Less accumulated depreciation:				
Buildings and parks	402,607	60,200	-	462,807
Machinery and equipment	439,205	15,838	-	455,043
Vehicles	640,845	15,499	-	656,344
Infrastructure	689,163	71,601	-	760,764
Landfill	<u>32,860</u>	<u>2,434</u>	<u>-</u>	<u>35,294</u>
	<u>2,204,680</u>	<u>165,572</u>	<u>-</u>	<u>2,370,252</u>
Total depreciable assets, net	<u>1,688,905</u>	<u>1,912,253</u>	<u>-</u>	<u>3,601,158</u>
Total capital assets, net	<u>\$ 3,561,411</u>	<u>\$ 1,912,253</u>	<u>\$ 1,651,745</u>	<u>\$ 3,821,919</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	\$ 57,950
Public safety	52,983
Public works	34,770
State street aid	<u>19,869</u>
Total	<u>\$ 165,572</u>

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Business-type Activities				
Non-depreciable capital assets:				
Land	\$ 169,847	\$ -	\$ -	\$ 169,847
Construction in progress	-	381,239	-	381,239
Total non-depreciable assets	<u>169,847</u>	<u>381,239</u>	<u>-</u>	<u>551,086</u>
Depreciable capital assets:				
North Bledsoe system	3,008,661	-	-	3,008,661
Water treatment and distribution	16,242,498	6,885	-	16,249,383
Sewer collection and treatment	3,885,990	-	-	3,885,990
Buildings	184,075	-	-	184,075
Machinery and equipment	413,785	9,196	-	422,981
Vehicles	259,330	9,800	-	269,130
Gas lines and meters	1,862,260	-	-	1,862,260
Reservoirs and standpipes	345,661	-	-	345,661
	<u>26,202,260</u>	<u>25,881</u>	<u>-</u>	<u>26,228,141</u>
Less accumulated depreciation:				
North Bledsoe system	980,814	75,172	-	1,055,986
Water treatment and distribution	3,852,264	317,451	-	4,169,715
Sewer collection and treatment	1,958,261	68,960	-	2,027,221
Buildings	98,286	4,792	-	103,078
Machinery and equipment	290,382	39,639	-	330,021
Vehicles	239,135	6,728	-	245,863
Gas lines and meters	994,276	44,875	-	1,039,151
Reservoirs and standpipes	345,661	-	-	345,661
	<u>8,759,079</u>	<u>557,617</u>	<u>-</u>	<u>9,316,696</u>
Total depreciable assets, net	<u>17,443,181</u>	<u>(531,736)</u>	<u>-</u>	<u>16,911,445</u>
Total capital assets, net	<u>\$ 17,613,028</u>	<u>\$ (150,497)</u>	<u>\$ -</u>	<u>\$ 17,462,531</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%	\$ 712,419
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(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Note of \$150,000 to Tennessee Municipal League Bond Fund, payable in variable, annual installments through 2029, with interest payable bi-annually at 3.92%	150,000
Cost over-run note up to \$255,000, with interest payable at 3.125%	121,148
Bond Anticipation Note up to \$1,550,000 to USDA, payable in monthly installments of \$5,813, with interest payable at 3.125%, monthly	<u>1,528,375</u>
	<u>\$ 2,511,942</u>
Landfill post-closure estimate	
Original estimate of \$36,810 amortized over thirty (30) years or \$1,227 per year	<u>17,178</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
2019	\$ 72,312	\$ 1,227	\$ 14,369	\$ 87,908
2020	75,419	1,227	-	76,646
2021	78,549	1,227	-	79,776
2022	82,802	1,227	-	84,029
2023	85,979	1,227	-	87,206
2024-2028	488,735	6,135	-	494,870
2029-2033	398,817	4,908	-	403,725
2034-2038	189,824	-	-	189,824
2039-2043	221,882	-	-	221,882
2044-2048	259,353	-	-	259,353
2049-2053	303,153	-	-	303,153
2054-2055	<u>255,117</u>	<u>-</u>	<u>-</u>	<u>255,117</u>
	<u>\$ 2,511,942</u>	<u>\$ 17,178</u>	<u>\$ 14,369</u>	<u>\$ 2,543,489</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, 2018, 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	\$ 1,559,286
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NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued)

Note of \$483,000 to USDA Rural Development, Series 2006,
payable in monthly installments of \$2,179, including interest
at 4.375% through 2046 416,862

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 917,823

\$ 2,893,971

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
2019	\$ 53,167	\$ 11,400	\$ 64,567
2020	55,043	-	55,043
2021	56,989	-	56,989
2022	59,007	-	59,007
2023	61,100	-	61,100
2024-2028	339,761	-	339,761
2029-2033	405,272	-	405,272
2034-2038	484,209	-	484,209
2039-2043	579,470	-	579,470
2044-2048	602,467	-	602,467
2049-2052	<u>197,486</u>	<u>-</u>	<u>197,486</u>
	<u>\$ 2,893,971</u>	<u>\$ 11,400</u>	<u>\$ 2,905,371</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 \$ 405,000

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
2019	\$ 75,000	\$ 3,144	\$ 78,144
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>\$ 405,000</u>	<u>\$ 3,144</u>	<u>\$ 408,144</u>

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued)

During the year ended June 30, 2018, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Retirements	Ending Balance	Amount Due Within One Year
Governmental Activities					
Notes payable	\$ 2,300,419	\$ 271,148	\$ 59,625	\$ 2,511,942	\$ 72,312
Landfill post-closure	18,405	-	1,227	17,178	1,227
Compensated absences	<u>14,369</u>	<u>14,369</u>	<u>14,369</u>	<u>14,369</u>	<u>14,369</u>
	<u>\$ 2,333,193</u>	<u>\$ 285,517</u>	<u>\$ 75,221</u>	<u>\$ 2,543,489</u>	<u>\$ 87,908</u>
Business-type Activities					
Water and Sewer Fund:					
Notes payable	\$ 2,961,025	\$ -	\$ 67,054	\$ 2,893,971	\$ 53,167
Compensated absences	<u>11,400</u>	<u>11,400</u>	<u>11,400</u>	<u>11,400</u>	<u>11,400</u>
	<u>2,972,425</u>	<u>11,400</u>	<u>78,454</u>	<u>2,905,371</u>	<u>64,567</u>
Natural Gas Fund:					
Bonds payable	475,000	-	70,000	405,000	75,000
Compensated absences	<u>3,144</u>	<u>3,144</u>	<u>3,144</u>	<u>3,144</u>	<u>3,144</u>
	<u>478,144</u>	<u>3,144</u>	<u>73,144</u>	<u>408,144</u>	<u>78,144</u>
	<u>\$ 3,450,569</u>	<u>\$ 14,544</u>	<u>\$ 151,598</u>	<u>\$ 3,313,515</u>	<u>\$ 142,711</u>

NOTE 9 – LANDFILL POST-CLOSURE COSTS

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

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

Closure and post-closure care costs include:

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

(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 \$156,164. 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 \$17,178. 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; \$5,601 is restricted for drug prevention purposes; and \$114,191 is restricted for the City's future pension needs. Governmental activities restricted net position totaled \$119,998 at June 30, 2018.

Business-type Activities

Restricted net position represents \$237,205 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, 2017 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>24</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, 2018, employer contributions for Pikeville were \$31,622 based on a rate of 4.50 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, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 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 Pension Liability (Asset) (a) – (b)</u>
Balance at 6/30/16	\$ 2,024,699	\$ 2,305,304	\$ (280,605)
Changes for the year:			
Service cost	57,996	-	57,996
Interest	153,227	-	153,227
Differences between expected and actual experience	(87,261)	-	(87,261)
Changes in assumptions	67,279	-	67,279
Contributions – employer	-	41,641	(41,641)
Contributions – employees	-	46,268	(46,268)
Net investment income	-	261,613	(261,613)
Benefit payments, including refunds of employee contributions	(79,348)	(79,348)	-
Administrative expense	-	(2,067)	2,067
Net changes	<u>111,893</u>	<u>268,107</u>	<u>(156,214)</u>
Balance at 6/30/17	<u>\$ 2,136,592</u>	<u>\$ 2,573,411</u>	<u>\$ (436,819)</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)	\$ (175,756)	\$ (436,819)	\$ (654,251)

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

Pension income. For the year ended June 30, 2018, the City recognized pension income of \$51,635.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,414	\$ 193,551
Net difference between projected and actual earnings on pension plan investments	-	1,163
Changes in assumption	57,668	-
Contributions subsequent to the measurement date of June 30, 2017	31,622	-
Total	<u>\$ 110,704</u>	<u>\$ 194,714</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:	
2019	\$ (45,516)
2020	(9,809)
2021	(16,367)
2022	(38,230)
2023	(2,855)
Thereafter	<u>(2,855)</u>
	<u>\$ (115,632)</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, 2018, the City reported a payable of \$8,115 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

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, 2018, the City contributed a total of \$155,371 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 \$4,583 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>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability (Asset)			
Service cost	\$ 57,996	\$ 44,050	\$ 50,122
Interest	153,227	151,894	143,616
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(87,261)	(106,106)	53,535
Change in assumptions	67,279	-	-
Benefit payments, including refunds of employee contributions	<u>(79,348)</u>	<u>(92,695)</u>	<u>(168,960)</u>
Net change in total pension liability	111,893	(2,857)	78,313
Total pension liability - beginning	<u>2,024,699</u>	<u>2,027,556</u>	<u>1,949,243</u>
Total pension liability - ending (a)	<u>\$ 2,136,592</u>	<u>\$ 2,024,699</u>	<u>\$ 2,027,556</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 41,641	\$ 35,247	\$ 32,871
Contributions - employee	46,268	39,251	36,605
Net investment income	261,613	59,830	69,191
Benefit payments, including refunds of employee contributions	(79,348)	(92,695)	(168,960)
Administrative expense	<u>(2,067)</u>	<u>(1,812)</u>	<u>(1,056)</u>
Net change in plan fiduciary net position	268,107	39,821	(31,349)
Plan fiduciary net position - beginning	<u>2,305,304</u>	<u>2,265,483</u>	<u>2,296,832</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,573,411</u>	<u>\$ 2,305,304</u>	<u>\$ 2,265,483</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ (436,819)</u>	<u>\$ (280,605)</u>	<u>\$ (237,927)</u>
Plan fiduciary net position as a percentage of total pension liability	120.44%	113.86%	111.73%
Covered - employee payroll	\$ 925,357	\$ 785,025	\$ 732,089
Net pension liability (asset) as a percentage of covered-employee payroll	47.21%	35.74%	32.50%

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

CITY OF PIKEVILLE, TENNESSEE

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

FISCAL YEAR ENDING JUNE 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 31,622	\$ 41,641	\$ 35,247
Contributions in relation to the actuarially determined contribution	<u>31,622</u>	<u>41,641</u>	<u>35,247</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 702,711	\$ 925,357	\$ 785,025
Contributions as a percentage covered-employee payroll	4.50%	4.50%	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, 2018

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.50 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	2.50 percent

OTHER SUPPLEMENTARY INFORMATION

CITY OF PIKEVILLE, TENNESSEE

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2018

	Industrial Development Board	Drug Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 5,601	\$ 5,601
Accounts receivable, net	206	-	206
Total assets	<u>206</u>	<u>5,601</u>	<u>5,807</u>
FUND BALANCES			
Restricted	206	5,601	5,807
Total fund balances	<u>\$ 206</u>	<u>\$ 5,601</u>	<u>\$ 5,807</u>

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

	Industrial Development Board	Drug Fund	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	\$ -	\$ 279	\$ 279
Total revenues	<u>-</u>	<u>279</u>	<u>279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>279</u>	<u>279</u>
FUND BALANCES			
Beginning	<u>206</u>	<u>5,322</u>	<u>5,528</u>
Ending	<u>\$ 206</u>	<u>\$ 5,601</u>	<u>\$ 5,807</u>

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES -				
Property taxes	\$ 290,500	\$ 290,500	\$ 287,523	\$ (2,977)
Local sales taxes	190,000	190,000	148,192	(41,808)
Business taxes	15,300	15,300	21,039	5,739
Local beer taxes	110,000	110,000	95,080	(14,920)
Wholesale liquor tax	30,100	30,100	20,845	(9,255)
Franchise taxes	7,500	7,500	7,804	304
Total taxes	<u>643,400</u>	<u>643,400</u>	<u>580,483</u>	<u>(62,917)</u>
LICENSES AND PERMITS -				
Privilege licenses	1,600	1,600	950	(650)
Total licenses and permits	<u>1,600</u>	<u>1,600</u>	<u>950</u>	<u>(650)</u>
INTERGOVERNMENTAL -				
State sales tax	125,000	125,000	144,340	19,340
State beer tax	800	800	750	(50)
State income and excise tax	22,000	22,000	14,425	(7,575)
City streets and transportation	47,500	47,500	56,558	9,058
TVA in lieu of tax	18,000	18,000	18,234	234
State and other grants	142,585	142,585	70,651	(71,934)
Total intergovernmental	<u>355,885</u>	<u>355,885</u>	<u>304,958</u>	<u>(50,927)</u>
CHARGES FOR SERVICES -				
Sanitation fees	121,050	121,050	131,582	10,532
Other	42,200	46,925	30,288	(16,637)
Total charges for services	<u>163,250</u>	<u>167,975</u>	<u>161,870</u>	<u>(6,105)</u>
FINES AND FORFEITS -				
City court fines and fees	15,000	15,000	14,273	(727)
Total fines and forfeits	<u>15,000</u>	<u>15,000</u>	<u>14,273</u>	<u>(727)</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Insurance recoveries	\$ -	\$ -	\$ 3,858	\$ 3,858
Interest	795	795	248	(547)
Rent	14,400	14,400	14,500	100
Contributions	8,000	8,000	14,416	6,416
Refunds	5,000	5,000	4,172	(828)
Sale of property	-	69,273	121,848	52,575
Other	2,000	2,000	-	(2,000)
Total miscellaneous	30,195	99,468	159,042	59,574
 Total revenues	 1,209,330	 1,283,328	 1,221,576	 (61,752)
GENERAL GOVERNMENT				
Legislative -				
Salaries	7,200	7,200	7,200	-
Payroll taxes	400	385	379	6
Insurance	3,550	3,967	3,967	-
	11,150	11,552	11,546	6
Judicial -				
Salaries	4,800	4,800	4,800	-
Payroll taxes	360	367	367	-
Insurance	11,500	8,253	8,251	2
	16,660	13,420	13,418	2
Mayor -				
Salaries	13,000	13,000	13,000	-
Payroll taxes	945	922	922	-
Insurance	26,996	11,353	11,353	-
	40,941	25,275	25,275	-
Central Staff Agencies -				
Salaries	76,190	82,982	67,996	14,986
Payroll taxes	5,600	5,838	5,838	-
Insurance	22,538	17,782	17,782	-
Pension	3,420	2,920	2,828	92
Training	200	100	100	-
Data processing	5,500	5,232	5,232	-
Contract services	3,500	1,868	1,868	-
Professional services	8,550	8,200	8,200	-
Subscriptions	1,200	1,700	1,653	47
Telephone	6,000	6,494	6,494	-
Operating supplies	5,875	3,696	3,696	-

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Central Staff Agencies - (Continued)				
Travel	\$ 500	\$ 550	\$ 548	\$ 2
	139,073	137,362	122,235	15,127
City Hall Buildings -				
Utilities	13,700	19,416	19,331	85
Contract services	3,000	17,051	17,051	-
Operating supplies	5,500	6,860	6,860	-
Repair and maintenance	-	200	152	48
Other	17,250	15,298	15,272	26
	39,450	58,825	58,666	159
Special Projects -				
Contract services	-	205,816	205,816	-
Operating supplies	-	13,235	13,235	-
	-	219,051	219,051	-
General Government -				
Other insurance	25,000	25,000	24,976	24
Unemployment insurance	1,000	431	262	169
Professional services	20,000	13,142	13,142	-
Subscriptions and dues	500	1,300	1,221	79
Contract services	-	175	171	4
Operating supplies	500	2,815	3,859	(1,044)
	47,000	42,863	43,631	(768)
TOTAL GENERAL GOVERNMENT	294,274	508,348	493,822	14,526
DEPARTMENT OF PUBLIC SAFETY				
Police -				
Salaries	93,858	135,610	135,610	-
Payroll taxes	7,180	9,895	9,895	-
Insurance	60,000	46,315	46,315	-
Pension	4,214	1,966	1,966	-
Employee training	4,500	7,000	7,000	-
Subscriptions and dues	300	320	320	-
Telephone	6,600	5,950	5,937	13
Utilities	2,500	2,610	2,610	-
Travel	1,000	1,100	1,055	45

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Police - (Continued)				
Operating supplies	\$ 11,000	\$ 17,683	\$ 17,681	\$ 2
Contract services	20,310	1,935	1,935	-
Equipment	5,000	5,054	5,054	-
Repair and maintenance	3,000	4,908	4,908	-
	219,462	240,346	240,286	60
 Fire -				
Employee training	3,500	5,275	5,270	5
Insurance	35,000	34,428	33,291	1,137
Subscriptions and dues	1,000	1,000	315	685
Telephone	1,100	3,100	2,360	740
Utilities	7,400	7,618	7,404	214
Travel	1,000	2,750	2,502	248
Operating supplies	8,500	9,500	4,563	4,937
Contract services	3,000	4,022	4,022	-
Repair and maintenance	5,500	18,200	16,696	1,504
Equipment	135,000	58,465	6,775	51,690
Buildings	-	201,790	201,790	-
Land rental	500	500	500	-
	201,500	346,648	285,488	61,160
 Support Services -				
Equipment	1,000	612	612	-
Operating supplies	2,500	7,740	7,740	-
	3,500	8,352	8,352	-
TOTAL DEPARTMENT OF PUBLIC SAFETY	424,462	595,346	534,126	61,220
 DEPARTMENT OF PUBLIC WORKS				
Highways and Streets -				
Insurance	37,000	29,709	29,692	17
Contract services	8,000	4,961	4,961	-
Telephone	3,400	2,950	2,950	-
Operating supplies	9,700	16,442	16,430	12
Equipment	2,000	18,155	18,155	-
Street projects	10,000	3,967	3,967	-
Repair and maintenance	1,500	3,523	3,523	-
	71,600	79,707	79,678	29

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Sanitation -				
Contract services	\$ 121,095	\$ 121,095	\$ 112,412	\$ 8,683
	121,095	121,095	112,412	8,683
TOTAL DEPARTMENT OF PUBLIC WORKS	192,695	200,802	192,090	8,712
DEPARTMENT OF STATE STREET AID				
State Street Aid -				
Salaries	108,490	114,443	114,443	-
Payroll taxes	8,000	8,211	8,211	-
Pension	4,500	3,911	3,911	-
Utilities	25,000	24,600	24,555	45
	145,990	151,165	151,120	45
TOTAL DEPARTMENT OF STATE STREET AID	145,990	151,165	151,120	45
DEPARTMENT OF PUBLIC WELFARE				
Parks and Recreation -				
Utilities	13,625	15,516	15,455	61
Insurance	5,500	5,502	5,500	2
Operating supplies	5,400	29,574	29,574	-
Telephone	-	1,600	1,585	15
Contract services	1,000	815	815	-
Repair and maintenance	1,000	-	-	-
	26,525	53,007	52,929	78
TOTAL DEPARTMENT OF PUBLIC WELFARE	26,525	53,007	52,929	78
DEBT SERVICE				
Principal	95,369	62,914	59,625	3,289
Interest	30,015	76,746	70,634	6,112
TOTAL DEBT SERVICE	125,384	139,660	130,259	9,401
TOTAL EXPENDITURES	1,209,330	1,648,328	1,554,346	93,982

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	\$ -	\$ (365,000)	\$ (332,770)	\$ 32,230
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	70,000	70,000
Notes issued	-	365,000	271,148	(93,852)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USE	<u>\$ -</u>	<u>\$ -</u>	8,378	<u>\$ 8,378</u>
FUND BALANCES				
Beginning			<u>175,584</u>	
Ending			<u>\$ 183,962</u>	

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2018

	<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, 2018

	<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	\$ 279	\$ (221)
Total revenues	<u>500</u>	<u>500</u>	<u>279</u>	<u>(221)</u>
DEPARTMENT OF PUBLIC SAFETY				
Drug enforcement	500	500	-	500
	<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>	279	<u>\$ 279</u>
FUND BALANCES				
Beginning			<u>5,322</u>	
Ending			<u>\$ 5,601</u>	

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2018

<u>Year</u>	<u>Tax Rate Per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2018	0.8541	29,978,718	256,000
2017	0.8412	29,986,595	252,200
2016	0.8412	30,162,984	253,600
2015	0.8412	29,880,797	251,600
2014	0.8412	27,302,275	230,200
2013	0.8412	28,980,817	247,769
2012	0.8412	30,587,256	257,300
2011	0.8412	30,551,236	256,997
2010	0.8500	30,071,059	255,604
2009	0.8500	\$ 30,589,294	\$ 260,009

Uncollected Delinquent Accounts: The City of Pikeville has filed delinquent taxes with the Bledsoe County Trustee for collection at June 30, 2018.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2018

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2017</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, 2018</u>
2018	\$ -	\$ -	\$ 256,000	\$ -	\$ -	256,000
2017	-	252,200	-	66	(205,053)	47,213
2016	27,800	-	-	-	(11,462)	16,338
2015	11,159	-	-	-	(4,508)	6,651
2014	13,723	-	-	-	(6,797)	6,926
2013	6,729	-	-	-	(1,411)	5,318
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>\$ 62,221</u>	<u>\$ 252,200</u>	<u>\$ 256,000</u>	<u>\$ 66</u>	<u>\$ (229,231)</u>	<u>\$ 341,256</u>

CITY OF PIKEVILLE, TENNESSEE

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2018**

Year Ending June 30,	Tennessee Municipal League Bond Fund Series 2006		Bond Anticipation Note		Tennessee Municipal League Bond Fund Note		Landfill Post-Closure Estimate	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2019	\$ 40,000	\$ 3,208	\$ 22,312	\$ 47,444	\$ 10,000	\$ 5,684	\$ 1,227	\$ 73,539	\$ 56,336
2020	42,000	3,028	23,019	46,737	10,400	5,284	1,227	76,646	55,049
2021	44,000	2,839	23,749	46,007	10,800	4,869	1,227	79,776	53,715
2022	47,000	2,641	24,502	-	11,300	4,435	1,227	84,029	7,076
2023	49,000	2,430	25,279	-	11,700	3,985	1,227	87,206	6,415
2024	51,000	2,209	26,080	-	12,200	3,516	1,227	90,507	5,725
2025	54,000	1,980	26,907	-	12,600	3,030	1,227	94,734	5,010
2026	57,000	1,737	27,760	-	13,100	2,526	1,227	99,087	4,263
2027	60,000	1,480	28,640	-	13,700	2,001	1,227	103,567	3,481
2028	62,000	1,210	29,548	-	14,200	1,454	1,227	106,975	2,664
2029	66,000	931	30,485	-	14,700	889	1,227	112,412	1,820
2030	69,000	634	31,451	-	15,300	300	1,227	116,978	934
2031	71,419	324	32,447	-	-	-	1,227	105,093	324
2032	-	-	33,477	-	-	-	1,227	34,704	-
2033	-	-	34,538	-	-	-	-	34,538	-
2034	-	-	35,633	-	-	-	-	35,633	-
2035	-	-	36,762	-	-	-	-	36,762	-
2036	-	-	37,928	-	-	-	-	37,928	-
2037	-	-	39,130	-	-	-	-	39,130	-
2038	-	-	40,371	-	-	-	-	40,371	-
2039	-	-	41,651	-	-	-	-	41,651	-
2040	-	-	42,971	-	-	-	-	42,971	-
2041	-	-	44,333	-	-	-	-	44,333	-
2042	-	-	45,739	-	-	-	-	45,739	-
2043	-	-	47,188	-	-	-	-	47,188	-
2044	-	-	48,685	-	-	-	-	48,685	-
2045	-	-	50,228	-	-	-	-	50,228	-
2046	-	-	51,820	-	-	-	-	51,820	-
2047	-	-	53,463	-	-	-	-	53,463	-
2048	-	-	55,157	-	-	-	-	55,157	-
2049	-	-	56,906	-	-	-	-	56,906	-
2050	-	-	58,710	-	-	-	-	58,710	-
2051	-	-	60,572	-	-	-	-	60,572	-
2052	-	-	62,492	-	-	-	-	62,492	-
2053	-	-	64,473	-	-	-	-	64,473	-
2054	-	-	66,517	-	-	-	-	66,517	-
2055	-	-	188,600	-	-	-	-	188,600	-
Total	<u>\$ 712,419</u>	<u>\$ 24,651</u>	<u>\$ 1,649,523</u>	<u>\$ 140,188</u>	<u>\$ 150,000</u>	<u>\$ 37,973</u>	<u>\$ 17,178</u>	<u>\$ 2,529,120</u>	<u>\$ 202,812</u>

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS WATER AND SEWER PROPRIETARY FUND JUNE 30, 2018

Year Ending June 30,	USDA Series 2011		USDA Series 2006		USDA Series 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 29,634	\$ 54,897	\$ 8,072	\$ 18,076	\$ 15,461	\$ 39,847	\$ 53,167	\$ 112,820
2020	30,461	54,020	8,431	17,717	16,151	39,157	55,043	110,894
2021	31,309	53,113	8,808	17,340	16,872	38,436	56,989	108,889
2022	32,181	52,173	9,201	16,947	17,625	37,683	59,007	106,803
2023	33,077	51,201	9,611	16,537	18,412	36,896	61,100	104,634
2024	33,998	50,193	10,041	16,107	19,234	36,074	63,273	102,374
2025	34,945	49,150	10,489	15,659	20,093	35,215	65,527	100,024
2026	35,918	48,070	10,957	15,191	20,989	34,319	67,864	97,580
2027	36,919	46,951	11,446	14,702	21,926	33,382	70,291	95,035
2028	37,944	45,796	11,957	14,191	22,905	32,403	72,806	92,390
2029	39,004	44,593	12,491	13,657	23,928	31,380	75,423	89,630
2030	40,090	43,351	13,048	13,100	24,996	30,312	78,134	86,763
2031	41,206	42,064	13,631	12,517	26,111	29,197	80,948	83,778
2032	42,354	40,732	14,239	11,909	27,277	28,031	83,870	80,672
2033	43,527	39,358	14,875	11,273	28,495	26,813	86,897	77,444
2034	44,746	37,924	15,539	10,609	29,767	25,541	90,052	74,074
2035	45,992	36,444	16,232	9,916	31,095	24,213	93,319	70,573
2036	47,273	34,912	16,957	9,191	32,483	22,825	96,713	66,928
2037	48,589	33,325	17,714	8,434	33,933	21,375	100,236	63,134
2038	49,936	31,689	18,505	7,643	35,448	19,860	103,889	59,192
2039	51,333	29,981	19,331	6,817	37,030	18,278	107,694	55,076
2040	52,763	28,218	20,193	5,955	38,683	16,625	111,639	50,798
2041	54,232	26,394	21,095	5,053	40,410	14,898	115,737	46,345
2042	55,743	24,504	22,036	4,112	42,214	13,094	119,993	41,710
2043	57,289	22,553	23,020	3,128	44,098	11,210	124,407	36,891
2044	58,891	20,521	24,048	2,100	46,067	9,241	129,006	31,862
2045	60,531	18,422	25,120	1,028	48,123	7,185	133,774	26,635
2046	62,219	16,249	9,775	9,836	50,274	5,034	122,268	31,119
2047	63,949	13,999	-	19,611	52,515	2,793	116,464	36,403
2048	65,747	11,651	-	-	35,208	1,295	100,955	12,946
2049	67,561	9,255	-	-	-	-	67,561	9,255
2050	69,442	6,756	-	-	-	-	69,442	6,756
2051	60,483	4,161	-	-	-	-	60,483	4,161
2052	-	1,486	-	-	-	-	-	1,486
Total	\$ 1,559,286	\$ 1,124,106	\$ 416,862	\$ 328,356	\$ 917,823	\$ 722,612	\$ 2,893,971	\$ 2,175,074

CITY OF PIKEVILLE, TENNESSEE

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
NATURAL GAS PROPRIETARY FUND
JUNE 30, 2018**

Year Ending June 30,	Revenue Bond Series 2002	
	Principal	Interest
2019	\$ 75,000	\$ 17,325
2020	75,000	13,894
2021	80,000	10,213
2022	85,000	6,294
2023	<u>90,000</u>	<u>4,275</u>
Total	<u>\$ 405,000</u>	<u>\$ 52,001</u>

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF MUNICIPAL UTILITY RATES AND NUMBERS OF CUSTOMERS

JUNE 30, 2018

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	1648
Sewer	659
Garbage	665
Natural Gas	972



AWWA Free Water Audit Software: Reporting Worksheet

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

Water Audit Report for: **City of Pikeville (TN0000551)**
Reporting Year: **2018** **7/2017 - 6/2018**

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

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

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

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

Master Meter and Supply Error Adjustments

WATER SUPPLIED

Volume from own sources:	<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value="300.401"/>	MG/Yr
Water imported:	<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value="0.170"/>	MG/Yr
Water exported:	<input type="button" value="+"/>	<input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr

<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr
<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr
<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr

WATER SUPPLIED: MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/>	<input type="button" value="6"/>	<input type="text" value="183.300"/>	MG/Yr
Billed unmetered:	<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value="0.001"/>	MG/Yr
Unbilled metered:	<input type="button" value="+"/>	<input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	<input type="button" value="+"/>	<input type="button" value="7"/>	<input type="text" value="0.311"/>	MG/Yr

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt:	<input type="text" value="()"/>	Value:	<input type="text" value="0.311"/>	MG/Yr
-------	----------------------------------	--------	------------------------------------	-------

Use buttons to select percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

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

Customer metering inaccuracies:	<input type="button" value="+"/>	<input type="button" value="7"/>	<input type="text" value="19.241"/>	MG/Yr
Systematic data handling errors:	<input type="button" value="+"/>	<input type="button" value="7"/>	<input type="text" value="0.100"/>	MG/Yr

Apparent Losses: MG/Yr

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

<input type="text" value="9.50%"/>	<input type="text" value=""/>	MG/Yr
<input type="text" value="0.100"/>	<input type="text" value=""/>	MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="button" value="+"/>	<input type="button" value="7"/>	<input type="text" value="76.3"/>	miles
Number of <u>active</u> AND <u>inactive</u> service connections:	<input type="button" value="+"/>	<input type="button" value="7"/>	<input type="text" value="1,744"/>	
Service connection density:	<input type="button" value="?"/>		<input type="text" value="23"/>	conn./mile main

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

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

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value="\$1,762,037"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/>	<input type="button" value="8"/>	<input type="text" value="\$6.69"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="+"/>	<input type="button" value="9"/>	<input type="text" value="\$644.82"/>	\$/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: **2018** **7/2017 - 6/2018**

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

System Attributes:

	Apparent Losses:	20.093	MG/Yr
+	Real Losses:	96.866	MG/Yr
=	Water Losses:	116.959	MG/Yr

? Unavoidable Annual Real Losses (UARL): 25.85 MG/Yr

Annual cost of Apparent Losses: \$134,421

Annual cost of Real Losses: \$62,461

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:	39.0%	
		Non-revenue water as percent by cost of operating system:	11.2%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	31.56	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	3,478.19	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): 96.87 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 3.75

* 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, 2018

<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	\$ -	\$ 345,609	\$ 345,609	\$ -
Emergency Community Water Assistance Grant	N/A	N/A	-	33,464	33,464	-
Total U. S. Department of Agriculture			-	379,073	379,073	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			-	379,073	379,073	-
STATE AWARDS						
Tennessee Department of Environment and Conservation	N/A	98669	-	62,051	62,051	-
Tennessee Department of Safety and Homeland Security	N/A	06-27-17GG	-	5,000	5,000	-
Tennessee Department of Agriculture, Division of Forestry	N/A	04-27-17GG	-	3,000	3,000	-
TOTAL EXPENDITURES OF STATE AWARDS			-	70,051	70,051	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 449,124	\$ 449,124	\$ -

CITY OF PIKEVILLE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE

YEAR ENDED JUNE 30, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2018.

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
December 3, 2018

Henderson Hutcherson
& McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2018

None noted