

**CITY OF PIKEVILLE, TENNESSEE**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019



**CERTIFIED PUBLIC ACCOUNTANTS**

## **INTRODUCTORY SECTION**

# CITY OF PIKEVILLE, TENNESSEE

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# CITY OF PIKEVILLE, TENNESSEE

## CITY OFFICIALS

JUNE 30, 2019

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**Mayor**

Philip Cagle

**Alderman**

Senia Anderson

**Alderman**

Reed Sells

**Alderman**

Jane Humble

**Alderman**

Dale Wheeler

**City Recorder**

Debra Barnett

**City Attorney**

Edward Boring

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen  
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, 2019, 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, 2019, 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 November 15, 2019, 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  
November 15, 2019

Henderson Hutcherson  
is McCullough, PLLC

**CITY OF PIKEVILLE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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, 2019. 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, 2019 by \$17,601,555 (net position). The City's governmental funds reported a decrease in combined fund balance of \$58,535. Total government activities under GASB 34 operated at an increase of \$99,219. 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 are 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 \$17,601,555 at the close of this fiscal year.

**City of Pikeville, Tennessee’s Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 733,956	\$ 672,427	\$ 2,131,626	\$ 1,765,308	\$ 2,865,582	\$ 2,437,735
Capital assets	<u>3,907,210</u>	<u>3,821,919</u>	<u>17,122,691</u>	<u>17,462,531</u>	<u>21,029,901</u>	<u>21,284,450</u>
Total assets	<u>4,641,166</u>	<u>4,494,346</u>	<u>19,254,317</u>	<u>19,227,839</u>	<u>23,895,483</u>	<u>23,722,185</u>
Deferred outflows	<u>30,343</u>	<u>49,751</u>	<u>54,720</u>	<u>93,448</u>	<u>85,063</u>	<u>143,199</u>
Non-current liabilities	2,444,111	2,455,581	3,040,764	3,161,912	5,484,875	5,617,493
Other liabilities	<u>161,273</u>	<u>117,410</u>	<u>243,202</u>	<u>258,410</u>	<u>404,475</u>	<u>375,820</u>
Total liabilities	<u>2,605,384</u>	<u>2,572,991</u>	<u>3,283,966</u>	<u>3,420,322</u>	<u>5,889,350</u>	<u>5,993,313</u>
Deferred inflows	<u>374,407</u>	<u>378,607</u>	<u>115,234</u>	<u>140,123</u>	<u>489,641</u>	<u>518,730</u>
Net position						
Net investment in capital assets	1,386,453	1,292,799	13,951,883	14,163,560	15,338,336	15,456,359
Restricted	152,766	119,998	305,015	237,205	457,781	357,203
Unrestricted	<u>152,499</u>	<u>179,702</u>	<u>1,652,939</u>	<u>1,360,077</u>	<u>1,805,438</u>	<u>1,539,779</u>
Total net position	<u>\$ 1,691,718</u>	<u>\$ 1,592,499</u>	<u>\$ 15,909,837</u>	<u>\$ 15,760,842</u>	<u>\$ 17,601,555</u>	<u>\$ 17,353,341</u>

Eighty-seven percent (87%) 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 \$457,781 primarily related to net position restricted for the City’s future pension needs. The remaining \$1,805,438 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 \$99,219, while business-type activities increased the City’s net position by \$148,995. 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:

<b>City of Pikeville, Tennessee's Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues:						
Program revenues:						
Charges for services	\$ 137,996	\$ 149,615	\$ 2,610,771	\$ 2,483,318	\$ 2,748,767	\$ 2,632,933
Operating grants and contributions	122,777	70,051	-	-	122,777	70,051
Capital grants and contributions	-	-	128,478	379,073	128,478	379,073
General revenues:						
Property taxes	360,100	248,224	-	-	360,100	248,224
Other taxes	681,958	567,166	-	-	681,958	567,166
Pension income	20,413	14,214	43,304	37,421	63,717	51,635
Other income	<u>177,645</u>	<u>186,799</u>	<u>2,212</u>	<u>3,414</u>	<u>179,857</u>	<u>190,213</u>
Total revenues	<u>1,500,889</u>	<u>1,236,069</u>	<u>2,784,765</u>	<u>2,903,226</u>	<u>4,285,654</u>	<u>4,139,295</u>
Expenses:						
General government	414,153	353,303	-	-	414,153	353,303
Public safety	387,040	372,859	-	-	387,040	372,859
Public works	253,729	209,037	-	-	253,729	209,037
Public welfare	62,163	52,929	-	-	62,163	52,929
State street aid	149,534	166,746	-	-	149,534	166,746
Interest	72,186	69,407	-	-	72,186	69,407
Water and sewer	-	-	1,953,684	1,945,537	1,953,684	1,945,537
Natural gas	-	-	<u>744,951</u>	<u>764,582</u>	<u>744,951</u>	<u>764,582</u>
Total expenses	<u>1,338,805</u>	<u>1,224,281</u>	<u>2,698,635</u>	<u>2,710,119</u>	<u>4,037,440</u>	<u>3,934,400</u>
Transfers	(62,865)	70,000	62,865	(70,000)	-	-
Change in net position	<u>99,219</u>	<u>81,788</u>	<u>148,995</u>	<u>123,107</u>	<u>248,214</u>	<u>204,895</u>
Net position – beginning	<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>
Net position – ending	<u>\$ 1,691,718</u>	<u>\$ 1,592,499</u>	<u>\$ 15,909,837</u>	<u>\$ 15,760,842</u>	<u>\$ 17,601,555</u>	<u>\$ 17,353,341</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 \$131,235 a decrease of \$58,535 in comparison with the prior year. Ninety-four percent (94%) 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 \$123,473. 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 8% of total general fund expenditures without transfers.

The fund balance of the City's general fund decreased by \$60,490 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 \$614,491 for the Water and Sewer Fund and \$1,038,448 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 \$67,842.

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, 2019, amounted to \$3,907,210 (net of accumulated depreciation). Capital assets for its business-type activities as of June 30, 2019, amounted to \$17,122,691 (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:

- Fire equipment for \$122,752
- Vehicles for \$15,260
- Water and sewer equipment for \$19,168
- Water and sewer vehicles for \$16,950
- Natural gas operating equipment for \$22,464

(Continued)

**Capital Asset and Debt Administration** (Continued)

**Capital Assets** (Continued)

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

	<b>2019</b>	<b>2018</b>
Governmental Activities:		
Land	\$ 220,761	\$ 220,761
Construction in progress	122,581	-
Buildings and parks	2,548,006	2,633,235
Machinery and equipment	156,765	43,206
Vehicles	25,513	17,098
Infrastructure	749,607	821,207
Landfill	83,977	86,412
Total	<u>\$ 3,907,210</u>	<u>\$ 3,821,919</u>
	<b>2019</b>	<b>2018</b>
Business-type Activities:		
Land	\$ 169,847	\$ 169,847
Construction in progress	542,327	381,239
North Bledsoe system	1,877,503	1,952,673
Water treatment and distribution	11,779,436	12,079,668
Sewer collection and treatment	1,789,809	1,858,769
Buildings	76,206	80,997
Machinery and equipment	79,407	92,960
Vehicles	29,919	23,267
Gas lines and meters	778,237	823,109
Total	<u>\$ 17,122,691</u>	<u>\$ 17,462,529</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 \$5,691,565. Of that amount \$204,813 is due in the next fiscal year.

	<b>2019</b>	<b>2018</b>
Governmental Activities:		
Notes payable	\$ 2,504,806	\$ 2,511,942
Landfill post-closure	15,951	17,178
Compensated absences	17,278	14,369
	<u>\$ 2,538,035</u>	<u>\$ 2,543,489</u>
Business-type Activities:		
Water and Sewer Fund –		
Notes payable	\$ 2,840,808	\$ 2,893,971
Compensated absences	11,400	11,400
	<u>2,852,208</u>	<u>2,905,371</u>
Natural Gas Fund –		
Bonds payable	330,000	405,000
Compensated absences	3,144	3,144
	<u>333,144</u>	<u>408,144</u>
Total	<u>\$ 3,185,352</u>	<u>\$ 3,313,515</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, 2019

	Governmental Activities	Business-type Activities	Total Primary Government
<b>ASSETS</b>			
Cash and cash equivalents	\$ 132,624	\$ 1,466,253	\$ 1,598,877
Property taxes receivable, net	356,405	-	356,405
Accounts receivable, net	60,927	254,129	315,056
Internal balances	(7,438)	7,438	-
Inventories	-	38,267	38,267
Other assets	10	10	20
Net pension asset	191,428	365,529	556,957
Capital assets -			
Land and other nondepreciable assets	343,342	712,174	1,055,516
Capital assets, net of accumulated depreciation	3,563,868	16,410,517	19,974,385
Total assets	4,641,166	19,254,317	23,895,483
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	30,343	54,720	85,063
Total deferred outflows of resources	30,343	54,720	85,063
<b>LIABILITIES</b>			
Accounts payable	63,336	57,746	121,082
Accrued liabilities	4,013	12,059	16,072
Customer deposits	-	28,809	28,809
Compensated absences	17,278	14,544	31,822
Long-term liabilities, due within one year	76,646	128,167	204,813
Long-term liabilities, due in more than one year	2,444,111	3,042,641	5,486,752
Total liabilities	2,605,384	3,283,966	5,889,350
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	76,767	115,234	192,001
Unavailable revenue - property taxes	297,640	-	297,640
Total deferred inflows of resources	374,407	115,234	489,641
<b>NET POSITION</b>			
Net investment in capital assets	1,386,453	13,951,883	15,338,336
Restricted	152,766	305,015	457,781
Unrestricted	(24,853)	1,652,939	1,628,086
Total net position	\$ 1,514,366	\$ 15,909,837	\$ 17,424,203

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

# CITY OF PIKEVILLE, TENNESSEE

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<b>Program Revenues</b>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT</b>				
Governmental activities -				
General government	\$ 414,153	\$ 7,550	\$ 122,777	\$ -
Public safety	387,040	13,971	-	-
Public works	253,729	116,475	-	-
Public welfare	62,163	-	-	-
State street aid	149,534	-	-	-
Interest	<u>72,186</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,338,805</u>	<u>137,996</u>	<u>122,777</u>	<u>-</u>
Business-type activities -				
Water and sewer	1,953,684	1,797,404	-	128,478
Natural gas	<u>744,951</u>	<u>813,367</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,698,635</u>	<u>2,610,771</u>	<u>-</u>	<u>128,478</u>
Total primary government	<u>\$ 4,037,440</u>	<u>\$ 2,748,767</u>	<u>\$ 122,777</u>	<u>\$ 128,478</u>
<b>GENERAL REVENUES</b>				
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				
<b>TRANSFERS</b>				
Total general revenues and transfers				
Change in net position				
<b>NET POSITION</b>				
Beginning				
Ending				

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

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (283,826)	\$ -	\$ (283,826)
(373,069)	-	(373,069)
(137,254)	-	(137,254)
(62,163)	-	(62,163)
(149,534)	-	(149,534)
(72,186)	-	(72,186)
<u>(1,078,032)</u>	<u>-</u>	<u>(1,078,032)</u>
-	(27,802)	(27,802)
-	68,416	68,416
-	40,614	40,614
(1,078,032)	40,614	(1,037,418)
360,100	-	360,100
401,167	-	401,167
103,154	-	103,154
14,151	-	14,151
18,644	-	18,644
58,517	-	58,517
86,325	-	86,325
293	2,162	2,455
20,413	43,304	63,717
-	50	50
(62,865)	62,865	-
<u>999,899</u>	<u>108,381</u>	<u>1,108,280</u>
(78,133)	148,995	70,862
<u>1,592,499</u>	<u>15,760,842</u>	<u>17,353,341</u>
<u>\$ 1,514,366</u>	<u>\$ 15,909,837</u>	<u>\$ 17,424,203</u>

# CITY OF PIKEVILLE, TENNESSEE

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2019

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 125,068	\$ 7,556	\$ 132,624
Property taxes receivable, net	356,405	-	356,405
Accounts receivable, net	60,721	206	60,927
Other assets	10	-	10
Total assets	542,204	7,762	549,966
<b>LIABILITIES</b>			
Accounts payable	63,336	-	63,336
Accrued payroll liabilities	4,013	-	4,013
Due to other fund	7,438	-	7,438
Total liabilities	74,787	-	74,787
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	343,944	-	343,944
Total deferred inflows of resources	343,944	-	343,944
<b>FUND BALANCES</b>			
Restricted	-	7,762	7,762
Unassigned	123,473	-	123,473
Total fund balances	123,473	7,762	131,235
Total liabilities, deferred inflows of resources, and fund balances	\$ 542,204	\$ 7,762	\$ 549,966

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, 2019

---

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

Fund balances – total governmental funds	\$ 131,235
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.	3,907,210
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	191,428
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	(46,424)
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.	46,304
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	(2,504,806)
Compensated absences	(17,278)
Landfill post-closure costs	<u>(15,951)</u>
Net position of governmental activities	<u>\$ 1,691,718</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, 2019

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 767,840	\$ -	\$ 767,840
Licenses and permits	2,550	-	2,550
Intergovernmental	360,800	-	360,800
Charges for services	153,772	-	153,772
Fines and forfeitures	9,695	1,955	11,650
Other revenue	147,668	-	147,668
Total revenues	1,442,325	1,955	1,444,280
<b>EXPENDITURES</b>			
Current			
General government	475,264	-	475,264
Public safety	460,766	-	460,766
Public works	230,024	-	230,024
Public welfare	62,163	-	62,163
State street aid	131,184	-	131,184
Debt service -			
Principal	72,310	-	72,310
Interest and other charges	73,413	-	73,413
Total expenditures	1,505,124	-	1,505,124
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(62,799)	1,955	(60,844)
<b>OTHER FINANCING (USES) SOURCES</b>			
Transfers	(62,865)	-	(62,865)
Notes issued	65,174	-	65,174
Total other financing (uses) sources	2,309	-	2,309
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(60,490)	1,955	(58,535)
<b>FUND BALANCES:</b>			
Beginning	183,963	5,807	189,770
Ending	\$ 123,473	\$ 7,762	\$ 131,235

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, 2019

---

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

Net change in fund balances – total governmental funds \$ (58,535)

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

Capital outlay reported as expenditures in the governmental funds that met the capitalization threshold are shown as capital assets in the statement of net position. 269,079

Depreciation expense on governmental capital assets are included in the statement of activities. (183,788)

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	(65,174)	
Principal repayments	72,310	
Amortization	<u>1,227</u>	8,363

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

Change in compensated absences	(2,909)
Change in net pension asset and related deferrals	20,413
Deferred pension contributions	<u>10,401</u>

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. 36,195

Change in net position of governmental activities \$ 99,219

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, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 732,664	\$ 732,664	\$ 767,840	\$ 35,176
Licenses and permits	1,000	1,000	2,550	1,550
Intergovernmental	406,600	406,600	360,800	(45,800)
Charges for services	155,200	155,200	153,772	(1,428)
Fines and forfeitures	15,000	15,000	9,695	(5,305)
Miscellaneous	82,595	144,595	147,668	3,073
Total revenue	1,393,059	1,455,059	1,442,325	(12,734)
<b>EXPENDITURES</b>				
Current -				
General government	637,795	602,037	475,264	126,773
Public safety	430,181	486,617	460,766	25,851
Public works	231,145	228,249	230,024	(1,775)
Public welfare	56,093	62,263	62,163	100
State street aid	99,075	131,184	131,184	-
Debt service -				
Principal	62,313	72,310	72,310	-
Interest	71,629	73,413	73,413	-
Total expenditures	1,588,231	1,656,073	1,505,124	150,949
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(195,172)	(201,014)	(62,799)	138,215
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	-	(62,865)	(62,865)
Notes payable issued	203,852	203,852	65,174	(138,678)
Total other financing sources	203,852	203,852	2,309	(201,543)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	\$ 8,680	\$ 2,838	(60,490)	\$ (63,328)
<b>FUND BALANCES:</b>				
Beginning			183,963	
Ending			\$ 123,473	

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



# CITY OF PIKEVILLE, TENNESSEE

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2019

	<b>Water and Sewer Fund</b>	<b>Natural Gas Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets -			
Cash and cash equivalents	\$ 409,328	\$ 1,056,925	\$ 1,466,253
Accounts receivable, net	239,189	14,940	254,129
Due from (to) other funds	31,134	(23,696)	7,438
Inventories	9,110	29,157	38,267
Net pension asset	264,332	101,197	365,529
Other assets	-	10	10
Total current assets	<u>953,093</u>	<u>1,178,533</u>	<u>2,131,626</u>
Noncurrent assets -			
Capital assets -			
Land and other nondepreciable assets	701,036	11,138	712,174
Capital assets, net of accumulated depreciation	<u>15,552,556</u>	<u>857,961</u>	<u>16,410,517</u>
Total noncurrent assets	<u>16,253,592</u>	<u>869,099</u>	<u>17,122,691</u>
<b>TOTAL ASSETS</b>	<u>17,206,685</u>	<u>2,047,632</u>	<u>19,254,317</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	<u>36,781</u>	<u>17,939</u>	<u>54,720</u>
Total deferred outflows of resources	<u>36,781</u>	<u>17,939</u>	<u>54,720</u>
<b>LIABILITIES</b>			
Current liabilities -			
Accounts payable	44,745	13,001	57,746
Accrued liabilities	7,279	4,780	12,059
Customer deposits	10,846	17,963	28,809
Compensated absences	11,400	3,144	14,544
Long-term liabilities, due within one year	<u>55,044</u>	<u>75,000</u>	<u>130,044</u>
Total current liabilities	<u>129,314</u>	<u>113,888</u>	<u>243,202</u>
Noncurrent liabilities			
Long-term liabilities, due in more than one year	<u>2,785,764</u>	<u>255,000</u>	<u>3,040,764</u>
Total noncurrent liabilities	<u>2,785,764</u>	<u>255,000</u>	<u>3,040,764</u>
<b>TOTAL LIABILITIES</b>	<u>2,915,078</u>	<u>368,888</u>	<u>3,283,966</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	<u>80,063</u>	<u>35,171</u>	<u>115,234</u>
Total deferred inflows of resources	<u>80,063</u>	<u>35,171</u>	<u>115,234</u>
<b>NET POSITION</b>			
Net investment in capital assets	13,412,784	539,099	13,951,883
Restricted	221,050	83,965	305,015
Unrestricted	<u>614,491</u>	<u>1,038,448</u>	<u>1,652,939</u>
Total net position	<u>\$ 14,248,325</u>	<u>\$ 1,661,512</u>	<u>\$ 15,909,837</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, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,737,173	\$ 801,042	\$ 2,538,215
Customer penalties	22,131	-	22,131
Connection fees	38,100	12,325	50,425
Interest revenue	483	1,679	2,162
Total revenues	1,797,887	815,046	2,612,933
<b>OPERATING EXPENSES</b>			
Purchased gas	-	334,603	334,603
Transmission and distribution	858,438	116,612	975,050
Sewer collection, treatment and disposal	297,651	-	297,651
Administration	198,477	213,132	411,609
Depreciation	498,681	63,279	561,960
Total operating expenses	1,853,247	727,626	2,580,873
<b>OPERATING INCOME (LOSS)</b>	(55,360)	87,420	32,060
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Capital contributions	128,478	-	128,478
Net pension income	31,927	11,377	43,304
Miscellaneous revenue	50	-	50
Interest expense	(100,437)	(17,325)	(117,762)
Total nonoperating revenues (expenses)	60,018	(5,948)	54,070
Income before transfers	4,658	81,472	86,130
Transfers in	70,000	29,455	99,455
Transfers out	(36,590)	-	(36,590)
	33,410	29,455	62,865
Changes in net position	38,068	110,927	148,995
Net position, beginning	14,210,257	1,550,585	15,760,842
Net position, ending	\$ 14,248,325	\$ 1,661,512	\$ 15,909,837

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, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,699,937	\$ 812,311	\$ 2,512,248
Receipts (payments) from other funds	6,718	(7,016)	(298)
Payments to suppliers	(816,857)	(525,271)	(1,342,128)
Payments to employees	(590,418)	(157,829)	(748,247)
Interest	483	1,679	2,162
Net cash from operating activities	299,863	123,874	423,737
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in (out)	33,410	29,455	62,865
Miscellaneous revenue	50	-	50
Net cash from noncapital financing activities	33,460	29,455	62,915
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds of capital grants	128,478	-	128,478
Principal paid on long-term debt	(53,163)	(75,000)	(128,163)
Interest paid on long-term debt	(100,437)	(17,325)	(117,762)
Net pension income	31,927	11,377	43,304
Acquisition and construction of capital assets	(199,656)	(22,461)	(222,117)
Net cash from capital and related financing activities	(192,851)	(103,409)	(296,260)
Net change in cash and cash equivalents	140,472	49,920	190,392
Cash and cash equivalents, June 30, 2018	268,856	1,007,005	1,275,861
Cash and cash equivalents, June 30, 2019	\$ 409,328	\$ 1,056,925	\$ 1,466,253

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, 2019

	Water and Sewer Fund	Natural Gas Fund	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
<b>OPERATING INCOME (LOSS)</b>	\$ (55,360)	\$ 87,420	\$ 32,060
<b>ADJUSTMENTS NOT AFFECTING CASH</b>			
Depreciation	498,681	63,279	561,960
(Increase) decrease in -			
Accounts receivable	(97,457)	(986)	(98,443)
Due from other funds	6,718	(7,016)	(298)
Inventories	5,072	(611)	4,461
Net pension asset	(60,199)	(21,450)	(81,649)
Deferred pension outflows	28,554	10,174	38,728
Increase (decrease) in -			
Accounts payable	(6,330)	(665)	(6,995)
Accrued payables	(1,456)	338	(1,118)
Customer deposits	(10)	(70)	(80)
Deferred pension inflows	(18,350)	(6,539)	(24,889)
Total adjustments	355,223	36,454	391,677
Net cash from operating activities	\$ 299,863	\$ 123,874	\$ 423,737

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

# CITY OF PIKEVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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# CITY OF PIKEVILLE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

### 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 Board of Aldermen 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. Board of Aldermen approves departmental budgets. Transfers between departments and any revisions in the total appropriation must be approved by the Mayor and Board of Aldermen. Unused appropriations for any of the funds lapse annually 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, 2019. In the governmental activities, capital assets of the City are depreciated using the straight-line method over the following estimated useful lives of the assets:

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** (Continued)

	<b>Useful Life</b>
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:

	<b>Useful Life</b>
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 has 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 2019 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 \$509,023. The City’s investments are listed as cash and cash equivalents within the Statement of Net Position.

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

**Credit Risk**

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

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2019, consist of the following:

	<b>General</b>	<b>Other Governmental</b>	<b>Water and Sewer</b>	<b>Natural Gas</b>	<b>Total</b>
<b>Funds</b>					
Property taxes	\$ 397,444	\$ -	\$ -	\$ -	\$ 397,444
Accounts	<u>61,381</u>	<u>206</u>	<u>251,550</u>	<u>15,658</u>	<u>328,795</u>
Gross receivables	458,825	206	251,550	15,658	726,239
Less: Allowance for uncollectible	<u>(41,699)</u>	<u>-</u>	<u>(12,361)</u>	<u>(718)</u>	<u>(54,778)</u>
Net receivables	<u>\$ 417,126</u>	<u>\$ 206</u>	<u>\$ 239,189</u>	<u>\$ 14,940</u>	<u>\$ 671,461</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 and gas funds transferred a total of \$62,865 to the general fund.

**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balance as of June 30, 2019, is as follows:

	<b>Payable Fund</b>			Total
	General Fund	Natural Gas Fund	Water and Sewer Fund	
<b>Receivables Fund</b>				
General Fund	\$ -	\$ -	\$ -	\$ -
Water and Sewer Fund	7,438	23,696	-	31,134
Natural Gas Fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,438</u>	<u>\$ 23,696</u>	<u>\$ -</u>	<u>\$ 31,134</u>

The Water and Sewer Fund Statement of Net Position reports a due from other funds balance of \$31,134. The amount is reflective of a receivable from the Natural Gas Fund of \$23,696 and a receivable from the General Fund of \$7,438.

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:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Adjustments/ Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Non-depreciable capital assets:				
Land	\$ 220,761	\$ -	\$ -	\$ 220,761
Construction in progress	-	122,581	-	122,581
Total non-depreciable assets	<u>220,761</u>	<u>122,581</u>	<u>-</u>	<u>343,342</u>
Depreciable capital assets:				
Buildings and parks	3,096,042	-	-	3,096,042
Machinery and equipment	498,249	131,238	-	629,487
Vehicles	673,442	15,260	-	688,702
Infrastructure	1,581,971	-	-	1,581,971
Landfill	121,706	-	-	121,706
	<u>5,971,410</u>	<u>146,498</u>	<u>-</u>	<u>6,117,908</u>
Less accumulated depreciation:				
Buildings and parks	462,807	85,229	-	548,036
Machinery and equipment	455,043	17,679	-	472,722
Vehicles	656,344	6,845	-	663,189
Infrastructure	760,764	71,600	-	832,364
Landfill	35,294	2,435	-	37,729
	<u>2,370,252</u>	<u>183,788</u>	<u>-</u>	<u>2,554,040</u>
Total depreciable assets, net	<u>3,601,158</u>	<u>(37,290)</u>	<u>-</u>	<u>3,563,868</u>
Total capital assets, net	<u>\$ 3,821,919</u>	<u>\$ 85,291</u>	<u>\$ -</u>	<u>\$ 3,907,210</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	\$ 64,326
Public safety	58,812
Public works	38,595
State street aid	<u>22,055</u>
Total	<u>\$ 183,788</u>

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Adjustments/ Retirements</b>	<b>Ending Balance</b>
<b>Business-type Activities</b>				
Non-depreciable capital assets:				
Land	\$ 169,847	\$ -	\$ -	\$ 169,847
Construction in progress	381,239	161,088	-	542,327
Total non-depreciable assets	<u>551,086</u>	<u>161,088</u>	<u>-</u>	<u>712,174</u>
Depreciable capital assets:				
North Bledsoe system	3,008,661	-	-	3,008,661
Water treatment and distribution	16,249,383	19,168	-	16,268,551
Sewer collection and treatment	3,885,990	-	-	3,885,990
Buildings	184,075	-	-	184,075
Machinery and equipment	422,981	24,916	-	447,897
Vehicles	269,130	16,950	-	286,080
Gas lines and meters	1,862,260	-	-	1,862,260
Reservoirs and standpipes	345,661	-	-	345,661
	<u>26,228,141</u>	<u>61,034</u>	<u>-</u>	<u>26,289,175</u>
Less accumulated depreciation:				
North Bledsoe system	1,055,988	75,170	-	1,131,158
Water treatment and distribution	4,169,715	319,400	-	4,489,115
Sewer collection and treatment	2,027,221	68,960	-	2,096,181
Buildings	103,078	4,791	-	107,869
Machinery and equipment	330,021	38,469	-	368,490
Vehicles	245,863	10,298	-	256,161
Gas lines and meters	1,039,151	44,872	-	1,084,023
Reservoirs and standpipes	345,661	-	-	345,661
	<u>9,316,698</u>	<u>561,960</u>	<u>-</u>	<u>9,878,658</u>
Total depreciable assets, net	<u>16,911,443</u>	<u>(500,926)</u>	<u>-</u>	<u>16,410,517</u>
Total capital assets, net	<u>\$ 17,462,529</u>	<u>\$ (339,838)</u>	<u>\$ -</u>	<u>\$ 17,122,691</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%	\$ 672,419
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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%	140,000
Cost over-run note up to \$255,000, with interest payable at 3.125%	186,322
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>1,506,065</u>
	<u>\$ 2,504,806</u>
Landfill post-closure estimate	
Original estimate of \$36,810 amortized over thirty (30) years or \$1,227 per year	<u>15,951</u>
Liability for compensated absences as discussed in Note 1	<u>17,278</u>
Maturities of general long-term liabilities are as follows:	

For the Year Ending June 30,	Notes	Landfill Post-Closure	Compensated Absences	Total
2020	\$ 75,419	\$ 1,227	\$ 17,278	93,924
2021	78,549	1,227	-	79,776
2022	82,802	1,227	-	84,029
2023	85,979	1,227	-	87,206
2024	89,280	1,227	-	90,507
2025-2029	510,639	6,135	-	516,774
2030-2034	323,265	3,681	-	326,946
2035-2039	195,841	-	-	195,841
2040-2044	228,915	-	-	228,915
2045-2049	267,575	-	-	267,575
2050-2054	312,763	-	-	312,763
2055	<u>253,779</u>	<u>-</u>	<u>-</u>	<u>253,779</u>
	<u>\$ 2,504,806</u>	<u>\$ 15,951</u>	<u>\$ 17,278</u>	<u>\$ 2,538,035</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, 2019, 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	\$ 1,529,744
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(Continued)



**NOTE 8 – LONG-TERM LIABILITIES (Continued)**

**Business-type Activities** (Continued)

Water and Sewer Fund (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 408,763

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 902,301

\$ 2,840,808

Liability for compensated absences as discussed in Note 1 \$ 11,400

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

<b>For the Year Ending June 30,</b>	<b>Notes</b>	<b>Compensated Absences</b>	<b>Total</b>
2020	\$ 55,044	\$ 11,400	\$ 66,444
2021	56,990	-	56,990
2022	59,008	-	59,008
2023	61,102	-	61,102
2024	63,274	-	63,274
2025-2029	351,921	-	351,921
2030-2034	419,840	-	419,840
2035-2039	501,873	-	501,873
2040-2044	600,809	-	600,809
2045-2049	541,033	-	541,033
2050-2051	<u>129,914</u>	<u>-</u>	<u>129,914</u>
	<u>\$ 2,840,808</u>	<u>\$ 11,400</u>	<u>\$ 2,852,208</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 \$ 330,000

Liability for compensated absences as discussed in Note 1 \$ 3,144

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

<b>For the Year Ending June 30,</b>	<b>Notes</b>	<b>Compensated Absences</b>	<b>Total</b>
2020	\$ 75,000	\$ 3,144	\$ 78,144
2021	80,000	-	80,000
2022	85,000	-	85,000
2023	<u>90,000</u>	<u>-</u>	<u>90,000</u>
	<u>\$ 330,000</u>	<u>\$ 3,144</u>	<u>\$ 333,144</u>

(Continued)

**NOTE 8 – LONG-TERM LIABILITIES (Continued)**

**Business-type Activities** (Continued)

Natural Gas Fund (Continued)

During the year ended June 30, 2019, changes in long-term debt were as follows:

	<b>Beginning Balance</b>	<b>Adjustments/ Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Governmental Activities					
Notes payable	\$ 2,511,942	\$ 65,174	\$ 72,310	\$ 2,504,806	\$ 75,419
Landfill post-closure	17,178	-	1,227	15,951	1,227
Compensated absences	<u>14,369</u>	<u>17,278</u>	<u>14,369</u>	<u>17,278</u>	<u>17,278</u>
	<u>\$ 2,543,489</u>	<u>\$ 82,452</u>	<u>\$ 87,906</u>	<u>\$ 2,538,035</u>	<u>\$ 93,924</u>
Business-type Activities					
Water and Sewer Fund:					
Notes payable	\$ 2,893,971	\$ -	\$ 53,163	\$ 2,840,808	\$ 55,044
Compensated absences	<u>11,400</u>	<u>11,400</u>	<u>11,400</u>	<u>11,400</u>	<u>11,400</u>
	<u>2,905,371</u>	<u>11,400</u>	<u>64,563</u>	<u>2,852,208</u>	<u>66,444</u>
Natural Gas Fund:					
Bonds payable	405,000	-	75,000	330,000	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>408,144</u>	<u>3,144</u>	<u>78,144</u>	<u>333,144</u>	<u>78,144</u>
	<u>\$ 3,313,515</u>	<u>\$ 14,544</u>	<u>\$ 142,707</u>	<u>\$ 3,185,352</u>	<u>\$ 144,588</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 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 10% or \$15,951. 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; \$7,556 is restricted for drug prevention purposes; and \$145,004 is restricted for the City’s future pension needs. Governmental activities restricted net position totaled \$152,766 at June 30, 2019.

**Business-type Activities**

Restricted net position represents \$305,015 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> 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, 2018 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	15
Active employees	23
	<u>44</u>

(Continued)

**NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)**

**Tennessee Consolidated Retirement System (Continued)**

**General Information about the Pension Plan (Continued)**

*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, 2019, employer contributions for Pikeville were \$34,906 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, 2018, 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, 2018 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 8.72 to 3.44 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, 2018 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.

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>Long-Term Expected Asset Class</u>	<u>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%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

(Continued)

**NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)**

*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)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 6/30/17	\$ 2,136,592	\$ 2,573,411	\$ (436,819)
Changes for the year:			
Service cost	67,648	-	67,648
Interest	156,937	-	156,937
Differences between expected and actual experience	(59,206)	-	(59,206)
Contributions – employer	-	30,999	(30,999)
Contributions – employees	-	43,417	(43,417)
Net investment income	-	213,318	(213,318)
Benefit payments, including refunds of employee contributions	(79,181)	(79,181)	-
Administrative expense	-	(2,217)	2,217
Net changes	<u>86,198</u>	<u>206,336</u>	<u>(120,138)</u>
Balance at 6/30/18	<u>\$ 2,222,790</u>	<u>\$ 2,779,747</u>	<u>\$ (556,957)</u>

**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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	<u>\$ (287,467)</u>	<u>\$ (556,957)</u>	<u>\$ (781,711)</u>

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

*Pension income.* For the year ended June 30, 2019, the City recognized pension income of \$63,716.

(Continued)

**NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)**

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,707	\$ 188,730
Net difference between projected and actual earnings on pension plan investments	63,592	74,682
Changes in assumption	48,057	-
Contributions subsequent to the measurement date of June 30, 2018	<u>34,906</u>	<u>-</u>
Total	<u>\$ 157,262</u>	<u>\$ 263,412</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:	
2020	\$ (25,077)
2021	(31,635)
2022	(53,501)
2023	(18,123)
2024	(12,723)
Thereafter	<u>-</u>
	<u>\$ (141,059)</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, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**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, 2019, the City contributed a total of \$165,682 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 \$7,403 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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Pension Liability (Asset)				
Service cost	\$ 67,648	\$ 57,996	\$ 44,050	\$ 50,122
Interest	156,937	153,227	151,894	143,616
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(59,206)	(87,261)	(106,106)	53,535
Change in assumptions	-	67,279	-	-
Benefit payments, including refunds of employee contributions	(79,181)	(79,348)	(92,695)	(168,960)
Net change in total pension liability	86,198	111,893	(2,857)	78,313
Total pension liability - beginning	<u>2,136,592</u>	<u>2,024,699</u>	<u>2,027,556</u>	<u>1,949,243</u>
Total pension liability - ending (a)	<u><u>\$ 2,222,790</u></u>	<u><u>\$ 2,136,592</u></u>	<u><u>\$ 2,024,699</u></u>	<u><u>\$ 2,027,556</u></u>
 Plan Fiduciary Net Position				
Contributions - employer	\$ 30,999	\$ 41,641	\$ 35,247	\$ 32,871
Contributions - employee	43,417	46,268	39,251	36,605
Net investment income	213,318	261,613	59,830	69,191
Benefit payments, including refunds of employee contributions	(79,181)	(79,348)	(92,695)	(168,960)
Administrative expense	(2,217)	(2,067)	(1,812)	(1,056)
Net change in plan fiduciary net position	206,336	268,107	39,821	(31,349)
Plan fiduciary net position - beginning	<u>2,573,411</u>	<u>2,305,304</u>	<u>2,265,483</u>	<u>2,296,832</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,779,747</u></u>	<u><u>\$ 2,573,411</u></u>	<u><u>\$ 2,305,304</u></u>	<u><u>\$ 2,265,483</u></u>
 Net Pension Liability (asset) - ending (a) - (b)	<u><u>\$ (556,957)</u></u>	<u><u>\$ (436,819)</u></u>	<u><u>\$ (280,605)</u></u>	<u><u>\$ (237,927)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	125.06%	120.44%	113.86%	111.73%
 Covered - employee payroll	\$ 868,330	\$ 925,357	\$ 785,025	\$ 732,089
 Net pension liability (asset) as a percentage of covered-employee payroll	64.14%	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

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	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 36,058	\$ 30,999	\$ 41,641	\$ 35,247
Contributions in relation to the actuarially determined contribution	36,058	30,999	41,641	35,247
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$1,010,028	\$ 868,319	\$ 925,357	\$ 785,025
Contributions as a percentage covered-employee payroll	3.57%	3.57%	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, 2019

*Valuation date:* Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2018 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, 2019

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	<u>Industrial Development Board</u>	<u>Drug Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 7,556	\$ 7,556
Accounts receivable, net	206	-	206
Total assets	<u>206</u>	<u>7,556</u>	<u>7,762</u>
<b>FUND BALANCES</b>			
Restricted	<u>206</u>	<u>7,556</u>	<u>7,762</u>
Total fund balances	<u>\$ 206</u>	<u>\$ 7,556</u>	<u>\$ 7,762</u>

**CITY OF PIKEVILLE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2019

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	<b>Industrial Development Board</b>	<b>Drug Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Fines and forfeitures	\$ -	\$ 1,955	\$ 1,955
Total revenues	<u>-</u>	<u>1,955</u>	<u>1,955</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>1,955</u>	<u>1,955</u>
<b>FUND BALANCES</b>			
Beginning	<u>206</u>	<u>5,601</u>	<u>5,807</u>
Ending	<u>\$ 206</u>	<u>\$ 7,556</u>	<u>\$ 7,762</u>

# CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>TAXES -</b>				
Property taxes	\$ 389,464	\$ 389,464	\$ 363,380	\$ (26,084)
Local sales taxes	190,000	190,000	251,673	61,673
Business taxes	15,200	15,200	18,644	3,444
Local beer taxes	100,000	100,000	102,410	2,410
Wholesale liquor tax	30,500	30,500	23,971	(6,529)
Franchise taxes	<u>7,500</u>	<u>7,500</u>	<u>7,762</u>	<u>262</u>
Total taxes	<u>732,664</u>	<u>732,664</u>	<u>767,840</u>	<u>35,176</u>
<b>LICENSES AND PERMITS -</b>				
Privilege licenses	<u>1,000</u>	<u>1,000</u>	<u>2,550</u>	<u>1,550</u>
Total licenses and permits	<u>1,000</u>	<u>1,000</u>	<u>2,550</u>	<u>1,550</u>
<b>INTERGOVERNMENTAL -</b>				
State sales tax	130,000	130,000	149,494	19,494
State beer tax	800	800	744	(56)
State income and excise tax	17,000	17,000	9,362	(7,638)
City streets and transportation	59,500	59,500	58,781	(719)
TVA in lieu of tax	18,000	18,000	19,042	1,042
State and other grants	25,300	25,300	6,900	(18,400)
Federal grants	<u>156,000</u>	<u>156,000</u>	<u>116,477</u>	<u>(39,523)</u>
Total intergovernmental	<u>406,600</u>	<u>406,600</u>	<u>360,800</u>	<u>(45,800)</u>
<b>CHARGES FOR SERVICES -</b>				
Sanitation fees	121,050	121,050	116,475	(4,575)
Other	<u>34,200</u>	<u>34,200</u>	<u>37,297</u>	<u>3,097</u>
Total charges for services	<u>155,250</u>	<u>155,250</u>	<u>153,772</u>	<u>(1,478)</u>
<b>FINES AND FORFEITS -</b>				
City court fines and fees	<u>15,000</u>	<u>15,000</u>	<u>9,695</u>	<u>(5,305)</u>
Total fines and forfeits	<u>15,000</u>	<u>15,000</u>	<u>9,695</u>	<u>(5,305)</u>

(Continued)

# CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>MISCELLANEOUS</b>				
Insurance recoveries	\$ -	\$ -	\$ (1,938)	\$ (1,938)
Interest	145	145	293	148
Rent	14,400	14,400	14,500	100
Contributions	8,000	20,000	20,816	816
Refunds	5,000	5,000	6,962	1,962
Sale of property	55,000	105,000	105,000	-
Other	-	-	2,035	2,035
Total miscellaneous	82,545	144,545	147,668	3,123
Total revenues	1,393,059	1,455,059	1,442,325	(12,734)
<b>GENERAL GOVERNMENT</b>				
<b>Legislative -</b>				
Salaries	7,200	7,200	7,200	-
Payroll taxes	385	379	379	-
Insurance	4,000	4,169	4,169	-
	11,585	11,748	11,748	-
<b>Judicial -</b>				
Salaries	4,800	4,800	4,800	-
Payroll taxes	365	367	367	-
Insurance	8,255	8,669	8,669	-
	13,420	13,836	13,836	-
<b>Mayor -</b>				
Salaries	13,000	13,000	13,000	-
Payroll taxes	945	922	922	-
Insurance	8,000	3,142	3,142	-
	21,945	17,064	17,064	-
<b>Central Staff Agencies -</b>				
Salaries	78,483	80,604	80,604	-
Payroll taxes	6,000	6,025	6,025	-
Insurance	18,750	20,459	20,459	-
Pension	3,525	2,856	2,856	-
Training	200	716	716	-
Data processing	5,500	5,500	5,500	-
Contract services	3,000	388	388	-
Professional services	8,550	8,315	8,315	-
Subscriptions	1,500	810	810	-
Telephone	7,000	6,595	6,595	-
Operating supplies	6,275	1,529	1,529	-

(Continued)

# CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

(Continued)	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Central Staff Agencies - (Continued)</b>				
Repair and maintenance	\$ -	\$ 1,308	\$ 1,308	\$ -
Travel	500	293	293	-
Other equipment	7,500	-	-	-
	<u>146,783</u>	<u>135,398</u>	<u>135,398</u>	<u>-</u>
<b>City Hall Buildings -</b>				
Salaries	32,262	32,548	32,548	-
Utilities	21,750	20,590	20,570	20
Contract services	10,000	41,515	41,515	-
Operating supplies	16,088	7,783	7,783	-
Repair and maintenance	200	166	166	-
Travel	-	517	517	-
Equipment	40,000	-	-	-
Other	18,510	19,748	19,747	1
	<u>138,810</u>	<u>122,867</u>	<u>122,846</u>	<u>21</u>
<b>Special Projects -</b>				
Contract services	203,852	203,852	122,592	81,260
City projects	50,000	47,041	1,549	45,492
	<u>253,852</u>	<u>250,893</u>	<u>124,141</u>	<u>126,752</u>
<b>General Government -</b>				
Other insurance	25,000	27,305	27,305	-
Unemployment insurance	1,000	560	560	-
Professional services	20,000	20,288	20,288	-
Subscriptions and dues	1,500	1,701	1,701	-
Contract services	200	270	270	-
Operating supplies	3,700	107	107	-
	<u>51,400</u>	<u>50,231</u>	<u>50,231</u>	<u>-</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>637,795</u>	<u>602,037</u>	<u>475,264</u>	<u>126,773</u>
<b>DEPARTMENT OF PUBLIC SAFETY</b>				
<b>Police -</b>				
Salaries	96,631	122,267	122,267	-
Payroll taxes	7,500	9,224	9,224	-
Insurance	40,000	41,600	41,617	(17)
Pension	4,350	4,209	4,209	-
Employee training	2,000	350	350	-
Subscriptions and dues	150	1,051	1,051	-

(Continued)



# CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Police - (Continued)</b>				
Telephone	\$ 6,400	\$ 6,202	\$ 6,202	\$ -
Utilities	2,500	3,364	3,364	-
Travel	1,000	1,291	1,291	-
Operating supplies	15,900	17,777	16,473	1,304
Contract services	1,600	9,015	9,015	-
Equipment	5,000	2,795	2,795	-
Repair and maintenance	5,200	10,355	10,321	34
	188,231	229,500	228,179	1,321
<b>Fire -</b>				
Employee training	4,500	4,225	3,021	1,204
Insurance	35,000	34,193	32,835	1,358
Subscriptions and dues	1,000	1,000	435	565
Telephone	2,000	2,657	2,657	-
Utilities	6,450	12,913	12,633	280
Travel	1,500	1,005	901	104
Operating supplies	8,500	5,792	4,982	810
Contract services	4,000	5,604	5,604	-
Repair and maintenance	11,500	1,500	1,200	300
Equipment	162,000	148,661	128,752	19,909
Land rental	500	15,500	15,500	-
	236,950	233,050	208,520	24,530
<b>Custody of Property -</b>				
Tow - in services	-	490	490	-
	-	490	490	-
<b>Support Services -</b>				
Equipment	1,000	-	-	-
Operating supplies	4,000	23,577	23,577	-
	5,000	23,577	23,577	-
<b>TOTAL DEPARTMENT OF PUBLIC SAFETY</b>	430,181	486,617	460,766	25,851

(Continued)

# CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT OF PUBLIC WORKS</b>				
<b>Highways and Streets -</b>				
Insurance	30,550	34,918	34,918	-
Contract services	5,000	16,515	18,315	(1,800)
Telephone	3,400	3,400	3,400	-
Operating supplies	17,600	16,530	16,506	24
Equipment	20,000	15,260	15,260	-
Street projects	30,000	11,349	11,349	-
Repair and maintenance	3,500	3,340	3,340	-
	110,050	101,312	103,088	(1,776)
 <b>Sanitation -</b>				
Contract services	\$ 121,095	\$ 126,937	\$ 126,936	\$ 1
	121,095	126,937	126,936	1
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	231,145	228,249	230,024	(1,775)
 <b>DEPARTMENT OF STATE STREET AID</b>				
<b>State Street Aid -</b>				
Salaries	65,150	94,332	94,332	-
Payroll taxes	5,000	7,120	7,120	-
Pension	2,925	3,335	3,335	-
Utilities	26,000	26,397	26,397	-
	99,075	131,184	131,184	-
<b>TOTAL DEPARTMENT OF STATE STREET AID</b>	99,075	131,184	131,184	-
 <b>DEPARTMENT OF PUBLIC WELFARE</b>				
<b>Parks and Recreation -</b>				
Utilities	15,875	15,420	15,327	93
Insurance	6,000	6,766	6,766	-
Operating supplies	28,500	37,947	37,948	(1)
Telephone	2,000	1,550	1,542	8
Contract services	2,118	580	580	-
Repair and maintenance	1,600	-	-	-
	56,093	62,263	62,163	100
<b>TOTAL DEPARTMENT OF PUBLIC WELFARE</b>	56,093	62,263	62,163	100

(Continued)

**CITY OF PIKEVILLE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2019

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>DEBT SERVICE</b>				
Principal	62,313	72,310	72,310	-
Interest	71,629	73,413	73,413	-
<b>TOTAL DEBT SERVICE</b>	133,942	145,723	145,723	-
<b>TOTAL EXPENDITURES</b>	1,588,231	1,656,073	1,505,124	150,949
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (195,172)	\$ (201,014)	\$ (62,799)	\$ 138,215
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	-	(62,865)	(62,865)
Notes issued	203,852	203,852	65,174	(138,678)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USE</b>	\$ 8,680	\$ 2,838	(60,490)	\$ (63,328)
<b>FUND BALANCES</b>				
Beginning			183,963	
Ending			\$ 123,473	

**CITY OF PIKEVILLE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>	\$ -	\$ -	\$ -	\$ -
<b>EXCESS REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ -	\$ -	-	\$ -
<b>FUND BALANCES</b>				
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, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>FINES AND FORFEITS -</b>				
City court fines and fees	\$ 500	\$ 500	\$ 1,955	\$ 1,455
Total revenues	<u>500</u>	<u>500</u>	<u>1,955</u>	<u>1,455</u>
<b>DEPARTMENT OF PUBLIC SAFETY</b>				
Drug enforcement	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
<b>TOTAL EXPENDITURES</b>	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
<b>EXCESS REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	1,955	<u>\$ 1,955</u>
<b>FUND BALANCES</b>				
Beginning			<u>5,601</u>	
Ending			<u>\$ 7,556</u>	

# CITY OF PIKEVILLE, TENNESSEE

## SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2019

---

<u>Year</u>	<u>Tax Rate Per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2019	1.0000	\$ 29,578,304	\$ 297,640
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

*Uncollected Delinquent Accounts: The City of Pikeville has filed delinquent taxes with the Bledsoe County Trustee for collection at June 30, 2019.*

**CITY OF PIKEVILLE, TENNESSEE**

**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**

JUNE 30, 2019

Tax Year	Property Tax Receivable Balance June 30, 2018	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2019
2019	\$ -	\$ -	\$ 297,640	\$ -	\$ -	297,640
2018	-	256,000	-	66,280	(272,985)	49,295
2017	47,213	-	-	-	(20,670)	26,543
2016	16,338	-	-	-	(4,129)	12,209
2015	6,651	-	-	-	(3,010)	3,641
2014	6,926	-	-	-	(4,054)	2,872
2013	5,318	-	-	-	(2,884)	2,434
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>\$ 85,256</u>	<u>\$ 256,000</u>	<u>\$ 297,640</u>	<u>\$ 66,280</u>	<u>\$ (307,732)</u>	<u>\$ 397,444</u>

**CITY OF PIKEVILLE, TENNESSEE**

**SCHEDULE OF DEBT SERVICE REQUIREMENTS  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019**

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
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	45,254	11,300	4,435	1,227	84,029	52,330
2023	49,000	2,430	25,279	44,477	11,700	3,985	1,227	87,206	50,892
2024	51,000	2,209	26,080	43,676	12,200	3,516	1,227	90,507	49,401
2025	54,000	1,980	26,907	42,849	12,600	3,030	1,227	94,734	47,859
2026	57,000	1,737	27,760	41,996	13,100	2,526	1,227	99,087	46,259
2027	60,000	1,480	28,640	41,116	13,700	2,001	1,227	103,567	44,597
2028	62,000	1,210	29,548	40,208	14,200	1,454	1,227	106,975	42,872
2029	66,000	931	30,485	39,271	14,700	889	1,227	112,412	41,091
2030	69,000	634	31,451	38,305	15,300	300	1,227	116,978	39,239
2031	71,419	324	32,447	37,309	-	-	1,227	105,093	37,633
2032	-	-	33,477	36,279	-	-	1,227	34,704	36,279
2033	-	-	34,538	35,218	-	-	-	34,538	35,218
2034	-	-	35,633	34,123	-	-	-	35,633	34,123
2035	-	-	36,762	32,994	-	-	-	36,762	32,994
2036	-	-	37,928	31,828	-	-	-	37,928	31,828
2037	-	-	39,130	30,626	-	-	-	39,130	30,626
2038	-	-	40,371	29,385	-	-	-	40,371	29,385
2039	-	-	41,651	28,105	-	-	-	41,651	28,105
2040	-	-	42,971	26,785	-	-	-	42,971	26,785
2041	-	-	44,333	25,423	-	-	-	44,333	25,423
2042	-	-	45,739	24,017	-	-	-	45,739	24,017
2043	-	-	47,188	22,568	-	-	-	47,188	22,568
2044	-	-	48,685	21,071	-	-	-	48,685	21,071
2045	-	-	50,228	19,528	-	-	-	50,228	19,528
2046	-	-	51,820	17,936	-	-	-	51,820	17,936
2047	-	-	53,463	16,293	-	-	-	53,463	16,293
2048	-	-	55,157	14,599	-	-	-	55,157	14,599
2049	-	-	56,906	12,850	-	-	-	56,906	12,850
2050	-	-	58,710	11,046	-	-	-	58,710	11,046
2051	-	-	60,572	9,184	-	-	-	60,572	9,184
2052	-	-	62,492	7,264	-	-	-	62,492	7,264
2053	-	-	64,473	5,283	-	-	-	64,473	5,283
2054	-	-	66,517	3,239	-	-	-	66,517	3,239
2055	-	-	253,776	(184,020)	-	-	-	253,776	(184,020)
Total	<u>\$ 672,419</u>	<u>\$ 21,443</u>	#####	#####	<u>\$ 140,000</u>	<u>\$ 32,289</u>	<u>\$ 15,951</u>	#####	#####



# CITY OF PIKEVILLE, TENNESSEE

## SCHEDULE OF DEBT SERVICE REQUIREMENTS WATER AND SEWER PROPRIETARY FUND JUNE 30, 2019

Year Ending June 30,	USDA Series 2011		USDA Series 2006		USDA Series 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 30,462	\$ 41,682	\$ 8,431	\$ 17,717	\$ 16,151	\$ 39,157	\$ 55,044	\$ 98,556
2021	31,306	40,838	8,808	17,340	16,872	38,436	56,986	96,614
2022	32,178	39,966	9,201	16,947	17,625	37,683	59,004	94,596
2023	33,074	39,070	9,611	16,537	18,412	36,896	61,097	92,503
2024	33,995	38,149	10,041	16,107	19,234	36,074	63,270	90,330
2025	34,942	37,202	10,489	15,659	20,093	35,215	65,524	88,076
2026	35,915	36,229	10,957	15,191	20,989	34,319	67,861	85,739
2027	36,915	35,229	11,446	14,702	21,926	33,382	70,287	83,313
2028	37,943	34,201	11,957	14,191	22,905	32,403	72,805	80,795
2029	39,000	33,144	12,491	13,657	23,928	31,380	75,419	78,181
2030	40,086	32,058	13,048	13,100	24,996	30,312	78,130	75,470
2031	41,203	30,941	13,631	12,517	26,111	29,197	80,945	72,655
2032	42,350	29,794	14,239	11,909	27,277	28,031	83,866	69,734
2033	43,530	28,614	14,875	11,273	28,495	26,813	86,900	66,700
2034	44,967	27,177	15,539	10,609	29,767	25,541	90,273	63,327
2035	45,988	26,156	16,232	9,916	31,095	24,213	93,315	60,285
2036	47,269	24,875	16,957	9,191	32,483	22,825	96,709	56,891
2037	48,585	23,559	17,714	8,434	33,933	21,375	100,232	53,368
2038	49,938	22,206	18,505	7,643	35,448	19,860	103,891	49,709
2039	51,329	20,815	19,331	6,817	37,030	18,278	107,690	45,910
2040	52,758	19,386	20,193	5,955	38,683	16,625	111,634	41,966
2041	54,228	17,916	21,095	5,053	40,410	14,898	115,733	37,867
2042	55,738	16,406	22,036	4,112	42,214	13,094	119,988	33,612
2043	57,290	14,854	23,020	3,128	44,098	11,210	124,408	29,192
2044	58,885	13,259	24,048	2,100	46,067	9,241	129,000	24,600
2045	60,525	11,619	25,120	1,028	48,123	7,185	133,768	19,832
2046	62,211	9,933	9,748	98	50,274	5,034	122,233	15,065
2047	63,944	8,200	-	-	52,515	2,793	116,459	10,993
2048	65,724	6,420	-	-	35,147	1,295	100,871	7,715
2049	67,555	4,589	-	-	-	-	67,555	4,589
2050	69,436	2,708	-	-	-	-	69,436	2,708
2051	60,474	778	-	-	-	-	60,474	778
2052	-	-	-	-	-	-	-	-
<b>Total</b>	<u>\$ 1,529,743</u>	<u>\$ 767,973</u>	<u>\$ 408,763</u>	<u>\$ 280,931</u>	<u>\$ 902,301</u>	<u>\$ 682,765</u>	<u>\$ 2,840,807</u>	<u>\$ 1,731,669</u>

**CITY OF PIKEVILLE, TENNESSEE**

**SCHEDULE OF DEBT SERVICE REQUIREMENTS  
NATURAL GAS PROPRIETARY FUND  
JUNE 30, 2019**

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Year Ending June 30,	Revenue Bond Series 2002	
	Principal	Interest
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>\$ 330,000</u>	<u>\$ 34,676</u>

# CITY OF PIKEVILLE, TENNESSEE

## SCHEDULE OF MUNICIPAL UTILITY RATES AND NUMBERS OF CUSTOMERS

JUNE 30, 2019

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### WATER RATE SCHEDULE

	<u>Residential</u>	<u>Commercial</u>	<u>Outside City</u>
Water Rates:			
First 2,000 Gallons	\$19.00/month	\$22.80/month	\$24.70/month
2,001 Gallons and over	\$5.40/month	\$6.48/month	\$7.02/month

### SEWER RATE SCHEDULE

Sewer Rates (Based on water usage):			
First 2,000 Gallons	\$19.95/month	\$23.94/month	\$25.94/month
2,001 Gallons and over	\$5.67/month	\$6.80/month	\$7.37/month

### 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	1678
Sewer	653
Garbage	661
Natural Gas	961



# 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: **2019**      7/2018 - 6/2019

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

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

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

### WATER SUPPLIED

Volume from own sources:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="341.091"/>	MG/Yr
Water imported:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Water exported:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr

### Master Meter and Supply Error Adjustments

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

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

**WATER SUPPLIED:**  **341.091** MG/Yr

### AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="187.170"/>	MG/Yr
Billed unmetered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="0.007"/>	MG/Yr
Unbilled metered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="6.618"/>	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:**  **193.795** MG/Yr

Click here:  for help using option buttons below

Pcnt:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value=""/>	<input type="text" value="6.618"/>	MG/Yr
Value:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr

Use buttons to select percentage of water supplied OR value

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

Pcnt:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9.50%"/>	<input type="text" value=""/>	MG/Yr
Value:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value=""/>	<input type="text" value="0.100"/>	MG/Yr

### WATER LOSSES (Water Supplied - Authorized Consumption)

**147.296** MG/Yr

### Apparent Losses

Unauthorized consumption:    MG/Yr

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

Customer metering inaccuracies:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="19.648"/>	MG/Yr
Systematic data handling errors:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="0.100"/>	MG/Yr

**Apparent Losses:**  **20.600** MG/Yr

### Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:  **126.696** MG/Yr

**WATER LOSSES:**  **147.296** MG/Yr

### NON-REVENUE WATER

**NON-REVENUE WATER:**  **153.914** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

### SYSTEM DATA

Length of mains:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="76.3"/>	miles
Number of <u>active</u> AND <u>inactive</u> service connections:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="1,775"/>	
Service connection density:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" 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:   (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure:     psi

### COST DATA

Total annual cost of operating water system:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="\$1,853,247"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="8"/>	<input type="text" value="\$7.60"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="\$838.28"/>	\$/Million gallo <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

### WATER AUDIT DATA VALIDITY SCORE:

**\*\*\* YOUR SCORE IS: 82 out of 100 \*\*\***

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

### PRIORITY AREAS FOR ATTENTION:

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

**1: Volume from own sources**

**2: Billed metered**

**3: Unauthorized consumption**



## 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: 2019 | 7/2018 - 6/2019

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

**System Attributes:**

	Apparent Losses:	20.600	MG/Yr
	+	126.696	MG/Yr
	=	<b>147.296</b>	MG/Yr
	<b>Water Losses:</b>		

? Unavoidable Annual Real Losses (UARL): 26.02 MG/Yr

Annual cost of Apparent Losses: \$156,563

Annual cost of Real Losses: \$106,206 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:	45.1%	
		Non-revenue water as percent by cost of operating system:	14.5%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	31.80	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	4,549.30	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): 126.70 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 4.87

\* 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, 2019**

<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>
<b>FEDERAL AWARDS</b>						
FEMA Grant			\$ -	\$ 116,477	\$ 116,477	\$ -
CDBG Sewer Plant	14.228	41112	-	128,478	128,478	-
Total U. S. Department of Agriculture			-	244,955	244,955	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			-	244,955	244,955	-
<b>STATE AWARDS</b>						
Tennessee Department of Agriculture	N/A	32506-09419	-	1,000	1,000	-
Tennessee Department of Safety and Homeland Security	N/A	154AL-19-161	-	2,300	2,300	-
Tennessee Department of Agriculture, Division of Forestry	N/A	71294	-	3,000	3,000	-
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			-	6,300	6,300	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ -	\$ 251,255	\$ 251,255	\$ -

# **CITY OF PIKEVILLE, TENNESSEE**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE ASSISTANCE**

**YEAR ENDED JUNE 30, 2019**

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### **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**





**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, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 15, 2019.

**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  
November 15, 2019

*Henderson Hutcherson  
& McCullough, PLLC*

**CITY OF PIKEVILLE, TENNESSEE**

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2019

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None noted