

CITY OF PIKEVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2024



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF PIKEVILLE, TENNESSEE

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CITY OF PIKEVILLE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2024

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



INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen
City of Pikeville, Tennessee
Pikeville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Pikeville, Tennessee (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, issued by the Comptroller General of the United States, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required pension and OPEB schedules on pages 4-10 and 50-53, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the budgetary comparison schedules, other supplementary information, and schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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, other supplementary information, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024, on our consideration of the City'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 the City's internal control over financial reporting and compliance.

Chattanooga, Tennessee
November 15, 2024

Henderson Hutcherson
& McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

As management of the City of Pikeville, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. 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 exceeded its liabilities and deferred inflows of resources at June 30, 2024 by \$20,080,756 (net position). The City's governmental funds reported a decrease in combined fund balance of \$270,651. Total government activities under GASB 34 operated at an increase of \$161,498. 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'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, 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.

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 one nonmajor governmental fund. 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 Drug Fund (nonmajor fund).

The City 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 14-18 of this report.

Proprietary Funds

The City 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 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.

The basic proprietary fund financial statements can be found on pages 19-22 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 23-49 of this report.

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. This required supplementary information can be found on pages 50-53 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. This supplementary information can be found on pages 54-68 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 \$20,080,756 at the close of this fiscal year.

City of Pikeville, Tennessee’s Net Position

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 1,163,591	\$ 1,654,242	\$ 3,926,532	\$ 3,686,026	\$ 5,090,123	\$ 5,340,268
Capital assets	<u>4,039,959</u>	<u>3,788,757</u>	<u>16,622,271</u>	<u>17,101,692</u>	<u>20,662,230</u>	<u>20,890,449</u>
Total assets	<u>5,203,550</u>	<u>5,442,999</u>	<u>20,548,803</u>	<u>20,787,718</u>	<u>25,752,353</u>	<u>26,230,717</u>
Deferred outflows	<u>80,073</u>	<u>51,357</u>	<u>161,764</u>	<u>207,828</u>	<u>241,837</u>	<u>259,185</u>
Non-current liabilities	2,479,769	2,626,061	2,508,567	2,545,392	4,988,336	5,171,453
Other liabilities	<u>216,018</u>	<u>915,845</u>	<u>196,021</u>	<u>308,503</u>	<u>412,039</u>	<u>1,224,348</u>
Total liabilities	<u>2,695,787</u>	<u>3,541,906</u>	<u>2,704,588</u>	<u>2,853,895</u>	<u>5,400,375</u>	<u>6,395,801</u>
Deferred inflows	<u>447,751</u>	<u>424,136</u>	<u>65,308</u>	<u>99,512</u>	<u>513,059</u>	<u>523,648</u>
Net position:						
Net investment in capital assets	1,414,435	1,001,382	14,076,649	14,493,026	15,491,084	15,494,408
Restricted	246,206	231,897	476,804	407,659	723,010	639,556
Unrestricted	<u>479,444</u>	<u>295,035</u>	<u>3,387,218</u>	<u>3,141,454</u>	<u>3,866,662</u>	<u>3,436,489</u>
Total net position	<u>\$ 2,140,085</u>	<u>\$ 1,528,314</u>	<u>\$ 17,940,671</u>	<u>\$ 18,042,139</u>	<u>\$ 20,080,756</u>	<u>\$ 19,570,453</u>

Seventy-seven percent (77%) 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 \$723,010 is primarily related to net position restricted for the City’s future pension needs. The remaining \$3,866,662 in unrestricted net position is available to the City to meet ongoing obligations.

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Changes in Net Position

Governmental activities increased the City’s net position by \$161,498, while business-type activities decreased the City’s net position by \$101,468. 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. The City also had prior period adjustments which increased the governmental activities net position by \$450,273 and increased the business-type activities net position by \$71,310.

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	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 161,102	\$ 178,070	\$ 3,465,400	\$ 3,683,631	\$ 3,626,502	\$ 3,861,701
Operating grants and contributions	435,395	179,068	-	-	435,395	179,068
Capital grants and contributions	-	-	197,791	221,319	197,791	221,319
General revenues:						
Property taxes	399,771	422,227	-	-	399,771	422,227
Other taxes	876,217	829,759	-	-	876,217	829,759
Other income	<u>137,577</u>	<u>162,458</u>	<u>84,744</u>	<u>77,719</u>	<u>222,321</u>	<u>240,177</u>
Total revenues	<u>2,010,062</u>	<u>1,771,582</u>	<u>3,747,935</u>	<u>3,982,669</u>	<u>5,757,997</u>	<u>5,754,251</u>
Expenses:						
General government	753,965	1,070,386	-	-	753,965	1,070,386
Public safety	631,680	517,126	-	-	631,680	517,126
Public works	144,788	360,605	-	-	144,788	360,605
Public welfare	91,464	121,083	-	-	91,464	121,083
State street aid	151,184	155,086	-	-	151,184	155,086
Interest	89,833	86,344	-	-	89,833	86,344
Water and sewer	-	-	2,781,839	2,257,177	2,781,839	2,257,177
Natural gas	-	-	<u>1,053,214</u>	<u>1,143,811</u>	<u>1,053,214</u>	<u>1,143,811</u>
Total expenses	<u>1,862,914</u>	<u>2,310,630</u>	<u>3,835,053</u>	<u>3,400,988</u>	<u>5,697,967</u>	<u>5,711,618</u>
Transfers	14,350	-	(14,350)	-	-	-
Change in net position	<u>161,498</u>	<u>(539,048)</u>	<u>(101,468)</u>	<u>581,681</u>	<u>60,030</u>	<u>42,633</u>
Net Position:						
Beginning, as previously reported	1,528,314	2,195,942	17,970,829	17,389,148	19,499,143	19,585,090
Prior period adjustment	<u>450,273</u>	<u>(128,580)</u>	<u>71,310</u>	<u>-</u>	<u>521,583</u>	<u>(128,580)</u>
Beginning, as restated	<u>1,978,587</u>	<u>2,067,362</u>	<u>18,042,139</u>	<u>17,389,148</u>	<u>20,020,726</u>	<u>19,456,510</u>
Ending	<u>\$ 2,140,085</u>	<u>\$ 1,528,314</u>	<u>\$ 17,940,671</u>	<u>\$ 17,970,829</u>	<u>\$ 20,080,756</u>	<u>\$ 19,499,143</u>

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$442,674, a decrease of \$270,651 in comparison with the prior year. Ninety-eight percent (98%) of this total amount constitutes unassigned fund balance.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$432,538. 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 19% of total general fund expenditures without transfers.

The fund balance of the City's general fund decreased by \$270,971 during the current fiscal year.

Proprietary Funds

The City'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 \$2,108,207 for the Water and Sewer Fund and \$1,279,011 for the Natural Gas Fund.

General Fund Budgetary Highlights

The City 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 \$752,377.

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

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Capital Asset and Debt Administration

Capital Assets

The City's capital assets for its governmental activities as of June 30, 2024, amounted to \$4,039,959 (net of accumulated depreciation). Capital assets for its business-type activities as of June 30, 2024, amounted to \$16,622,271 (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:

Governmental activities CIP for \$411,135
Water and sewer CIP for \$190,830

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

	2024	2023
Governmental Activities:		
Land	\$ 250,861	\$ 250,861
Construction in progress	477,848	66,713
Buildings and parks	2,186,759	2,273,762
Machinery and equipment	83,040	87,593
Vehicles	550,686	543,411
Infrastructure	418,958	492,176
Landfill	71,807	74,241
Total	<u>\$ 4,039,959</u>	<u>\$ 3,788,757</u>
	2024	2023
Business-type Activities:		
Land	\$ 139,847	\$ 169,847
Construction in progress	1,301,333	1,711,303
North Bledsoe system	1,501,641	1,576,813
Water treatment and distribution	10,228,803	10,540,375
Sewer collection and treatment	1,727,687	1,809,819
Buildings	646,251	62,405
Machinery and equipment	284,269	394,343
Vehicles	142,569	139,402
Gas lines and meters	649,871	697,385
Total	<u>\$ 16,622,271</u>	<u>\$ 17,101,692</u>

Additional information on the City's capital assets can be found on pages 33-35, Note 6.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Capital Asset and Debt Administration (Continued)

Long-term Debt

At the end of the fiscal year, the City had long-term debt outstanding of \$5,171,146. Of that amount \$225,307 is due in the next fiscal year.

	2024	2023
Governmental Activities:		
Notes payable	\$ 2,615,708	\$ 2,776,332
Landfill post-closure	<u>9,816</u>	<u>11,043</u>
	<u>\$ 2,625,524</u>	<u>\$ 2,787,375</u>
Business-type Activities:		
Water and Sewer Fund – Notes payable	\$ 2,545,622	\$ 2,608,666

Additional information on outstanding debt can be found in Note 7 on pages 36-39.

Currently Known Conditions Affecting Future Years

The City 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'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, 2024

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 344,224	\$ 3,061,225	\$ 3,405,449
Property taxes receivable, net	416,250	-	416,250
Accounts receivable, net	136,491	243,193	379,684
Inventories	-	83,594	83,594
Net pension asset	266,626	538,520	805,146
Capital assets:			
Land and other nondepreciable assets	728,709	1,441,180	2,169,889
Capital assets, net of accumulated depreciation	3,311,250	15,181,091	18,492,341
Total assets	5,203,550	20,548,803	25,752,353
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB outflows	3,419	6,942	10,361
Deferred pension outflows	76,654	154,822	231,476
Total deferred outflows of resources	80,073	161,764	241,837
LIABILITIES			
Accounts payable	17,255	49,737	66,992
Accrued liabilities	21,610	52,379	73,989
Compensated absences	17,374	28,377	45,751
OPEB Liability	14,024	28,473	42,497
Long-term liabilities, due within one year	159,779	65,528	225,307
Long-term liabilities, due in more than one year	2,465,745	2,480,094	4,945,839
Total liabilities	2,695,787	2,704,588	5,400,375
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB inflows	1,769	3,592	5,361
Deferred pension inflows	30,556	61,716	92,272
Unavailable revenue - property taxes	415,426	-	415,426
Total deferred inflows of resources	447,751	65,308	513,059
NET POSITION			
Net investment in capital assets	1,414,435	14,076,649	15,491,084
Restricted for:			
Pension benefits	236,070	476,804	712,874
Public safety	10,136	-	10,136
Unrestricted	479,444	3,387,218	3,866,662
Total net position	\$ 2,140,085	\$ 17,940,671	\$ 20,080,756

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 753,965	\$ 1,400	\$ 435,395	\$ -
Public safety	631,680	22,647	-	-
Public works	144,788	137,055	-	-
Public welfare	91,464	-	-	-
State street aid	151,184	-	-	-
Interest	89,833	-	-	-
Total governmental activities	1,862,914	161,102	435,395	-
Business-type activities:				
Water and sewer	2,781,839	2,479,931	-	197,791
Natural gas	1,053,214	985,469	-	-
Total business-type activities	3,835,053	3,465,400	-	197,791
Total primary government	\$ 5,697,967	\$ 3,626,502	\$ 435,395	\$ 197,791
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, as previously reported				
Prior period adjustments				
Beginning, as restated				
Ending				

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (317,170)	\$ -	\$ (317,170)
(609,033)	-	(609,033)
(7,733)	-	(7,733)
(91,464)	-	(91,464)
(151,184)	-	(151,184)
(89,833)	-	(89,833)
<u>(1,266,417)</u>	<u>-</u>	<u>(1,266,417)</u>
-	(104,117)	(104,117)
-	(67,745)	(67,745)
-	(171,862)	(171,862)
(1,266,417)	(171,862)	(1,438,279)
399,771	-	399,771
554,576	-	554,576
99,978	-	99,978
18,223	-	18,223
34,562	-	34,562
61,353	-	61,353
107,525	-	107,525
10,376	65,987	76,363
127,201	18,757	145,958
14,350	(14,350)	-
<u>1,427,915</u>	<u>70,394</u>	<u>1,498,309</u>
161,498	(101,468)	60,030
1,528,314	17,970,829	19,499,143
450,273	71,310	521,583
<u>1,978,587</u>	<u>18,042,139</u>	<u>20,020,726</u>
<u>\$ 2,140,085</u>	<u>\$ 17,940,671</u>	<u>\$ 20,080,756</u>

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

CITY OF PIKEVILLE, TENNESSEE

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2024

	Major General	Nonmajor Drug Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 334,088	\$ 10,136	\$ 344,224
Property taxes receivable, net	416,250	-	416,250
Accounts receivable, net	136,491	-	136,491
Total assets	\$ 886,829	\$ 10,136	\$ 896,965
LIABILITIES			
Accounts payable	\$ 17,255	\$ -	\$ 17,255
Accrued payroll liabilities	21,610	-	21,610
Total liabilities	38,865	-	38,865
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	415,426	-	415,426
Total deferred inflows of resources	415,426	-	415,426
FUND BALANCES			
Restricted for:			
Public safety	-	10,136	10,136
Unassigned	432,538	-	432,538
Total fund balances	432,538	10,136	442,674
Total liabilities, deferred inflows of resources, and fund balances	\$ 886,829	\$ 10,136	\$ 896,965

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, 2024

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

Fund balances – total governmental funds	\$ 442,674
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.	4,039,959
The City's other post-employment benefit plan has not been funded. The OPEB obligation is considered a long-term obligation and is not reported in the funds.	(14,024)
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	266,626
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	47,748
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	(2,615,708)
Compensated absences	(17,374)
Landfill post-closure costs	<u>(9,816)</u>
Net position of governmental activities	<u>\$ 2,140,085</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, 2024

	Major General	Nonmajor Drug Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 937,186	\$ -	\$ 937,186
Licenses and permits	1,400	-	1,400
Intergovernmental	732,482	-	732,482
Charges for services	196,490	-	196,490
Fines and forfeitures	17,392	1,002	18,394
Other revenue	84,824	-	84,824
Total revenues	1,969,774	1,002	1,970,776
EXPENDITURES			
Current:			
General government	752,081	-	752,081
Public safety	690,863	682	691,545
Public works	348,187	-	348,187
Public welfare	91,464	-	91,464
State street aid	120,816	-	120,816
Debt service:			
Principal	169,594	-	169,594
Interest and other charges	82,090	-	82,090
Total expenditures	2,255,095	682	2,255,777
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(285,321)	320	(285,001)
OTHER FINANCING SOURCES (USES)			
Transfers in	19,068	-	19,068
Transfers out	(4,718)	-	(4,718)
Total other financing sources (uses)	14,350	-	14,350
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(270,971)	320	(270,651)
FUND BALANCES:			
Beginning, as previously reported	253,236	9,816	263,052
Prior period adjustment	450,273	-	450,273
Beginning, as restated	703,509	9,816	713,325
Ending	\$ 432,538	\$ 10,136	\$ 442,674

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, 2024

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

Net change in fund balances – total governmental funds \$ (270,651)

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. 504,271

Depreciation expense on governmental capital assets are included in the statement of activities. (253,069)

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	\$ 160,624	
Amortization	<u>1,227</u>	161,851

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

Change in compensated absences	(7,816)
Change in net OPEB liability and related deferrals	(12,374)
Change in net pension asset and related deferrals	<u>39,286</u>

Change in net position of governmental activities \$ 161,498

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 925,738	\$ 925,738	\$ 937,186	\$ 11,448
Licenses and permits	2,000	2,000	1,400	(600)
Intergovernmental	454,020	454,020	732,482	278,462
Charges for services	193,807	193,807	196,490	2,683
Fines and forfeitures	16,000	16,000	17,392	1,392
Miscellaneous	66,472	66,472	84,824	18,352
Total revenue	1,658,037	1,658,037	1,969,774	311,737
EXPENDITURES				
Current:				
General government	485,399	734,016	752,081	(18,065)
Public safety	437,294	748,048	690,863	57,185
Public works	266,848	348,289	348,187	102
Public welfare	44,915	91,666	91,464	202
State street aid	114,025	120,816	120,816	-
Debt service:				
Principal	113,032	160,403	160,403	-
Interest	80,625	91,277	91,281	(4)
Total expenditures	1,542,138	2,294,515	2,255,095	39,420
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	115,899	(636,478)	(285,321)	351,157
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19,068	19,068
Transfers out	-	-	(4,718)	(4,718)
Total other financing sources (uses)	-	-	14,350	14,350
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 115,899	\$ (636,478)	(270,971)	\$ 365,507
FUND BALANCES:				
Beginning, as previously reported			253,236	
Prior period adjustment			450,273	
Beginning, as restated			703,509	
Ending			\$ 432,538	

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

CITY OF PIKEVILLE, TENNESSEE

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2024

	Water and Sewer	Natural Gas	Total
ASSETS	Fund	Fund	Total
Current assets:			
Cash and cash equivalents	\$ 1,833,314	\$ 1,227,911	\$ 3,061,225
Accounts receivable, net	240,322	2,871	243,193
Inventories	35,914	47,680	83,594
Net pension asset	333,670	204,850	538,520
Total current assets	<u>2,443,220</u>	<u>1,483,312</u>	<u>3,926,532</u>
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	1,430,042	11,138	1,441,180
Capital assets, net of accumulated depreciation	14,455,223	725,868	15,181,091
Total noncurrent assets	<u>15,885,265</u>	<u>737,006</u>	<u>16,622,271</u>
TOTAL ASSETS	<u>18,328,485</u>	<u>2,220,318</u>	<u>20,548,803</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB outflows	95,928	2,694	98,622
Deferred pension outflows	4,248	58,894	63,142
Total deferred outflows of resources	<u>100,176</u>	<u>61,588</u>	<u>161,764</u>
LIABILITIES			
Current liabilities:			
Accounts payable	26,889	22,848	49,737
Accrued liabilities	42,824	9,555	52,379
Compensated absences	12,184	16,193	28,377
Long-term liabilities, due within one year	65,528	-	65,528
Total current liabilities	<u>147,425</u>	<u>48,596</u>	<u>196,021</u>
Noncurrent liabilities:			
Net OPEB liability	17,424	11,049	28,473
Long-term liabilities, due in more than one year	2,480,094	-	2,480,094
Total noncurrent liabilities	<u>2,497,518</u>	<u>11,049</u>	<u>2,508,567</u>
TOTAL LIABILITIES	<u>2,644,943</u>	<u>59,645</u>	<u>2,704,588</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB inflows	2,198	1,394	3,592
Deferred pension inflows	38,240	23,476	61,716
Total deferred inflows of resources	<u>40,438</u>	<u>24,870</u>	<u>61,716</u>
NET POSITION			
Net investment in capital assets	13,339,643	737,006	14,076,649
Restricted	295,430	181,374	476,804
Unrestricted	2,108,207	1,279,011	3,387,218
Total net position	<u>\$ 15,743,280</u>	<u>\$ 2,197,391</u>	<u>\$ 17,940,671</u>

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

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	Water and Sewer Fund	Natural Gas Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,391,883	\$ 973,944	\$ 3,365,827
Customer penalties	21,748	-	21,748
Connection fees	66,300	11,525	77,825
Total operating revenues	2,479,931	985,469	3,465,400
OPERATING EXPENSES			
Purchased gas	-	404,928	404,928
Transmission and distribution	1,366,650	269,176	1,635,826
Sewer collection, treatment and disposal	375,026	-	375,026
Administration	351,853	292,011	643,864
Depreciation	597,839	87,099	684,938
Total operating expenses	2,691,368	1,053,214	3,744,582
OPERATING INCOME	(211,437)	(67,745)	(279,182)
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	197,791	-	197,791
Miscellaneous revenue	(54,588)	73,345	18,757
Interest revenue	36,246	29,741	65,987
Interest expense	(90,471)	-	(90,471)
Total nonoperating revenues	88,978	103,086	192,064
INCOME BEFORE TRANSFERS	(122,459)	35,341	(87,118)
Transfers in	6,035	-	6,035
Transfers out	(15,197)	(5,188)	(20,385)
	(9,162)	(5,188)	(14,350)
CHANGE IN NET POSITION	(131,621)	30,153	(101,468)
NET POSITION			
Beginning, as previously stated	15,803,591	2,167,238	17,970,829
Prior period adjustment	71,310	-	71,310
Beginning, as restated	15,874,901	2,167,238	18,042,139
Ending	\$ 15,743,280	\$ 2,197,391	\$ 17,940,671

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, 2024

	Water and Sewer Fund	Natural Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,448,702	\$ 993,098	\$ 3,441,800
Receipts (payments) from other funds	(5,135)	3,653	(1,482)
Payments to suppliers	(1,471,248)	(723,336)	(2,194,584)
Payments to employees	(533,214)	(341,144)	(874,358)
Net cash from operating activities	439,105	(67,729)	371,376
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	(9,162)	(5,188)	(14,350)
Miscellaneous revenue	(54,588)	73,345	18,757
Net cash from noncapital financing activities	(63,750)	68,157	4,407
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds of capital grants	197,791	-	197,791
Principal paid on long-term debt	(63,044)	-	(63,044)
Interest paid on long-term debt	(90,471)	-	(90,471)
Acquisition and construction of capital assets	(251,781)	-	(251,781)
Net cash from capital and related financing activities	(207,505)	-	(207,505)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	36,246	29,741	65,987
Net cash from investing activities	36,246	29,741	65,987
Net change in cash and cash equivalents	204,096	30,169	234,265
Cash and cash equivalents, June 30, 2023	1,629,218	1,197,742	2,826,960
Cash and cash equivalents, June 30, 2024	\$ 1,833,314	\$ 1,227,911	\$ 3,061,225

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, 2024

	Water and Sewer Fund	Natural Gas Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
OPERATING LOSS	\$ (211,437)	\$ (67,745)	\$ (279,182)
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	597,839	87,099	684,938
Loss on disposal of capital assets	46,264	-	46,264
(Increase) decrease in:			
Accounts receivable	(31,229)	7,629	(23,600)
Due from other funds	-	3,653	3,653
Inventories	55,073	(4,883)	50,190
Net OPEB liability	17,424	11,049	28,473
Net pension asset	58,932	(90,281)	(31,349)
Deferred OPEB outflows	(95,928)	(2,694)	(98,622)
Deferred pension outflows	145,961	(1,275)	144,686
Increase (decrease) in:			
Accounts payable	(96,338)	(26,175)	(122,513)
Accrued liabilities	18,858	(3,437)	15,421
Due to other funds	(5,135)	-	(5,135)
Deferred OPEB inflows	2,198	1,394	3,592
Deferred pension inflows	(56,007)	18,211	(37,796)
Compensated absences	(7,370)	(274)	(7,644)
Total adjustments	650,542	16	650,558
Net cash from operating activities	\$ 439,105	\$ (67,729)	\$ 371,376

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

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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.

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.

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.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (Continued)

Governmental activities are normally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety (police and fire), public works, public welfare, and state street aid.

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.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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.

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.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Receivable

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:

	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

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 and other post-employment benefit (OPEB) plans and certain amounts related to pension and OPEB plans, as detailed as (2) below. Deferred contributions for the pension and OPEB plans 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 and OPEB must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension and OPEB plans' assumptions are deferred and amortized over the expected remaining service lives of employees.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations (Continued)

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.

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.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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 or 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 2024 are recorded as receivables and deferred inflows of resources. The allowance recorded for uncollectible taxes totaled \$151,117 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. As of June 30, 2024, the City had no interfund receivables and payables.

Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension/OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB 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 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.

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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 \$743,105. 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.

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 4 – RECEIVABLES

Receivables at June 30, 2024, consist of the following:

Primary Government	General	Water and Sewer	Natural Gas	Total
Property taxes	\$ 611,220	\$ -	\$ -	\$ 611,220
Accounts	<u>136,491</u>	<u>252,875</u>	<u>3,589</u>	<u>392,955</u>
Gross receivables	747,711	252,875	3,589	1,004,175
Less: Allowance for uncollectible	<u>(194,970)</u>	<u>(12,553)</u>	<u>(718)</u>	<u>(208,241)</u>
Net receivables	<u>\$ 552,741</u>	<u>\$ 240,322</u>	<u>\$ 2,871</u>	<u>\$ 795,934</u>

NOTE 5 – INTERFUND TRANSFERS

	Transfers In:		
	General Fund	Water and Sewer Fund	Total
Transfers Out:			
General Fund	\$ -	\$ 4,718	\$ 4,718
Water and Sewer Fund	15,197	-	15,197
Natural Gas	<u>3,871</u>	<u>1,317</u>	<u>5,188</u>
Total	<u>\$ 19,068</u>	<u>\$ 6,035</u>	<u>\$ 25,103</u>

All interfund transfers are eliminated for reporting purposes. Transfers were made to move money that was received in the wrong fund.

NOTE 6 – 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	\$ 250,861	\$ -	\$ -	\$ 250,861
Construction in progress	<u>66,713</u>	<u>411,135</u>	<u>-</u>	<u>477,848</u>
Total non-depreciable capital assets	<u>317,574</u>	<u>411,135</u>	<u>-</u>	<u>728,709</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 6 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Governmental Activities				
(Continued)				
Depreciable capital assets:				
Buildings and parks	3,121,254	-	-	3,121,254
Machinery and equipment	671,057	25,013	-	696,070
Vehicles	1,197,904	68,123	-	1,266,027
Infrastructure	1,614,311	-	-	1,614,311
Landfill	121,706	-	-	121,706
	<u>6,726,232</u>	<u>93,136</u>	<u>-</u>	<u>6,819,368</u>
Less accumulated depreciation:				
Buildings and parks	847,492	87,003	-	934,495
Machinery and equipment	583,464	29,566	-	613,030
Vehicles	654,493	60,848	-	715,341
Infrastructure	1,122,135	73,218	-	1,195,353
Landfill	47,465	2,434	-	49,899
	<u>3,255,049</u>	<u>253,069</u>	<u>-</u>	<u>3,508,118</u>
Total depreciable capital assets, net	<u>3,471,183</u>	<u>(159,933)</u>	<u>-</u>	<u>3,311,250</u>
Total capital assets, net	<u>\$ 3,788,757</u>	<u>\$ 251,202</u>	<u>\$ -</u>	<u>\$ 4,039,959</u>

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

General government	\$ 88,574
Public safety	80,982
Public works	53,144
State street aid	<u>30,369</u>
Total	<u>\$ 253,069</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 6 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Business-type Activities				
Non-depreciable capital assets:				
Land	\$ 169,847	\$ -	\$ 30,000	\$ 139,847
Construction in progress	<u>1,711,303</u>	<u>190,830</u>	<u>600,800</u>	<u>1,301,333</u>
Total non-depreciable assets	<u>1,881,150</u>	<u>190,830</u>	<u>630,800</u>	<u>1,441,180</u>
Depreciable capital assets:				
North Bledsoe system	3,008,661	-	-	3,008,661
Water treatment and distribution	16,283,970	-	-	16,283,970
Sewer collection and treatment	4,209,791	-	-	4,209,791
Buildings	190,169	608,950	-	799,119
Machinery and equipment	796,486	4,379	16,264	784,601
Vehicles	224,509	48,422	-	272,931
Gas lines and meters	1,967,941	-	-	1,967,941
Reservoirs and standpipes	<u>345,661</u>	<u>-</u>	<u>-</u>	<u>345,661</u>
	<u>27,027,188</u>	<u>661,751</u>	<u>16,264</u>	<u>27,672,675</u>
Less accumulated depreciation:				
North Bledsoe system	1,431,848	75,172	-	1,507,020
Water treatment and distribution	5,743,595	311,572	-	6,055,167
Sewer collection and treatment	2,399,972	82,132	-	2,482,104
Buildings	127,764	25,104	-	152,868
Machinery and equipment	402,143	98,189	-	500,332
Vehicles	85,107	45,255	-	130,362
Gas lines and meters	1,270,556	47,514	-	1,318,070
Reservoirs and standpipes	<u>345,661</u>	<u>-</u>	<u>-</u>	<u>345,661</u>
	<u>11,806,646</u>	<u>684,938</u>	<u>-</u>	<u>12,491,584</u>
Total depreciable assets, net	<u>15,220,542</u>	<u>(23,187)</u>	<u>16,264</u>	<u>15,181,091</u>
Total capital assets, net	<u>\$17,101,692</u>	<u>\$ 167,643</u>	<u>\$ 647,064</u>	<u>\$16,622,271</u>

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

Water and Sewer	\$ 597,839
Natural Gas	<u>87,099</u>
Total	<u>\$ 684,938</u>

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 7 – 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. Upon an event of default, all outstanding principal and accrued interest could be declared immediately due and payable. 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%	\$ 439,419
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%	83,600
Cost over-run note up to \$255,000, with interest payable in monthly installments of \$977 through 2057, with interest payable at 3.25%, monthly	236,718
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%	41,707
Bond Anticipation Note up to \$1,550,000 to USDA, payable in monthly installments of \$5,813, with interest payable at 3.125%, monthly	1,383,445
Bond Anticipation Note up to \$512,500 to USDA, payable in monthly installments of \$4,777, with interest payable at 2.25%, monthly	<u>430,819</u>
	<u>\$ 2,615,708</u>
Landfill post-closure estimate Original estimate of \$36,810 amortized over thirty (30) years or \$1,227 per year	<u>\$ 9,816</u>
Liability for compensated absences as discussed in Note 1	<u>\$ 17,374</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Maturities of general long-term liabilities are as follows:

For the Year Ending June 30,	Direct <u>Borrowings</u> Notes	Landfill Post-Closure	Compensated Absences	Total
2025	\$ 165,552	\$ 1,227	\$ 17,374	\$ 184,153
2026	171,174	1,227	-	172,401
2027	159,020	1,227	-	160,247
2028	161,728	1,227	-	162,955
2029	168,483	1,227	-	169,710
2030-2034	527,907	3,681	-	531,588
2035-2039	225,995	-	-	225,995
2040-2044	264,382	-	-	264,382
2045-2049	309,290	-	-	309,290
2050-2054	361,828	-	-	361,828
2055-2057	<u>100,349</u>	<u>-</u>	<u>-</u>	<u>100,349</u>
	<u>\$ 2,615,708</u>	<u>\$ 9,816</u>	<u>\$ 17,374</u>	<u>\$ 2,642,898</u>

Business-type Activities

Long-term debt and long-term obligations relative to business-type activities are reported as liabilities with the proprietary fund financial statements. Debt related to business-type activities at June 30, 2024, 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	\$ 1,368,835
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Note of \$483,000 to USDA Rural Development, Series 2006, payable in monthly installments of \$2,179, including interest at 4.375% through 2046	362,706
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Note of \$1,042,700 to USDA Rural Development, Series 2008, payable in monthly installments of \$4,609, including interest at 4.375% through 2048	<u>814,081</u>
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\$ 2,545,622

Liability for compensated absences as discussed in Note 1	<u>\$ 12,184</u>
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(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued)

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

For the Year Ending June 30,	<u>Direct Borrowings</u> Notes	Compensated Absences	Total
2025	\$ 65,528	\$ 12,184	\$ 77,712
2026	67,866	-	67,866
2027	70,293	-	70,293
2028	72,811	-	72,811
2029	75,424	-	75,424
2030-2034	419,917	-	419,917
2035-2039	501,873	-	501,873
2040-2044	600,809	-	600,809
2045-2049	540,860	-	540,860
2050-2051	<u>130,241</u>	<u>-</u>	<u>130,241</u>
	<u>\$ 2,545,622</u>	<u>\$ 12,184</u>	<u>\$ 2,557,806</u>

Natural Gas Fund

Liability for compensated absences as discussed in Note 1. \$ 16,193

During the year ended June 30, 2024, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Retirements	Ending Balance	Amount Due Within One Year
Governmental Activities					
Notes payable	\$ 2,776,332	\$ -	\$ 160,624	\$ 2,615,708	\$ 158,552
Landfill post -closure	11,043	-	1,227	9,816	1,227
Compensated absences	<u>9,558</u>	<u>7,816</u>	<u>-</u>	<u>17,374</u>	<u>17,374</u>
	<u>\$ 2,796,933</u>	<u>\$ 7,816</u>	<u>\$ 161,851</u>	<u>\$ 2,642,898</u>	<u>\$ 177,153</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	Beginning Balance	Adjustments/ Additions	Retirements	Ending Balance	Amount Due Within One Year
Business-type Activities					
Water and Sewer Fund:					
Notes payable	\$ 2,608,666	\$ -	\$ 63,044	\$ 2,545,622	\$ 65,528
Compensated absences	<u>19,544</u>	<u>-</u>	<u>7,360</u>	<u>12,184</u>	<u>12,184</u>
	<u>2,628,210</u>	<u>-</u>	<u>70,404</u>	<u>2,557,806</u>	<u>77,712</u>
Natural Gas Fund:					
Compensated absences	<u>16,467</u>	<u>-</u>	<u>274</u>	<u>16,193</u>	<u>16,193</u>
	<u>16,467</u>	<u>-</u>	<u>274</u>	<u>16,193</u>	<u>16,193</u>
	<u>\$ 2,644,677</u>	<u>\$ -</u>	<u>\$ 70,678</u>	<u>\$ 2,573,999</u>	<u>\$ 93,905</u>

NOTE 8 – LANDFILL POST-CLOSURE COSTS

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

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

Closure and post-closure care costs include:

- The cost of equipment expected to be installed and facilities expected to be constructed near or after the date the landfill stops accepting waste and during the post-closure period.
- The costs of final cover expected to be applied near or after the closure date.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – LANDFILL POST-CLOSURE COSTS (Continued)

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

The estimated total current cost of closure and post-closure care of the Sequatchie/Bledsoe County Landfill is \$98,160. The City's share of the estimated total current cost of closure and post-closure, based upon population percentages, would be 10% or \$9,816. This amount has been recorded as a liability on the Statement of Net Position, as discussed in the previous note disclosure, Note 7.

NOTE 9 – RESTRICTED NET POSITION

Governmental Activities

Restricted net position represents \$10,136 restricted for public safety purposes and \$236,070 is restricted for the City's future pension needs. Governmental activities restricted net position totaled \$246,206 at June 30, 2024.

Business-type Activities

Restricted net position represents \$476,804 restricted for the City's future pension needs.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM

Tennessee Consolidated Retirement System

General Information about the Pension Plan

Plan description. Employees of the City 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>.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Tennessee Consolidated Retirement System (Continued)

General Information about the Pension Plan (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five 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% 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A 1% COLA is granted if the CPI change is between one-half percent and 1%. 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, 2023 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>22</u>
	<u>47</u>

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% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, employer contributions for the City were \$40,495 based on a rate of 3.57% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City'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.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Net Pension Liability (Asset)

The City’s net pension liability (asset) was measured as of June 30, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125%

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

The actuarial assumptions used in the June 30, 2023 actuarial valuation was based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. 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, 2020 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 2.25 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	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Net Pension Liability (Asset) (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75%. 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 6/30/22	\$ 3,106,138	\$ 3,847,776	\$ (741,638)
Changes for the year:			
Service cost	99,692	-	99,692
Interest	212,294	-	212,294
Differences between expected and actual experience	(25,773)	-	(25,773)
Changes in assumptions	-	-	-
Contributions – employer	-	39,092	(39,092)
Contributions – employees	-	54,751	(54,751)
Net investment income	-	257,655	(257,655)
Benefit payments, including refunds of employee contributions	(121,476)	(121,476)	-
Administrative expense	-	(1,777)	1,777
Net changes	164,737	228,245	(63,508)
Balance at 6/30/23	\$ 3,270,875	\$ 4,076,021	\$ (805,146)

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ (383,580)	\$ (805,146)	\$ (1,157,071)

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

Pension expense. For the year ended June 30, 2024, the City recognized (negative) pension expense of \$(14,930).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,686	\$ 92,272
Net difference between projected and actual earnings on pension plan investments	33,274	-
Changes in assumption	119,021	-
Contributions subsequent to the measurement date of June 30, 2022	40,495	-
Total	\$ 231,476	\$ 92,272

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:	
2025	\$ (1,402)
2026	(15,137)
2027	100,212
2028	15,036
	\$ 98,709

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

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Payable to the Plan

The City showed no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) FOR RETIREE HEALTH INSURANCE

Plan description. Employees of the City are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits provided. The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-01 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms. At the measurement date of June 30, 2023 the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>24</u>
	<u>24</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2024, the City paid \$0 to the LGOP for OPEB benefits as they came due.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) FOR RETIREE HEALTH INSURANCE (Continued)

Total OPEB Liability

Actuarial Assumptions. The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%.
Healthcare cost trend rates	10.31% for pre-65 in 2023, decreasing annually over an 11 year period to an ultimate rate of 4.50%, 12.44% for post-65 in 2023, decreasing annually over an 11 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derive from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.65%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/A as shown on the Bond Buyer 20-Year Municipal GO AA Index.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) FOR RETIREE HEALTH INSURANCE (Continued)

Changes in Total OPEB Liability

Balance at June 30, 2022	<u>\$ 32,383</u>
Changes for the Year:	
Service Cost	3,697
Interest	1,271
Changes in benefit terms	-
Differences between expected and actual experience	(6,183)
Changes in assumptions	11,677
Benefit payments	<u>(348)</u>
Net Changes	<u>10,114</u>
Balance at June 30, 2023	<u>\$ 42,497</u>

Changes in assumptions. The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of the total OPEB liability to changes in discount rate.

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate.

	1% Decrease <u>(2.65%)</u>	Current Discount Rate <u>(3.65%)</u>	1% Increase <u>(4.65%)</u>
Total OPEB Liability	<u>\$ 45,638</u>	<u>\$ 42,497</u>	<u>\$ 39,571</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (9.31%/11.44% decreasing to <u>3.50%</u>)	Healthcare Cost Trend Rate (10.31%/12.44% decreasing to <u>4.50%</u>)	1% Increase (11.31%/13.4% decreasing to <u>5.50%</u>)
Total OPEB Liability	<u>\$ 38,097</u>	<u>\$ 42,497</u>	<u>\$ 47,709</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) FOR RETIREE HEALTH INSURANCE (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2024, the City recognized OPEB expense of \$5,699. For the fiscal year ended June 30, 2024 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,361
Changes in assumption	10,124	-
Contributions subsequent to the measurement date of June 30, 2023	<u>236</u>	<u>-</u>
Total	<u>\$ 10,360</u>	<u>\$ 5,361</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2025		\$ 731
2026		731
2027		731
2028		731
2029		731
Thereafter		<u>1,108</u>
		<u>\$ 4,763</u>

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

The amounts shown above for “Employer payments subsequent to the measurement date” will be recognized as a reduction to total OPEB liability in the following measurement period.

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.

CITY OF PIKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 13 – RISK MANAGEMENT AND LITIGATION

The City 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 TML-RMP. During the fiscal year ended June 30, 2024, the City contributed a total of \$176,524 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2024, the City noted accounts payable that had been paid as of the prior fiscal year end. As such, a prior period adjustment has been recorded on the statements to reflect the correction of paying off accounts payable. The effect on the governmental funds balance sheet resulted in an increase in the fund balance of the General Fund by \$450,273.

During the year ended June 30, 2024, the City discovered construction in progress that should have been capitalized as of June 30, 2023, that had not been capitalized. As such, a prior period adjustment has been recorded on the statement of net position to reflect the correction of capitalizing the construction in progress and offsetting net position. The effect on the statement of net position resulted in an increase in nondepreciable capital assets and net position in the Water and Sewer fund by \$71,310.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through November 15, 2024 (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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (Asset)									
Service cost	\$ 99,692	\$ 98,701	\$ 81,440	\$ 77,338	\$ 61,371	\$ 67,648	\$ 57,996	\$ 44,050	\$ 50,122
Interest	212,294	196,132	189,494	175,641	162,648	156,937	153,227	151,894	143,616
Differences between actual and expected experience	(25,773)	48,789	(125,393)	4,106	15,408	(59,206)	(87,261)	(106,106)	53,535
Change in assumptions	-	-	208,286	-	-	-	67,279	-	-
Benefit payments, including refunds of employee contributions	<u>(121,476)</u>	<u>(88,883)</u>	<u>(69,393)</u>	<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	164,737	254,739	284,434	186,240	157,935	86,198	111,893	(2,857)	78,313
Total pension liability - beginning	<u>3,106,138</u>	<u>2,851,399</u>	<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>	<u>1,949,243</u>
Total pension liability - ending (a)	<u>\$ 3,270,875</u>	<u>\$ 3,106,138</u>	<u>\$ 2,851,399</u>	<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	\$ 39,092	\$ 39,261	\$ 39,439	\$ 38,573	\$ 36,060	\$ 30,999	\$ 41,641	\$ 35,247	\$ 32,871
Contributions - employee	54,751	54,988	55,237	54,024	50,506	43,417	46,268	39,251	36,605
Net investment income	257,655	(153,000)	817,502	148,763	207,080	213,318	261,613	59,830	69,191
Benefit payments, including refunds of employee contributions	<u>(121,476)</u>	<u>(88,883)</u>	<u>(69,393)</u>	<u>(70,845)</u>	<u>(81,492)</u>	<u>(79,181)</u>	<u>(79,348)</u>	<u>(92,695)</u>	<u>(168,960)</u>
Administrative expense	<u>(1,777)</u>	<u>(2,518)</u>	<u>(2,431)</u>	<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	228,245	(150,152)	840,354	168,034	209,793	206,336	268,107	39,821	(31,349)
Plan fiduciary net position - beginning	<u>3,847,776</u>	<u>3,997,928</u>	<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>	<u>2,296,832</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,076,021</u>	<u>\$ 3,847,776</u>	<u>\$ 3,997,928</u>	<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>\$ (805,146)</u>	<u>\$ (741,638)</u>	<u>\$ (1,146,529)</u>	<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	124.62%	123.88%	140.21%	123.01%	125.57%	125.06%	120.44%	113.86%	111.73%
Covered - employee payroll	\$ 1,095,012	\$ 1,099,756	\$ 1,104,732	\$ 1,080,480	\$ 1,010,028	\$ 868,319	\$ 925,357	\$ 785,025	\$ 732,089
Net pension liability (asset) as a percentage of covered-employee payroll	-73.53%	-67.44%	-103.78%	-54.66%	-60.28%	-64.14%	-47.21%	-35.74%	-32.50%

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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.

See independent auditor's report.

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 40,495	\$ 39,092	\$ 39,261	\$ 39,438	\$ 38,573	\$ 36,058	\$ 30,999	\$ 41,641	\$ 35,247	\$ 32,871
Contributions in relation to the actuarially determined contribution	<u>40,495</u>	<u>39,092</u>	<u>39,261</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$1,134,314	\$1,095,012	\$1,099,756	\$1,104,732	\$1,080,480	\$1,010,028	\$ 868,319	\$ 925,357	\$ 785,025	\$ 732,089
Contributions as a percentage of covered-employee payroll	3.57%	3.57%	3.57%	3.57%	3.57%	3.57%	3.57%	4.50%	4.49%	4.49%

See independent auditor's report.

CITY OF PIKEVILLE, TENNESSEE

NOTES TO PENSION SCHEDULES

JUNE 30, 2024

Valuation date: Actuarially determined contribution rates for 2024 were calculated based on the June 30, 2023, 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% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	6.75%, 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	2.125%

Changes of assumption. In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

FISCAL YEAR ENDING JUNE 30

	<u>2024</u>	<u>2023</u>
Total OPEB Liability		
Service cost	\$ 3,697	\$ -
Interest	1,271	-
Changes in benefit terms	-	32,383
Differences between actual and expected experience	(6,183)	-
Change in assumptions	11,677	-
Benefit payments, including refunds of employee contributions	(348)	-
Net change in total OPEB liability	10,114	32,383
Total OPEB liability - beginning	32,383	-
Total OPEB liability - ending	<u>\$ 42,497</u>	<u>\$ 32,383</u>
Covered - employee payroll	\$ 1,134,314	\$ 1,095,012
Total OPEB liability as a percentage of covered-employee payroll	3.75%	2.96%

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Property taxes	\$ 455,363	\$ 455,363	\$ 438,771	\$ (16,592)
Local sales taxes	310,000	310,000	323,419	13,419
Business taxes	20,250	20,250	34,562	14,312
Local beer taxes	100,000	100,000	99,176	(824)
Wholesale liquor tax	31,500	31,500	34,789	3,289
Room occupancy tax	125	125	137	12
Franchise taxes	8,500	8,500	6,332	(2,168)
Total taxes	<u>925,738</u>	<u>925,738</u>	<u>937,186</u>	<u>11,448</u>
LICENSES AND PERMITS				
Privilege licenses	2,000	2,000	1,400	(600)
Total licenses and permits	<u>2,000</u>	<u>2,000</u>	<u>1,400</u>	<u>(600)</u>
INTERGOVERNMENTAL				
State sales tax	232,500	232,500	234,543	2,043
State beer tax	800	800	802	2
State income and excise tax	12,600	12,600	11,891	(709)
City streets and transportation	67,500	67,500	66,813	(687)
TVA in lieu of tax	21,652	21,652	22,353	701
State and other grants	104,035	104,035	111,309	7,274
Federal grants	14,934	14,934	284,771	269,837
Total intergovernmental	<u>454,021</u>	<u>454,021</u>	<u>732,482</u>	<u>278,461</u>
CHARGES FOR SERVICES				
Sanitation fees	136,000	136,000	137,055	1,055
Other	57,782	57,782	59,435	1,653
Total charges for services	<u>193,782</u>	<u>193,782</u>	<u>196,490</u>	<u>2,708</u>
FINES AND FORFEITS				
City court fines and fees	16,000	16,000	17,392	1,392
Total fines and forfeits	<u>16,000</u>	<u>16,000</u>	<u>17,392</u>	<u>1,392</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)	<u>Budget Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
MISCELLANEOUS				
Interest	\$ 13,521	\$ 13,521	\$ 10,376	\$ (3,145)
Rent	14,400	14,400	14,400	-
Contributions	33,551	33,551	56,513	22,962
Refunds	<u>5,000</u>	<u>5,000</u>	<u>3,535</u>	<u>(1,465)</u>
Total miscellaneous	<u>66,472</u>	<u>66,472</u>	<u>84,824</u>	<u>18,352</u>
Total revenues	<u>1,658,013</u>	<u>1,658,013</u>	<u>1,969,774</u>	<u>311,761</u>
GENERAL GOVERNMENT				
Legislative -				
Salaries	7,200	8,066	8,066	-
Payroll taxes	410	475	475	-
Insurance	<u>5,000</u>	<u>5,308</u>	<u>5,308</u>	<u>-</u>
	<u>12,610</u>	<u>13,849</u>	<u>13,849</u>	<u>-</u>
Judicial -				
Salaries	4,800	4,800	4,800	-
Payroll taxes	365	367	367	-
Insurance	<u>10,000</u>	<u>9,993</u>	<u>9,993</u>	<u>-</u>
	<u>15,165</u>	<u>15,160</u>	<u>15,160</u>	<u>-</u>
Mayor -				
Salaries	45,000	45,000	44,231	769
Payroll taxes	2,873	3,313	3,311	2
Insurance	22,000	23,680	23,677	3
Professional services	<u>6,500</u>	<u>7,350</u>	<u>7,350</u>	<u>-</u>
	<u>76,373</u>	<u>79,343</u>	<u>78,569</u>	<u>774</u>
Central Staff Agencies -				
Salaries	102,118	108,472	130,081	(21,609)
Payroll taxes	7,600	8,222	8,222	-
Insurance	20,550	21,103	21,103	-
Pension	3,500	3,441	3,441	-
Training	500	-	-	-
Data processing	6,000	5,000	5,000	-
Contract services	500	338	338	-
Professional services	8,000	10,000	10,000	-
Subscriptions	1,500	609	609	-
Telephone	7,000	7,386	7,386	-

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Central Staff Agencies - (Continued)				
Repair and maintenance	\$ -	\$ 1,315	\$ 1,315	\$ -
Operating supplies	5,200	3,330	3,329	1
Travel	600	-	-	-
Other equipment	500	-	-	-
	<u>163,568</u>	<u>169,216</u>	<u>190,824</u>	<u>(21,608)</u>
City Hall Buildings -				
Salaries	38,126	44,136	44,136	-
Utilities	20,125	20,538	20,538	-
Contract services	6,000	6,296	6,296	-
Operating supplies	6,725	3,627	3,628	(1)
Repair and maintenance	500	789	789	-
Travel	150	399	399	-
Other	19,807	26,515	26,514	1
	<u>91,433</u>	<u>102,300</u>	<u>102,300</u>	<u>-</u>
General Government -				
Other insurance	23,000	20,790	20,790	-
Unemployment insurance	250	648	626	22
Professional services	17,000	13,479	10,732	2,747
Subscriptions and dues	5,500	2,311	2,311	-
Contract services	15,000	56,480	56,480	-
Operating supplies	500	881	881	-
	<u>61,250</u>	<u>94,589</u>	<u>91,820</u>	<u>2,769</u>
COVID-19 -				
Other	65,000	259,559	259,559	-
	<u>65,000</u>	<u>259,559</u>	<u>259,559</u>	<u>-</u>
TOTAL GENERAL GOVERNMENT	<u>485,399</u>	<u>734,016</u>	<u>752,081</u>	<u>(18,065)</u>
DEPARTMENT OF PUBLIC SAFETY				
Police -				
Salaries	206,179	258,508	258,507	1
Payroll taxes	15,500	19,672	19,672	-
Insurance	55,000	57,381	57,381	-
Pension	6,000	5,519	5,519	-
Employee training	4,000	1,869	1,869	-

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Police - (Continued)				
Subscriptions and dues	\$ 800	\$ 111	\$ 111	\$ -
Telephone	9,765	8,923	8,923	-
Utilities	1,350	1,106	1,106	-
Travel	3,000	4,428	4,428	-
Operating supplies	27,800	40,331	39,191	1,140
Contract services	2,000	4,188	4,188	-
Equipment	5,000	41,261	41,261	-
Repair and maintenance	7,000	10,759	10,759	-
	<u>343,394</u>	<u>454,056</u>	<u>452,915</u>	<u>1,141</u>
Fire -				
Employee training	4,800	2,775	2,775	-
Insurance	40,000	36,014	36,014	-
Subscriptions and dues	850	710	710	-
Telephone	3,000	2,902	2,902	-
Utilities	9,250	7,374	7,374	-
Travel	2,000	2,194	2,194	-
Operating supplies	12,500	25,507	22,759	2,748
Contract services	7,500	22,463	11,887	10,576
Repair and maintenance	6,500	15,727	2,007	13,720
Equipment	-	13,978	13,978	-
Buildings	-	155,869	126,869	29,000
Land rental	500	500	500	-
	<u>86,900</u>	<u>286,013</u>	<u>229,969</u>	<u>56,044</u>
Support Services -				
Operating supplies	<u>7,000</u>	<u>7,979</u>	<u>7,979</u>	<u>-</u>
	<u>7,000</u>	<u>7,979</u>	<u>7,979</u>	<u>-</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY	<u>437,294</u>	<u>748,048</u>	<u>690,863</u>	<u>57,185</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
DEPARTMENT OF PUBLIC WORKS				
Highways and Streets -				
Insurance	\$ 29,200	\$ 29,780	\$ 29,780	\$ -
Contract services	20,000	30,730	30,730	-
Telephone	4,000	2,825	2,825	-
Operating supplies	10,650	13,278	13,175	103
Equipment	-	29,422	29,422	-
Street projects	47,000	30,521	30,521	-
Repair and maintenance	1,000	314	314	-
	<u>111,850</u>	<u>136,870</u>	<u>136,767</u>	<u>103</u>
Tourism -				
Salaries	15,723	47,162	47,163	(1)
Subscriptions	-	2,500	2,500	-
Public relation	3,000	7,147	7,147	-
	<u>18,723</u>	<u>56,809</u>	<u>56,810</u>	<u>(1)</u>
Sanitation -				
Contract services	136,275	154,610	154,610	-
	<u>136,275</u>	<u>154,610</u>	<u>154,610</u>	<u>-</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>266,848</u>	<u>348,289</u>	<u>348,187</u>	<u>102</u>
DEPARTMENT OF PUBLIC WELFARE				
Parks and Recreation -				
Utilities	17,415	15,843	15,842	1
Insurance	7,000	7,000	7,000	-
Operating supplies	18,500	48,037	47,836	201
Telephone	1,500	1,062	1,062	-
Contract services	500	19,724	19,724	-
	<u>44,915</u>	<u>91,666</u>	<u>91,464</u>	<u>202</u>
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>44,915</u>	<u>91,666</u>	<u>91,464</u>	<u>202</u>

(Continued)

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
DEPARTMENT OF STATE STREET AID				
State Street Aid -				
Salaries	\$ 75,370	\$ 82,472	\$ 82,472	\$ -
Payroll taxes	5,655	6,720	6,720	-
Pension	3,000	3,091	3,091	-
Utilities	30,000	28,533	28,533	-
	<u>114,025</u>	<u>120,816</u>	<u>120,816</u>	<u>-</u>
TOTAL DEPARTMENT OF STATE STREET AID	<u>114,025</u>	<u>120,816</u>	<u>120,816</u>	<u>-</u>
DEBT SERVICE				
Principal	113,032	160,403	160,403	-
Interest	80,625	91,277	91,281	(4)
TOTAL DEBT SERVICE	<u>193,657</u>	<u>251,680</u>	<u>251,684</u>	<u>(4)</u>
TOTAL EXPENDITURES	<u>1,542,138</u>	<u>2,294,515</u>	<u>2,255,095</u>	<u>39,420</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	115,875	(636,502)	(285,321)	351,181
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 115,875</u>	<u>\$ (636,502)</u>	(270,971)	<u>\$ 365,531</u>
FUND BALANCES				
Beginning, as previously reported			253,236	
Prior period adjustment			<u>450,273</u>	
Beginning, as restated			<u>703,509</u>	
Ending			<u>\$ 432,538</u>	

CITY OF PIKEVILLE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	<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	\$ 1,300	\$ 1,300	\$ 1,002	\$ (298)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>1,002</u>	<u>(298)</u>
 DEPARTMENT OF PUBLIC SAFETY				
Drug enforcement	<u>1,300</u>	<u>1,300</u>	<u>682</u>	<u>618</u>
	<u>1,300</u>	<u>1,300</u>	<u>682</u>	<u>618</u>
 TOTAL EXPENDITURES	<u>1,300</u>	<u>1,300</u>	<u>682</u>	<u>618</u>
 EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	320	<u>\$ 320</u>
 FUND BALANCES				
Beginning			<u>9,816</u>	
Ending			<u>\$ 10,136</u>	

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS LAST TEN FISCAL YEARS

JUNE 30, 2024

<u>Year</u>	<u>Tax Rate Per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2024	1.0000	\$ 42,825,638	\$ 428,256
2023	1.0000	41,906,730	419,067
2022	1.0000	38,712,178	387,122
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

Uncollected Delinquent Accounts: The City of Pikeville has filed delinquent taxes with the Bledsoe County Trustee for collection at June 30, 2024.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2024

Tax Year	Property Tax Receivable Balance June 30, 2023	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2024
2024	\$ -	\$ -	\$ 428,256	\$ -	\$ -	\$ 428,256
2023	419,067	-	-	-	(366,173)	52,894
2022	41,068	-	-	-	(8,981)	32,087
2021	31,092	-	-	-	(1,702)	29,390
2020	29,961	-	-	-	(3,006)	26,955
2019	2,528	-	-	-	(833)	1,695
2018	24,717	-	-	-	-	24,717
2017	12,065	-	-	-	-	12,065
2016	35	-	-	-	-	35
2015	21	-	-	-	-	21
2014	18	-	-	-	-	18
2013	354	-	-	-	-	354
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	136	-	-	-	-	136
2008	883	-	-	-	-	883
2007	273	-	-	-	-	273
2006	-	-	-	-	-	-
2005	838	-	-	-	-	838
2004	114	-	-	-	-	114
2003	489	-	-	-	-	489
	<u>\$ 563,659</u>	<u>\$ -</u>	<u>\$ 428,256</u>	<u>\$ -</u>	<u>\$ (380,695)</u>	<u>\$ 611,220</u>

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES

JUNE 30, 2024

Year Ending June 30,	Tennessee Municipal League Bond Fund Series 2006		Municipal Building Note		Tennessee Municipal League Bond Fund Note		Capital Outlay Note Series 2020		General Obligation Note		Ladder Truck and Equipment Note		Landfill Post-Closure Estimate	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2025	\$ 54,000	\$ 1,980	\$ 26,907	\$ 42,849	\$ 12,600	\$ 3,030	\$ 19,840	\$ 81	\$ 4,081	\$ 7,643	\$ 48,124	\$ 9,200	\$ 1,227	\$ 166,779	\$ 55,583
2026	57,000	1,737	27,760	41,996	13,100	2,526	19,880	41	4,216	7,508	49,218	8,106	1,227	172,401	53,808
2027	60,000	1,480	28,641	41,115	13,700	2,001	1,987	20	4,355	7,369	50,337	6,987	1,227	160,247	51,985
2028	62,000	1,210	29,548	40,208	14,200	1,454	-	-	4,498	7,226	51,482	5,842	1,227	162,955	50,098
2029	66,000	931	30,485	39,271	14,700	889	-	-	4,647	7,077	52,652	4,672	1,227	169,711	48,168
2030	69,000	634	31,451	38,305	15,300	300	-	-	4,800	6,924	53,849	3,475	1,227	175,627	46,163
2031	71,419	324	32,447	37,309	-	-	-	-	4,958	6,766	55,073	2,251	1,227	165,124	44,399
2032	-	-	33,477	36,279	-	-	-	-	5,122	6,602	56,325	999	1,227	96,151	42,881
2033	-	-	34,538	35,218	-	-	-	-	5,291	6,433	13,759	51	-	53,588	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	-	-	47,187	22,569	-	-	-	-	7,320	4,404	-	-	-	54,507	26,973
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	-	-	55,158	14,598	-	-	-	-	8,609	3,115	-	-	-	63,767	17,713
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	-	-	64,472	5,284	-	-	-	-	10,126	1,598	-	-	-	74,598	6,882
2054	-	-	66,517	3,239	-	-	-	-	10,460	1,264	-	-	-	76,977	4,503
2055	-	-	67,463	2,293	-	-	-	-	10,805	919	-	-	-	78,268	3,212
2056	-	-	-	-	-	-	-	-	11,162	562	-	-	-	11,162	562
2057	-	-	-	-	-	-	-	-	10,918	460	-	-	-	10,918	460
Total	<u>\$ 439,419</u>	<u>\$ 8,296</u>	<u>\$ 1,383,445</u>	<u>\$ 778,991</u>	<u>\$ 83,600</u>	<u>\$ 10,200</u>	<u>\$ 41,707</u>	<u>\$ 142</u>	<u>\$ 236,718</u>	<u>\$ 149,828</u>	<u>\$ 430,819</u>	<u>\$ 41,583</u>	<u>\$ 9,816</u>	<u>\$ 2,625,524</u>	<u>\$ 947,457</u>

CITY OF PIKEVILLE, TENNESSEE

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
WATER AND SEWER PROPRIETARY FUND**

JUNE 30, 2024

Year Ending June 30,	USDA Series 2011		USDA Series 2006		USDA Series 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	36,916	35,228	11,447	14,701	21,930	33,378	70,293	83,307
2028	37,944	34,200	11,958	14,190	22,909	32,399	72,811	80,789
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	41,204	30,940	13,632	12,516	26,115	29,193	80,951	72,649
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	9,741	98	50,279	5,029	122,231	15,060
2047	63,944	8,200	-	-	52,523	2,785	116,467	10,985
2048	65,722	6,422	-	-	35,106	1,295	100,828	7,717
2049	67,555	4,589	-	-	-	-	67,555	4,589
2050	69,436	2,708	-	-	-	-	69,436	2,708
2051	60,805	447	-	-	-	-	60,805	447
Total	\$ 1,368,835	\$ 568,161	\$ 362,706	\$ 196,241	\$ 814,081	\$ 494,404	\$ 2,545,622	\$ 1,258,806

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

YEAR ENDING JUNE 30, 2024

<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, 2023</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding June 30, 2024</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	\$ 490,419	\$ -	\$ 51,000	\$ -	\$ 439,419
Fire Hall Note	150,000	3.92%	10/23/2017	9/1/2029	95,800	-	12,200	-	83,600
Cost Over-Run Note	255,000	3.250%	6/16/2019	6/19/2057	240,980	-	4,262	-	236,718
Citizens Tri County Bank Note	119,526	2.39%	4/13/2020	4/13/2026	61,743	-	20,036	-	41,707
Municipal Building Note	1,550,000	3.125%	9/22/2015	6/14/2055	1,409,516	-	26,071	-	1,383,445
Ladder Truck and Equipment Note	512,500	2.250%	10/13/2022	9/13/2032	477,874	-	47,055	-	430,819
Total notes payable through General Fund					<u>\$ 2,776,332</u>	<u>\$ -</u>	<u>\$ 160,624</u>	<u>\$ -</u>	<u>\$ 2,615,708</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	\$ 1,402,730	\$ -	\$ 33,895	\$ -	\$ 1,368,835
USDA Rural Development, Series 2006	483,000	4.375%	1/10/2008	12/10/2045	372,707	-	10,001	-	362,706
USDA Rural Development, Series 2008	1,042,700	4.375%	3/14/2008	2/14/2048	833,229	-	19,148	-	814,081
Total notes payable through Water Fund					<u>\$ 2,608,666</u>	<u>\$ -</u>	<u>\$ 63,044</u>	<u>\$ -</u>	<u>\$ 2,545,622</u>

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF MUNICIPAL UTILITY RATES AND NUMBERS OF CUSTOMERS

JUNE 30, 2024

WATER RATE SCHEDULE

Water Rates:	<u>Residential</u>	<u>Commercial</u>	<u>Outside City</u>
First 2,000 Gallons	\$25.52/month	\$30.61/month	\$33.16/month
2,001 Gallons and over	\$7.25/month	\$8.70/month	\$9.42/month

SEWER RATE SCHEDULE

Sewer Rates (Based on water usage):			
First 2,000 Gallons	\$31.66/month	\$37.98/month	\$41.15/month
2,001 Gallons and over	\$9.00/month	\$10.80/month	\$11.70/month

NATURAL GAS RATE SCHEDULE

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

GARBAGE RATE SCHEDULE

\$13.75/month

NUMBER OF CUSTOMERS

Water	1,897
Sewer	690
Garbage	706
Natural Gas	1,014

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDING JUNE 30, 2024

<u>Federal Agency/Pass-through Agency/State Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Amount Passed-through to Subrecipients</u>	<u>Expenditures</u>
FEDERAL AWARDS				
U.S. Department of Treasury				
Passed through TN Department of Revenue				
American Rescue Plan Act	21.027	N/A	\$ -	\$ 255,853
Total U.S. Department of Treasury			-	255,853
U.S. Department of Justice				
Direct Assistance				
COPS Hiring Program	16.710	N/A	-	14,934
Total U.S. Department of Justice			-	14,934
U.S. Department of Transportation				
Passed through Tennessee Department of Transportation				
Highway Visibility Grant	20.607	N/A	-	5,619
Total U.S. Department of Transportation			-	5,619
U.S. Department of Homeland Security				
Direct Assistance				
Hazard Mitigation Grant	97.039	N/A	-	26,898
Total U.S. Department of Homeland Security			-	26,898
TOTAL FEDERAL AWARDS			\$ -	\$ 303,304
STATE AWARDS				
		<u>Contract Number</u>		
TN Volunteer Firefighter Equipment and Training Grant 2023	N/A	N/A	\$ -	\$ 17,725
TN Volunteer Firefighter Equipment and Training Grant 2024	N/A	N/A	-	34,790
TN Tourism Marketing	N/A	N/A	-	4,622
TN Law Enforcement Hiring, Training and Recruitment Program	N/A	N/A	-	1,000
TN Arts Commission - Targeted Arts Development Initiative	N/A	N/A	-	1,259
TOTAL STATE AWARDS			-	17,725
TOTAL FEDERAL AND STATE AWARDS			\$ -	\$ 321,029

CITY OF PIKEVILLE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2024

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.

NOTE 2 – INDIRECT COST RATE

The City has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

COMPLIANCE SECTION



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

Mayor and Aldermen
City of Pikeville, Tennessee
Pikeville, Tennessee

We have audited, in accordance with 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 (the City), as of and for the year ended June 30, 2024, 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, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

City of Pikeville’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2024

Henderson Hutcherson
& McCullough, PLLC

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2024

Financial Statement Findings

2024-001: Preparation of Financial Statements and Schedule of Expenditures of Federal and State Awards

Condition: The City currently does not prepare financial statements under generally accepted accounting principles. The external auditors prepare the statements and disclosures, and management approves and takes responsibility for the statements after they are prepared.

Criteria: Accounting standards dictate that management is responsible for preparation of the financial statements. An audit of the financial statements of an organization requires the evaluation of the internal control system's design of controls in generating and overseeing of the financial statements to be audited. The organization must have the ability to prepare and evaluate the financial statements' format, content, and disclosures in accordance with generally accepted accounting principles and recognize any material items missing in the financial statements through the organization's control system. This is true whether the organization prepares the financial statements or not. These controls can be established or achieved by use of a third-party organization or internally, but external auditors are never considered a control element.

Cause: The City believes its current reporting meets all of the City's internal needs. While management knows their responsibility for understanding and presenting the annual financial statements, they do not believe it is currently cost beneficial to design and/or strengthen controls over the accounting department's financial reporting process.

Effect: The City does not have proper controls over financial statements preparation.

Recommendation: We recommend the City continue to monitor the need, costs, and benefits of developing a control structure to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

Management Response: Management will rely on the expertise of HHM CPAs to prepare the financial statements and Schedule of Expenditures of Federal and State Awards, including the related footnote disclosures in accordance with accounting standards generally accepted in the United States of America. Management will review and the board will review, approve, and take full responsibility for the statements. The outsourcing of these services is not unusual in organizations of this size.

(Continued)

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2024

(Continued)

2024-002: Reconciling of Account Balances

Condition: The City does not review all account balances for items that need to be removed or adjusted as of year-end.

Criteria: Management is responsible for ensuring the accuracy of account balances.

Cause: The City does not have proper controls in place to ensure all accounts are reconciled and accurately recorded as of year-end.

Effect: Account balances can be misstated as of year-end.

Recommendation: We recommend that the City reviews account balances at year-end to ensure that the balances agree to the supporting schedules and that they are free of misstatements.

Management Response: Management will review schedules at year-end and adjust account balances as necessary to ensure they are accurately recorded as of year-end.

CITY OF PIKEVILLE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2024

Prior Audit Findings

See attached summary schedule of prior audit findings prepared by the City.

PHILIP CAGLE
MAYOR

BETTY KAY RENICK
ADMINISTRATIVE ASSISTANT



25 MUNICIPAL DRIVE
P. O. BOX 225
PIKEVILLE, TENNESSEE 37367
(423) 447-2919

DEBRA BARNETT
CITY RECORDER

ALDERMEN:
SENIA ANDERSON
JANE HUMBLE
JEANIA LANSING
DALE WHEELER

Management's Corrective Action Plan

The City of Pikeville, Tennessee (the City) respectfully submits the following corrective action plan for the year ended June 30, 2024.

Independent public accounting firm:
Henderson, Hutcherson & McCullough, PLLC
266 Inman Street E
Cleveland, Tennessee 37311

Responsible officials for corrective action for all findings noted below:

Phillip Cagle, Mayor

Betty Renick, Administrative Assistant

Audit Period: July 1, 2023 – June 30, 2024

2024-001: Preparation of Financial Statements and Schedule of Expenditures of State Awards

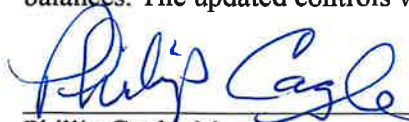
Recommendation: We recommend the City continue to monitor the need, costs, and benefits of developing a control structure to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

Action Taken: The City feels we meet our internal needs, and it is not cost beneficial to hire a third party to prepare the financial statements. We will continue to strive to be more involved and take more ownership of this process as our time and resources allow. This plan will be implemented as of June 30, 2025.

2024-002: Reconciling of Account Balances

Recommendation: We recommend that the City reviews account balances at year-end to ensure that the balances agree to the supporting schedules and that they are free of misstatements.

Action Taken: The City has re-evaluated our internal controls related to reconciling year end account balances. The updated controls will be implemented as of June 30, 2025.


Phillip Cagle, Mayor

PHILIP CAGLE
MAYOR

BETTY KAY RENICK
ADMINISTRATIVE ASSISTANT



25 MUNICIPAL DRIVE
P. O. BOX 225
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DEBRA BARNETT
CITY RECORDER

ALDERMEN:
SENIA ANDERSON
JANE HUMBLE
JEANIA LANSING
DALE WHEELER

Summary of Prior Year Findings

The City of Pikeville, Tennessee (the City) respectfully submits the following summary of prior year findings for the year ended June 30, 2023.

Independent public accounting firm:
Henderson, Hutcherson & McCullough, PLLC
266 Inman Street E
Cleveland, Tennessee 37311

Responsible officials for all findings noted below:

Phillip Cagle, Mayor

Finding 2023-001

Condition: The City did not have the proper internal controls in place to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

Current Status: Current year finding.

Finding 2023-002

Condition: The City did not have proper controls in place to ensure that account balances agree to the supporting schedules and that they are free of misstatements.

Current Status: Current year finding.