

CITY OF PIKEVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF PIKEVILLE, TENNESSEE

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CITY OF PIKEVILLE, TENNESSEE

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CITY OF PIKEVILLE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2021

Mayor

Philip Cagle

Alderman

Senia Anderson

Alderman

Jeania Lansing

Alderman

Jane Humble

Alderman

Dale Wheeler

City Recorder

Debra Barnett

City Attorney

Edward Boring

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

Mayor and 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, 2021, 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.

1200 Market Street, Chattanooga, TN 37402 | T 423.756.7771 | F 423.265.8125

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, 2021, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2021, 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 solely 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 the effectiveness of 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, 2021

Henderson Hutcherson
& McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021. 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, 2021 by \$18,863,861 (net position). The City's governmental funds reported an increase in combined fund balance of \$316,906. Total government activities under GASB 34 operated at an increase of \$302,390. 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 \$18,863,861 at the close of this fiscal year.

City of Pikeville, Tennessee’s Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,219,867	\$ 935,147	\$ 2,744,287	\$ 2,128,993	\$ 3,964,154	\$ 3,064,140
Capital assets	<u>3,784,550</u>	<u>3,900,314</u>	<u>16,798,613</u>	<u>17,006,048</u>	<u>20,583,163</u>	<u>20,906,362</u>
Total assets	<u>5,004,417</u>	<u>4,835,461</u>	<u>19,542,900</u>	<u>19,135,041</u>	<u>24,547,317</u>	<u>23,970,502</u>
Deferred outflows	<u>45,636</u>	<u>39,051</u>	<u>92,104</u>	<u>77,473</u>	<u>137,740</u>	<u>116,524</u>
Non-current liabilities	2,419,797	2,526,363	2,669,772	2,728,778	5,089,569	5,255,141
Other liabilities	<u>136,809</u>	<u>135,327</u>	<u>182,032</u>	<u>189,755</u>	<u>318,841</u>	<u>325,082</u>
Total liabilities	<u>2,556,606</u>	<u>2,661,690</u>	<u>2,851,804</u>	<u>2,918,533</u>	<u>5,408,410</u>	<u>5,580,223</u>
Deferred inflows	<u>350,055</u>	<u>371,820</u>	<u>62,731</u>	<u>107,026</u>	<u>412,786</u>	<u>478,846</u>
Net position						
Net investment in capital assets	1,257,300	1,270,908	14,069,833	14,220,284	15,327,133	15,491,192
Restricted	455,985	179,819	419,845	373,480	875,830	553,299
Unrestricted	<u>430,107</u>	<u>390,275</u>	<u>2,230,791</u>	<u>1,593,191</u>	<u>2,660,898</u>	<u>1,983,466</u>
Total net position	<u>\$ 2,143,392</u>	<u>\$ 1,841,002</u>	<u>\$ 16,720,469</u>	<u>\$ 16,186,955</u>	<u>\$ 18,863,861</u>	<u>\$ 18,027,957</u>

Eighty-six percent (81%) 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 \$875,830 is primarily related to net position restricted for the City’s future pension needs. The remaining \$2,660,898 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 \$302,390, while business-type activities increased the City’s net position by \$533,514. The City can only use the net position obtained through business-type activities to finance the continuing operations of the water and sewer and natural gas systems.

(Continued)

Changes in Net Position (Continued)

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

City of Pikeville, Tennessee's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 146,649	\$ 141,350	\$ 3,082,159	\$ 2,754,900	\$ 3,228,808	\$ 2,896,250
Operating grants and contributions	126,271	22,886	-	-	126,271	22,886
Capital grants and contributions	-	-	236,772	-	236,772	-
General revenues:						
Property taxes	272,073	284,423	-	-	272,073	284,423
Other taxes	701,581	639,392	-	-	701,581	639,392
Pension income	-	14,300	-	37,362	-	51,662
Other income	<u>378,060</u>	<u>311,286</u>	<u>39,544</u>	<u>4,175</u>	<u>417,604</u>	<u>315,461</u>
Total revenues	<u>1,624,634</u>	<u>1,413,637</u>	<u>3,358,475</u>	<u>2,796,437</u>	<u>4,983,109</u>	<u>4,210,074</u>
Expenses:						
General government	393,181	368,342	-	-	393,181	368,342
Public safety	398,653	359,822	-	-	398,653	359,822
Public works	244,491	252,817	-	-	244,491	252,817
Public welfare	55,405	45,843	-	-	55,405	45,843
State street aid	162,550	155,151	-	-	162,550	155,151
Interest	71,296	82,378	-	-	71,296	82,378
Water and sewer	-	-	2,068,914	1,814,766	2,068,914	1,814,766
Natural gas	-	-	<u>752,715</u>	<u>704,553</u>	<u>752,715</u>	<u>704,553</u>
Total expenses	<u>1,325,576</u>	<u>1,264,353</u>	<u>2,821,629</u>	<u>2,519,319</u>	<u>4,147,205</u>	<u>3,783,672</u>
Transfers	3,332	-	(3,332)	-	-	-
Change in net position	<u>302,390</u>	<u>149,284</u>	<u>533,514</u>	<u>277,118</u>	<u>835,904</u>	<u>426,402</u>
Net position – beginning	<u>1,841,002</u>	<u>1,691,718</u>	<u>16,186,955</u>	<u>15,909,837</u>	<u>18,027,957</u>	<u>17,601,555</u>
Net position – ending	<u>\$ 2,143,392</u>	<u>\$ 1,841,002</u>	<u>\$ 16,720,469</u>	<u>\$ 16,186,955</u>	<u>\$ 18,863,861</u>	<u>\$ 18,027,957</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 \$718,106, an increase of \$318,138 in comparison with the prior year. Sixty-three percent (63%) 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 \$454,175. 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 34% of total general fund expenditures without transfers.

The fund balance of the City's general fund increased by \$316,906 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 \$1,381,185 for the Water and Sewer Fund and \$849,606 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 \$183,836.

Departmental heads 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, 2021, amounted to \$3,784,550 (net of accumulated depreciation). Capital assets for its business-type activities as of June 30, 2021, amounted to \$16,798,613 (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:

- Building improvements and infrastructure for \$74,569
- Vehicles for \$34,599
- Water and sewer equipment for \$3,603
- Water and sewer treatment for \$18,583
- Natural gas operating equipment for \$4,833
- Natural gas lines and meters for \$105,681

(Continued)

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

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

	2021	2020
Governmental Activities:		
Land	\$ 220,761	\$ 220,761
Buildings and parks	2,606,756	2,654,715
Machinery and equipment	107,588	131,530
Vehicles	131,724	133,758
Infrastructure	638,612	678,007
Landfill	79,109	81,843
Total	<u>\$ 3,784,550</u>	<u>\$ 3,900,314</u>
	2021	2020
Business-type Activities:		
Land	\$ 169,847	\$ 169,847
Construction in progress	804,108	562,539
North Bledsoe system	1,727,160	1,802,332
Water treatment and distribution	11,173,429	11,471,011
Sewer collection and treatment	1,927,843	2,002,844
Buildings	72,423	77,432
Machinery and equipment	90,758	124,574
Vehicles	40,632	62,104
Gas lines and meters	792,413	733,365
Total	<u>\$ 16,798,613</u>	<u>\$ 17,006,048</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 \$5,256,030. Of that amount \$166,461 is due in the next fiscal year.

	2021	2020
Governmental Activities:		
Notes payable	\$ 2,513,753	\$ 2,614,682
Landfill post-closure	13,497	14,724
	<u>\$ 2,527,250</u>	<u>\$ 2,629,406</u>
Business-type Activities:		
Water and Sewer Fund – Notes payable	<u>\$ 2,728,780</u>	<u>\$ 2,785,764</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 affect 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, 2021

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 665,497	\$ 2,081,369	\$ 2,746,866
Property taxes receivable, net	288,774	-	288,774
Accounts receivable, net	72,819	230,511	303,330
Internal balances	(7,370)	7,370	-
Inventories	-	34,555	34,555
Other assets	10	10	20
Net pension asset	200,137	390,472	590,609
Capital assets -			
Land and other nondepreciable assets	220,761	973,955	1,194,716
Capital assets, net of accumulated depreciation	3,563,789	15,824,658	19,388,447
Total assets	5,004,417	19,542,900	24,547,317
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	45,636	92,104	137,740
Total deferred outflows of resources	45,636	92,104	137,740
LIABILITIES			
Accounts payable	5,855	57,689	63,544
Accrued liabilities	6,995	18,976	25,971
Customer deposits	-	28,809	28,809
Compensated absences	16,506	17,550	34,056
Long-term liabilities, due within one year	107,453	59,008	166,461
Long-term liabilities, due in more than one year	2,419,797	2,669,772	5,089,569
Total liabilities	2,556,606	2,851,804	5,408,410
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	53,719	62,731	116,450
Unavailable revenue - property taxes	296,336	-	296,336
Total deferred inflows of resources	350,055	62,731	412,786
NET POSITION			
Net investment in capital assets	1,257,300	14,069,833	15,327,133
Restricted for:			
General government	99,244	-	99,244
Pension benefits	192,054	419,845	611,899
Public safety	164,687	-	164,687
Unrestricted	430,107	2,230,791	2,660,898
Total net position	\$ 2,143,392	\$ 16,720,469	\$ 18,863,861

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT				
Governmental activities -				
General government	\$ 393,181	\$ 2,320	\$ 126,271	\$ -
Public safety	398,653	14,704	-	-
Public works	244,491	129,625	-	-
Public welfare	55,405	-	-	-
State street aid	162,550	-	-	-
Interest	71,296	-	-	-
Total governmental activities	1,325,576	146,649	126,271	-
Business-type activities -				
Water and sewer	2,068,914	2,198,777	-	236,772
Natural gas	752,715	883,382	-	-
Total business-type activities	2,821,629	3,082,159	-	236,772
Total primary government	\$ 4,147,205	\$ 3,228,808	\$ 126,271	\$ 236,772
GENERAL REVENUES				
Property taxes				
Local sales taxes				
Alcoholic beverage taxes				
Franchise and excise taxes				
Business taxes				
In lieu of taxes				
Other taxes				
Interest revenue				
Other revenue				
Transfers				
Total general revenues and transfers				
Change in net position				
NET POSITION				
Beginning				
Ending				

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (264,590)	\$ -	\$ (264,590)
(383,949)	-	(383,949)
(114,866)	-	(114,866)
(55,405)	-	(55,405)
(162,550)	-	(162,550)
(71,296)	-	(71,296)
<u>(1,052,656)</u>	<u>-</u>	<u>(1,052,656)</u>
-	366,635	366,635
-	130,667	130,667
-	497,302	497,302
(1,052,656)	497,302	(555,354)
272,073	-	272,073
398,926	-	398,926
95,632	-	95,632
19,551	-	19,551
23,599	-	23,599
57,708	-	57,708
106,165	-	106,165
980	17,639	18,619
377,080	21,905	398,985
3,332	(3,332)	-
<u>1,355,046</u>	<u>36,212</u>	<u>1,391,258</u>
302,390	533,514	835,904
<u>1,841,002</u>	<u>16,186,955</u>	<u>18,027,957</u>
<u>\$ 2,143,392</u>	<u>\$ 16,720,469</u>	<u>\$ 18,863,861</u>

CITY OF PIKEVILLE, TENNESSEE

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 655,932	\$ 9,565	\$ 665,497
Property taxes receivable, net	288,774	-	288,774
Accounts receivable, net	72,542	277	72,819
Other assets	10	-	10
Total assets	1,017,258	9,842	1,027,100
LIABILITIES			
Accounts payable	5,855	-	5,855
Accrued payroll liabilities	6,995	-	6,995
Due to other fund	7,370	-	7,370
Total liabilities	20,220	-	20,220
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	288,774	-	288,774
Total deferred inflows of resources	288,774	-	288,774
FUND BALANCES			
Restricted for:			
General government	99,038	206	99,244
Public safety	155,051	9,636	164,687
Unassigned	454,175	-	454,175
Total fund balances	708,264	9,842	718,106
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,017,258	\$ 9,842	\$ 1,027,100

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, 2021

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

Fund balances – total governmental funds	\$ 718,106
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.	3,784,550
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	200,137
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	(8,083)
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.	(7,562)
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	(2,513,753)
Compensated absences	(16,506)
Landfill post-closure costs	<u>(13,497)</u>
Net position of governmental activities	<u>\$ 2,143,392</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, 2021

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 730,184	\$ -	\$ 730,184
Licenses and permits	2,300	-	2,300
Intergovernmental	396,078	-	396,078
Charges for services	171,684	-	171,684
Fines and forfeitures	10,146	1,232	11,378
Other revenue	<u>332,396</u>	<u>-</u>	<u>332,396</u>
Total revenues	<u>1,642,788</u>	<u>1,232</u>	<u>1,644,020</u>
EXPENDITURES			
Current			
General government	404,259	-	404,259
Public safety	329,785	-	329,785
Public works	228,763	-	228,763
Public welfare	55,405	-	55,405
State street aid	138,682	-	138,682
Debt service -			
Principal	100,929	-	100,929
Interest and other charges	<u>71,391</u>	<u>-</u>	<u>71,391</u>
Total expenditures	<u>1,329,214</u>	<u>-</u>	<u>1,329,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	313,574	1,232	314,806
OTHER FINANCING (USES) SOURCES			
Transfers	<u>3,332</u>	<u>-</u>	<u>3,332</u>
Total other financing (uses) sources	<u>3,332</u>	<u>-</u>	<u>3,332</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	316,906	1,232	318,138
FUND BALANCES:			
Beginning	<u>391,358</u>	<u>8,610</u>	<u>399,968</u>
Ending	<u>\$ 708,264</u>	<u>\$ 9,842</u>	<u>\$ 718,106</u>

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

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

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

Net change in fund balances – total governmental funds		\$ 318,138
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay reported as expenditures in the governmental funds that met the capitalization threshold are shown as capital assets in the statement of net position.		114,798
---	--	---------

The net effect of various transactions involving capital assets to decrease net position.		(1,666)
---	--	---------

Depreciation expense on governmental capital assets are included in the statement of activities.		(228,896)
--	--	-----------

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.

Principal repayments	100,929		
Amortization	<u>1,227</u>		102,156

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

Change in compensated absences		3,352
Change in net pension asset and related deferrals		<u>20,845</u>

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.		<u>(26,337)</u>
--	--	-----------------

Change in net position of governmental activities		<u>\$ 302,390</u>
---	--	-------------------

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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 736,675	\$ 736,675	\$ 730,184	\$ (6,491)
Licenses and permits	2,000	2,000	2,300	300
Intergovernmental	235,855	407,193	396,078	(11,115)
Charges for services	152,103	164,603	171,684	7,081
Fines and forfeitures	10,000	10,000	10,146	146
Miscellaneous	39,650	39,650	332,396	292,746
Total revenue	1,176,283	1,360,121	1,642,788	282,667
EXPENDITURES				
Current -				
General government	324,468	422,808	404,259	18,549
Public safety	290,159	331,435	329,785	1,650
Public works	222,238	234,293	228,763	5,530
Public welfare	45,826	54,449	55,405	(956)
State street aid	134,582	138,682	138,682	-
Debt service -				
Principal	98,470	102,061	100,929	1,132
Interest	55,540	71,391	71,391	-
Total expenditures	1,171,283	1,355,119	1,329,214	25,905
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	5,000	5,002	313,574	308,572
OTHER FINANCING SOURCES (USES)				
Total other financing sources	-	-	3,332	3,332
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	\$ 5,000	\$ 5,002	316,906	\$ 311,904
FUND BALANCES:				
Beginning			391,358	
Ending			\$ 708,264	

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2021

ASSETS	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS			
Current assets -			
Cash and cash equivalents	\$ 1,215,692	\$ 865,677	\$ 2,081,369
Accounts receivable, net	206,825	23,686	230,511
Due from (to) other funds	33,155	(25,785)	7,370
Inventories	9,110	25,445	34,555
Net pension asset	284,307	106,165	390,472
Other assets	-	10	10
Total current assets	1,749,089	995,198	2,744,287
Noncurrent assets -			
Capital assets -			
Land and other nondepreciable assets	962,817	11,138	973,955
Capital assets, net of accumulated depreciation	14,913,716	910,942	15,824,658
Total noncurrent assets	15,876,533	922,080	16,798,613
TOTAL ASSETS	17,625,622	1,917,278	19,542,900
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	65,317	26,787	92,104
Total deferred outflows of resources	65,317	26,787	92,104
LIABILITIES			
Current liabilities -			
Accounts payable	45,562	12,127	57,689
Accrued liabilities	12,315	6,661	18,976
Customer deposits	10,846	17,963	28,809
Compensated absences	14,874	2,676	17,550
Long-term liabilities, due within one year	59,008	-	59,008
Total current liabilities	142,605	39,427	182,032
Noncurrent liabilities			
Long-term liabilities, due in more than one year	2,669,772	-	2,669,772
Total noncurrent liabilities	2,669,772	-	2,669,772
TOTAL LIABILITIES	2,812,377	39,427	2,851,804
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	41,001	21,730	62,731
Total deferred inflows of resources	41,001	21,730	62,731
NET POSITION			
Net investment in capital assets	13,147,753	922,080	14,069,833
Restricted	308,623	111,222	419,845
Unrestricted	1,381,185	849,606	2,230,791
Total net position	\$ 14,837,561	\$ 1,882,908	\$ 16,720,469

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, 2021

	Water and Sewer Fund	Natural Gas Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,135,701	\$ 872,032	\$ 3,007,733
Customer penalties	17,226	-	17,226
Connection fees	45,850	11,350	57,200
Interest revenue	1,505	16,134	17,639
Total revenues	2,200,282	899,516	3,099,798
OPERATING EXPENSES			
Purchased gas	-	296,239	296,239
Transmission and distribution	969,919	143,002	1,112,921
Sewer collection, treatment and disposal	308,056	-	308,056
Administration	198,565	230,860	429,425
Depreciation	495,758	82,614	578,372
Total operating expenses	1,972,298	752,715	2,725,013
OPERATING INCOME	227,984	146,801	374,785
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	236,772	-	236,772
Miscellaneous revenue	16,883	5,022	21,905
Interest expense	(96,616)	-	(96,616)
Total nonoperating revenues (expenses)	157,039	5,022	162,061
INCOME BEFORE TRANSFERS	385,023	151,823	536,846
Transfers out	(1,666)	(1,666)	(3,332)
Changes in net position	383,357	150,157	533,514
Net position, beginning	14,454,204	1,732,751	16,186,955
Net position, ending	\$ 14,837,561	\$ 1,882,908	\$ 16,720,469

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, 2021

	Water and Sewer Fund	Natural Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,181,702	\$ 872,752	\$ 3,054,454
Receipts (payments) from other funds	(2,021)	2,089	68
Payments to suppliers	(913,501)	(523,498)	(1,436,999)
Payments to employees	(593,437)	(177,202)	(770,639)
Interest	1,505	16,134	17,639
Net cash from operating activities	674,248	190,275	864,523
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenue	16,883	5,022	21,905
Net cash from noncapital financing activities	16,883	5,022	21,905
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds of capital grants	236,772	-	236,772
Principal paid on long-term debt	(56,984)	-	(56,984)
Interest paid on long-term debt	(96,616)	-	(96,616)
Acquisition and construction of capital assets	(283,967)	(90,302)	(374,269)
Net cash from capital and related financing activities	(200,795)	(90,302)	(291,097)
Net change in cash and cash equivalents	490,336	104,995	595,331
Cash and cash equivalents, June 30, 2020	725,356	760,682	1,486,038
Cash and cash equivalents, June 30, 2021	\$ 1,215,692	\$ 865,677	\$ 2,081,369

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, 2021

	Water and Sewer Fund	Natural Gas Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
OPERATING INCOME	<u>\$ 227,984</u>	<u>\$ 146,801</u>	<u>\$ 374,785</u>
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	495,758	82,614	578,372
(Increase) decrease in -			
Accounts receivable	(17,075)	(10,630)	(27,705)
Due from other funds	(2,021)	2,089	68
Inventories	(1)	(4,886)	(4,887)
Net pension asset	9,263	3,298	12,561
Deferred pension outflows	(10,798)	(3,833)	(14,631)
Increase (decrease) in -			
Accounts payable	3,801	(10,238)	(6,437)
Deferred pension inflows	(32,663)	(11,632)	(44,295)
Compensated absences	<u>-</u>	<u>(3,308)</u>	<u>(3,308)</u>
Total adjustments	<u>446,264</u>	<u>43,474</u>	<u>489,738</u>
Net cash from operating activities	<u>\$ 674,248</u>	<u>\$ 190,275</u>	<u>\$ 864,523</u>
Schedule of non-cash capital and related financing activities:			
Transfer of capital assets	<u>\$ (1,666)</u>	<u>\$ (1,666)</u>	<u>\$ (3,332)</u>

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

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 the Board of Aldermen. Debt issuance authorizations are approved by the Board of Aldermen, 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. Grants 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 governmental 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. The 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 net realizable value. 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 \$2,500 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. 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)

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Flow Assumptions

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

Compensated Absences

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

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 the Board of Aldermen prior to the end of the reporting period. Committed resources cannot be used for any other purposes unless the Board of Aldermen 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 Board of Aldermen 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 Board of Aldermen.

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 2021 are recorded as receivables and deferred inflows of resources. The allowance recorded for uncollectible taxes totaled \$132,601 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 \$523,131. 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, 2021, consist of the following:

Funds	General	Other Governmental	Water and Sewer	Natural Gas	Total
Property taxes	\$ 421,375	\$ -	\$ -	\$ -	\$ 421,375
Accounts	<u>73,202</u>	<u>277</u>	<u>219,378</u>	<u>24,404</u>	<u>317,261</u>
Gross receivables	494,577	277	219,378	24,404	738,636
Less: Allowance for uncollectible	<u>(133,261)</u>	<u>-</u>	<u>(12,553)</u>	<u>(718)</u>	<u>(146,532)</u>
Net receivables	<u>\$ 361,316</u>	<u>\$ 277</u>	<u>\$ 206,825</u>	<u>\$ 23,686</u>	<u>\$ 592,104</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 \$1,666 was transferred out of both the Natural Gas Fund and Water and Sewer Fund to the General Fund.

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balance as of June 30, 2021, is as follows:

	Payable Fund		
	General Fund	Natural Gas Fund	Total
Receivables Fund			
Water and Sewer Fund	\$ 7,370	\$ 25,785	\$ 33,155
Total	<u>\$ 7,370</u>	<u>\$ 25,785</u>	<u>\$ 33,155</u>

The Water and Sewer Fund Statement of Net Position reports a due from other funds balance of \$33,155. The amount is reflective of a receivable from the Natural Gas Fund of \$25,785 and a receivable from the General Fund of \$7,370.

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

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 220,761	\$ -	\$ -	\$ 220,761
Total non-depreciable assets	<u>220,761</u>	<u>-</u>	<u>-</u>	<u>220,761</u>
Depreciable capital assets:				
Buildings and parks	3,290,889	42,229	-	3,333,118
Machinery and equipment	635,544	5,630	-	641,174
Vehicles	810,237	34,599	8,333	836,503
Infrastructure	1,581,971	32,340	-	1,614,311
Landfill	121,706	-	-	121,706
	<u>6,440,347</u>	<u>114,798</u>	<u>8,333</u>	<u>6,546,812</u>
Less accumulated depreciation:				
Buildings and parks	636,174	90,188	-	726,362
Machinery and equipment	504,014	29,572	-	533,586
Vehicles	676,479	34,967	6,667	704,779
Infrastructure	903,964	71,735	-	975,699
Landfill	40,163	2,434	-	42,597
	<u>2,760,794</u>	<u>228,896</u>	<u>6,667</u>	<u>2,983,023</u>
Total depreciable assets, net	<u>3,679,553</u>	<u>(114,098)</u>	<u>1,666</u>	<u>3,563,789</u>
Total capital assets, net	<u>\$ 3,900,314</u>	<u>\$ (114,098)</u>	<u>\$ 1,666</u>	<u>\$ 3,784,550</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	\$ 80,113
Public safety	73,247
Public works	48,068
State street aid	<u>27,468</u>
Total	<u>\$ 228,896</u>

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Business-type Activities				
Non-depreciable capital assets:				
Land	\$ 169,847	\$ -	\$ -	\$ 169,847
Construction in progress	562,539	261,781	20,212	804,108
Total non-depreciable assets	<u>732,386</u>	<u>261,781</u>	<u>20,212</u>	<u>973,955</u>
Depreciable capital assets:				
North Bledsoe system	3,008,661	-	-	3,008,661
Water treatment and distribution	16,278,654	18,583	-	16,297,237
Sewer collection and treatment	4,170,650	-	-	4,170,650
Buildings	190,169	-	-	190,169
Machinery and equipment	537,135	8,436	-	545,571
Vehicles	334,321	-	16,666	317,655
Gas lines and meters	1,862,260	105,681	-	1,967,941
Reservoirs and standpipes	345,661	-	-	345,661
	<u>26,727,511</u>	<u>132,700</u>	<u>16,666</u>	<u>26,843,545</u>
Less accumulated depreciation:				
North Bledsoe system	1,206,329	75,172	-	1,281,501
Water treatment and distribution	4,807,643	316,165	-	5,123,808
Sewer collection and treatment	2,167,806	75,001	-	2,242,807
Buildings	112,737	5,009	-	117,746
Machinery and equipment	412,561	42,252	-	454,813
Vehicles	272,217	18,140	13,334	277,023
Gas lines and meters	1,128,895	46,633	-	1,175,528
Reservoirs and standpipes	345,661	-	-	345,661
	<u>10,453,849</u>	<u>578,372</u>	<u>13,334</u>	<u>11,018,887</u>
Total depreciable assets, net	<u>16,273,662</u>	<u>(445,672)</u>	<u>3,332</u>	<u>15,824,658</u>
Total capital assets, net	<u>\$ 17,006,048</u>	<u>\$ (183,891)</u>	<u>\$ 23,544</u>	<u>\$ 16,798,613</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%	\$ 586,419
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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%	118,800
Cost over-run note up to \$255,000, with interest payable at 3.125%	248,507
Note of \$119,526 to Citizens Tri-County Bank, payable in annual installments of \$19,921 through 2027, with interest payable annually at 2.39%	100,730
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>1,459,297</u>
	<u>\$ 2,513,753</u>
Landfill post-closure estimate	
Original estimate of \$36,810 amortized over thirty (30) years or \$1,227 per year	<u>13,497</u>
Liability for compensated absences as discussed in Note 1	<u>16,506</u>

Maturities of general long-term liabilities are as follows:

For the Year Ending June 30,	Notes	Landfill Post-Closure	Compensated Absences	Total
2022	\$ 106,226	\$ 1,227	\$ 16,506	\$ 123,959
2023	109,565	1,227	-	110,792
2024	113,032	1,227	-	114,259
2025	117,428	1,227	-	118,655
2026	121,956	1,227	-	123,183
2027-2031	563,874	6,135	-	570,009
2032-2036	205,694	1,227	-	206,921
2037-2041	240,631	-	-	240,631
2042-2046	281,505	-	-	281,505
2047-2051	329,321	-	-	329,321
2052-2056	313,292	-	-	313,292
2057	<u>11,229</u>	<u>-</u>	<u>-</u>	<u>11,229</u>
	<u>\$ 2,513,753</u>	<u>\$ 13,497</u>	<u>\$ 16,506</u>	<u>\$ 2,543,756</u>

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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, 2021, 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 \$ 1,467,986

Note of \$483,000 to USDA Rural Development, Series 2006, payable in monthly installments of \$2,179, including interest at 4.375% through 2046 391,522

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 869,272

\$ 2,728,780

Liability for compensated absences as discussed in Note 1 \$ 14,874

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

For the Year Ending June 30,	Notes	Compensated Absences	Total
2022	\$ 59,008	\$ 14,874	\$ 73,882
2023	61,102	-	61,102
2024	63,274	-	63,274
2025	65,528	-	65,528
2026	67,866	-	67,866
2027-2031	377,610	-	377,610
2032-2036	450,870	-	450,870
2037-2041	539,219	-	539,219
2042-2046	629,394	-	629,394
2047-2051	<u>414,909</u>	<u>-</u>	<u>414,909</u>
	<u>\$ 2,728,780</u>	<u>\$ 14,874</u>	<u>\$ 2,743,654</u>

Natural Gas Fund

Liability for compensated absences as discussed in Note 1. \$ 2,676

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

During the year ended June 30, 2021, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Retirements	Ending Balance	Amount Due Within One Year
Governmental Activities					
Notes payable	\$ 2,614,682	\$ -	\$ 100,929	\$ 2,513,753	\$ 106,226
Landfill post-closure	14,724	-	1,227	13,497	1,227
Compensated absences	<u>19,858</u>	<u>16,506</u>	<u>19,858</u>	<u>16,506</u>	<u>16,506</u>
	<u>\$ 2,649,264</u>	<u>\$ 16,506</u>	<u>\$ 122,014</u>	<u>\$ 2,543,756</u>	<u>\$ 123,959</u>
Business-type Activities					
Water and Sewer Fund:					
Notes payable	\$ 2,785,764	\$ -	\$ 56,984	\$ 2,728,780	\$ 59,008
Compensated absences	<u>14,874</u>	<u>-</u>	<u>-</u>	<u>14,874</u>	<u>14,874</u>
	<u>2,800,638</u>	<u>-</u>	<u>56,984</u>	<u>2,743,654</u>	<u>73,882</u>
Natural Gas Fund:					
Compensated absences	<u>5,984</u>	<u>2,676</u>	<u>5,984</u>	<u>2,676</u>	<u>2,676</u>
	<u>5,984</u>	<u>2,676</u>	<u>5,984</u>	<u>2,676</u>	<u>2,676</u>
	<u>\$ 2,806,622</u>	<u>\$ 2,676</u>	<u>\$ 62,968</u>	<u>\$ 2,746,330</u>	<u>\$ 76,558</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 \$122,700. The City of Pikeville’s share of the estimated total current cost of closure and post-closure, based upon population percentages, would be 11% or \$13,497. 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; \$9,636 is restricted for drug prevention purposes; \$99,244 is restricted for general government purposes; \$164,687 is restricted for public safety purposes and \$206,837 is restricted for the City’s future pension needs. Governmental activities restricted net position totaled \$470,767 at June 30, 2021.

Business-type Activities

Restricted net position represents \$453,396 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 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2020 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>28</u>
	<u><u>48</u></u>

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

General Information about the Pension Plan

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, 2021, employer contributions for Pikeville were \$39,438 based on a rate of 3.43 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, 2020, 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, 2020 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, 2020 actuarial valuation was 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 reflect more closely 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 is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	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 factors described above.

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Net Pension Liability (Asset) (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 (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 6/30/19	\$ 2,380,725	\$ 2,989,540	\$ (608,815)
Changes for the year:			
Service cost	77,338	-	77,338
Interest	175,641	-	175,641
Differences between expected and actual experience	4,106	-	4,106
Contributions – employer	-	38,573	(38,573)
Contributions – employees	-	54,024	(54,024)
Net investment income	-	148,763	(148,763)
Benefit payments, including refunds of employee contributions	(70,845)	(70,845)	-
Administrative expense	-	(2,481)	2,481
Net changes	<u>186,240</u>	<u>168,034</u>	<u>18,206</u>
Balance at 6/30/20	<u>\$ 2,566,965</u>	<u>\$ 3,157,574</u>	<u>\$ (590,609)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25 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>\$ (264,302)</u>	<u>\$ (590,609)</u>	<u>\$ (862,040)</u>

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

Pension expense (income). For the year ended June 30, 2021, the City recognized pension expense (income) of \$(32,205).

(Continued)

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM (Continued)

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

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2021, 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	\$ 14,525	\$ 84,685
Net difference between projected and actual earnings on pension plan investments	54,942	31,765
Changes in assumption	28,835	-
Contributions subsequent to the measurement date of June 30, 2020	<u>39,438</u>	<u>-</u>
Total	<u>\$ 137,740</u>	<u>\$ 116,450</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:	
2022	\$ (38,068)
2023	(2,690)
2024	2,710
2025	16,523
2026	2,788
Thereafter	<u>589</u>
	<u>\$ (18,148)</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, 2021, the City showed no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

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, 2021, the City contributed a total of \$169,920 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

NOTE 14 – UNCERTAINTIES

During the year ended June 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19). There is unprecedented uncertainty surrounding the duration of the pandemic which could adversely affect the operations of city government. However, management has and is currently monitoring the ongoing pandemic to ensure that the City of Pikeville continues to operate efficiency and effectively in serving its citizens.

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2021, the County had expenditures exceed appropriations in the following funds and departments:

General fund –	
Public Welfare	\$ 956

NOTE 16 – 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.

CITY OF PIKEVILLE, TENNESSEE

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

FISCAL YEAR ENDING JUNE 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability (Asset)						
Service cost	\$ 77,338	\$ 61,371	\$ 67,648	\$ 57,996	\$ 44,050	\$ 50,122
Interest	175,641	162,648	156,937	153,227	151,894	143,616
Differences between actual and expected experience	4,106	15,408	(59,206)	(87,261)	(106,106)	53,535
Change in assumptions	-	-	-	67,279	-	-
Benefit payments, including refunds of employee contributions	<u>(70,845)</u>	<u>(81,492)</u>	<u>(79,181)</u>	<u>(79,348)</u>	<u>(92,695)</u>	<u>(168,960)</u>
Net change in total pension liability	186,240	157,935	86,198	111,893	(2,857)	78,313
Total pension liability - beginning	<u>2,380,725</u>	<u>2,222,790</u>	<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>\$2,566,965</u>	<u>\$2,380,725</u>	<u>\$2,222,790</u>	<u>\$2,136,592</u>	<u>\$2,024,699</u>	<u>\$2,027,556</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 38,573	\$ 36,060	\$ 30,999	\$ 41,641	\$ 35,247	\$ 32,871
Contributions - employee	54,024	50,506	43,417	46,268	39,251	36,605
Net investment income	148,763	207,080	213,318	261,613	59,830	69,191
Benefit payments, including refunds of employee contributions	(70,845)	(81,492)	(79,181)	(79,348)	(92,695)	(168,960)
Administrative expense	<u>(2,481)</u>	<u>(2,361)</u>	<u>(2,217)</u>	<u>(2,067)</u>	<u>(1,812)</u>	<u>(1,056)</u>
Net change in plan fiduciary net position	168,034	209,793	206,336	268,107	39,821	(31,349)
Plan fiduciary net position - beginning	<u>2,989,540</u>	<u>2,779,747</u>	<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>\$3,157,574</u>	<u>\$2,989,540</u>	<u>\$2,779,747</u>	<u>\$2,573,411</u>	<u>\$2,305,304</u>	<u>\$2,265,483</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ (590,609)</u>	<u>\$ (608,815)</u>	<u>\$ (556,957)</u>	<u>\$ (436,819)</u>	<u>\$ (280,605)</u>	<u>\$ (237,927)</u>
Plan fiduciary net position as a percentage of total pension liability	123.01%	125.57%	125.06%	120.44%	113.86%	111.73%
Covered - employee payroll	\$ 1,080,480	\$ 1,010,091	\$ 868,330	\$ 925,357	\$ 785,025	\$ 732,089
Net pension liability (asset) as a percentage of covered-employee payroll	54.66%	60.27%	64.14%	47.21%	35.74%	32.50%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

CITY OF PIKEVILLE, TENNESSEE

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

FISCAL YEAR ENDING JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 39,438	\$ 38,573	\$ 36,058	\$ 30,999	\$ 41,641	\$ 35,247	\$ 32,871	\$ 46,983
Contributions in relation to the actuarially determined contribution	<u>39,438</u>	<u>38,573</u>	<u>36,058</u>	<u>30,999</u>	<u>41,641</u>	<u>35,247</u>	<u>32,871</u>	<u>46,983</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,149,670	\$ 1,080,480	\$ 1,010,028	\$ 868,319	\$ 925,357	\$ 785,025	\$ 732,089	\$ 689,905
Contributions as a percentage of covered-employee payroll	3.43%	3.57%	3.57%	3.57%	4.50%	4.49%	4.49%	6.81%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

CITY OF PIKEVILLE, TENNESSEE

NOTES TO PENSION SCHEDULES

JUNE 30, 2021

Valuation date: Actuarially determined contribution rates for 2021 were calculated based on the June 30, 2020 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	2.50 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 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	2.25 percent

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF PIKEVILLE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2021

	Industrial Development Board	Drug Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 9,565	\$ 9,565
Accounts receivable, net	206	71	277
Total assets	<u>206</u>	<u>9,636</u>	<u>9,842</u>
FUND BALANCES			
Restricted	<u>206</u>	<u>9,636</u>	<u>9,842</u>
Total fund balances	<u>\$ 206</u>	<u>\$ 9,636</u>	<u>\$ 9,842</u>

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

	Industrial Development Board	Drug Fund	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	\$ -	\$ 1,232	\$ 1,232
Total revenues	<u>-</u>	<u>1,232</u>	<u>1,232</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>1,232</u>	<u>1,232</u>
FUND BALANCES			
Beginning	<u>206</u>	<u>8,404</u>	<u>8,610</u>
Ending	<u>\$ 206</u>	<u>\$ 9,636</u>	<u>\$ 9,842</u>

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES -				
Property taxes	\$ 367,500	\$ 367,500	\$ 337,738	\$ (29,762)
Local sales taxes	220,000	220,000	222,573	2,573
Business taxes	16,300	16,300	23,599	7,299
Local beer taxes	100,000	100,000	94,871	(5,129)
Wholesale liquor tax	25,075	25,075	41,207	16,132
Franchise taxes	<u>7,800</u>	<u>7,800</u>	<u>10,196</u>	<u>2,396</u>
Total taxes	<u>736,675</u>	<u>736,675</u>	<u>730,184</u>	<u>(6,491)</u>
LICENSES AND PERMITS -				
Privilege licenses	<u>2,000</u>	<u>2,000</u>	<u>2,300</u>	<u>300</u>
Total licenses and permits	<u>2,000</u>	<u>2,000</u>	<u>2,300</u>	<u>300</u>
INTERGOVERNMENTAL -				
State sales tax	140,000	140,000	176,947	36,947
State beer tax	750	750	761	11
State income and excise tax	9,500	9,500	11,134	1,634
City streets and transportation	58,200	58,200	60,985	2,785
TVA in lieu of tax	18,000	18,000	18,380	380
State and other grants	9,405	153,883	101,011	(52,872)
Federal grants	<u>-</u>	<u>26,860</u>	<u>26,860</u>	<u>-</u>
Total intergovernmental	<u>235,855</u>	<u>407,193</u>	<u>396,078</u>	<u>(11,115)</u>
CHARGES FOR SERVICES -				
Sanitation fees	124,778	124,778	129,625	4,847
Other	<u>27,325</u>	<u>39,825</u>	<u>42,059</u>	<u>2,234</u>
Total charges for services	<u>152,103</u>	<u>164,603</u>	<u>171,684</u>	<u>7,081</u>
FINES AND FORFEITS -				
City court fines and fees	<u>10,000</u>	<u>10,000</u>	<u>10,146</u>	<u>146</u>
Total fines and forfeits	<u>10,000</u>	<u>10,000</u>	<u>10,146</u>	<u>146</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Insurance recoveries	\$ -	\$ -	\$ 1,438	\$ 1,438
Interest	250	250	980	730
Rent	14,400	14,400	14,400	-
Contributions	20,000	20,000	21,460	1,460
Refunds	5,000	5,000	260,757	255,757
Other	-	-	33,361	33,361
Total miscellaneous	39,650	39,650	332,396	292,746
Total revenues	1,176,283	1,360,121	1,642,788	282,667
GENERAL GOVERNMENT				
Legislative -				
Salaries	7,200	7,200	7,200	-
Payroll taxes	385	408	408	-
Insurance	4,400	4,973	4,973	-
	11,985	12,581	12,581	-
Judicial -				
Salaries	4,800	4,800	4,800	-
Payroll taxes	365	367	367	-
Insurance	8,800	10,391	10,391	-
	13,965	15,558	15,558	-
Mayor -				
Salaries	20,000	20,000	20,000	-
Payroll taxes	1,400	1,457	1,457	-
Insurance	3,000	3,128	3,128	-
Machinery and equipment	-	14,599	34,599	(20,000)
	24,400	39,184	59,184	(20,000)
Central Staff Agencies -				
Salaries	83,218	85,474	85,474	-
Payroll taxes	6,400	6,397	6,397	-
Insurance	19,000	23,163	23,163	-
Pension	3,000	3,029	3,028	1
Training	750	-	-	-
Data processing	5,500	5,665	5,665	-
Contract services	1,000	244	244	-
Professional services	8,500	8,500	8,500	-
Subscriptions	1,500	732	732	-
Telephone	7,000	7,342	7,342	-

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Central Staff Agencies - (Continued)				
Repair and maintenance	\$ -	\$ 525	\$ 525	\$ -
Operating supplies	6,700	2,989	2,977	12
Travel	350	-	-	-
Other equipment	2,124	1,571	1,571	-
	<u>145,042</u>	<u>145,631</u>	<u>145,618</u>	<u>13</u>
City Hall Buildings -				
Salaries	34,226	34,532	34,532	-
Utilities	18,725	17,163	17,163	-
Contract services	12,000	11,551	11,451	100
Operating supplies	6,850	7,912	7,911	1
Repair and maintenance	500	190	190	-
Travel	250	-	-	-
Other	18,000	20,350	21,482	(1,132)
	<u>90,551</u>	<u>91,698</u>	<u>92,729</u>	<u>(1,031)</u>
Special Projects -				
Contract services	-	39,558	-	39,558
City projects	-	42,229	42,229	-
	<u>-</u>	<u>81,787</u>	<u>42,229</u>	<u>39,558</u>
General Government -				
Other insurance	21,500	21,650	21,650	-
Unemployment insurance	500	266	257	9
Professional services	15,000	11,867	11,867	-
Subscriptions and dues	1,500	2,211	2,211	-
Contract services	25	375	375	-
	<u>38,525</u>	<u>36,369</u>	<u>36,360</u>	<u>9</u>
TOTAL GENERAL GOVERNMENT	<u>324,468</u>	<u>422,808</u>	<u>404,259</u>	<u>18,549</u>
DEPARTMENT OF PUBLIC SAFETY				
Police -				
Salaries	119,432	125,228	125,228	-
Payroll taxes	8,000	9,448	9,448	-
Insurance	42,000	48,518	48,518	-
Pension	5,200	4,379	4,379	-
Employee training	3,500	1,475	1,475	-
Subscriptions and dues	500	483	483	-

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Police - (Continued)				
Telephone	\$ 7,250	\$ 8,045	\$ 8,045	\$ -
Utilities	1,600	1,474	1,474	-
Travel	602	-	-	-
Operating supplies	15,970	16,292	16,280	12
Contract services	1,000	1,462	1,462	-
Equipment	-	4,048	4,048	-
Repair and maintenance	2,700	1,600	1,600	-
	<u>207,754</u>	<u>222,452</u>	<u>222,440</u>	<u>12</u>
Fire -				
Employee training	4,800	1,195	1,195	-
Insurance	35,000	35,000	35,000	-
Subscriptions and dues	1,000	221	221	-
Telephone	3,000	2,711	2,711	-
Utilities	8,300	7,369	7,369	-
Travel	1,500	4,791	4,791	-
Operating supplies	17,305	16,158	14,520	1,638
Contract services	4,500	23,472	23,472	-
Repair and maintenance	1,500	3,069	3,069	-
Land rental	500	-	-	-
	<u>77,405</u>	<u>93,986</u>	<u>92,348</u>	<u>1,638</u>
Custody of Property -				
Tow - in services	-	400	400	-
	<u>-</u>	<u>400</u>	<u>400</u>	<u>-</u>
Support Services -				
Equipment	1,000	-	-	-
Operating supplies	4,000	14,597	14,597	-
	<u>5,000</u>	<u>14,597</u>	<u>14,597</u>	<u>-</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY	<u>290,159</u>	<u>331,435</u>	<u>329,785</u>	<u>1,650</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC WORKS				
Highways and Streets -				
Insurance	\$ 37,000	\$ 41,754	\$ 41,754	\$ -
Contract services	10,000	25,034	25,034	-
Telephone	3,400	3,565	3,565	-
Operating supplies	14,410	8,998	8,716	282
Equipment	10,000	-	-	-
Street projects	25,000	34,061	34,061	-
Repair and maintenance	2,500	953	953	-
	<u>102,310</u>	<u>114,365</u>	<u>114,083</u>	<u>282</u>
Sanitation -				
Contract services	119,928	119,928	114,680	5,248
	<u>119,928</u>	<u>119,928</u>	<u>114,680</u>	<u>5,248</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>222,238</u>	<u>234,293</u>	<u>228,763</u>	<u>5,530</u>
DEPARTMENT OF STATE STREET AID				
State Street Aid -				
Salaries	97,801	102,132	102,132	-
Payroll taxes	7,481	7,706	7,706	-
Pension	4,300	3,600	3,600	-
Utilities	25,000	25,244	25,244	-
	<u>134,582</u>	<u>138,682</u>	<u>138,682</u>	<u>-</u>
TOTAL DEPARTMENT OF STATE STREET AID	<u>134,582</u>	<u>138,682</u>	<u>138,682</u>	<u>-</u>
DEPARTMENT OF PUBLIC WELFARE				
Parks and Recreation -				
Utilities	14,976	14,260	14,260	-
Insurance	7,000	7,000	7,000	-
Operating supplies	21,750	31,340	32,296	(956)
Telephone	1,500	1,513	1,513	-
Contract services	600	336	336	-
	<u>45,826</u>	<u>54,449</u>	<u>55,405</u>	<u>(956)</u>
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>45,826</u>	<u>54,449</u>	<u>55,405</u>	<u>(956)</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEBT SERVICE				
Principal	\$ 98,470	\$ 102,061	\$ 100,929	\$ 1,132
Interest	<u>55,540</u>	<u>71,391</u>	<u>71,391</u>	<u>-</u>
TOTAL DEBT SERVICE	<u>154,010</u>	<u>173,452</u>	<u>172,320</u>	<u>1,132</u>
TOTAL EXPENDITURES	<u>1,171,283</u>	<u>1,355,119</u>	<u>1,329,214</u>	<u>25,905</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 5,000	\$ 5,002	\$ 313,574	\$ 308,572
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>3,332</u>	<u>3,332</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 5,000</u>	<u>\$ 5,002</u>	316,906	<u>\$ 311,904</u>
FUND BALANCES				
Beginning			<u>391,358</u>	
Ending			<u>\$ 708,264</u>	

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

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

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
FINES AND FORFEITS -				
City court fines and fees	\$ 500	\$ 500	\$ 1,232	\$ 732
Total revenues	<u>500</u>	<u>500</u>	<u>1,232</u>	<u>732</u>
DEPARTMENT OF PUBLIC SAFETY				
Drug enforcement	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL EXPENDITURES	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	1,232	<u>\$ 1,232</u>
FUND BALANCES				
Beginning			<u>8,404</u>	
Ending			<u>\$ 9,636</u>	

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2021

<u>Year</u>	<u>Tax Rate Per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2021	1.0000	\$ 29,633,588	\$ 296,336
2020	1.0000	29,819,498	298,195
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, 2021.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2021

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2020</u>	<u>Property Tax Levied</u>	<u>Anticipated Property Tax Levy</u>	<u>Abatements and Adjustments</u>	<u>Tax Collections</u>	<u>Property Tax Receivable Balance June 30, 2021</u>
2021	\$ -	\$ -	\$ 296,336	\$ -	\$ -	\$ 296,336
2020	298,195	-	-	22,168	(272,375)	47,988
2019	22,031	-	-	-	(8,637)	13,394
2018	42,544	-	-	-	(2,717)	39,827
2017	21,902	-	-	-	(2,370)	19,532
2016	7,280	-	-	-	(7,245)	35
2015	2,882	-	-	-	(2,861)	21
2014	2,872	-	-	-	(1,717)	1,155
2013	1,491	-	-	-	(1,137)	354
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	39	-	-	-	(39)	-
2009	136	-	-	-	-	136
2008	883	-	-	-	-	883
2007	273	-	-	-	-	273
2006	-	-	-	-	-	-
2005	838	-	-	-	-	838
2004	114	-	-	-	-	114
2003	489	-	-	-	-	489
	<u>\$ 401,969</u>	<u>\$ -</u>	<u>\$ 296,336</u>	<u>\$ 22,168</u>	<u>\$ (299,098)</u>	<u>\$ 421,375</u>

CITY OF PIKEVILLE, TENNESSEE

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Year Ending June 30,	Tennessee Municipal League Bond Fund Series 2006		Bond Anticipation Note		Tennessee Municipal League Bond Fund Note		Capital Outlay Note Series 2020		General Obligation Note		Landfill Post-Closure Estimate	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2022	\$ 47,000	\$ 2,641	\$ 24,502	\$ 45,254	\$ 11,300	\$ 4,435	\$ 19,722	\$ 199	\$ 3,702	\$ 8,022	\$ 1,227	\$ 107,453	\$ 60,551
2023	49,000	2,430	25,279	44,477	11,700	3,985	19,761	160	3,825	7,899	1,227	110,792	58,951
2024	51,000	2,209	26,080	43,676	12,200	3,516	19,801	120	3,951	7,773	1,227	114,259	57,294
2025	54,000	1,980	26,907	42,849	12,600	3,030	19,840	81	4,081	7,643	1,227	118,655	55,583
2026	57,000	1,737	27,760	41,996	13,100	2,526	19,880	41	4,216	7,508	1,227	123,183	53,808
2027	60,000	1,480	28,640	41,116	13,700	2,001	1,726	20	4,355	7,369	1,227	109,648	51,986
2028	62,000	1,210	29,548	40,208	14,200	1,454	-	-	4,498	7,226	1,227	111,473	50,098
2029	66,000	931	30,485	39,271	14,700	889	-	-	4,647	7,077	1,227	117,059	48,168
2030	69,000	634	31,451	38,305	15,300	300	-	-	4,800	6,924	1,227	121,778	46,163
2031	71,419	324	32,447	37,309	-	-	-	-	4,958	6,766	1,227	110,051	44,399
2032	-	-	33,477	36,279	-	-	-	-	5,122	6,602	1,227	39,826	42,881
2033	-	-	34,538	35,218	-	-	-	-	5,291	6,433	-	39,829	41,651
2034	-	-	35,633	34,123	-	-	-	-	5,465	6,259	-	41,098	40,382
2035	-	-	36,762	32,994	-	-	-	-	5,646	6,078	-	42,408	39,072
2036	-	-	37,928	31,828	-	-	-	-	5,832	5,892	-	43,760	37,720
2037	-	-	39,130	30,626	-	-	-	-	6,024	5,700	-	45,154	36,326
2038	-	-	40,371	29,385	-	-	-	-	6,223	5,501	-	46,594	34,886
2039	-	-	41,651	28,105	-	-	-	-	6,428	5,296	-	48,079	33,401
2040	-	-	42,971	26,785	-	-	-	-	6,640	5,084	-	49,611	31,869
2041	-	-	44,333	25,423	-	-	-	-	6,860	4,864	-	51,193	30,287
2042	-	-	45,739	24,017	-	-	-	-	7,086	4,638	-	52,825	28,655
2043	-	-	47,188	22,568	-	-	-	-	7,320	4,404	-	54,508	26,972
2044	-	-	48,685	21,071	-	-	-	-	7,561	4,163	-	56,246	25,234
2045	-	-	50,228	19,528	-	-	-	-	7,810	3,914	-	58,038	23,442
2046	-	-	51,820	17,936	-	-	-	-	8,068	3,656	-	59,888	21,592
2047	-	-	53,463	16,293	-	-	-	-	8,334	3,390	-	61,797	19,683
2048	-	-	55,157	14,599	-	-	-	-	8,609	3,115	-	63,766	17,714
2049	-	-	56,906	12,850	-	-	-	-	8,893	2,831	-	65,799	15,681
2050	-	-	58,710	11,046	-	-	-	-	9,187	2,537	-	67,897	13,583
2051	-	-	60,572	9,184	-	-	-	-	9,490	2,234	-	70,062	11,418
2052	-	-	62,492	7,264	-	-	-	-	9,803	1,921	-	72,295	9,185
2053	-	-	64,473	5,283	-	-	-	-	10,126	1,598	-	74,599	6,881
2054	-	-	66,517	3,239	-	-	-	-	10,460	1,264	-	76,977	4,503
2055	-	-	67,454	2,302	-	-	-	-	10,805	919	-	78,259	3,221
2056	-	-	-	-	-	-	-	-	11,162	562	-	11,162	562
2057	-	-	-	-	-	-	-	-	11,229	460	-	11,229	460
Total	\$ 586,419	\$ 15,576	\$ 1,459,297	\$ 912,407	\$ 118,800	\$ 22,136	\$ 100,730	\$ 621	\$ 248,507	\$ 173,522	\$ 13,497	\$ 2,527,250	\$ 1,124,262

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS WATER AND SEWER PROPRIETARY FUND JUNE 30, 2021

Year Ending June 30,	USDA Series 2011		USDA Series 2006		USDA Series 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 32,178	\$ 39,966	\$ 9,202	\$ 16,946	\$ 17,628	\$ 37,680	\$ 59,008	\$ 94,592
2023	33,074	39,070	9,613	16,535	18,415	36,893	61,102	92,498
2024	33,995	38,149	10,042	16,106	19,237	36,071	63,274	90,326
2025	34,942	37,202	10,490	15,658	20,096	35,212	65,528	88,072
2026	35,915	36,229	10,958	15,190	20,993	34,315	67,866	85,734
2027	36,915	35,229	11,447	14,701	21,930	33,378	70,292	83,308
2028	37,943	34,201	11,958	14,190	22,909	32,399	72,810	80,790
2029	39,000	33,144	12,492	13,656	23,931	31,377	75,423	78,177
2030	40,086	32,058	13,050	13,098	24,999	30,309	78,135	75,465
2031	41,203	30,941	13,632	12,516	26,115	29,193	80,950	72,650
2032	42,350	29,794	14,241	11,907	27,281	28,027	83,872	69,728
2033	43,530	28,614	14,877	11,271	28,499	26,809	86,906	66,694
2034	44,742	27,402	15,541	10,607	29,771	25,537	90,054	63,546
2035	45,988	26,156	16,234	9,914	31,100	24,208	93,322	60,278
2036	47,269	24,875	16,959	9,189	32,488	22,820	96,716	56,884
2037	48,585	23,559	17,716	8,432	33,938	21,370	100,239	53,361
2038	49,938	22,206	18,507	7,641	35,453	19,855	103,898	49,702
2039	51,329	20,815	19,333	6,815	37,036	18,272	107,698	45,902
2040	52,758	19,386	20,196	5,952	38,689	16,619	111,643	41,957
2041	54,228	17,916	21,097	5,051	40,416	14,892	115,741	37,859
2042	55,738	16,406	22,039	4,109	42,220	13,088	119,997	33,603
2043	57,290	14,854	23,023	3,125	44,105	11,203	124,418	29,182
2044	58,885	13,259	24,051	2,097	46,074	9,234	129,010	24,590
2045	60,525	11,619	25,124	1,024	48,130	7,178	133,779	19,821
2046	62,211	9,933	9,700	98	50,279	5,029	122,190	15,060
2047	63,944	8,200	-	-	52,523	2,785	116,467	10,985
2048	65,724	6,420	-	-	35,017	1,295	100,741	7,715
2049	67,555	4,589	-	-	-	-	67,555	4,589
2050	69,436	2,708	-	-	-	-	69,436	2,708
2051	60,710	542	-	-	-	-	60,710	542
Total	<u>\$1,467,986</u>	<u>\$ 685,442</u>	<u>\$ 391,522</u>	<u>\$ 245,828</u>	<u>\$ 869,272</u>	<u>\$ 605,048</u>	<u>\$2,728,780</u>	<u>\$1,536,318</u>

CITY OF PIKEVILLE, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
YEAR ENDING JUNE 30, 2021

<u>Description of Indebtedness</u>	<u>Original Amount of issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Outstanding July 1, 2020</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding June 30, 2021</u>
Governmental Activities									
<u>NOTES PAYABLE</u>									
<u>Payable through General Fund</u>									
TML Note	\$ 1,000,000	0.44%	2/1/2006	5/25/2031	\$ 630,419	\$ -	\$ 44,000	\$ -	\$ 586,419
Fire Hall Note	150,000	3.92%	10/23/2017	9/1/2029	129,600	-	10,800	-	118,800
Cost Over-Run Note	255,000	3.125%	6/16/2019	6/19/2057	252,091	-	3,584	-	248,507
Citizens Tri County Bank Note	119,526	2.39%	4/13/2020	4/13/2026	119,526	-	18,796	-	100,730
Municipal Building Note	1,550,000	3.125%	9/22/2015	6/14/2055	1,483,046	-	23,749	-	1,459,297
Total notes payable through General Fund					<u>\$ 2,614,682</u>	<u>\$ -</u>	<u>\$ 100,929</u>	<u>\$ -</u>	<u>\$ 2,513,753</u>
Business-Type Activities									
<u>NOTES PAYABLE</u>									
<u>Payable through Water Fund</u>									
USDA Rural Development, Series 2011	\$ 1,670,000	3.50%	1/9/2012	7/1/2051	\$ 1,499,286	\$ -	\$ 31,300	\$ -	\$ 1,467,986
USDA Rural Development, Series 2006	483,000	4.375%	1/10/2008	12/10/2045	400,331	-	8,809	-	391,522
USDA Rural Development, Series 2008	1,042,700	4.375%	3/14/2008	2/14/2048	886,147	-	16,875	-	869,272
Total Other Loans Payable					<u>\$ 2,785,764</u>	<u>\$ -</u>	<u>\$ 56,984</u>	<u>\$ -</u>	<u>\$ 2,728,780</u>

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF MUNICIPAL UTILITY RATES AND NUMBERS OF CUSTOMERS

JUNE 30, 2021

WATER RATE SCHEDULE

	<u>Residential</u>	<u>Commercial</u>	<u>Outside City</u>
Water Rates:			
First 2,000 Gallons	\$24.04/month	\$28.84/month	\$31.25/month
2,001 Gallons and over	\$6.83/month	\$8.20/month	\$8.88/month

SEWER RATE SCHEDULE

Sewer Rates (Based on water usage):			
First 2,000 Gallons	\$29.83/month	\$35.79/month	\$38.78/month
2,001 Gallons and over	\$8.48/month	\$10.18/month	\$11.02/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	1766
Sewer	671
Garbage	680
Natural Gas	993



AWWA Free Water Audit Software: Reporting Worksheet

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

Water Audit Report for: City of Pikeville (TN000551)
Reporting Year: 2021 7/2020 - 6/2021

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

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

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

WATER SUPPLIED

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

Volume from own sources:	+ ? 9	366.939	MG/Yr
Water imported:	+ ? 7	0.044	MG/Yr
Water exported:	+ ? n/a	0.000	MG/Yr

Master Meter and Supply Error Adjustments

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

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

WATER SUPPLIED: **366.983** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 8	181.810	MG/Yr
Billed unmetered:	+ ? 9	0.006	MG/Yr
Unbilled metered:	+ ? n/a	0.000	MG/Yr
Unbilled unmetered:	+ ? 7	0.180	MG/Yr

Click here: ?
for help using option buttons below

Pcnt:	Value:	MG/Yr
() ()	0.180	

Use buttons to select percentage of water supplied
OR
value

AUTHORIZED CONSUMPTION: **181.996** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

184.987 MG/Yr

Apparent Losses

Unauthorized consumption: + ? **0.917** MG/Yr

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

Customer metering inaccuracies:	+ ? 8	19.085	MG/Yr
Systematic data handling errors:	+ ? 7	0.100	MG/Yr

Pcnt:	Value:	MG/Yr
0.25%	() ()	

9.50%	() ()	MG/Yr
() ()	0.100	MG/Yr

Apparent Losses: **20.102** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **164.885** MG/Yr

WATER LOSSES: **184.987** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **185.168** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 8	76.3	miles
Number of <u>active</u> AND <u>inactive</u> service connections:	+ ? 7	1,970	
Service connection density:	? 26		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: + ? 7 120.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 9	\$1,542,545	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 8	\$9.63	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 9	\$860.43	\$/Million gallo <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 84 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources

2: Unauthorized consumption

3: Billed metered



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: 2021 7/2020 - 6/2021

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 *****

System Attributes:

	Apparent Losses:	20.102	MG/Yr
	+		
	Real Losses:	164.885	MG/Yr
	=		
	Water Losses:	184.987	MG/Yr

? Unavoidable Annual Real Losses (UARL): 31.02 MG/Yr

Annual cost of Apparent Losses: \$193,586

Annual cost of Real Losses: \$141,872 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:	50.5%	
		Non-revenue water as percent by cost of operating system:	21.8%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	27.96	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	5,920.57	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): 164.88 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 5.31

* 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, 2021

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
FEDERAL AWARDS						
U.S. Department of Treasury Passed through TN Department of Revenue TN CARES Act Grant	21.019	N/A	\$ -	\$ 24,360	\$ 24,360	\$ -
Total U.S. Department of Treasury			-	24,360	24,360	-
U.S. Department of Homeland Security Passed through Tennessee Department of Safety and Homeland Security Highway Visibility Grant	20.607	66294	-	2,500	2,500	-
Total U.S. Department of Homeland Security			-	2,500	2,500	-
U.S. Department of Economic and Community Development Passed through Tennessee Department of Economic and Community Development Community Development Block Grant	14.228	13486	-	60,818	64,178	(3,360)
Total U.S. Department of Economic and Community Development			-	60,818	64,178	(3,360)
TOTAL EXPENDITURES OF FEDERAL AWARDS			-	87,678	91,038	(3,360)
STATE AWARDS						
Tennessee Department of Finance and Administration	N/A	N/A	-	65,840	65,840	-
Tennessee Department of Economic and Community Development	N/A	14174	-	33,571	33,571	-
Tennessee Department of Economic and Community Development	N/A	TN-19905-2020	-	172,594	172,594	-
TOTAL EXPENDITURES OF STATE AWARDS			-	272,005	272,005	-
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ -</u>	<u>\$ 359,683</u>	<u>\$ 363,043</u>	<u>\$ (3,360)</u>

CITY OF PIKEVILLE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

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

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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

Mayor and Aldermen
City of Pikeville, Tennessee
Pikeville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pikeville, Tennessee as of and for the year ended June 30, 2021, 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, 2021.

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.

1200 Market Street, Chattanooga, TN 37402 | T 423.756.7771 | F 423.265.8125

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

City of Pikeville's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2021

Henderson Hutcherson
& McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

Finding 2021-001

Condition: The City purchased a vehicle with an original cost greater than \$25,000. Since management traded in a vehicle and the cash price of the vehicle after trade-in was below \$25,000. Since the cash paid was below \$25,000, management did not go through the process of obtaining multiple quotes or discussing the matter in a council meeting.

Criteria: Following of laws and regulations.

Effect: Purchases could be made without undergoing proper procedures, which could lead to less taxpayer money being saved.

Recommendation: When purchasing future vehicles, the trade-in allowance needs to be factored in with the cash paid when evaluating whether the purchase exceeds the \$25,000 threshold requiring additional procedures to be performed.

Views of the Responsible Officials: The officials concur with the finding.

Correction Action Plan: See letter provided by management.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2021

None noted