

CITY OF ALCOA

CITY OF ALCOA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2017



"Excellence in Service - Quality of Life"

CITY OF ALCOA, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

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CITY OF ALCOA, TENNESSEE
SECTION ONE
INTRODUCTORY SECTION
For the Fiscal Year Ended June 30, 2017

CITY OF ALCOA

City Officials

CITY OF ALCOA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

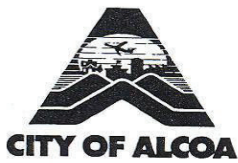
For the Fiscal Year Ended June 30, 2017

BOARD OF COMMISSIONERS

Donald R. Mull, Mayor
Clint Abbott, Jr., Vice Mayor
Vaughn Belcher, Commissioner
Jim Buchanan, Commissioner
Ken White, Commissioner

Mark L. Johnson, CPA, City Manager
G. William Hammon, Jr., CM, Assistant City Manager
Susan Gennoe, CPA, Director of Finance & Administration

"Excellence in Service - Quality of Life"



223 Associates Boulevard, Alcoa, Tennessee 37701-1943

(865) 380-4700 FAX (865) 380-4797

December 19, 2017

Honorable Mayor
City Commission
Citizens of the City of Alcoa, Tennessee

The financial statements of the City of Alcoa, Tennessee for the fiscal year ended June 30, 2017 are submitted for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Also included is management's discussion and analysis (MD&A) which presents a narrative overview of the financial activities of the City

These financial statements represent management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, and other agencies that have expressed an interest in the City of Alcoa, Tennessee's financial matters. Copies of this financial report will also be placed in the Alcoa Municipal Building for use by the general public.

This report includes all funds (financial activities) of the City. The City provides a full range of municipal services including police and fire protection, water, sewer, electric utility services, development services, municipal courts, a K-12 education system, recreational and cultural activities, streets, traffic control, refuse collection, general administrative services and operation of the Blount County Landfill.

PROFILE OF THE GOVERNMENT

The City of Alcoa is a unique and culturally diverse community located in Blount County, Tennessee and forms the southern portion of the Knoxville metropolitan area. The U.S. Census 2016 estimated population of Blount County is 127,142 and 861,169 for the metropolitan area. The City of Alcoa's 2016 estimated population is 9,874 which represents a 17% increase over the 2010 Census population of 8,449. The City was originally a company town built by ALCOA (Aluminum Company of America) starting around 1910. ALCOA was attracted to this area because of the abundance of water power resources. The Little Tennessee River and its tributaries were considered a good source of the hydroelectric energy essential to the aluminum production process. In 1917 the company began construction of the town site that would eventually become the City of Alcoa. The City of Alcoa was chartered by private act of the Tennessee General Assembly effective July 1, 1919.

The City is governed by a City Manager-Commission form of government. The governing body of the City is a five member City Commission who serve a four-year term of office. The elections for Commissioners are held on a staggered basis every two years. Following each regular biennial City election, the Commission elects two of its members to serve for a two-year period as Mayor and Vice Mayor, respectively. The Commission is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and appointing a City Manager. The City Manager is responsible for carrying out the policies and ordinances of the commission and for overseeing the day-to-day operations of the city, as well as appointing heads of the various departments.

In addition to providing the previously mentioned municipal and utility services to its citizens, the City provides water, sewer and electric services to customers who reside well beyond the corporate limits. The City's electric department covers approximately 2/3 of Blount County and provides power to over 29,000 customers. The City's water system extends predominantly over the northern and eastern portions of the County with the sewer system extending in the same general area but to a lesser degree. Current outside water

and sewer customers total approximately 5,600 and 2,400 respectively. Additionally, the City furnishes wholesale water to Tuckaleechee Utility District which provides water to customers in the Walland and Townsend areas near the Great Smoky Mountains.

The annual budget serves as the foundation for the City of Alcoa's financial planning and control. The budget preparation process starts in late January, when City departments begin assessing their needs for the coming year. The City Manager and Finance Director along with each Department Head start meeting in March and April to discuss proposed budgets. The City Manager in mid-May will present his proposed budget for the upcoming fiscal year to the City Commission in a budget work session. The first reading of the Appropriation and Tax Levy Ordinances is presented in June at the Commission's regular meeting and the second and final reading at a called meeting prior to July 1. A Public Hearing on the proposed budget will be held at one of the June meetings.

The City of Alcoa is a benchmark community. Its citizens are safe, well served, and proud of their neighborhoods. Comprehensive services are provided to citizens and customers using the latest available methods and technology. Employees are professional, effective and a superior quality of life is emphasized.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Alcoa operates.

Local Economy

The City of Alcoa has experienced a fairly steady growth in the local economy since the great recession of 2009. This is evidenced by growth in economically sensitive consumption taxes including hotel/motel tax, alcohol related taxes and most importantly the local sales tax. Sales tax revenues have increased by over 39% since FY 2009. Over that same period, growth in property values along with net new construction have led to an increase in tax appraised values of nearly 16%. New construction has primarily been in the area of both single family and multifamily residential developments which is evidenced in the population growth mentioned above. In line with the national trend, large retailers have curtailed new construction since the recession. However, construction initiated by smaller chains, independent retailers, banks and restaurants has been modest but steady and activity currently appears to be on the increase

In terms of job growth, the joint Economic Development Board created by the cities of Maryville, Alcoa and Blount County has seen tremendous success in creating new jobs by attracting new manufacturers such as Cirrus Aircraft and SCCY Firearms as well as facilitating expansions of existing employers. Denso Manufacturing located in the Blount Industrial Park has just announced their fourth major expansion consisting of a \$1 billion capital investment and 1,000 new jobs. Arconic (formerly ALCOA Inc.) is preparing for their second capital expansion to increase production capacity for the growing automotive aluminum market. As a result, Alcoa and Blount County enjoy an unemployment rate of 2.8% compared to 3.0% for the State of Tennessee and 3.9% for the United States.

Finally, the City has entered into an agreement with Arconic (formerly ALCOA, Inc.) and a private developer to create a mixed use urban development on the 300 acre former ALCOA West Plant site. The City will invest approximately \$11 million in infrastructure in exchange for a secured interest in the property and a portion of the proceeds from future property sales. Construction began on a 6,000 foot boulevard including utilities in April 2017 and is planned for completion in March 2018. The master plan provides for over 700,000 square footage of retail and office, 500 hotel rooms and over 1,300 residential units consisting of a mix of single-family lots, townhomes, apartments and senior living facilities.

Long-term Financial Planning

The City has made long-term financial provisions for various projects that will need to be undertaken in the next 5 years. The City has completed the design phase of several greenway projects which will link existing trail segments to school campuses, and commercial centers (including the aforementioned West Plant.) Construction is scheduled to take place during the spring and summer of 2018, with most of these projects being funded using 80% grants from the Tennessee Department of Transportation (TDOT). The cities' portion of funding for these projects has been "reserved" in a capital projects fund.

The City is planning a 2018 bond issue to cover a new fire truck, membranes for the water treatment plant, and potentially an expansion to the existing intermediate school. The intermediate school is currently at capacity and long-term system-wide enrollment projections predict it will become a major bottleneck within a few years. The City School Board has commissioned a consultant to evaluate current and projected additional space needs for both classroom and support functions. Their report including estimated construction costs is expected in March 2018. Prior to any school expansion, the City's administration will recommend an increase in property taxes sufficient to service the additional debt. The City's property tax rate has remained stable at \$1.96 per \$100 of assessed value since 2010.

Internal Control

The management of the City of Alcoa is responsible for establishing and maintaining a system of internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The City also maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Commission. Activities of the General Fund, Special Revenue Funds, General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by City Commission. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for an adequate system of internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

As a part of the City's single audit, performed in accordance with the Single Audit Act and the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for fiscal year ended June 30, 2017 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws, regulations or other matters.

OTHER INFORMATION

Independent Audit

City Charter requires an annual audit by independent certified public accountants. The accounting firm of Ingram, Overholt & Bean, PC has been selected by the City Commission. The auditors' report on the financial statements is included in the financial section of the report.

In addition to this report, Ingram, Overholt & Bean, PC was also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements of the Federal Single Audit Act and the related Uniform Guidance.

Acknowledgment

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the valuable guidance and assistance of the staff of Ingram, Overholt & Bean, PC. To them and to the City commission for their support and interest in improving Alcoa's fiscal policies and practices, we express our sincere appreciation.

Respectively yours,



Mark L. Johnson
City Manager



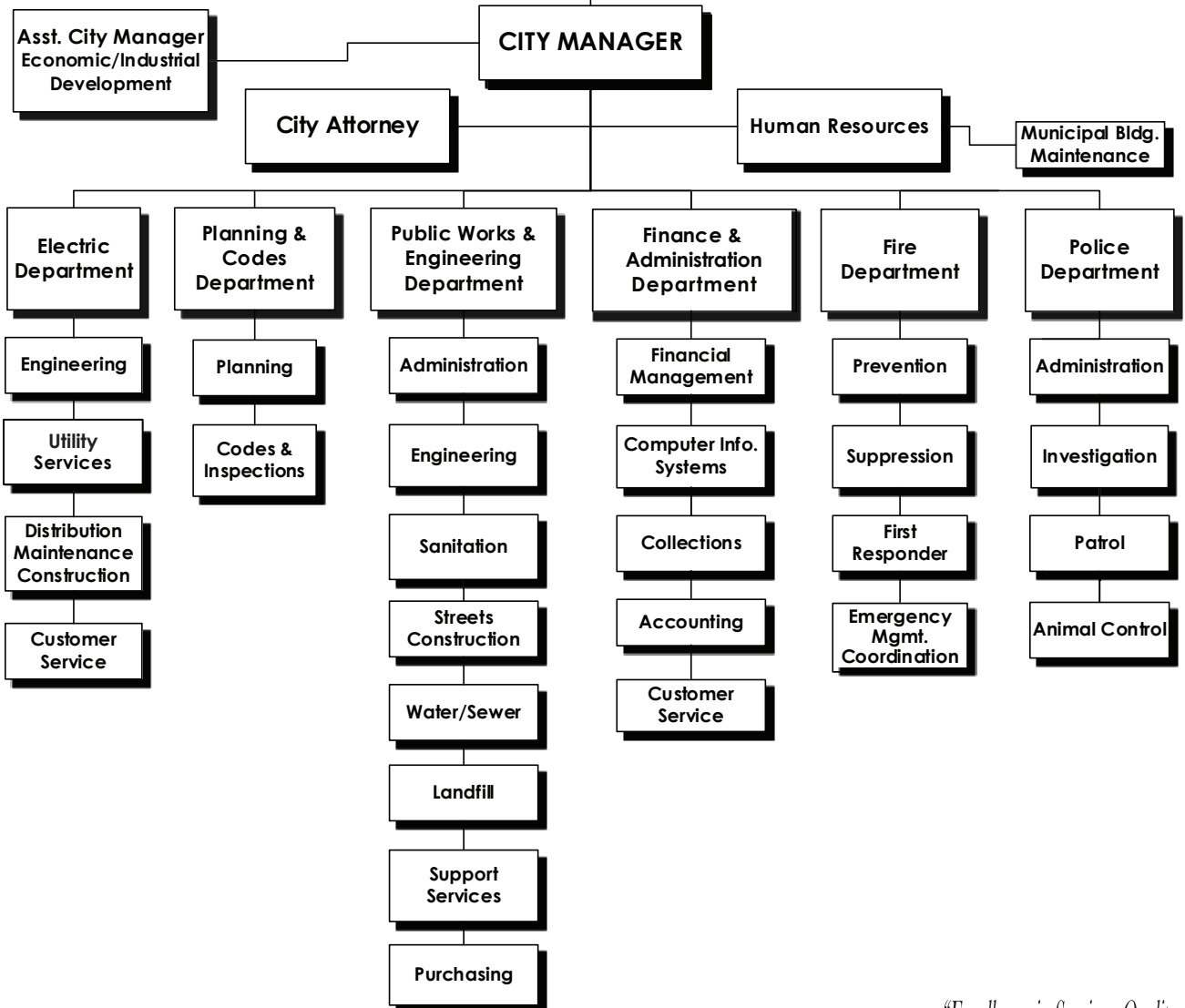
Susan Gennoe
Director of Finance & Administration



City of Alcoa

ALCOA VOTERS

BOARD of COMMISSIONERS



"Excellence in Service - Quality of Life"

CITY OF ALCOA, TENNESSEE

SECTION TWO

FINANCIAL SECTION

For the Fiscal Year Ended June 30, 2017



Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

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Alcoa, Tennessee 37701

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of
the Board of Commissioners
and City Manager
City of Alcoa
Alcoa, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcoa, Tennessee (the City), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcoa, Tennessee, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Education Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1(T) to the financial statements, in 2016 the City adopted a new accounting guidance, GASB No. 72 “Fair Value Measurement and Application.” Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages ix through xix, and required supplementary schedules pages 110 through 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City of Alcoa, Tennessee’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*” (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Grant Requirements for Federal Awards* and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements, other supplementary information, statistical schedules, miscellaneous schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, miscellaneous schedules (Section Three), and statistical information (Section Four), have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

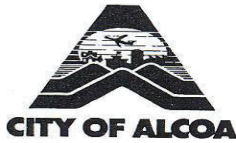
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 19, 2017, on our consideration of the City of Alcoa, Tennessee’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 of Alcoa, Tennessee’s internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee

December 19, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Alcoa's (the City) Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

Financial Highlights

- The City's net position at June 30, 2017 is \$82,925,679, an increase of \$10,475,150. Of this amount, \$2,550,325 is unrestricted which may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$19,351,999, an increase of \$6,854,178 over the prior year.
- The City's General Fund reported total fund balance of \$8,575,690 at June 30, 2017, an increase of \$2,107,268. This fund balance is 40.6% of total general fund revenue.
- At June 30, 2017 The City's General Purpose School Fund reported a fund balance of \$1,992,987, an increase of \$808,539 from last fiscal year. Fund balance is 10.1% of total revenue. Tennessee State Law requires schools to maintain a minimum fund balance of 3% (TCA 49-3-352).
- \$9.995 Million in bonds were issued to facilitate the renovation of the West Plant property for residential and commercial development.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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.

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the current 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 for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, public works, community relations, mayor and commission, city manager, recorder, municipal court, development services, economic development, financial services, human resources, and information technology. The business-type activities of the City include stormwater utility, water and sewer utility, electric utility, and landfill.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are 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 can be divided into the following two categories: **governmental** funds and **proprietary** funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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 governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the 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 several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). 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 the general fund, education (special revenue fund), general obligation debt service fund, and school construction capital projects fund, which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements.

The City adopts an annual appropriated budget for the general, special revenue, capital projects, and general obligation debt service. Budgetary comparison statements have been provided in the basic financial statements for the general, capital projects, and special revenue funds to demonstrate compliance with the budget. These statements for the non-major special revenue, capital projects, and general obligation debt service funds are included in Other Supplementary Information.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or departments of the City. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- *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 Stormwater Utility, Water and Sewer Utility, Electric Utility, and Landfill operations. All enterprise funds are considered to be major funds of the City.
- *Internal Service funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its health insurance, flexible spending, OPEB and service center operations. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in the financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Statements

Analysis of Net Position

Over time, net position may serve as a useful indicator of a government's financial position. As shown on the following statement, the City's net position is \$82,925,679 at the close of the most recent fiscal year. The largest portion of the City's net position (75%) reflects its net investment of \$62.3 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities. An additional portion of the City's net position, \$18.1 million (22%) represents resources that are subject to external restrictions on how they may be used.

Assets	Net Position					
	Governmental Activities		Business-Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Current and other Assets	\$ 40,587,572	\$ 31,649,685	\$ 37,145,230	\$ 35,795,979	\$ 77,732,802	\$ 67,445,664
Capital assets (net)	85,789,647	87,070,734	116,587,417	117,076,257	202,377,064	204,146,991
Capital lease property	9,894,150	9,894,150	-	-	9,894,150	9,894,150
Total Assets	<u>136,271,369</u>	<u>128,614,569</u>	<u>153,732,647</u>	<u>152,872,236</u>	<u>290,004,016</u>	<u>281,486,805</u>
Deferred Outflows of Resources:						
Deferred state regulatory charges	-	-	1,156,616	1,239,456	1,156,616	1,239,456
Pension contributions after measurement date	3,717,355	1,496,320	1,344,757	1,322,023	5,062,112	2,818,343
Pension changes in experience	218,481	179,937	206,185	217,996	424,666	397,933
Changes in proportion of net pension asset	228,989	150,815	-	-	228,989	150,815
Pension changes in investment earnings	3,789,391	-	59,802	-	3,849,193	-
Accumulated change in fair value of interest rate swaps	686,952	1,152,297	5,152,665	6,831,101	5,839,617	7,983,398
Total Deferred Outflows	<u>8,641,168</u>	<u>2,979,369</u>	<u>7,920,025</u>	<u>9,610,576</u>	<u>16,561,193</u>	<u>12,589,945</u>
Liabilities						
Long-term liabilities	108,805,260	82,881,230	82,838,826	83,985,671	191,636,688	166,866,901
Other liabilities	4,493,653	24,427,840	15,106,398	17,809,459	19,600,051	42,237,299
Total Liabilities	<u>113,298,913</u>	<u>107,309,070</u>	<u>97,945,224</u>	<u>101,795,130</u>	<u>211,236,739</u>	<u>209,104,200</u>
Deferred Inflows of Resources:						
Pension changes in experience	1,865,857	1,464,755	50,435	37,150	1,916,292	1,501,905
Pension changes in assumption of net pension liability	407,117	307,664	-	597,824	407,117	905,488
Pension changes in proportion	840	-	-	-	840	-
Deferred revenue - property tax	9,987,811	10,014,628	-	-	9,987,811	10,014,628
Bond deferral	-	-	83,333	100,000	83,333	100,000
Total Deferred Inflows	<u>12,261,625</u>	<u>11,787,047</u>	<u>133,768</u>	<u>734,974</u>	<u>12,395,393</u>	<u>12,522,021</u>
Net Position						
Net investment in capital assets	11,392,631	18,305,142	50,927,842	49,237,556	62,320,473	67,542,698
Restricted for:						
General Fund	834,056	1,112,451	-	-	834,056	1,112,451
Special revenue	2,323,296	2,052,441	-	-	2,323,296	2,052,441
Capital projects	12,668,979	4,916,649	-	-	12,668,979	4,916,649
Debt service	759,849	1,019,041	-	-	759,849	1,019,041
Property acquisitions	-	-	1,281,411	1,264,653	1,281,411	1,264,653
Net pension asset	187,290	-	-	-	187,290	-
Unrestricted (deficit)	(8,814,102)	(14,907,903)	11,364,427	9,450,499	2,550,325	(5,457,404)
Total Net Position	<u>\$ 19,351,999</u>	<u>\$ 12,497,821</u>	<u>\$ 63,573,680</u>	<u>\$ 59,952,708</u>	<u>\$ 82,925,679</u>	<u>\$ 72,450,529</u>

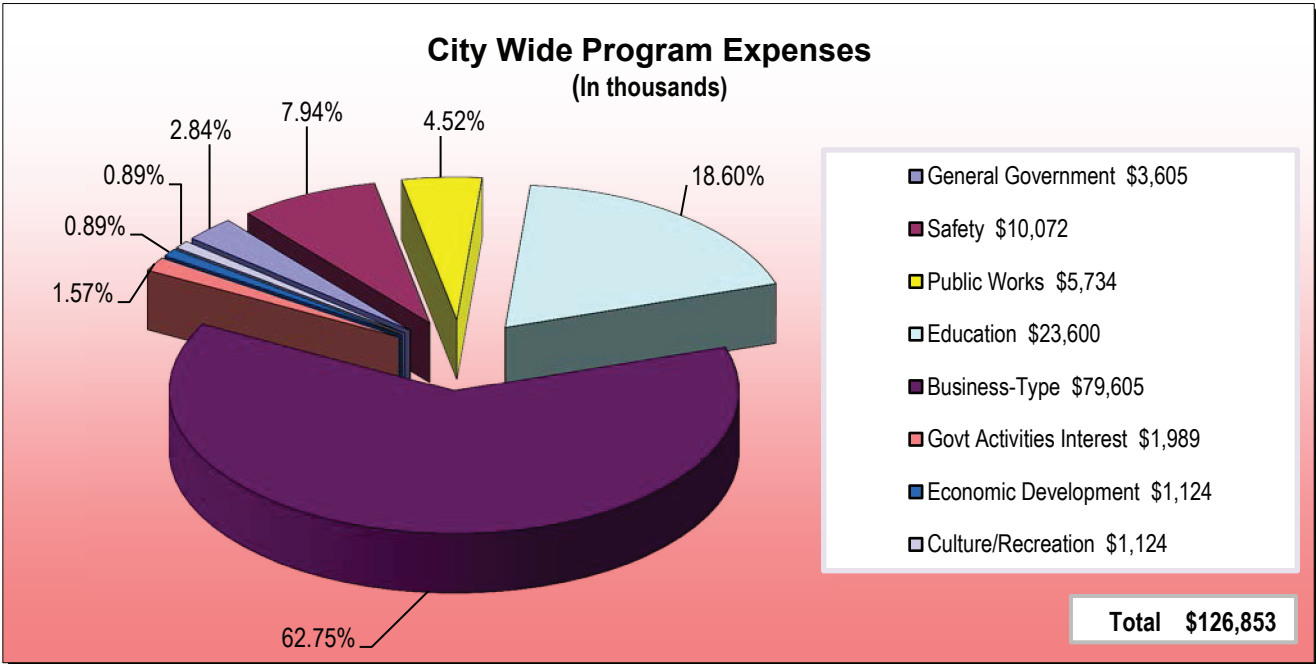
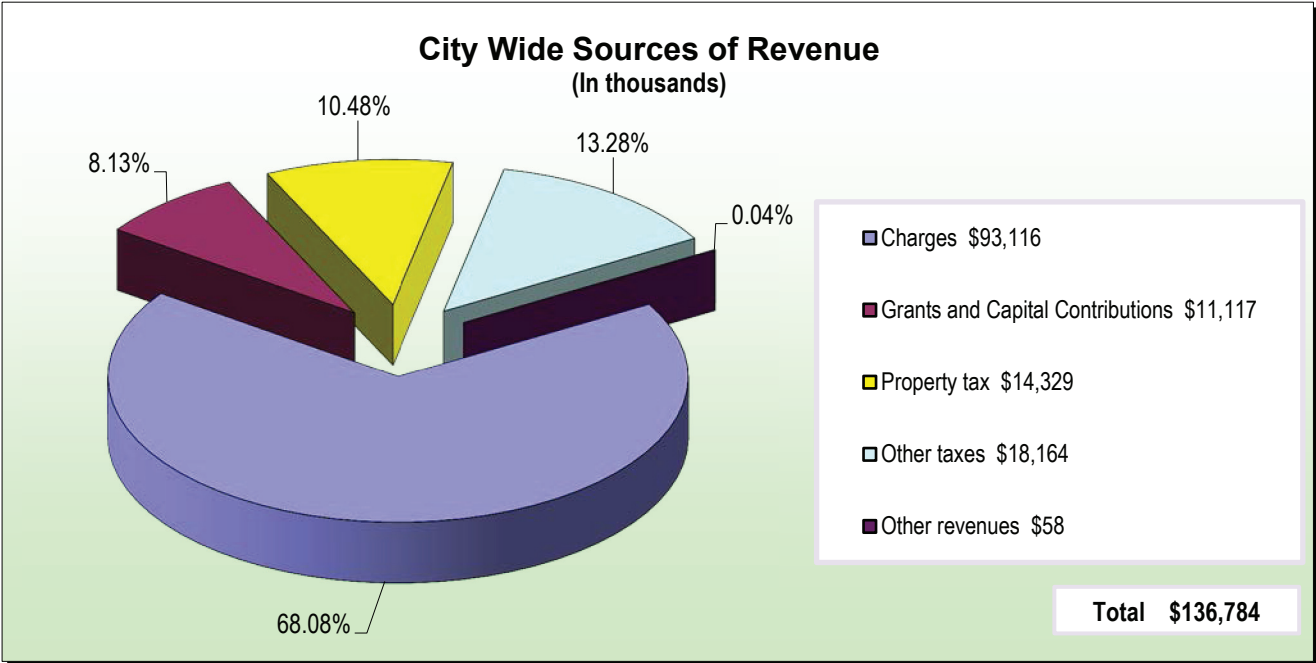
Analysis of Change in Net Position

The following statement and associated graph indicate an increase in net position as of June 30, 2017 of \$10,475,150, or 14.5% over FY2016. Factors affecting this increase include GASB Statement 68 (Accounting and Financial Reporting Related to Pensions) which was implemented in FY2015. Total pension deferrals in the amount of \$7,954,216 are classified as a Deferred Outflow of Resources and Deferred Inflows of Resources includes \$2,273,814. The net result is an increase in pension related deferrals of approximately \$5.7 million from FY2016. Additionally, sales taxes and property taxes contributed approximately \$2.0MM more than FY2016.

Changes in Net Position

<u>Revenues</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total 2017</u>	<u>Total 2016</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Program Revenues:						
Charges for services	\$ 8,871,049	\$ 2,394,735	\$ 84,244,995	\$ 79,044,793	\$ 93,116,044	\$ 81,439,528
Operating grants and contributions	10,242,042	10,218,711	127,253	153,261	10,369,295	10,371,972
Capital grants and contributions	569,067	1,385,336	178,450	343,381	747,517	1,728,717
General Revenues:						
Sales taxes	15,485,976	14,142,755	-	-	15,485,976	14,142,755
State income taxes	127,426	135,244	-	-	127,426	135,244
Property taxes	14,328,724	13,744,696	-	-	14,328,724	13,744,696
Business taxes/licenses	961,373	942,515	-	-	961,373	942,515
Miscellaneous taxes	1,426,231	1,061,384	-	-	1,426,231	1,061,384
Investment earnings	26,390	117,349	31,189	17,168	57,579	134,517
In-lieu of taxes	163,683	297,331	-	-	163,683	297,331
Total Revenues	<u>52,201,961</u>	<u>44,440,056</u>	<u>84,581,887</u>	<u>79,558,603</u>	<u>136,783,848</u>	<u>123,998,659</u>
<u>Expenses</u>						
General government	3,605,345	2,675,015	-	-	3,605,345	2,675,015
Police and Fire	10,071,775	10,652,182	-	-	10,071,775	10,652,182
Public works and streets	5,733,789	5,815,449	-	-	5,733,789	5,815,449
Recreation and Culture	1,123,868	938,333	-	-	1,123,868	938,333
Economic development	1,123,627	1,403,320	-	-	1,123,627	1,403,320
Education	23,600,116	22,072,833	-	-	23,600,116	22,072,833
Interest on long-term debt	1,989,192	1,207,000	-	-	1,989,192	1,207,000
Water and Sewer	-	-	12,029,149	12,183,484	12,029,149	12,183,484
Electric Utility	-	-	62,496,910	60,690,350	62,496,910	60,690,350
Landfill	-	-	3,952,854	3,840,763	3,952,854	3,840,763
Stormwater Utility	-	-	1,126,244	1,146,369	1,126,244	1,146,369
Total expenses	<u>47,247,712</u>	<u>44,764,132</u>	<u>79,605,157</u>	<u>77,860,966</u>	<u>126,852,869</u>	<u>122,625,098</u>
Increase (decrease) in net position before transfers and other sources	4,954,249	(324,076)	4,976,730	1,697,637	9,930,979	1,373,561
Transfers-in-lieu of tax	1,899,929	1,889,495	(1,899,929)	(1,889,495)	-	-
Change in net position	6,854,178	1,565,419	3,076,801	(191,858)	9,930,979	1,373,561
Net position at beginning of year	12,497,821	11,856,838	59,952,708	60,144,566	72,450,529	72,001,404
Prior period adjustments:						
Capital Assets	-	-	544,171	-	544,171	-
Interest due from debt service	-	(924,436)	-	-	-	(924,436)
Net position at end of year	<u>\$ 19,351,999</u>	<u>\$ 12,497,821</u>	<u>\$ 63,573,680</u>	<u>\$ 59,952,708</u>	<u>\$ 82,925,679</u>	<u>\$ 72,450,529</u>

City of Alcoa, Tennessee for the Fiscal Year Ended June 30, 2017



Governmental activities:

- Governmental activities increased the City governmental net position by \$6,854,178.
- Governmental activities revenue increased by \$7.8 million over the prior year primarily due to an increase in charges for services, capital grants and contributions, and sales tax.
- Expenses increased by \$2,483,580, or 5.6%, due primarily to increases in the General Fund of \$930,330 and Education of \$1,527,283.

Business-type activities:

- Business-type activities increased the City's net position by \$3,620,972.
- The Electric Utility is the largest business-type activity of the City, with a total expense of \$62,496,910. Purchased Power expense for the utility increased by \$2,605,404 or 5.4% over the prior year. The residential customer charge for Electric service increased \$2 per month beginning October 1, 2016.
- The Water and Sewer Utility ended the fiscal year with total expenses of \$12,029,149 and an almost breakeven year. A \$2 per month increase in the customer service charge was implemented in FY2017.
- The Landfill Utility Fund ended the fiscal year with a change in net position of \$478,026. This is an increase of \$522,399 over the prior year and is mainly due to an increase in tipping fees per ton of refuse.
- The Stormwater Utility ended the fiscal year with a change in net position of \$54,616. This is an increase of \$139,497 over the prior year and is mainly due to implementation of a scheduled increase in fees for residential units based on size. This increase had been deferred for the past several years.

Financial Analysis of the Government'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 resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the fiscal year ended June 30, 2017, the City's governmental funds reported combined ending fund balances of \$24.3 million, an increase of \$9.8 million from 2016. Approximately \$7.7 million or (30%) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The primary reason for this increase is the bond issue in the West Plant Construction Fund and the positive change in the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$7.7 million while total fund balance was \$8.6 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 40% of total general fund expenditures of \$18.5 million. The increase in fund balance is due to higher than expected collections in the area of local sales tax, property tax, and penalties collected on property tax. Combined FY17 sales and property taxes came in approximately \$1,884,000 (11%) higher than prior year actual due to growth in the economy and the property tax base.

(Continued)

Governmental funds (Continued)

The Education Fund is the operating fund for the Alcoa City Schools. As of June 30, 2017, the fund balance is approximately \$1.22 million. The fund balance represents 6.2% of the schools total budget of \$19,740,000. The primary reason for the increase is the growth in State Basic Education Funds (BEP). This represents \$637,000 or a 9% increase. Sales and property taxes accounted for another \$406,700 or a 5% increase and is a function of growth in the economy and an improved average daily attendance (ADA%).

The Debt Service Fund is used to pay principal and interest for debt issued for City and School-related projects. The revenue in the Debt Service Fund is composed of transfers made by the General Fund and Enterprise Funds. The assigned fund balance at June 30, 2017 is \$759,849 in the debt service fund. This can be used in the future to pay toward debt.

Schedules for Other Non-Major Governmental Funds, Capital Projects, and Special Revenue Funds are also found in the financial statements and discussed in the notes to the financial statements.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Electric Utility as of June 30, 2017 was \$40,022,422, an increase of \$2,516,114. Expenses during the current year were approximately \$1.8 million less than the prior year.

Net position for the Water and Sewer Utility as of June 30, 2017 was \$19,590,118, an increase of \$572,216 from 2016. The increase includes a prior period adjustment for items not capitalized of \$544,171.

As of June 30, 2017, the Stormwater Utility net position totaled \$952,437. The Utility's expenses exceeded revenue and generated a net gain of \$54,616. This is mainly due to a new fee that began in January 2016.

Net position of the Landfill Utility as of June 30, 2017 was \$3,008,703, an increase of \$478,026 primarily due to tipping fee increases implemented in FY2017 that automatically adjust with inflation each year.

Budget Highlights – General Fund

There was no difference between original and final budget in the General Fund which can be mostly attributed to careful spending by all departments.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2017 and 2016 amount to \$212,271,214 and \$214,041,141 (net of accumulated depreciation), respectively. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress.

(Continued)

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

The table below reflects the capital assets at the end of both fiscal years:

	Capital Assets, Net of Depreciation					
	Governmental Activities		Business-Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Land	\$ 2,197,302	\$ 1,999,449	\$ 2,460,577	\$ 2,460,577	\$ 4,657,879	\$ 4,460,026
Buildings	63,783,998	63,810,989	91,757,958	89,870,676	155,541,956	153,681,665
Infrastructure	42,772,552	42,556,849	-	-	42,772,552	42,556,849
Improvements	15,868,190	15,641,029	62,346,535	61,449,901	78,214,725	77,090,930
Machinery and equipment	9,619,915	9,471,116	34,754,910	33,480,184	44,374,825	42,951,300
Capital lease property	9,894,150	9,894,150	-	-	9,894,150	9,894,150
Construction in progress	<u>2,807,604</u>	<u>1,185,161</u>	<u>2,593,901</u>	<u>1,775,606</u>	<u>5,401,505</u>	<u>2,960,767</u>
Total Capital Assets	146,943,711	144,558,743	193,913,881	189,036,944	340,857,592	333,595,687
Less: Accumulated						
Depreciation	<u>(51,259,914)</u>	<u>(47,593,859)</u>	<u>(77,326,464)</u>	<u>(71,960,687)</u>	<u>(128,586,378)</u>	<u>(119,554,546)</u>
Capital Assets, net of						
Depreciation	<u>\$ 95,683,797</u>	<u>\$ 96,964,884</u>	<u>\$ 116,587,417</u>	<u>\$117,076,257</u>	<u>\$ 212,271,214</u>	<u>\$ 214,041,141</u>

Major capital asset events during the current fiscal year included the following:

- Various equipment and vehicles were acquired for use in both governmental and business-type activities.
- Continued water line and sewer lines projects (new and rehab)
- Continued work on installation of a new electric meter reading system (TWAC)
- City-wide traffic signalization improvement project

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements (See Note 5 – Capital Assets) for further information regarding capital assets.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$167.4 million. Of this amount, \$148.10 million are revenue bonds, general obligation bonds, and capital outlay notes backed by the full faith and credit of the City and \$9.8 million is estimated liability for Landfill closure and post closure costs and capital outlay notes. The remainder includes capital leases of \$8.0 million and compensated absences of \$1.5 million (See Note 6 – Long-Term Liabilities).

	Outstanding Long-Term Obligations					
	Governmental Activities		Business-Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
General Obligation/ Revenue Bonds	\$ 82,520,000	\$ 75,605,000	\$65,659,575	\$68,138,701	\$148,179,575	\$143,743,701
Capital leases	7,961,166	9,554,742	-	-	7,961,166	9,554,742
Compensated absences	845,102	911,933	688,795	957,760	1,533,897	1,869,693
Estimated liability for closure/post-closure care costs	<u>-</u>	<u>-</u>	<u>9,783,900</u>	<u>9,218,798</u>	<u>9,783,910</u>	<u>9,218,798</u>
Total long-term obligations	<u>\$ 91,326,268</u>	<u>\$ 86,071,675</u>	<u>\$76,132,270</u>	<u>\$78,315,259</u>	<u>\$167,458,538</u>	<u>\$164,386,934</u>

(Continued)

Long-Term Debt (Continued)

The City of Alcoa's total long-term debt increased by a net of \$3,071,604 during the current fiscal year. The key factor to this increase was due to the City issuing new debt of \$9,995,000 million during the year for the West Plant project. As the development progresses, \$5 Million of this is to be reimbursed to the City per an agreement with a project partner. During the related rating process, Standard and Poor's reaffirmed the City's AA- rating.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements (see Note 6 – Long-Term Liabilities).

Economic Factors and Next Year's Budget Highlights

The primary revenues and therefore economic health of Alcoa as well as its sister city, Maryville, and Blount County overall stem from various taxes on consumption along with taxes on wealth. Consumption taxes include the hotel/motel tax, various liquor and beer taxes, general business tax and most importantly, and therefore sewer sales along with electricity the sales tax while taxes on wealth primarily include the general property tax and various in-lieu-of taxes. Sales tax revenues have increased by over 48.6% since FY 2010 which was the year experiencing the steepest decline in all consumption taxes during the great recession. Over that same period, growth in existing property values along with net new construction have led to an increase in property tax appraised values of nearly 16%. Growth trends for those two taxes are also generally very good indicators in forecasting sales revenues for the City's proprietary funds. However, water sales have to be tempered a continuing trend of reduced per customer consumption. This is a result of both conservation efforts and vast improvements in the efficiency of residential and commercial fixtures, appliances and equipment.

The factors influencing those taxes include population, employment, job creation, housing, retail growth and private capital investment are discussed below:

Alcoa's population has grown steadily over the past three decennial census' from 6,400 in 1990 to 8,449 in 2010. The U.S. Census Bureau estimates Alcoa's 2016 population to be 9,874 which represents an annual growth rate 2.6% compared to 0.8% for Blount County overall. This correlates with the growth in single-family and multifamily residential development mentioned above. Although population growth generally translates into additional property taxes and sales taxes, there is also a cost to provide services to that new population. Once the exiting capacity of any service, whether garbage pickup or having enough classrooms, is reached, the cost of added capacity can have a significant impact of the City's budget. So far, Alcoa's growth has not reached the threshold of causing any major problems except that a study is underway to examine the need and cost to construct a classroom addition to the Alcoa Intermediate School.

With respect to consumption taxes, Alcoa's population growth or decline is relatively insignificant due the fact that Alcoa is a commercial center that surrounds the Knoxville Metropolitan Airport and borders the City of Knoxville and Knox County. Aside from the hotels that are dependent on business travel associated with the airport, Alcoa's business's draw upon patrons from the surrounding region and economic success depends a great deal upon the economic wellbeing of those individuals. For most households, economic wellbeing is a direct result of a well-paying job. Providing high quality jobs has been a focus of the City's administration. Alcoa along with the city of Maryville and Blount County fund a joint Economic Development Board (EDB) for which the County has seen tremendous success in creating new jobs through both attracting new business and facilitating the expansion of existing employers. Announcements over the past few months include SCCY Firearms will move to Blount County and employ 350 and Denso Manufacturing will begin their fourth major expansion consisting of a \$1 billion capital investment and 1,000 new jobs. Additionally, Arconic (formerly ALCOA Inc.) is preparing for their second capital

(Continued)

expansion to increase production capacity for the growing automotive aluminum market. In fact, over the past 6 years, the EDB has secured \$6 billion in new investment and created 3,000 new jobs. As a result, Alcoa and Blount County enjoy an unemployment rate of 2.8% compared to 3.0% for the State of Tennessee and 3.9% for the United States.

The growth in appraised value has predominantly been the result of residential construction. Over the past 6 years, the City has averaging around 35 new single-family homes each year which is consistent with its pre-recession figures. These new housing units have been primarily located in the City's premier subdivisions and would be considered in the upper echelon in terms of value based on regional standards. This growth is expected to taper off in the coming years, as the inventory of available lots for single-family construction are being depleted and available land for future development is limited. Additionally, a 269 unit non-subsidized apartment complex was opened in 2016 and due to its success, the development is expanding with an additional 92 units currently under construction. In the same general vicinity, a separate developer has 169 units under construction.

On the negative side of real property appraised values is the on-going demolition of the former ALCOA South Plant coupled with a lack of new major commercial construction. The South Plant was the original aluminum smelting facility built in the early 1900's encompassing 300 acres. The plant ceased operation permanently in January 2010 and demolition began on its massive buildings roughly three years ago. Fortunately major capital additions at ALCOA's North Plant related to modernizing and converting production capacity for the growing automotive aluminum market have largely offset the loss of the South Plant. With respect to commercial and more specifically retail construction, Alcoa has not been immune to the hesitation experienced nationally on the part of large retailers to construct new brick and mortar stores. However, Alcoa has benefited from a modest but steady growth generated by smaller independent retailers, restaurants and financial institutions.

In spite of the positive growth trends in population, jobs, sales and property tax experienced over the past several years, Alcoa recognizes that there is more that can be accomplished to create a more stable economy for the future. With that in mind, the City has stepped in to serve as the catalyst for starting a major re-development project located at the geographical core of the City. The project involves converting a 300 acre former factory site into a mixed use urban development. The site had been home to ALCOA Inc.'s West Plant fabricating mill from its construction in 1921 until it ceased operations in 1988. Demolition of all the plant's structures occurred shortly thereafter and discussions as to the property's reuse continued until 2008 when ALCOA began a search for qualified firms with the experience and capacity to successfully complete a redevelopment project of this size. In 2009, ALCOA (now Arconic) entered into a re-development agreement with Airport Center Development Partners (ACDP) with the primary partner being ReSight of Littleton, CO to create a mixed use urban development. Aside from completing an initial master plan, the great recession halted any further activity on the project. In 2011 the City and developers began engineering design of the main artery through the site; however, the post-recession private capital markets rendered it virtually impossible for the developers to obtain the financing needed for construction. By the spring of 2016 it was clear that the project would linger for many years unless the City took a larger role in investing in the initial infrastructure necessary to make the site assessable for development. As a result, the City in December 2016 agreed to invest approximately \$11 million in infrastructure in exchange for a secured interest in the property and a portion of the proceeds from future property sales. Construction began on a 6,000 foot boulevard including utilities began in April, 2017 and will be complete in March, 2018. The master plan provides for over 700,000 sf of retail and office, 500 hotel rooms and over 1,300 residential units consisting of a mix of single-family lots, townhomes, apartments and senior living facilities. Funding for this project came from the issuance of \$9.9 million in general obligation bonds coupled with \$2.6 million previously committed in a capital projects fund. The City realizes that build out of the project may extend over 20 or more years but expects to recoup its initial investment within 7 to 10 years based on a portion of property sales and the ensuing growth in property and sales taxes.

(Continued)

All of these factors were considered in preparing the City of Alcoa's budget for the 2018 fiscal year. During the current fiscal year, the total unassigned fund balance in the general fund increased by \$2,385,663 primarily due to tax revenue increases and due to the overall economy upswing. The City of Alcoa has not appropriated any of this amount for spending in the 2018 fiscal year budget. Other budgetary highlights include:

- An overall increase in the General Fund budget of \$2,163,654 or 9% over the prior year. The increase in payments of \$1,370,000 relative to debt service accounts for the bulk of the increase, with Public Works contributing an increase of \$458,938.
- To safeguard the Water and Sewer Fund's fiscal health, a 13% across-the-board fee increase is in place for FY2018.
- The Electric Fund includes a \$2,648,332 increase which is mainly a function of Purchased Power. Estimated Electric Fund revenues include a new \$1.00 tree trimming fee.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, city commissioners, customers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional information, contact:

City of Alcoa, Tennessee
Finance and Administration Department
Accounting Division
223 Associates Boulevard
Alcoa, TN 37701
(865) 380-4700

CITY OF ALCOA, TENNESSEE
GOVERNMENT WIDE FINANCIAL STATEMENTS
June 30, 2017

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017 and 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u> <u>2017</u>	<u>Total</u> <u>2016</u>
ASSETS:				
Cash and Certificates of deposit	\$ 1,680,531	\$ 8,327,506	\$ 10,008,037	\$ 7,493,148
Pooled cash	15,868,151	4,436,477	20,304,628	19,765,111
Restricted cash and Certificates of deposit	-	9,825,364	9,825,364	9,254,595
Investments	8,956,755	-	8,956,755	1,169,925
Receivables:				
Taxes, net	12,837,594	-	12,837,594	10,766,894
Accounts, net	358,918	7,413,214	7,772,132	9,698,908
Accrued interest	-	9,856	9,856	492
Internal balances	-	-	-	-
Due from other governments	872,433	-	872,433	2,430,514
Inventories	-	1,779,395	1,779,395	1,421,113
Prepaid items/clearing accounts/other assets	6,417	3,759,675	3,766,092	3,466,268
Energy service loans receivable	-	1,593,743	1,593,743	1,978,696
Net Pension Asset	6,773	-	6,773	-
Capital assets (net of accumulated depreciation and amortization):				
Land	2,197,302	2,460,577	4,657,879	5,645,189
Buildings	49,846,816	-	49,846,816	50,990,776
Improvements	20,226,584	-	20,226,584	26,601,822
Infrastructure	8,297,776	-	8,297,776	3,418,075
Equipment, vehicles and software	2,413,565	-	2,413,565	1,690,289
Capital lease property	9,894,150	-	9,894,150	9,894,150
Electric plant in service	-	50,244,092	50,244,092	50,245,326
Water/sewer plant in service	-	56,901,983	56,901,983	57,742,451
Stormwater utility plant in service	-	208,371	208,371	275,676
Landfill plant in service	-	4,178,493	4,178,493	4,576,620
Construction-in-progress	<u>2,807,604</u>	<u>2,593,901</u>	<u>5,401,505</u>	<u>2,960,767</u>
Total Assets	<u>136,271,369</u>	<u>153,732,647</u>	<u>290,004,016</u>	<u>281,486,805</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	-	1,156,616	1,156,616	1,239,456
Pension contributions after measurement date	3,717,355	1,344,757	5,062,112	2,818,343
Pension changes in experience	218,481	206,185	424,666	397,933
Pension changes in proportion of net pension asset	228,989	-	228,989	150,815
Pension change in investment earnings	3,789,391	59,802	3,849,193	-
Accumulated change in fair value of interest rate swaps	<u>686,952</u>	<u>5,152,665</u>	<u>5,839,617</u>	<u>7,983,398</u>
Total Deferred Outflows of Resources	<u>8,641,168</u>	<u>7,920,025</u>	<u>16,561,193</u>	<u>12,589,945</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION (Continued)
June 30, 2017 and 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2017</u>	<u>Total 2016</u>
LIABILITIES:				
Accounts payable	2,626,518	10,692,505	13,319,023	12,266,466
Accrued payroll	387,327	360,335	747,662	1,315,906
Other liabilities	1,479,808	511,988	1,991,796	1,684,243
Customer deposits	-	2,042,066	2,042,066	1,880,863
Advances from TVA for energy service loans	-	1,723,770	1,723,770	2,097,225
Long-term liabilities:				
Due within one year	3,541,561	3,441,125	6,982,686	5,885,945
Due in more than one year	87,784,707	62,907,245	150,691,952	150,817,002
Interest rate swap liability	686,952	5,152,665	5,839,617	7,983,398
Landfill closure/post closure costs	-	9,783,900	9,783,900	9,218,798
Net pension liability	15,587,485	1,329,625	16,917,110	14,749,799
Post-employment benefit obligation	<u>1,204,555</u>	<u>-</u>	<u>1,204,555</u>	<u>1,204,555</u>
Total Liabilities	<u>113,298,913</u>	<u>97,945,224</u>	<u>211,244,137</u>	<u>209,104,200</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred revenue – property tax	9,987,811	-	9,987,811	10,014,628
Pension changes in experience	1,865,857	50,435	1,916,292	1,501,905
Pension changes in assumption	407,117	-	407,117	905,488
Pension changes in proportion of net pension liability	840	-	840	-
Bond deferral	<u>-</u>	<u>83,333</u>	<u>83,333</u>	<u>100,000</u>
Total Deferred Inflows of Resources	<u>12,261,625</u>	<u>133,768</u>	<u>12,395,393</u>	<u>12,522,021</u>
NET POSITION:				
Net investment in capital assets	11,392,631	50,927,842	62,320,473	67,542,698
Restricted for:				
General Fund	834,056	-	834,056	1,112,451
Special Revenue:				
State Street Aid	768,542	-	768,542	659,038
Drug Enforcement	11,401	-	11,401	18,415
Education	1,540,632	-	1,540,632	1,373,349
Vehicle Enforcement	2,721	-	2,721	1,639
Debt Service	759,849	-	759,849	1,019,041
Capital Projects	12,668,979	-	12,668,979	4,916,649
Property Acquisitions	-	1,281,411	1,281,411	1,264,653
Net Pension Asset	187,290	-	187,290	-
Unrestricted Position (Deficit)	<u>(8,814,102)</u>	<u>11,364,427</u>	<u>2,550,325</u>	<u>(5,457,404)</u>
Total Net Position	<u>\$ 19,351,999</u>	<u>\$ 63,573,680</u>	<u>\$ 82,925,679</u>	<u>\$ 72,450,529</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017			2016
					Governmental Activities	Business-type Activities	Total	Total
Governmental Activities:								
General Government	\$ (3,605,345)	\$ 6,173,056	\$ 162,287	\$ 569,067	\$ 3,299,065	\$ -	\$ 3,299,065	\$ (1,967,982)
Public Safety	(10,071,775)	636,235	19,512	-	(9,416,028)	-	(9,416,028)	(9,948,208)
Public Works	(5,733,789)	914,757	61,502	-	(4,757,530)	-	(4,757,530)	(3,764,945)
Culture and Recreation	(1,123,868)	-	-	-	(1,123,868)	-	(1,123,868)	(938,333)
Economic Development	(1,123,627)	23,396	-	-	(1,100,231)	-	(1,100,231)	(1,384,334)
Education	(23,600,116)	1,123,605	9,998,741	-	(12,477,770)	-	(12,477,770)	(11,554,548)
Debt Service:								
Interest on long-term debt	(1,989,192)	-	-	-	(1,989,192)	-	(1,989,192)	(1,207,000)
Total Governmental Activities	<u>(47,247,712)</u>	<u>8,871,049</u>	<u>10,242,042</u>	<u>569,067</u>	<u>(27,565,554)</u>	<u>-</u>	<u>(27,565,554)</u>	<u>(30,765,350)</u>
Business-Type Activities:								
Landfill	(3,952,854)	4,290,739	125,744	-	-	463,629	463,629	(52,452)
Electric	(62,496,910)	66,503,968	-	-	-	4,007,058	4,007,058	2,715,594
Water and Sewer Utility	(12,029,149)	12,269,851	1,238	178,450	-	420,390	420,390	(897,777)
Stormwater Utility	(1,126,244)	1,180,437	271	-	-	54,464	54,464	(84,896)
Total Business-type Activities	<u>(79,605,157)</u>	<u>84,244,995</u>	<u>127,253</u>	<u>178,450</u>	<u>-</u>	<u>4,945,541</u>	<u>4,945,541</u>	<u>1,680,469</u>
Total Government	<u>\$ (126,852,869)</u>	<u>\$ 93,116,044</u>	<u>\$ 10,369,295</u>	<u>\$ 747,517</u>	<u>(27,565,554)</u>	<u>4,945,541</u>	<u>(22,620,013)</u>	<u>(29,084,881)</u>
General Revenues:								
Sales tax					15,485,976	-	15,485,976	14,142,755
State income taxes and excise taxes					127,426	-	127,426	135,244
Property taxes					14,328,724	-	14,328,724	13,744,696
Business taxes					961,373	-	961,373	942,515
Miscellaneous taxes					1,426,231	-	1,426,231	1,061,384
In-lieu-of taxes					163,683	-	163,683	297,331
Investment earnings					26,390	31,189	57,579	134,517
Transfers – In-lieu-of-tax payments					<u>1,899,929</u>	<u>(1,899,929)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>34,419,732</u>	<u>(1,868,740)</u>	<u>32,550,992</u>	<u>30,458,442</u>
Change in Net Position					<u>6,854,178</u>	<u>3,076,801</u>	<u>9,930,979</u>	<u>1,373,561</u>
Net Position – Beginning					12,497,821	59,952,708	72,450,529	72,001,404
Restatement – See Note 20					-	544,171	544,171	(924,436)
Adjusted Net Position – Beginning					<u>12,497,821</u>	<u>60,496,879</u>	<u>72,994,700</u>	<u>71,076,968</u>
Net Position – Ending					<u>\$ 19,351,999</u>	<u>\$ 63,573,680</u>	<u>\$ 82,925,679</u>	<u>\$ 72,450,529</u>

See accompanying independent auditors' report and notes

CITY OF ALCOA, TENNESSEE
FUND FINANCIAL STATEMENTS
June 30, 2017

CITY OF ALCOA, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2017

With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>General</u>	<u>Education</u>	<u>Debt Service</u>	<u>General Obligation Public Works Construction</u>	<u>Legacy Fund</u>	<u>West Plant Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2017</u>	<u>2016</u>
Assets:									
Cash and cash equivalents	\$ 2,000	\$ 447,842	\$ -	\$ -	\$ -	\$ -	\$ 55,123	\$ 504,965	\$ 13,902,484
Investments	-	-	-	-	-	-	-	-	1,169,925
Pooled Cash	7,667,880	796,600	1,093,602	1,249,543	136,051	2,245,862	1,580,869	14,770,407	-
Pooled Investments	-	-	-	-	-	8,956,755	-	8,956,755	-
Receivables:									
Sales Taxes	2,068,859	-	-	-	-	-	-	2,068,859	2,216,376
Property Taxes	10,814,806	-	-	-	-	-	-	10,814,806	10,811,369
Less: Allowance for uncollectible taxes	(46,071)	-	-	-	-	-	-	(46,071)	(44,475)
Accounts	56,137	-	-	-	-	134,785	37,136	228,058	866,460
Prepaid expenditures	-	6,417	-	-	-	-	-	6,417	2,222
Due from other governments	-	672,554	-	130,305	-	-	-	802,859	183,574
Due from grantors	-	-	-	-	-	-	115,145	115,145	30,564
Due from other funds	14,186	69,574	-	-	-	-	1,529	85,289	-
Total Assets	<u>20,577,797</u>	<u>1,992,987</u>	<u>1,093,602</u>	<u>1,379,848</u>	<u>136,051</u>	<u>11,337,402</u>	<u>1,789,802</u>	<u>38,307,489</u>	<u>29,138,499</u>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$20,577,797</u>	<u>\$ 1,992,987</u>	<u>\$ 1,093,602</u>	<u>\$ 1,379,848</u>	<u>\$ 136,051</u>	<u>\$ 11,337,402</u>	<u>\$ 1,789,802</u>	<u>\$ 38,307,489</u>	<u>\$ 29,138,499</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 909,075	\$ 128,079	\$ 131,469	\$ 97,933	\$ 762	\$ 506,357	\$ 148,770	\$ 1,922,445	\$ 2,752,556
Due to other funds	-	1,529	202,284	-	-	-	69,574	273,387	-
Accrued payroll	387,327	-	-	-	-	-	-	387,327	411,681
Due to State of Tennessee	-	428,595	-	-	-	-	-	428,595	451,837
Deferred revenue	717,894	212,811	-	-	-	-	5,000	935,705	903,492
Deferred grant revenue	-	-	-	-	-	-	44,405	44,405	45,795
Due to Blount County	-	-	-	-	-	-	-	-	101,957
Total Liabilities	<u>2,014,296</u>	<u>771,014</u>	<u>333,753</u>	<u>97,933</u>	<u>762</u>	<u>506,357</u>	<u>267,749</u>	<u>3,991,864</u>	<u>4,667,318</u>
Deferred Inflows of Resources:									
Deferred Revenue – Property tax	9,987,811	-	-	-	-	-	-	9,987,811	10,014,628
See accompanying independent auditors' report and notes.									

(Continued)

**CITY OF ALCOA, TENNESSEE
BALANCE SHEET (Continued)
Governmental Funds
June 30, 2017**

With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Education Fund</u>	<u>Debt Service Fund</u>	<u>General Obligation Public Works Construction</u>	<u>Legacy Fund</u>	<u>West Plant Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2017</u>	<u>2016</u>
Fund Balances:									
Restricted	325,264	-	-	1,281,915	-	10,831,045	898,966	13,337,190	4,565,464
Assigned.....	508,792	1,221,973	759,849	-	135,289	-	623,087	3,248,990	4,535,118
Unassigned.....	<u>7,741,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,741,634</u>	<u>5,355,971</u>
 Total Fund Balances	 <u>8,575,690</u>	 <u>1,221,973</u>	 <u>759,849</u>	 <u>1,281,915</u>	 <u>135,289</u>	 <u>10,831,045</u>	 <u>1,522,053</u>	 <u>24,327,814</u>	 <u>14,456,553</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$20,577,797</u>	 <u>\$ 1,992,987</u>	 <u>\$1,093,602</u>	 <u>\$ 1,379,848</u>	 <u>\$ 136,051</u>	 <u>\$ 11,337,402</u>	 <u>\$ 1,789,802</u>	 <u>\$ 38,307,489</u>	 <u>\$ 29,138,799</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>				
Fund Balances – Total Governmental Funds	\$ 24,327,814	\$ 14,456,553				
Amounts to be reported for governmental activities in the statement of net position are different because:						
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.						
Capital Assets	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> </tr> <tr> <td style="text-align: right;">\$ 95,683,797</td> <td style="text-align: right;">\$ 96,964,884</td> </tr> </table>	<u>2017</u>	<u>2016</u>	\$ 95,683,797	\$ 96,964,884	96,964,884
<u>2017</u>	<u>2016</u>					
\$ 95,683,797	\$ 96,964,884					
(2) Internal service funds are used by management to charge the cost of certain activities, such as employee health, service center, post retirement and flexible spending to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.						
	1,771,521	1,679,436				
(3) Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. All liabilities, both current and long-term are reported in the statement of net position as follows:						
Bonds Payable	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> </tr> <tr> <td style="text-align: right;">\$ 82,520,000</td> <td style="text-align: right;">75,605,000</td> </tr> </table>	<u>2017</u>	<u>2016</u>	\$ 82,520,000	75,605,000	
<u>2017</u>	<u>2016</u>					
\$ 82,520,000	75,605,000					
Compensated absences	845,102	911,933				
Capital Leases	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>7,961,166</u></td> <td style="text-align: center;"><u>9,554,742</u></td> </tr> <tr> <td style="text-align: right;">\$ 91,326,268</td> <td style="text-align: right;">\$ 88,780,878</td> </tr> </table>	<u>7,961,166</u>	<u>9,554,742</u>	\$ 91,326,268	\$ 88,780,878	(86,071,675)
<u>7,961,166</u>	<u>9,554,742</u>					
\$ 91,326,268	\$ 88,780,878					
(4) The General pension plan liabilities are not due and payable in the current period and are not reported in the government funds.						
	(15,580,712)	(13,747,747)				
(5) Net OPEB Obligation – current year funding for the City’s postemployment benefits						
	(544,359)	(544,359)				
(6) OPEB Obligation – Education (not reported in the governmental fund)						
	(660,196)	(660,196)				
(7) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:						
Add: Deferred outflows related to pensions	\$ 7,954,216					
Less: Deferred inflows related to pensions	<u>(2,273,814)</u>					
	<u>\$ 5,680,402</u>	54,653				
(8) Investment income from ineffective hedging derivative instrument						
	-	32,032				
(9) Prior period adjustment:						
Investment income from ineffective hedging derivative instrument	-	<u>334,240</u>				
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 19,351,999</u>	<u>\$ 12,497,821</u>				

See accompanying independent auditors’ report and notes.

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Education Fund</u>	<u>Debt Service Fund</u>	<u>General Obligation Public Works Construction</u>	<u>Legacy Fund</u>	<u>West Plant Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2017</u>	<u>2016</u>
Revenues:									
Taxes:									
Property taxes	\$10,269,424	\$ 4,059,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$14,328,724	\$13,744,696
Local option sales taxes	6,653,916	6,718,949	-	-	-	-	-	13,372,865	12,614,079
Other taxes	2,423,061	-	-	-	-	-	255,652	2,678,713	3,528,871
Licenses, permits and fees	173,783	243,496	-	-	-	-	-	417,279	395,296
Intergovernmental:									
Unrestricted:									
State taxes	2,020,354	92,757	-	-	-	-	-	2,113,111	1,475,537
Restricted:									
Federal Grants	-	-	-	-	-	-	985,156	985,156	839,280
State Grants	12,170	-	-	61,502	-	-	-	73,672	1,418,982
U.S.D.A. revenues	-	-	-	-	-	-	839,843	839,843	762,253
Other state revenues	44,899	8,411,220	-	-	-	159,629	171,960	8,787,708	8,043,083
Other local revenues	-	49,244	-	-	-	-	91,096	140,340	722,428
Charges for services	624,811	-	-	-	-	-	626,945	1,251,756	1,057,669
Fines, forfeitures and costs	569,889	-	-	-	-	-	20,172	590,061	663,174
Property Rental	145,138	-	-	-	-	-	-	145,138	153,336
Investment Income	8,470	431	-	15,299	-	-	2,190	26,390	85,317
Miscellaneous revenue	248,342	164,900	-	-	95,596	81,580	-	590,418	408,822
Total Revenues	<u>23,194,257</u>	<u>19,740,297</u>	<u>-</u>	<u>76,801</u>	<u>95,596</u>	<u>241,209</u>	<u>2,993,014</u>	<u>46,341,174</u>	<u>45,912,823</u>
Expenditures:									
Current:									
General government	2,864,149	-	-	-	-	-	-	2,864,149	1,665,434
Public Safety	9,592,883	-	-	-	-	-	3,207	9,596,090	9,266,885
Public Works	4,350,502	-	-	-	-	-	146,256	4,496,758	5,039,816
Education	-	19,647,772	-	-	65,560	-	2,077,432	21,790,764	20,509,466
Recreation and Culture	610,757	-	-	-	-	-	262,380	873,137	785,765
Community Development	1,123,627	-	-	-	-	-	-	1,123,627	1,403,320
Capital Outlay/Capital Assets/ Capital Leases	-	-	-	101,042	-	2,175,789	639,383	2,916,214	3,327,687
Debt Service:									
Principal Retirement	-	-	2,770,000	-	-	-	-	2,770,000	3,365,000
Interest and Fiscal Charges	-	-	1,989,192	-	-	-	-	1,989,192	1,490,849
Total Expenditures	<u>18,541,918</u>	<u>19,647,772</u>	<u>4,759,192</u>	<u>101,042</u>	<u>65,560</u>	<u>2,175,789</u>	<u>3,128,658</u>	<u>48,419,931</u>	<u>46,854,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,652,339</u>	<u>92,525</u>	<u>(4,759,192)</u>	<u>(24,241)</u>	<u>30,036</u>	<u>(1,934,580)</u>	<u>(135,644)</u>	<u>(2,078,757)</u>	<u>(941,399)</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>General</u>	<u>Education</u>	<u>Debt Service</u>	<u>General Obligation Public Works Construction</u>	<u>Legacy Fund</u>	<u>West Plant Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2017</u>	<u>2016</u>
Other Financing Sources (Uses):									
Transfers to other funds	(4,500,000)	(55,000)	-	(2,770,625)	-	-	(410,263)	(7,735,888)	(11,893,799)
Transfer from other funds	55,000	-	4,500,000	410,263	-	2,770,625	-	7,735,888	5,123,106
Transfer from business-type activities in-lieu of tax	1,899,929	-	-	-	-	-	-	1,899,929	1,889,495
Transfer from Internal Service Funds	-	-	-	55,089	-	-	-	55,089	195,935
Transfer from business-type activities to Debt Service	-	-	-	-	-	-	-	-	4,653,369
Issuance of debt	-	-	-	-	-	9,995,000	-	9,995,000	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-	13,815,000
Payments to escrow refunding agent	-	-	-	-	-	-	-	-	(13,841,472)
Total Other Financing Sources (Uses)	(2,545,071)	(55,000)	4,500,000	(2,305,273)	-	12,765,625	(410,263)	11,950,018	(58,366)
Net Change in Fund Balance	2,107,268	37,525	(259,192)	(2,329,514)	30,036	10,831,045	(545,907)	9,871,261	(999,765)
Fund Balance, July 1 st , as previously stated	6,468,422	1,184,448	1,019,041	3,611,429	105,253	-	2,067,960	14,456,553	16,380,754
Prior period adjustment - derivative instrument	-	-	-	-	-	-	-	-	(924,436)
Fund Balance at Beginning of Year, restated	6,468,422	1,184,448	1,019,041	3,611,429	105,253	-	2,067,960	14,456,553	15,456,318
Fund Balance, June 30th	\$ 8,575,690	\$ 1,221,973	\$ 759,849	\$ 1,281,915	\$ 135,289	\$ 10,831,045	\$ 1,522,053	\$ 24,327,814	\$ 14,456,553

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Net Change in Fund Balances – Total Governmental Funds:	\$ 9,871,261	\$ (999,765)
Amounts reported for the governmental activities in the statement of activities are different because:		
1) Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
	<u>2017</u>	<u>2016</u>
Capital Outlay	\$ 2,742,568	\$ 5,378,892
Depreciation	<u>(4,023,655)</u>	<u>(3,988,421)</u>
	<u>\$ (1,281,087)</u>	<u>\$ 1,390,471</u>
	(1,281,087)	1,390,471
2) Lease payments are reported as expenditures in the governmental funds when paid. For the city as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net position while the acquisition of new leases increase the liability. This is the amount by which principal payments (exceed) or are less than new capital leases:		
	<u>2017</u>	<u>2016</u>
New Leases	\$ -	\$ -
Payments	<u>(1,593,576)</u>	<u>(101,387)</u>
	<u>\$ (1,593,576)</u>	<u>\$ (101,387)</u>
	1,593,576	101,387
3) The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which the bond proceeds (exceed) or are less than retirement in the current period:		
	<u>2017</u>	<u>2016</u>
Bonds issued	\$ 9,995,000	\$ 4,310,000
Retired	<u>(3,080,000)</u>	<u>(6,855,000)</u>
	<u>\$ 6,915,000</u>	<u>\$ (2,545,000)</u>
	(6,915,000)	2,545,000
4) The net revenues (expenditures) of internal service funds activities are reported with governmental activities.		
	92,085	384,696
5) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental fund:		
a. OPEB Obligation – Education	-	(660,196)
b. OPEB Obligation – City	-	(544,359)
c. Unfunded Pension obligation	3,426,512	(13,747,747)
d. Change in compensated absences	66,831	(62,816)
e. Change in construction in-progress	<u>-</u>	<u>13,158,748</u>
Changes in Net Position of Governmental Activities	<u>\$ 6,854,178</u>	<u>\$ 1,565,419</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2016 Actual</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Taxes	\$ 18,209,075	\$ 18,209,075	\$ 19,346,401	\$ 1,137,326	\$ 17,462,623
Licenses and permits	137,700	137,700	173,783	36,083	141,755
Fines and forfeits	532,500	532,500	569,889	37,389	639,374
Intergovernmental	2,075,750	2,075,750	2,193,587	117,837	2,063,985
Interest earned	2,500	2,500	8,470	5,970	6,109
Public works, labor and material	327,000	327,000	468,202	141,202	326,211
Miscellaneous	20,000	20,000	18,649	(1,351)	35,534
Property rental	153,335	153,335	145,138	(8,197)	153,336
Department services	131,000	131,000	156,609	25,609	137,569
Fees development	15,500	15,500	23,396	7,896	18,986
Insurance refunds	5,000	5,000	36,286	31,286	6,537
Sale of property	50,000	50,000	23,283	(26,717)	23,588
Special events	-	-	150	150	-
Private grants	17,000	17,000	12,625	(4,375)	18,200
Disaster recovery	-	-	-	-	52,472
TML Grants	-	-	9,777	9,777	-
Fire prevention training	-	-	1,125	1,125	-
Contributions and donations – business...	<u>5,500</u>	<u>5,500</u>	<u>6,887</u>	<u>1,387</u>	<u>1,250</u>
Total Revenues	<u>21,681,860</u>	<u>21,681,860</u>	<u>23,194,257</u>	<u>1,512,397</u>	<u>21,087,529</u>
EXPENDITURES:					
General government	3,094,370	3,094,370	2,864,149	230,221	2,419,425
Public works	4,511,922	4,511,922	4,350,502	161,420	4,156,649
Public safety – Police	5,836,085	5,836,085	5,749,400	86,685	5,447,714
Public safety – Fire	4,028,673	4,028,673	3,843,483	185,190	3,641,483
Contributions and grants to other agencies	<u>1,916,256</u>	<u>1,916,256</u>	<u>1,734,384</u>	<u>181,872</u>	<u>2,146,630</u>
Total Expenditures	<u>19,387,306</u>	<u>19,387,306</u>	<u>18,541,918</u>	<u>845,388</u>	<u>17,811,901</u>
Excess of Revenues Over					
Expenditures	<u>2,294,554</u>	<u>2,294,554</u>	<u>4,652,339</u>	<u>2,357,785</u>	<u>3,275,628</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2016 Actual</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
OTHER FINANCING SOURCES (USES):					
Operating transfers in (out):					
Payments in lieu of taxes – business-type activities	1,930,000	1,930,000	1,899,929	(30,071)	1,889,495
Debt Service Fund.....	(4,500,000)	(4,500,000)	(4,500,000)	-	(3,900,000)
Resource Officer – Education Fund	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total Other Financing Sources (Uses)	<u>(2,515,000)</u>	<u>(2,515,000)</u>	<u>(2,545,071)</u>	<u>(30,071)</u>	<u>(1,955,505)</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses.....	(220,446)	(220,446)	2,107,268	2,327,714	1,320,123
FUND BALANCE AT BEGINNING OF YEAR	<u>6,468,422</u>	<u>6,468,422</u>	<u>6,468,422</u>	<u>-</u>	<u>5,148,299</u>
FUND BALANCE AT END OF YEAR	<u>\$ 6,247,976</u>	<u>\$ 6,247,976</u>	<u>\$ 8,575,690</u>	<u>\$ 2,327,714</u>	<u>\$ 6,468,422</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	June 30, 2016 Actual
	Original	Final			
Revenues:					
Taxes	\$ 7,954,000	\$ 8,134,000	\$ 8,032,541	\$ (101,459)	\$ 7,805,675
Miscellaneous	3,028,900	3,273,900	3,377,574	103,674	2,972,724
Revenue from other agencies	<u>8,175,100</u>	<u>8,332,100</u>	<u>8,330,182</u>	<u>(1,918)</u>	<u>7,913,717</u>
Total Revenues	<u>19,158,000</u>	<u>19,740,000</u>	<u>19,740,297</u>	<u>297</u>	<u>18,692,116</u>
Expenditures:					
Instruction/Elementary/Secondary	10,167,881	10,291,381	10,290,031	1,350	9,957,339
Special education	1,458,749	1,458,749	1,456,919	1,830	1,347,028
Vocational education	454,351	454,351	453,375	976	320,020
Health services	223,034	225,034	224,557	477	191,001
Other student support	584,625	584,625	536,082	48,543	445,540
Instruction – Regular	565,066	529,566	524,491	5,075	461,091
Technology	588,383	605,383	604,906	477	641,070
Board of Education	301,374	371,374	368,877	2,497	303,285
Office of the Director	160,245	153,245	151,866	1,379	155,068
Office of Principals	1,389,440	1,389,440	1,387,478	1,962	1,365,583
Fiscal services	169,031	169,031	163,550	5,481	169,750
Human services	178,973	192,473	191,682	791	182,819
Operation of plant	1,644,214	1,657,214	1,654,372	2,842	1,504,923
Maintenance of plant	661,129	1,039,629	1,032,625	7,004	842,375
Transportation	297,645	257,645	255,981	1,664	238,058
Food services	40,650	650	789	(139)	56,269
Family Resource Center	78,115	70,115	67,738	2,377	75,755
Lottery Pre-K	217,095	247,095	239,958	7,137	267,682
Capital outlay	<u>20,000</u>	<u>43,000</u>	<u>42,495</u>	<u>505</u>	<u>21,108</u>
Total Expenditures	<u>19,200,000</u>	<u>19,740,000</u>	<u>19,647,772</u>	<u>92,228</u>	<u>18,545,764</u>
Excess (Deficiency) of Revenues Over Expenditures	(42,000)	-	92,525	92,525	146,352
Other Financing Sources (Uses): Transfer to General Fund	-	-	(55,000)	(55,000)	(55,000)
Net Changes in Fund Balance	(42,000)	-	37,525	37,525	91,352
Fund Balance at Beginning of Year	<u>1,184,448</u>	<u>1,184,448</u>	<u>1,184,448</u>	-	<u>1,093,096</u>
Fund Balance at End of Year	<u>\$ 1,142,448</u>	<u>\$ 1,184,448</u>	<u>\$ 1,221,973</u>	<u>\$ 37,525</u>	<u>\$ 1,184,448</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2017
 With Comparative Totals for June 30, 2016**

	Business-Type Activities – Enterprise Funds					Governmental Activities		
	2017					Internal Service Funds		
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	2016 Total	2017	2016
ASSETS								
Current Assets:								
Cash in bank/Certificate of deposit	\$ 680,127	\$ 4,765,633	\$ 5,683,505	\$ 1,634,718	\$ 12,763,983	\$ 11,210,861	\$ 2,273,310	\$ 2,144,914
Accounts receivable – Net.....	108,430	1,131,843	5,527,742	645,199	7,413,214	8,463,954	-	-
Accrued interest	-	-	-	9,856	9,856	492	-	-
Inventory	-	851,378	928,017	-	1,779,395	1,421,113	-	-
Prepaid TVA Power Invoice Program.....	-	-	3,759,675	-	3,759,675	3,466,268	-	-
Total Current Assets.....	<u>788,557</u>	<u>6,748,854</u>	<u>15,898,939</u>	<u>2,289,773</u>	<u>25,726,123</u>	<u>24,562,688</u>	<u>2,273,310</u>	<u>2,144,914</u>
NonCurrent Assets:								
Capital Assets:								
Nondepreciable:								
Land and easements	-	1,194,236	1,260,996	929,861	3,385,093	2,460,578	-	-
Construction in progress.....	-	225,241	2,318,435	50,225	2,593,901	1,775,606	-	-
Plant and equipment – depreciable.....	654,516	87,120,823	86,292,471	13,867,077	187,934,887	184,800,760	-	-
Accumulated depreciation.....	(446,145)	(30,218,841)	(36,972,894)	(9,688,584)	(77,326,464)	(71,960,687)	-	-
Net Capital Assets	<u>208,371</u>	<u>58,321,459</u>	<u>52,899,008</u>	<u>5,158,579</u>	<u>116,587,417</u>	<u>117,076,257</u>	<u>-</u>	<u>-</u>
Other NonCurrent Assets:								
Receivables from customers for conservation loans/back utilities.....	-	-	1,593,743	-	1,593,743	1,978,696	-	-
Cash in bank – Restricted.....	-	-	-	4,825,364	4,825,364	4,254,595	-	-
Investments – Certificates of deposits - restricted for construction.....	-	-	-	5,000,000	5,000,000	5,000,000	-	-
Total Other NonCurrent Assets.....	<u>-</u>	<u>-</u>	<u>1,593,743</u>	<u>9,825,364</u>	<u>11,419,107</u>	<u>11,233,291</u>	<u>-</u>	<u>-</u>
Total NonCurrent Assets	<u>208,371</u>	<u>58,321,459</u>	<u>54,492,751</u>	<u>14,983,943</u>	<u>128,006,524</u>	<u>128,309,548</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS.....	<u>996,928</u>	<u>65,070,313</u>	<u>70,391,690</u>	<u>17,273,716</u>	<u>153,732,647</u>	<u>152,872,236</u>	<u>2,273,310</u>	<u>2,144,914</u>
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred state regulatory charges	-	278,403	369,413	-	647,816	709,456	-	-
Pension deferrals	108,737	504,261	756,560	213,098	1,582,656	1,540,019	-	-
Deferred amount on refunding	-	508,800	-	-	508,800	530,000	-	-
Accumulated change in fair value of hedging derivatives	-	2,183,715	-	2,968,950	5,152,665	6,831,101	-	-
Total Deferred Outflows of Resources....	<u>108,737</u>	<u>3,475,179</u>	<u>1,125,973</u>	<u>3,182,048</u>	<u>7,891,937</u>	<u>9,610,576</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (Continued)
 June 30, 2017
 With Comparative Totals for June 30, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2017</u>					<u>Internal Service Funds</u>		
	<u>Stormwater Utility</u>	<u>Water/ Sewer Utility</u>	<u>Electric Utility</u>	<u>Landfill</u>	<u>Total</u>	<u>2016 Total</u>	<u>2017</u>	<u>2016</u>
LIABILITIES								
Current Liabilities:								
Accounts payable.....	11,163	506,406	10,068,069	107,066	10,692,704	10,888,800	27,742	278
Medical claims payable.....	-	-	-	-	-	-	474,047	465,000
Other accrued payables.....	20,461	99,891	486,166	41,539	648,057	607,288	-	-
Bonds payable – current.....	-	970,000	840,000	820,000	2,630,000	2,535,000	-	-
Customer deposits.....	-	-	2,042,066	-	2,042,066	1,880,863	-	-
Compensated absences.....	38,108	162,874	285,511	77,931	564,424	734,956	-	-
Revolving loan payable – current.....	-	166,032	-	-	166,032	160,500	-	-
Capital outlay note.....	-	-	-	80,669	80,669	-	-	-
Total Current Liabilities.....	<u>69,732</u>	<u>1,905,203</u>	<u>13,721,812</u>	<u>1,127,205</u>	<u>16,823,952</u>	<u>16,807,407</u>	<u>501,789</u>	<u>465,478</u>
Long-Term Liabilities:								
Compensated absences.....	-	40,719	64,169	19,483	124,371	222,804	-	-
Bonds payable.....	-	41,320,000	15,110,000	3,145,000	59,575,000	62,205,000	-	-
Estimated liability for Landfill closure and postclosure care costs.....	-	-	-	9,783,900	9,783,900	9,218,798	-	-
Revolving loan payable.....	-	3,072,169	-	-	3,072,169	3,238,201	-	-
Advances – TVA Conservation Loans.....	-	-	1,723,770	-	1,723,770	2,097,225	-	-
Deferred Credits.....	-	-	224,266	-	224,266	172,542	-	-
Derivatives – Interest Rate Swap.....	-	2,183,715	-	2,968,950	5,152,665	6,831,101	-	-
Net pension liability.....	74,124	423,594	651,224	180,683	1,329,625	1,002,052	-	-
Capital outlay note.....	-	-	-	135,705	135,705	-	-	-
Total Long-Term Liabilities.....	<u>74,124</u>	<u>47,040,197</u>	<u>17,773,429</u>	<u>16,233,721</u>	<u>81,121,471</u>	<u>84,987,723</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>143,856</u>	<u>48,945,400</u>	<u>31,495,241</u>	<u>17,360,926</u>	<u>97,945,423</u>	<u>101,795,130</u>	<u>501,789</u>	<u>465,478</u>
DEFERRED INFLOWS OF RESOURCES								
Pension deferrals.....	9,372	9,974	-	2,802	22,148	634,974	-	-
Bond deferral.....	-	-	-	83,333	83,333	100,000	-	-
Total Deferred Inflows of Resources ...	<u>9,372</u>	<u>9,974</u>	<u>-</u>	<u>86,135</u>	<u>105,481</u>	<u>734,974</u>	<u>-</u>	<u>-</u>
NET POSITION:								
Unrestricted.....	744,066	6,796,860	3,073,414	750,087	11,364,427	9,450,499	1,771,521	1,679,436
Restricted for property acquisitions.....	-	-	-	1,281,411	1,281,411	1,264,653	-	-
Net investment in capital assets.....	208,371	12,793,258	36,949,008	977,205	50,927,842	49,237,556	-	-
TOTAL NET POSITION.....	<u>\$ 952,437</u>	<u>\$ 19,590,118</u>	<u>\$ 40,022,422</u>	<u>\$ 3,008,703</u>	<u>\$ 63,573,680</u>	<u>\$ 59,952,708</u>	<u>\$ 1,771,521</u>	<u>\$ 1,679,436</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 For the Fiscal Year Ended June 30, 2017
 With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2017</u>					<u>Internal Service Funds</u>		
	<u>Stormwater Utility</u>	<u>Water/ Sewer Utility</u>	<u>Electric Utility</u>	<u>Landfill</u>	<u>Total</u>	<u>2016 Total</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:								
Charges for services.....	\$ 1,180,437	\$ 12,247,805	\$ 64,978,129	\$ 4,290,739	\$ 82,697,110	\$ 77,161,500	\$ 5,792,285	\$ 5,476,857
Forfeited discounts	-	-	437,166	-	437,166	406,977	-	-
Miscellaneous revenues	-	22,046	1,085,103	-	1,107,149	1,382,414	-	-
Total Operating Revenues.....	<u>1,180,437</u>	<u>12,269,851</u>	<u>66,500,398</u>	<u>4,290,739</u>	<u>84,241,425</u>	<u>78,950,891</u>	<u>5,792,285</u>	<u>5,476,857</u>
Operating Expenses:								
Medical claims paid	-	-	-	-	-	-	4,128,873	3,348,735
Insurance premiums/administration	-	-	-	-	-	-	1,584,740	1,743,426
Administrative	316,118	833,253	3,219,540	382,615	4,751,526	4,746,555	-	-
Accounting and collections.....	-	910,502	-	-	910,502	852,186	-	-
Supervision	-	366,522	-	-	366,522	307,044	-	-
Water plant operation	-	1,500,703	-	-	1,500,703	1,522,777	-	-
Distribution and transmission	-	829,846	1,682,414	-	2,512,260	2,317,828	-	-
Meter reading and repair.....	-	302,570	-	-	302,570	638,021	-	-
Water maintenance	-	274,269	-	-	274,269	253,161	-	-
Sewage collection/disposal/pumping.....	-	2,869,392	-	-	2,869,392	2,715,202	-	-
Customer accounts.....	-	-	1,452,413	-	1,452,413	1,498,989	-	-
Purchased power.....	-	-	51,209,143	-	51,209,143	48,603,739	-	-
Landfill operation	-	-	-	2,530,839	2,530,839	2,278,784	-	-
Environmental compliance	-	114,254	-	115,074	229,328	246,805	-	-
Depreciation	67,304	2,591,379	2,941,316	751,149	6,351,148	6,082,726	-	-
Operations and maintenance.....	639,866	-	1,950,940	-	2,590,806	3,281,817	-	-
Street cleaning	102,956	-	-	-	102,956	88,880	-	-
Special projects.....	-	22,573	-	-	22,573	55,328	-	-
Total Operating Expenses.....	<u>1,126,244</u>	<u>10,615,263</u>	<u>62,455,766</u>	<u>3,779,677</u>	<u>77,976,950</u>	<u>75,489,842</u>	<u>5,713,613</u>	<u>5,092,161</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-Type Activities – Enterprise Funds					Governmental Activities		
	2017					Internal Service Funds		
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	2016 Total	2017	2016
Operating Income	54,193	1,654,588	4,044,632	511,062	6,264,475	3,461,049	78,672	384,696
Other Income (Expense):								
Grant.....	271	1,238	-	125,744	127,253	496,642	-	-
Other income (expense).....	-	(39,878)	3,570	(62,122)	(98,430)	(283,328)	-	-
Amortization expense.....	-	(50,448)	(26,387)	-	(76,835)	(421,396)	-	-
Interest expense	-	(1,323,560)	(14,757)	(111,055)	(1,449,372)	(1,606,347)	-	-
Interest income	152	7,655	8,985	14,397	31,189	17,168	-	-
Total Other Income (Expense).....	423	(1,404,993)	(28,589)	(33,036)	(1,466,195)	(1,797,261)	-	-
Net Income Before Contributions and Transfers	54,616	249,595	4,016,043	478,026	4,798,280	1,663,788	78,672	384,696
Transfers In (Out).....	-	-	-	-	-	-	13,413	-
Capital Contributions.....	-	178,450	-	-	178,450	33,849	-	133,500
Payments in Lieu of Taxes	-	(400,000)	(1,499,929)	-	(1,899,929)	(1,889,495)	-	-
Change in Net Position	54,616	28,045	2,516,114	478,026	3,076,801	(191,858)	92,085	518,196
Net Position – Beginning, as previously reported.....	897,821	19,017,902	37,506,308	2,530,677	59,952,708	60,144,566	1,679,436	1,161,240
Prior period adjustment: Capital asset additions (Note 20).....	-	544,171	-	-	544,171	-	-	-
Net Position – Beginning, as restated	897,821	19,562,073	37,506,308	2,530,677	60,496,879	60,144,566	1,679,436	1,161,240
Net Position – Ending	\$ 952,437	\$ 19,590,118	\$ 40,022,422	\$ 3,008,703	\$ 63,573,680	\$ 59,952,708	\$ 1,771,521	\$ 1,679,436

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2017
 With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2017</u>					<u>Internal Service Funds</u>		
	<u>Stormwater Utility</u>	<u>Water/ Sewer Utility</u>	<u>Electric Utility</u>	<u>Landfill</u>	<u>Total</u>	<u>2016 Total</u>	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers/employees' insurance	\$ 1,171,063	\$12,985,852	\$66,127,482	\$ 4,346,715	\$84,631,112	\$ 77,869,918	\$ 5,810,596	\$ 5,481,757
Cash payments to suppliers for goods and services/ medical claims	(556,978)	(5,744,490)	(56,626,274)	(2,025,713)	(64,953,455)	(62,633,917)	(5,695,613)	(5,105,981)
Cash payments to employees for services.....	(480,844)	(2,441,710)	(3,017,383)	(988,893)	(6,928,830)	(7,866,766)	-	-
Net Cash Flows From Operating Activities	<u>133,241</u>	<u>4,799,652</u>	<u>6,483,825</u>	<u>1,332,109</u>	<u>12,748,827</u>	<u>7,369,235</u>	<u>114,983</u>	<u>375,776</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:								
Transfers out – in lieu of taxes.....	-	(400,000)	(1,499,929)	-	(1,899,929)	(1,889,495)	-	-
Closure/postclosure payments	-	-	-	565,102	565,102	440,892	-	-
Receipts from other funds.....	-	-	-	-	-	-	133,500	133,500
Pension deferrals.....	(46,209)	(208,563)	-	(85,884)	(340,656)	(4,678)	-	-
Bond deferral.....	-	-	-	(16,667)	(16,667)	-	-	-
Payments to other funds.....	-	-	-	-	-	-	(120,087)	-
Net Cash Flows From Non-Capital Financing Activities.....	<u>(46,209)</u>	<u>(608,563)</u>	<u>(1,499,929)</u>	<u>462,551</u>	<u>(1,692,150)</u>	<u>(1,448,603)</u>	<u>13,413</u>	<u>133,500</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Advances from TVA	-	-	237,110	-	237,110	543,877	-	-
Utility plant removal costs.....	-	-	34,776	-	34,776	38,898	-	-
Principal paid on bonds/notes/capital leases/revolving loan	-	(1,085,500)	(815,000)	(845,616)	(2,746,116)	(11,840,136)	-	-
Interest paid on bonds/notes/capital leases/revolving loan	-	(1,323,560)	(14,757)	(111,055)	(1,449,372)	(1,606,347)	-	-
Customer deposits received.....	-	-	539,720	-	539,720	585,035	-	-
Customer deposits refunded.....	-	-	(378,517)	-	(378,517)	(359,163)	-	-
Repayments of advances.....	-	-	(610,566)	-	(610,566)	(654,005)	-	-
Deferred credits	-	-	51,724	-	51,724	5,058	-	-
Merchandizing, jobbing, and contract work revenue	-	-	(155,041)	-	(155,041)	(248,407)	-	-
Collection on conservation loans.....	-	-	929,239	-	929,239	868,071	-	-
Payments for acquisition and construction of capital assets	-	(1,492,226)	(3,517,688)	(403,247)	(5,413,161)	(3,099,734)	-	-
Additional long-term bond/capital outlay notes/ revolving loans	-	-	-	266,990	266,990	9,645,000	-	-
Acquisition of conservation loans.....	-	-	(544,286)	-	(544,286)	(744,963)	-	-
Grant proceeds.....	271	-	-	125,744	126,015	496,642	-	-
Service fees.....	-	-	-	-	-	(1,024)	-	-
Other revenue (expense).....	-	21,606	-	(62,122)	(40,516)	21,250	-	-
Contributions in aid of construction	-	178,450	3,570	-	182,020	33,849	-	-
Deferred amount on refunding.....	-	21,200	-	-	21,200	(500,000)	-	-
Amortization.....	-	(15,194)	-	-	(15,194)	(321,114)	-	-
Net Cash Flows From Capital and Related Financing Activities.....	<u>271</u>	<u>(3,695,224)</u>	<u>(4,239,716)</u>	<u>(1,029,306)</u>	<u>(8,963,975)</u>	<u>(7,141,891)</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (Continued)
 For the Fiscal Year Ended June 30, 2017
 With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2017</u>					<u>Internal Service Funds</u>		
	<u>Stormwater Utility</u>	<u>Water/ Sewer Utility</u>	<u>Electric Utility</u>	<u>Landfill</u>	<u>Total</u>	<u>2016 Total</u>	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of investment securities.....	-	(6,080)	-	(3,591,141)	(3,597,221)	(4,378,088)	-	-
Proceeds from sale and maturities of investment Securities.....	-	-	1,002,746	3,020,372	4,023,118	1,885,928	-	-
Interest and dividends on investments.....	<u>152</u>	<u>7,655</u>	<u>8,985</u>	<u>14,397</u>	<u>31,189</u>	<u>17,153</u>	-	-
Net Cash Flows From Investing Activities..	<u>152</u>	<u>1,575</u>	<u>1,011,731</u>	<u>(556,372)</u>	<u>457,086</u>	<u>(2,475,007)</u>	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,455	497,440	1,755,911	208,982	2,549,788	(3,696,266)	128,396	509,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>592,672</u>	<u>3,258,910</u>	<u>3,927,594</u>	<u>1,425,736</u>	<u>9,204,912</u>	<u>12,900,678</u>	<u>2,144,914</u>	<u>1,635,638</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 680,127</u>	<u>\$ 3,756,350</u>	<u>\$ 5,683,505</u>	<u>\$ 1,634,718</u>	<u>\$ 11,754,700</u>	<u>\$ 9,204,412</u>	<u>\$ 2,273,310</u>	<u>\$ 2,144,914</u>
Reconciliation of Operating Income to Net Cash Flows Provided by (Used) in Operating Activities:								
Operating Income (loss)	<u>\$ 54,193</u>	<u>\$ 1,654,588</u>	<u>\$ 4,044,632</u>	<u>\$ 511,062</u>	<u>\$ 6,264,475</u>	<u>\$ 3,461,064</u>	<u>\$ 78,672</u>	<u>\$ 384,696</u>
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	67,304	2,591,379	2,941,317	751,149	6,351,149	6,082,726	-	-
Amortization	-	-	-	-	-	26,387	-	-
Changes in assets and liabilities:								
Accounts receivable.....	(9,374)	86,835	255,921	65,832	399,214	(1,229,430)	-	4,900
Prepaid expenses	-	-	(293,407)	-	(293,407)	391,722	-	-
Inventory	-	(22,360)	(335,922)	-	(358,282)	(242,734)	-	-
Other receivables.....	-	(636)	492	(9,856)	(10,000)	(492)	-	-
Accounts payable.....	(2,041)	(239,515)	63,406	(17,946)	(196,096)	(1,270,259)	36,311	(13,820)
Other liabilities.....	22,731	95,745	(62,638)	41,106	96,944	332,774	-	-
Accrued payroll	5,295	24,070	75,459	6,809	111,633	104,095	-	-
Due from other funds.....	-	652,162	-	-	652,162	-	-	-
Compensated absences	(4,867)	(42,616)	(205,435)	(16,047)	(268,965)	(286,618)	-	-
Total Adjustments	<u>79,048</u>	<u>3,145,064</u>	<u>2,439,193</u>	<u>821,047</u>	<u>6,484,352</u>	<u>3,908,171</u>	<u>36,311</u>	<u>(8,920)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 133,241</u>	<u>\$ 4,799,652</u>	<u>\$ 6,483,825</u>	<u>\$ 1,332,109</u>	<u>\$ 12,748,827</u>	<u>\$ 7,369,235</u>	<u>\$ 114,983</u>	<u>\$ 375,776</u>

(Continued)

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (Continued)
 For the Fiscal Year Ended June 30, 2017
 With Comparative Totals for the Fiscal Year Ended June 30, 2016**

(1) Cash and cash equivalents are as follows:

	<u>Cash in Bank</u>	<u>Certificates of Deposit/ Cash Equivalents</u>	<u>Total</u>
StormWater Utility	\$ 680,127	\$ -	\$ 680,127
Water/Sewer Utility	3,756,350	-	3,756,360
Electric Utility	5,657,533	25,972	5,683,505
Landfill	<u>1,634,718</u>	<u>-</u>	<u>1,634,718</u>
Totals.....	<u>\$ 11,728,728</u>	<u>\$ 25,972</u>	<u>\$ 11,754,700</u>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM - FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS:		
Investments in Tennessee Retirement Group Trust (Note 8A)	\$ 25,338,933	\$ 23,584,039
Deferred Outflows of Resources.....	-	-
LIABILITIES		
Deferred Inflows of Resources	-	-
NET POSITION:		
Net Position Restricted for Pensions	25,338,933	23,584,039
Total Net Position.....	<u>\$ 25,338,933</u>	<u>\$ 23,584,039</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM - FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY PLAN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Additions:		
Employer contributions	\$ 2,132,867	\$ 2,406,072
Interest and dividend income	<u>2,659,255</u>	<u>796,963</u>
Total Additions	<u>4,792,122</u>	<u>3,203,035</u>
Deductions:		
Benefit payments	2,970,636	3,077,676
Administrative expenses	<u>66,592</u>	<u>78,196</u>
Total Deductions	<u>3,037,228</u>	<u>3,155,872</u>
Change in Net Position	1,754,894	47,163
Net Position – Beginning of Year	<u>23,584,039</u>	<u>23,536,876</u>
Net Position – End of Year	<u>\$ 25,338,933</u>	<u>\$ 23,584,039</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Alcoa, Tennessee, was incorporated July 1, 1919, under the provisions of Act 116, P.A. 1919, as amended. The City operates under a City Manager – Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public utilities, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Alcoa are in conformity with all applicable statements of the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

(A) FINANCIAL REPORTING ENTITY:

The City of Alcoa, Tennessee, is a municipal corporation governed by an elected five-member Board of Commissioners. As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the City of Alcoa, Tennessee (primary government) and all funds, organizations, agencies, departments, and offices that are a part of the primary government. The criteria for determining a primary government consist of the following:

- (1) A separately elected governing body.
- (2) Separate legal standing - corporate power with the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and, the right to buy, sell, lease or mortgage property in its own name.
- (3) Fiscal independence of other state and local governments by determining its budget, levying taxes, setting rates or charges, and issuing bonded debt without approval by another government.

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria applicable to *GASB No. 14*, as amended by *GASB Statement No. 39*, for component units, the City has no financial accountability for any component units. Therefore, the financial reporting entity is limited to those funds, departments, and offices which comprise the City's legally adopted jurisdictions.

The following organizations are excluded from the accompanying financial statements in that they do not meet the prescribed GASB Statement 39 criteria:

City of Alcoa Schools' Student Activity Funds:

The Alcoa Board of Education, through its school principals, governs the Student Activity Funds of the Alcoa City Schools as provided for in the Internal School Accounting Act (Tennessee Code Annotated Section 49-2-110). The Activity Fund monies are used to finance school extra-curricular activities for the benefit of the student body as a whole. Separate financials (available at the Board of Education Office) are issued for the Student Activity Funds. The City cannot access the Student Activity Funds' resources, nor does the City have any legal obligation to subsidize the Activity Funds. The Student Activity Funds are used only for the benefit of the students.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(A) FINANCIAL REPORTING ENTITY (Continued):

Tennessee Consolidated Retirement System (TCRS):

The City's teachers and other City employees participate in the TCRS, an employee benefit plan established as an individual entity, and is liable for its proportionate costs associated with the operation and administration of its plan. However, control over the operation and administration of the plan, including investment decisions, is vested in the State of Tennessee along with custody of the plan assets.

(B) BASIC FINANCIAL STATEMENTS:

The basic financial statements (in accordance with GASB No. 34) include both government-wide (based on the City as a whole and its component units, (if any) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The government-wide financial statements (the statement of net position and the statement of activities) report on the government as a whole. The statements include the City of Alcoa and any applicable component units, except that neither fiduciary funds nor the component units that are fiduciary in nature are included.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, on the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The focus of governmental and proprietary fund financial statements is on major funds. Fund statements should present the financial information of each major fund in a separate column. Nonmajor funds should be aggregated and displayed in a single column. The reporting government's main operating fund should always be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria. The total of assets and deferred outflows of resources, the total of liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding elements total for all funds of that category or type. The same elements that met the 10% criterion are at least 5% of the corresponding element total for all governmental and enterprise funds combined. In addition to funds that meet

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(B) BASIC FINANCIAL STATEMENTS (Continued):

the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to the financial statement users may be reported as a major fund.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide statements.

Internal service funds of a government (which traditionally provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

(C) BASIS OF PRESENTATION:

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the City:

GOVERNMENTAL FUND TYPES: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Sales taxes are considered "measurable" (susceptible to accrual) when in the hands of intermediary collecting agencies and are recognized as revenues at that time. All other intergovernmental revenues are recorded as revenue when received. Property tax revenues are recognized in the fiscal year for which they are levied. Expenditures are recognized when the related fund liability is incurred.

Governmental Funds include the following fund types:

General Fund: The General Fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund in the basic financial statements.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes as defined by GASB 54 – *Fund Balance Reporting and Governments Fund Type Definition*. There is one special revenue fund presented as a major fund in the basic financial statements:

Education Fund: The Education Fund is used to account for the general operations of the Alcoa City Schools. Major funding for the Education Fund is provided by State Education funds, shared revenues provided by Blount County, and property tax revenue from the City's General Fund.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(C) BASIS OF PRESENTATION (Continued)

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest, and related costs. The debt service fund is presented as a major fund in the basic financial statements.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital facilities and/or related improvements, other than those financed by Enterprise operations. There are three capital project funds presented as major funds in the basic financial statements:

- (1) Legacy Fund: The Legacy Fund is used to account for expenditures incurred in the renovation of schools within the Alcoa City School System.
- (2) Alcoa High School Construction Fund: This fund is used to account for expenditures incurred for the construction of a new high school.
- (3) General Obligation Public Works Construction Fund: This fund is used to account for public works construction and improvements.
- (4) West Plant Construction Fund – The West Plant Construction Fund is used to account for funding sources, including bond proceeds, Tennessee Department of Transportation grants and General Fund appropriation and associated expenditures incurred in conjunction with infrastructure construction relating to the West Plant re-development project.

Proprietary Fund Types: Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Each proprietary fund is reported as a major fund in the basic financial statements.

Proprietary funds include the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private businesses – where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following Enterprise funds are used by the City:

Water and Sewer Utility Fund: The Water and Sewer Utility Fund is used to account for the operation of the City's water and sewer system.

Electric Utility Fund: The Electric Department Fund is used to account for the operation of the City's electric system.

Landfill Fund: The Landfill Fund is used to account for the operation by the City of the Blount County Landfill.

Stormwater Utility Fund: The Stormwater Utility Fund is used to account for the operations of the City's stormwater utility system.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(C) BASIS OF PRESENTATION (Continued)

Internal Service Funds: Internal Service Funds are used to account for the providing of goods or services to other governmental operating units such as departments, bureaus, and agencies. The services provided may include duplicating services, data processing, legal services, motor pools, and centralized maintenance. Also, an Internal Service Fund may produce goods as does a manufacturer. For example, products may be provided by government printing shops, repair facilities, and processing facilities.

The purpose of centralizing certain activities in an Internal Service Fund is to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple units within the governmental organization. Costs associated with the centralized activity are usually recovered from those governmental units that benefit from the goods or services provided through the Internal Service Funds. Thus, the objective of an Internal Service Fund is not to make a profit but rather to recover, over a period of time, the total cost of providing the goods or services.

The following Internal Service Funds are used by the City:

Employee's Insurance Trust Fund: The Employee's Trust Fund is used to account for the City of Alcoa's self-insured health insurance program. Premiums charged to various operating funds and employee payroll deductions are placed in this fund for the payment of medical claims and administrative expenses.

Flexible Spending Account Fund: The Flexible Spending Account Fund is used to account for the City of Alcoa's flexible spending program. Employee payroll deductions are placed in this fund for the payment of dependent care and medical claims.

Service Center Fund: This fund is used to account for services provided to other departments of the City by the Service Center, on a cost reimbursement basis.

OPEB Insurance Fund: This fund is used to account for the City's liability for postemployment benefits, including payments and required contributions for all City employees.

School OPEB Insurance Fund: This fund is used to account for the Alcoa Board of Education's liability for postemployment benefits, including payments and required contributions for all school employees.

Fiduciary Funds Types: These Funds account for assets held by the City as trustee or agent, and are as follows:

Pension Trust Fund: This fund was established to provide pension benefits for City employees. The Pension Trust Fund is used to account for assets held by the City of Alcoa in a fiduciary capacity for employees or former employees of the City. The Pension Trust Fund, like Proprietary Funds, uses the accrual method of accounting.

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance,

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City’s actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government’s water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by the program revenues.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

Management's Discussion and Analysis – In accordance with GASB Statement No. 34, the financial statements are accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements – The financial statements are prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position – The statement of net position is designed to display the financial position of the primary government (government and business-type activities). The City reports all 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. The net position of the City are broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net position, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

(E) BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In a timely manner, the City Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted by the City to obtain taxpayer comments.
3. Prior to July 1st, the budget is legally enacted through passage of an ordinance.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(E) BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements (Continued):

4. The City Manager is authorized to transfer budgeted amounts within a department of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General Fund, Special Revenue Funds (excluding the Special Assessment Fund), and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted, or as amended by the Commissioners. Individual amendments were not material in relation to the original appropriations. All appropriations lapse at year end.

(F) ENCUMBRANCES:

Encumbrance accounting, under which purchase orders, contracts, or other commitments for the expenditures of funds are recorded in order to restrict that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as restricted, since the commitments will be honored through subsequent years' budget appropriations.

(G) CASH:

The City pools cash resources of some of its various funds (excluding fiduciary funds) in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less, primarily with local financial institutions. The deposits and investments of the pension funds are held separately from those of other governmental funds.

Custodial Credit Risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to only maintain funds in financial institutions which are members of the Tennessee Bank Collateral Pool.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(G) CASH (Continued)

The captions "cash and cash equivalents" and pooled cash in the accompanying combined financial statements includes cash and equity in the pooled cash account described as follows:

	<u>Equity Pooled In Cash Account</u>	<u>Other Cash Accounts</u>	<u>Combined Cash Total</u>
General Fund	\$ 7,667,880	\$ 2,000	\$ 7,669,880
Special Revenue Funds:			
State Street Aid Fund	861,648	-	861,648
Education Fund	796,600	447,842	1,244,442
Cafeteria Fund	-	53,658	53,658
Extended Day Program Fund	239,473	1,465	240,938
Federal Projects Fund	42,396	-	42,396
Drug Control Fund	11,401	-	11,401
Commercial Vehicle Fines Fund	2,721	-	2,721
Total Special Revenue Funds	<u>1,954,239</u>	<u>502,965</u>	<u>2,457,204</u>
Debt Service Fund	<u>1,093,602</u>	-	<u>1,093,602</u>
Capital Projects Funds:			
Capital Projects Fund	50,918	-	50,918
Alcoa High School Construction Fund	195	-	195
West Plant Construction Fund	2,245,862	-	2,245,862
Equipment Replacement Fund	303,389	-	303,389
General Obligation Public Works	1,249,543	-	1,249,543
Landscaping Fund	67,689	-	67,689
Home Grant Fund	1,039	-	1,039
Legacy Fund	136,051	-	136,051
Total Capital Projects Funds	<u>4,054,686</u>	-	<u>4,054,686</u>
Internal Service Funds:			
Employees' Insurance Fund	-	1,175,566	1,175,566
Flexible Spending Fund	1,066	-	1,066
Service Center	10,178	-	10,178
City OPEB Fund	531,000	-	531,000
School OPEB Fund	555,500	-	555,500
Total Internal Service Funds	<u>1,097,744</u>	<u>1,175,566</u>	<u>2,273,310</u>
Total Governmental Funds	<u>15,868,151</u>	<u>1,680,531</u>	<u>17,548,682</u>
Proprietary Funds:			
Water and Sewer Utility Fund	3,756,350	1,009,283	4,765,633
Electric Utility Fund	-	5,683,505	5,683,505
Landfill Fund	-	1,634,718	1,634,718
Stormwater Utility Fund	680,127	-	680,127
Total Proprietary Funds	<u>4,436,477</u>	<u>8,327,506</u>	<u>12,763,983</u>
TOTAL GOVERNMENT	<u>\$ 20,304,628</u>	<u>\$ 10,008,037</u>	<u>\$ 30,312,665</u>

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(H) RECEIVABLES AND UNBILLED REVENUE:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

During the fiscal year 1983, the City adopted a procedure whereby the Electric Utility Fund purchases the receivables of the Water and Sewer Utility Fund. This procedure results in one billing to customers for user charges.

The Enterprise Funds delay the recording of some accrued revenues. This comes about by staggering their meter reading dates during the month. Consequently, there is a lag in meter reading time and billing dates as the Utilities do not bill at a cut-off date of June 30th, the year-end. Unbilled revenues are estimated by calculation of the number of days unrecorded based on the following month's billing.

The Utilities' approximate unbilled revenues at June 30, 2017 are as follows:

Electric Utility Fund	\$ 3,520,261
Water and Sewer Utility Fund	<u>924,336</u>
Total	<u>\$ 4,444,597</u>

(I) CASH AND INVESTMENTS:

Cash and cash equivalents in governmental type funds consist of petty cash demand deposits, and all highly liquid investments with original maturities of three months or less. Investments in fiduciary funds are stated at fair value. Investments and non-cash equivalents consist of certificates of deposit, United States government securities, commercial paper and bonds with an original maturity date greater than three (3) months.

In order to provide a safe temporary medium for investment of idle funds, the City adopted an investment policy that allows investment in the following:

1. Bonds, notes and treasury bills of the United States;
2. Non-convertible debt securities of certain government sponsored enterprises that are chartered by the Congress of the United States;
3. Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
4. Certificates of Deposit at state and federal chartered banks and savings and loan associations;
5. The Local Government Investment Pool created by TCA, Title 9, Chapter 4, Part 2;

(J) DUE TO AND DUE FROM OTHER FUNDS, AND INTERFUND TRANSFERS:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Operating transfers represent intragovernmental transactions, and therefore, cannot be considered as revenues or expenditures of the related funds for financial reporting purposes. The exception to transfers between funds are transactions between funds whereby the transaction is classified as a revenue, expenditure, or expense, such as routine service charges for inspection, engineering, utilities, or similar services provided by a department financed from one fund to a department financed from another fund. These transactions give rise to the recording of revenues, expenditures, and expenses by the funds involved in the transaction, as if the transaction had been consummated with an external entity.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(J) DUE TO AND DUE FROM OTHER FUNDS, AND INTERFUND TRANSFERS (Continued):

Interfund transfers during the fiscal year ended June 30, 2017 are as follows:

<u>From:</u>	<u>Debt Service</u>	<u>To:</u>			<u>Totals</u>
		<u>General Fund</u>	<u>West Plant Construction Fund</u>	<u>GO Public Works</u>	
Governmental Activities:					
GO Public Works	\$ -	\$ -	\$ 2,770,625	\$ -	\$ 2,770,625
General Fund	4,500,000	-	-	-	4,500,000
Education Fund	-	55,000	-	-	55,000
Special Projects	-	-	-	91,096	91,096
2001 Special Projects	-	-	-	319,167	319,167
Subtotal	<u>4,500,000</u>	<u>55,000</u>	<u>2,770,625</u>	<u>410,263</u>	<u>7,735,888</u>
Internal Service Fund:					
Service Center Fund	-	-	-	55,089	55,089
Business-type Activities:					
Electric Utility	-	1,499,929	-	-	1,499,929
Water/Sewer Utility	-	400,000	-	-	400,000
Subtotal	-	<u>1,899,929</u>	-	-	<u>1,899,929</u>
Total	<u>\$ 4,500,000</u>	<u>\$1,954,929</u>	<u>\$ 2,770,625</u>	<u>\$ 465,352</u>	<u>\$ 9,690,906</u>

Interfund receivables/payables (due to/from) at June 30, 2017:

<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
INTERFUND RECEIVABLES:		INTERFUND PAYABLES:	
General Fund	\$ 14,186	Education	\$ 1,529
Alcoa City Schools Cafeteria	1,529	Federal Projects	69,574
Water/Sewer Utility	70,043	Electric	82,876
Landfill Fund	202,284	Landfill	1,353
Education	69,574	Debt Service	202,284
	<u>\$ 357,616</u>		<u>\$ 357,616</u>

(K) INTEREST RECEIVABLE:

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(L) INVENTORIES AND PREPAID ITEMS:

Materials and supplies inventories of the proprietary funds are maintained by a perpetual inventory accounting system and are valued on a basis of the lower of average cost or market, using first-in first-out method. Inventory of the Alcoa City Schools' Cafeteria Fund is accounted for on the purchase (cost) basis, using the first-in first-out method.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government wide and fund financial statements.

(M) OTHER ASSETS:

Other assets held are recorded and accounted for at cost.

(N) RESTRICTED ASSETS:

State and federal laws and regulations require the Landfill Fund to restrict cash and investments for closure and postclosure costs of the Landfill. Restricted at June 30, 2017 is \$9,783,900.

(O) USE OF ESTIMATES:

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.

(P) COMPENSATED ABSENCES:

The City of Alcoa, Tennessee, accounts for compensated absences in conformity with the *Governmental Accounting Standards Board (GASB) Statement Number 16*, whereby a liability is accrued for the amounts employees are entitled to receive for future absences. Such accruals include related costs such as payroll taxes and retirement contributions as required by *GASB Statement Number 16*.

The City of Alcoa employees are granted vacation and sick leave in varying amounts. Vacation is generally granted for periods from two (2) to five (5) weeks based on the number of years employed. Employees earning more than two (2) weeks of vacation during the previous calendar year may carry over one (1) week (40 hours) of vacation leave in addition to that earned the preceding year. In the event of termination, an employee is reimbursed for accumulated vacation days. Sick leave is accumulated at one (1) day per month for an unlimited amount. Employees are reimbursed for accumulated sick leave up to a maximum of eighty (80) days only after reaching the established normal retirement age. If an employee terminates prior to attaining the normal retirement age, the accumulated sick leave is forfeited.

Employees of the City of Alcoa Board of Education accumulate sick leave at the rate of one (1) day per month or a maximum of ten (10) days per year based upon a ten (10) month period. Non-professional employees of the Board have the same sick leave policies as other employees of the City of Alcoa.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(P) COMPENSATED ABSENCES (Continued):

Compensated absences are those absences for which employees will be paid for services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee are accounted for in the period those services are rendered or those events take place.

Accumulated unpaid vacation and vested sick pay are accrued in the Government-wide and all Proprietary Fund statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources.

In governmental funds, compensated absences that have matured (i.e. unused reimbursable leave still outstanding following an employee’s resignation or retirement) are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The portion of compensated absences that are attributed to retirees with a retirement date of less than one year are accrued in the general fund. The remainder of the compensated absences liability is reported as General Long Term Debt. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

(Q) CAPITAL ASSETS

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks and culverts) are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 value to the asset, or materially extend its life, are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress) are not depreciated:

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	50
Improvements	20 – 50
Equipment and vehicles	5 - 25
Infrastructure	60

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(R) LONG-TERM OBLIGATIONS (Continued)

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type. Debt issuance costs which are recovered through rate charges established by regulatory authority are deferred and amortized over the life of the debt. Debt payable is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, in the period in which the debt is issued. 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.

Proprietary fund financial statements recognize debt issuance costs recovered through rate charges as deferrals that are amortized to interest expense over the life of the debt. Debt payable is reported net of the applicable premium discount. Under GASB statement No. 62, debt issue costs that are recovered through rate charges established by the regulatory authority are recognized as deferred regulatory charges. They are amortized over the life of the debt.

(S) COMPARATIVE TOTAL DATA:

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain comparative data for the prior year was reclassified to be comparable with June 30, 2017 accounts in the government wide and fund financial statements. However, comparative data (i.e., presentation of prior year's totals by fund type) have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.

(T) IMPLEMENTATION OF NEW ACCOUNTING STANDARDS:

The City follows Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of authority (commission) using its highest level of formal action (ordinance).

This amount can also include amounts needed to balance the next year's budget when the budget is approved by ordinance.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(T) IMPLEMENTATION OF NEW ACCOUNTING STANDARDS (Continued):

d. Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority or an official expressly authorized by the governing body. Only the City Commission has the authority to assign funds for specified purposes, by a majority vote system.

e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The City has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement 54 apply expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources. No City official is granted the authority to assign fund balance. In addition, the City has no formal policy with regard to stabilization funds.

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In addition, the GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resource, or inflows of resources. Since this Statement closely correlates to Statement No. 63, the City has elected to early implement the provisions of this statement.

During the year ended June 30, 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*,” which establishes guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments and for disclosures related to fair value measurements.

During the year ended June 30, 2017, The City implemented GASB Statement No. 77 *Tax Abatement Disclosures*. For the year ended June 30, 2017, the City of Alcoa has no agreements that abate property taxes.

(U) PENSIONS:

The City implemented GASB 68 “Accounting and Financial Reporting for Pensions,” effective for the year beginning July 1, 2014.

Primary Government - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Alcoa’s participations in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) and the City’s Employees Retirement System, and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan, and the City’s Employee Retirement System. 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, and the City’s Employees Retirement System. Investments are reported at fair value.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

(U) PENSIONS (Continued):

City of Alcoa Education - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

(V) RECLASSIFICATIONS/NET POSITION RESTATED:

Certain prior year assets, liabilities, equity, revenues and expenditures of the General Fund, Special Revenue Funds, Fiduciary Fund and Enterprise Funds have been reclassified to facilitate comparison with June 30, 2017 amounts. The reclassification causes no effect on the "excess of revenues and other sources over expenditures and other uses" or on beginning fund equities.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

Total fund balances of the City’s governmental funds differ from net position of governmental activities reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental fund balance sheets.

Balance Sheet/Statement of Net Position

	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Long-term</u> <u>Assets,</u> <u>Liabilities</u> <u>(1)</u>	<u>Internal</u> <u>Service</u> <u>Funds</u> <u>(2)</u>	<u>Reclassifications</u> <u>and</u> <u>Eliminations</u>	<u>Statement</u> <u>of</u> <u>Net Position</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 504,965	\$ -	\$ -	\$ -	\$ 504,965
Pooled cash.....	14,770,407	-	2,273,310	-	17,043,717
Investments	8,956,755	-	-	-	8,956,755
Receivables:					
Sales tax receivable	2,068,859	-	-	-	2,068,859
Property Taxes, net.....	10,768,735	-	-	-	10,768,735
Accounts, net.....	228,058	-	-	130,860	358,918
Prepaid expenses	6,417	-	-	-	6,417
Net pension asset.....	-	6,773	-	-	6,773
Due from other governments.....	872,433	-	-	-	872,433
Due from others	130,860	-	-	(130,860)	-
Capital Assets, Net	-	85,789,647	-	-	85,789,647
Capital lease property.....	-	9,894,150	-	-	9,894,150
Total Assets	<u>38,307,489</u>	<u>95,690,510</u>	<u>2,273,310</u>	<u>-</u>	<u>136,271,369</u>
Deferred Outflows of Resources:					
Deferred Outflows – Pensions.....	-	7,954,216	-	-	7,954,216
Deferred Outflows – Change in fair value of swap derivatives.....	<u>-</u>	<u>686,952</u>	<u>-</u>	<u>-</u>	<u>686,952</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>8,641,168</u>	<u>-</u>	<u>-</u>	<u>8,641,168</u>
Liabilities					
Accounts payable	2,553,324	-	501,789	-	3,055,113
Accrued liabilities	387,327	-	-	-	387,327
Unapplied grant funds	44,405	-	-	(44,405)	-
Unearned revenue.....	935,705	-	-	44,405	980,110
Long-term debt.....	-	91,326,268	-	-	91,326,268
Internal balances.....	71,103	-	-	-	71,103
Unfunded pension obligation	-	15,587,485	-	-	15,587,485
Unfunded OPEB obligation.....	-	1,204,555	-	-	1,204,555
Derivative – interest rate swap	-	686,952	-	-	686,952
Total Liabilities	<u>3,991,864</u>	<u>108,805,260</u>	<u>501,789</u>	<u>-</u>	<u>113,298,913</u>
Deferred Inflow of Resources:					
Property taxes.....	9,987,811	-	-	-	9,987,811
Deferred Inflows – Pension.....	<u>-</u>	<u>2,273,814</u>	<u>-</u>	<u>-</u>	<u>2,273,814</u>
Total Deferred Inflow of Resources	<u>9,987,811</u>	<u>2,273,814</u>	<u>-</u>	<u>-</u>	<u>12,261,625</u>
Net Position.....	<u>\$ 24,327,814</u>	<u>\$ (6,747,336)</u>	<u>\$ 1,771,521</u>	<u>\$ -</u>	<u>\$ 19,351,999</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued):

(1) LONG-TERM ASSETS, LIABILITIES

(a) When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of Capital Assets/Lease Property	\$ 146,943,711
Accumulated depreciation	<u>(51,259,914)</u>
	<u>\$ 95,683,797</u>

(b) Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Compensated Absences	\$ 77,361	\$ 767,741	\$ 845,102
Bonds, Capital improvement notes, loans	3,125,000	79,395,000	82,520,000
Capital lease obligation	339,200	7,621,966	7,961,166
Unfunded Pension Liability	-	15,580,087	15,580,087
Post-employment benefit obligation	-	1,204,555	1,204,555
Derivative Swap Instrument Liability	<u>-</u>	<u>686,952</u>	<u>686,952</u>
Total Change to Net Position	<u>\$ 3,541,561</u>	<u>\$ 105,256,301</u>	<u>\$ 108,797,862</u>

(c) Deferred Outflows and Deferred Inflows relating to pension and derivative instruments are not receivable and/or payable in the current period and, accordingly, are not reported as fund assets and/or liabilities. All are reported in the statement of net position.

Deferred Outflows of Resources	\$ 8,641,168
Deferred Inflows of Resources	<u>(2,273,814)</u>
Net Change to Net Position	<u>\$ 6,367,354</u>

(2) INTERNAL SERVICE FUNDS

Internal service funds are used by management to charge the costs of self-insurance, service center operations, fleet maintenance, and data processing services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Cash	\$ 2,273,310
Accounts payable	<u>(501,789)</u>
Net Position	<u>\$ 1,771,521</u>

(B) The net change in fund balances for governmental funds differ from the change in net position for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued):

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

<u>Revenues (Continued)</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Capital-</u> <u>Related</u> <u>Items</u> <u>(3)</u>	<u>Long-term</u> <u>Debt</u> <u>Transactions</u> <u>(4)</u>	<u>Internal</u> <u>Service</u> <u>Funds</u> <u>(5)</u>	<u>Reclass-</u> <u>ifications</u>	<u>Statement</u> <u>of</u> <u>Activities</u>
Taxes - Property.....	\$ 14,328,724	\$ -	\$ -	\$ -	\$ -	\$ 14,328,724
Sales taxes.....	13,372,865	-	-	-	-	13,372,865
Other taxes.....	2,678,713	-	-	-	(1,125,056)	1,553,657
Licenses, permits and fees.....	417,279	-	-	-	-	417,279
Business taxes.....	-	-	-	-	961,373	961,373
Intergovernmental.....	-	-	-	-	-	-
Intergovernmental:						
State sales taxes.....	2,113,111	-	-	-	-	2,113,111
Federal and state grants.....	1,058,828	-	-	-	-	1,058,828
USDA revenues.....	839,843	-	-	-	-	839,843
Other state revenues.....	8,787,708	-	-	-	-	8,787,708
Other local revenues.....	140,340	-	-	-	-	140,340
Charges for services.....	1,251,756	-	-	5,860,787	-	7,112,543
Fines, forfeitures, and costs.....	590,061	-	-	-	-	590,061
Investment income.....	26,390	-	-	-	-	26,390
Miscellaneous revenue.....	590,418	-	-	-	-	590,418
Property rentals.....	145,138	-	-	-	-	145,138
Proceeds from sale/deletion of capital assets.....	-	-	-	-	-	-
In-lieu of taxes.....	-	-	-	-	163,683	163,683
Total Revenues.....	<u>46,341,174</u>	<u>-</u>	<u>-</u>	<u>5,860,787</u>	<u>-</u>	<u>52,201,961</u>
Expenditures/Expenses						
Current:						
General government	2,864,149	250,856	(3,803,343)	5,713,613	-	5,025,275
Public safety – Police/Fire	9,596,090	475,685	-	-	-	10,071,775
Public works - Streets	4,496,758	1,237,031	-	-	-	5,733,789
Recreation and Culture	873,137	1,809,351	-	-	-	2,682,489
Community development	1,123,627	-	-	-	-	1,123,627
Education	21,790,764	250,731	-	-	-	22,041,495
Debt service - principal retirement	2,770,000	-	(2,770,000)	-	-	-
Debt service - interest and fiscal fees	1,989,192	-	-	-	-	1,989,192
Capital Outlay/lease payments	<u>2,916,214</u>	<u>(2,742,568)</u>	<u>(1,593,576)</u>	<u>-</u>	<u>-</u>	<u>(1,419,930)</u>
Total Expenditures	<u>48,419,931</u>	<u>1,281,087</u>	<u>(8,166,919)</u>	<u>5,713,613</u>	<u>-</u>	<u>47,247,712</u>
Other Financing Sources (Uses)						
Changes in Net Position						
Transfers (Out)	(7,735,888)	-	7,790,977	(55,089)	-	-
Transfers In	9,690,906	-	(7,790,977)	-	-	1,899,929
Issuance of debt	<u>9,995,000</u>	<u>-</u>	<u>(9,995,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)/Changes In Net Position	<u>11,950,018</u>	<u>-</u>	<u>(9,995,000)</u>	<u>(55,089)</u>	<u>-</u>	<u>1,899,929</u>
Net Change for the Year	<u>\$ 9,871,261</u>	<u>\$ (1,281,087)</u>	<u>\$ (1,828,081)</u>	<u>\$ 92,085</u>	<u>\$ -</u>	<u>\$ 6,854,178</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued):

(3) CAPITAL RELATED ITEMS

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas, net position decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

Capital expenditures	\$ 2,742,568
Depreciation	<u>(4,023,655)</u>
Net Change	<u>\$ (1,281,087)</u>

(4) LONG TERM DEBT TRANSACTIONS

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	<u>\$ 66,831</u>
--------------------------------	------------------

Repayment of debt principal is reported as a expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. The City’s long-term debt was reduced because principal payments were made to holders of long-term debt.

Principal payments made on long term debt	<u>\$ 2,770,000</u>
Principal payments made on capital lease	<u>\$ 1,593,576</u>

Change in compensated absences	\$ 66,831
Debt released by Maryville College	310,000
Pension expense paid during current year, but after measurement date	3,792,784
Change in derivative instrument	<u>(366,272)</u>
	<u>\$ 3,803,343</u>

Issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the governmental-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Long-term debt increased as follows:

General obligation bonds	<u>\$ (9,995,000)</u>
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(5) INTERNAL SERVICE FUNDS

Internal service funds are used by management to charge the costs of self-insurance, fleet maintenance, and data processing services to individual funds. The adjustments for internal service funds close those funds by crediting amounts to participating governmental activities to adjust internal service funds’ net income for the year.

	<u>\$ 92,085</u>
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CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – CASH AND INVESTMENTS:

In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (3) Certificates of deposit at state and federal chartered bank and savings and loan associations;
- (4) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (5) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (6) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash and investment include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Interest rate risk: The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal management procedures limits investments to maturities of less than twelve months.

Credit risk of investments: The City has no formal policy relating to the credit risk of investments, but has internal management procedures restricts the purchase of securities to the highest possible ratings. Certain bond proceeds are temporarily invested with Morgan Keegan which is unrated. Other investments consist of certificates of deposits in fully insured financial institutions. The City also invests in the LGIP (Local Government Investment Pool) which is unrated.

The City's investment policy allows investments in obligations of the U.S. Treasury and other authorized investments as more fully explained in Note 1.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Investments are shown at fair value; except that investments that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost (none at June 30, 2017). Fair value is based on quoted market prices.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – CASH AND INVESTMENTS (Continued):

Presented below is a summary of Combined Cash, Certificates of Deposit and Investments by Fund as of June 30, 2017:

SUMMARY OF CASH AND INVESTMENTS BY FUNDS:

Fiduciary Funds – Pension Trust	<u>\$ 25,338,933</u>
---------------------------------------	-----------------------------

Statement of Net Position:

Capital Projects Funds – Investments and Local Government Investment Pool	\$ 8,956,755
Enterprise Funds – Restricted Assets.....	9,825,364
Enterprise Funds - Non-restricted Assets	<u>12,763,983</u>
 Total Governmental and Enterprise Funds	 <u>31,546,102</u>

SUMMARY OF CHECKING ACCOUNTS BY FUNDS:

General Fund (includes cash on hand of \$1,200).....	7,669,880
Special Revenue Funds.....	2,457,204
Debt Service Fund	1,093,602
Capital Projects Funds	4,054,686
Internal Service Funds	<u>2,273,310</u>
 Total Checking Accounts By Funds	 <u>17,548,682</u>

Total Checking/ Certificates of Deposit/Investments/Restricted Cash – Statement of Net Position	<u>\$ 49,094,784</u>
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Total cash and investments presented on the statement of net position are as follows:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Investments	\$ 8,956,755	\$ -	\$ 8,956,755
Cash and Certificates of Deposit.....	1,680,531	8,327,506	10,008,037
Restricted Cash/Certificates of Deposit	-	9,825,364	9,825,364
Pooled Cash.....	<u>15,868,151</u>	<u>4,436,477</u>	<u>20,304,628</u>
Total Cash and Investments	<u>\$ 26,505,437</u>	<u>\$ 22,589,347</u>	<u>\$ 49,094,784</u>

On the Statement of Net Position cash and investments are shown as follows:

Cash and certificates of deposit.....	\$ 10,008,037
Pooled Cash	20,304,628
Restricted Assets: Cash and certificates of deposit	9,825,364
Investments	8,956,755
Total Cash and Investments	<u>\$ 49,094,784</u>

As of June 30, 2017 the City had the following investments and maturities:

	<u>Fair Value</u>	Less Than <u>1 Year</u>	<u>1 – 5 Years</u>	<u>6 – 10 Years</u>	More Than <u>10 Years</u>
Investments	<u>\$ 8,956,755</u>	<u>\$ 8,956,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – CASH AND INVESTMENTS (Continued):

Investments in the Local Government Investment Pool, if applicable, are reported at amortized cost. The State Pooled Investment Fund, of which the Local Government Investment Pool is a part, is managed like a SEC 2a-7 fund. The same investment guidelines are followed, but the State Pooled Investment Fund does not report to the SEC.

The shares in the Local Government Investment Pool are constant dollar. Therefore, the fair value of the position in the Pool is the same as the value of the Pool shares.

The State Pooled Investment Fund is governed by the State Funding Board in accordance with Tennessee Code Annotated. The Funding Board is comprised of the State Treasurer, the Comptroller, the Commissioner of Finance and Administration, the Secretary of State, and the Governor. Reporting is done monthly, quarterly, and annually and there are regularly scheduled meetings. The Funding Board has developed an Investment Policy which meets SEC 2a-7 requirements and state law. The Investment Pool has received no credit quality rating from a credit rating agency.

Additional financial information regarding the Local Government Investment Pool is available from the Local Government Investment Pool, P. O. Box 198785, Nashville, Tennessee 37219-8785 (telephone (615) 532-1163).

Credit Risk – Employees’ Retirement System Fund

The credit quality rating of investments in debt securities – the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. A nationally recognized statistical rating organization assigns a rating. The City’s investments in U.S. Agencies are rated Aaa, whereas the corporate securities investments are unrated. Prior to the current year, the funds of the retirement system were invested in a trust fund with First Tennessee Bank and managed by Martin & Company. During the current year, the funds of the retirement system were transferred to the TCRS for investing in the Tennessee Retiree Group Trust (TRGT), and managed by State Street.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. While the City has no formal policy to limit its interest rate risk, it manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term certificates of deposit and by timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide cash flow and liquidity needed for operations.

Concentrations of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

NOTE 4 – PROPERTY TAX:

The City's property tax is levied each September 1st on the assessed value as listed by the County Assessor and is payable by each October 1st. Property taxes are delinquent after October 1st, and are recorded as such on June 30th. The assessed values are established by the County Assessment Board. The City's tax rate for the years ended June 30, 2011 through 2016 was 1.96 per \$100.00 of assessed value.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – PROPERTY TAX (Continued):

Property taxes levied are recorded as receivables, net of estimated uncollectibles. The taxes collected during the fiscal year 2016-17 and expected to be collected in the subsequent sixty (60) days are recognized as revenues in the fiscal year ended June 30, 2017.

Property taxes for 2017 are recorded (estimated at \$9,987,811) as receivables, since the enforceable legal claim to the asset (2017 taxes) is effective as of January 1, 2017 (lien date) in accordance with the “Codification of Governmental Accounting and Financial Reporting Standards – Section No. 50.114.”

NOTE 5 – CAPITAL ASSETS:

Capital assets are stated at cost. Below is a summary of changes in Capital Assets and Accumulated Depreciation used in Governmental Activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer In (Out)</u>	<u>Balance June 30, 2017</u>
Non-depreciable assets:					
Land	\$ 1,999,450	\$ 197,852	\$ -	\$ -	\$ 2,197,302
Depreciable assets:					
Parks & Greenway	4,348,192	215,703	-	-	4,563,895
Accumulated depreciation	<u>(1,278,346)</u>	<u>(126,715)</u>	-	-	<u>(1,405,061)</u>
	<u>3,069,846</u>	<u>88,988</u>	-	-	<u>3,158,834</u>
Buildings	63,810,989	120,708	(147,699)	-	63,783,998
Accumulated depreciation	<u>(12,820,213)</u>	<u>(1,264,668)</u>	<u>147,699</u>	-	<u>(13,937,182)</u>
	<u>50,990,776</u>	<u>(1,143,960)</u>	-	-	<u>49,846,816</u>

Fixed assets are stated at cost. Below is a summary of changes in Capital Fixed Assets and Accumulated Depreciation used in Governmental Activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer In (Out)</u>	<u>Balance June 30, 2017</u>
Swimming Pools	1,047,666	-	-	-	1,047,666
Accumulated depreciation	<u>(699,437)</u>	<u>(52,383)</u>	-	-	<u>(751,820)</u>
	<u>348,229</u>	<u>(52,383)</u>	-	-	<u>295,846</u>
Improvements other than buildings	52,802,018	227,162	-	-	53,029,180
Accumulated depreciation	<u>(26,200,196)</u>	<u>(1,759,306)</u>	-	-	<u>(27,959,502)</u>
	<u>26,601,822</u>	<u>(1,532,144)</u>	-	-	<u>25,069,678</u>
Equipment	9,471,118	358,700	(209,901)	-	9,619,917
Accumulated depreciation	<u>(6,595,668)</u>	<u>(820,583)</u>	<u>209,901</u>	-	<u>(7,206,350)</u>
	<u>2,875,450</u>	<u>(461,883)</u>	-	-	<u>2,413,567</u>
Construction in progress	<u>1,185,161</u>	<u>1,622,443</u>	-	-	<u>2,807,604</u>
Capital Lease Property:					
Civic Center	9,142,400	-	-	-	9,142,400
Communications Center	<u>751,750</u>	-	-	-	<u>751,750</u>
	<u>9,894,150</u>	-	-	-	<u>9,894,150</u>
Capital Assets, net of Accumulated depreciation	<u>\$ 96,964,884</u>	<u>\$ (1,281,087)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,683,797</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – CAPITAL ASSETS (Continued):

A summary of business type capital assets and accumulated depreciation is as follows:

CAPITAL ASSETS:

		Non- Depreciable Land, Land Rights and Easements	Electric Distribution and Buildings	Electric Station Equipment and Improvements Other than Buildings	Equipment	Construction in Progress	Totals
ELECTRIC	Balance 7-1-16	\$ 336,481	\$ 54,943,657	\$17,160,114	\$ 12,878,307	\$ 1,775,606	\$ 87,094,165
	Additions	-	2,508,349	227,863	238,647	542,829	3,517,688
	Retirements	-	(621,067)	-	(118,884)	-	(739,951)
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-17	<u>336,481</u>	<u>56,830,939</u>	<u>17,387,977</u>	<u>12,998,070</u>	<u>2,318,435</u>	<u>89,871,902</u>
WATER	Balance 7-1-16	1,020,097	19,219,761	25,118,734	16,228,547	-	61,587,139
	Additions	-	-	283,895	1,142,385	-	1,426,280
	Retirements	-	-	-	(74,050)	-	(74,050)
	Balance 6-30-17	<u>1,020,097</u>	<u>19,219,761</u>	<u>25,402,629</u>	<u>17,296,882</u>	<u>-</u>	<u>62,939,369</u>
SEWER	Balance 7-1-16	174,138	4,728,135	19,171,053	986,022	-	25,059,348
	Additions	-	-	384,876	-	225,241	610,117
	Retirements	-	-	-	(68,534)	-	(68,534)
	Balance 6-30-17	<u>174,138</u>	<u>4,728,135</u>	<u>19,555,929</u>	<u>917,488</u>	<u>225,241</u>	<u>25,600,931</u>
LANDFILL	Balance 7-1-16	929,861	10,979,123	-	2,732,792	-	14,641,776
	Additions	-	-	-	353,022	50,225	403,247
	Retirements	-	-	-	(197,860)	-	(197,860)
	Balance 6-30-17	<u>929,861</u>	<u>10,979,123</u>	<u>-</u>	<u>2,887,954</u>	<u>50,225</u>	<u>14,847,163</u>
STORMWATER	Balance 7-1-16	-	-	-	654,516	-	654,516
	Additions	-	-	-	-	-	-
	Retirements	-	-	-	-	-	-
	Balance 6-30-17	<u>-</u>	<u>-</u>	<u>-</u>	<u>654,516</u>	<u>-</u>	<u>654,516</u>
	TOTALS	<u>\$ 2,460,577</u>	<u>\$ 91,757,958</u>	<u>\$ 62,346,535</u>	<u>\$ 34,754,910</u>	<u>\$ 2,593,901</u>	<u>\$ 193,913,881</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – CAPITAL ASSETS (Continued):

ACCUMULATED DEPRECIATION:

		<u>Land, Land Rights and Easements</u>	<u>Electric Distribution and Buildings</u>	<u>Electric Station Equipment and Improvements Other than Buildings</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Totals</u>
ELECTRIC	Balance 7-1-16	\$ -	\$ 22,661,208	\$ 7,430,452	\$ 4,645,092	\$ -	\$ 34,736,752
	Additions	-	1,959,400	504,772	477,145	-	2,941,317
	Retirements	-	(621,069)	-	(18,882)	-	(739,951)
	Removal Costs	-	9,674	-	25,102	-	34,776
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-17	<u>-</u>	<u>24,009,213</u>	<u>7,935,224</u>	<u>5,028,457</u>	<u>-</u>	<u>36,972,894</u>
WATER	Balance 7-1-16	-	4,047,582	6,848,940	8,665,015	-	19,561,537
	Additions	-	422,739	545,615	933,612	-	1,901,966
	Retirements	-	-	-	(13,805)	-	(13,805)
	Balance 6-30-17	<u>-</u>	<u>4,470,321</u>	<u>7,394,555</u>	<u>9,584,822</u>	<u>-</u>	<u>21,449,698</u>
SEWER	Balance 7-1-16	-	1,785,526	5,739,891	622,846	-	8,148,263
	Additions	-	-	506,310	52,465	-	689,413
	Retirements	-	-	-	(68,533)	-	(68,533)
	Balance 6-30-17	<u>-</u>	<u>-</u>	<u>6,246,201</u>	<u>606,778</u>	<u>-</u>	<u>8,769,143</u>
LANDFILL	Balance 7-1-16	-	7,092,186	-	2,043,109	-	9,135,295
	Additions	-	527,661	-	223,488	-	751,149
	Retirements	-	-	-	(197,860)	-	(197,860)
	Balance 6-30-17	<u>-</u>	<u>7,619,847</u>	<u>-</u>	<u>2,068,737</u>	<u>-</u>	<u>9,688,584</u>
STORMWATER	Balance 7-1-16	-	-	-	378,841	-	378,840
	Additions	-	-	-	67,304	-	67,304
	Retirements	-	-	-	-	-	-
	Balance 6-30-17	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,145</u>	<u>-</u>	<u>446,145</u>
	TOTALS	<u>-</u>	<u>38,015,545</u>	<u>21,575,980</u>	<u>17,734,939</u>	<u>-</u>	<u>77,326,464</u>
NET CAPITAL ASSETS		<u>\$ 2,460,577</u>	<u>\$ 53,742,413</u>	<u>\$ 40,770,555</u>	<u>\$ 17,019,971</u>	<u>\$ 2,593,901</u>	<u>\$ 116,587,417</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General Government.....	\$ 250,856
Police	475,685
Recreation.....	1,809,352
Public works/streets	1,237,031
Education	250,731
Total depreciation expense – governmental activities	<u>\$ 4,023,655</u>
Business – type activities:	
Water and sewer.....	\$ 2,591,379
Electric.....	2,941,316
Landfill	751,149
Stormwater.....	67,304
Total depreciation expense – business-type activities	<u>\$ 6,351,148</u>

The City uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable fixed assets:

Class	
Building and Improvements	40-50 years
Machinery and equipment.....	4-10 years
Water and sewer systems	50 years
Infrastructure	20-50 years

NOTE 6 – LONG-TERM LIABILITIES:

A summary of changes in the Long-Term Debt is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retired</u> <u>Deletions</u>	<u>Total</u> <u>Balance</u> <u>June 30, 2017</u>	<u>Non-Current</u> <u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Balance</u>
Governmental Activities:						
General Obligation Bonds/ Revenue Bonds.....	\$ 75,605,000	\$ 9,995,000	\$ (3,080,000)	\$ 82,520,000	\$ 79,395,000	\$ 3,125,000
Compensated Absences.....	911,933	-	(66,831)	845,102	767,741	77,361
Capital Leases Payable.....	<u>9,554,742</u>	-	<u>(1,593,576)</u>	<u>7,961,166</u>	<u>7,621,966</u>	<u>339,200</u>
Totals-Governmental Activities	<u>\$ 86,071,675</u>	<u>\$ 9,995,000</u>	<u>\$ (4,740,407)</u>	<u>\$ 91,326,268</u>	<u>\$ 87,784,707</u>	<u>\$ 3,541,561</u>
Business-type Activities:						
General Obligation Bonds/ Revenue Bonds.....	\$ 68,138,701	\$ -	\$ (2,695,500)	\$ 65,443,201	\$ 62,647,169	\$ 2,796,032
Compensated absences.....	957,760	688,795	(957,760)	688,795	124,371	564,424
Capital Outlay Notes	-	266,990	(50,616)	216,374	135,705	80,669
Estimated liability for closure/ Post-closure care cost.....	<u>9,218,798</u>	<u>565,102</u>	<u>-</u>	<u>9,783,900</u>	<u>9,783,900</u>	<u>-</u>
Totals-Business Type Activities.....	<u>\$ 78,315,259</u>	<u>\$ 1,520,887</u>	<u>\$ (3,703,876)</u>	<u>\$ 76,132,270</u>	<u>\$ 72,691,145</u>	<u>\$ 3,441,125</u>
 Totals-Governmental and Business-Type Activities	 <u>\$ 164,386,934</u>	 <u>\$ 11,515,887</u>	 <u>\$ (8,444,283)</u>	 <u>\$ 167,458,538</u>	 <u>\$ 160,475,852</u>	 <u>\$ 6,982,686</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES:

The following is a summary of bond and capital outlay note transactions of the City for the fiscal year ended June 30, 2017.

	General Obligation Bonds	Revenue Bonds	Capital Outlay Notes	Total
Debt payable at July 1, 2016	\$ 140,345,000	\$ 3,398,701	\$ -	\$ 143,743,701
Debt refunded	(5,305,000)	(160,500)	(50,616)	(5,516,116)
Debt released by Maryville College	(310,000)	-	-	(310,000)
Issued during fiscal year	<u>9,995,000</u>	<u>-</u>	<u>266,990</u>	<u>10,261,990</u>
Debt Payable – June 30, 2017	<u>\$ 144,725,000</u>	<u>\$ 3,238,201</u>	<u>\$ 216,374</u>	<u>\$ 148,179,575</u>

Bonds payable at June 30, 2017, are comprised of the following individual issues:

General Obligation Bonds:	Total	Long-term Amount Outstanding	Current Amount Outstanding
\$300,000 – 2008 General Obligation Bonds, due in installments of \$150,000 average interest at 4.68%.....	\$ 150,000	\$ -	\$ 150,000
\$275,000 – 2008 Local Government Public Improvement Bonds Series B-17-A due in two installments of \$135,000 to \$140,000 through June 2018 variable interest	140,000	-	140,000
\$77,370,000 – 2008 Local Government Improvement Bonds, Series E-5-B, due in annual installments of \$100,000 to \$2,090,000 through June 2042, variable interest	67,980,000	64,910,000	3,070,000
\$9,925,000 – 2010 Industrial Development Board of Blount County, TN, Civic Arts Center, due in annual installments of \$310,000 to \$565,000 through June 2036, interest at 4.5%.....	6,190,000	6,190,000	-
\$10,000,000 – 2012 General Obligation Bonds – due in annual installments of \$50,000 to \$650,000 through June 2043, variable interest	9,275,000	9,225,000	50,000
\$10,000,000 – 2013A General Obligation Bonds due in annual installments of \$25,000 to \$700,000 through June 2043	9,925,000	9,900,000	25,000
\$2,000,000 – 2013B General Obligation Bonds due in annual installments of \$400,000 through June 2019	800,000	400,000	400,000
\$10,000,000 – 2014 General Obligation Bonds due in annual installments of \$75,000 to \$750,000 through June 2043	9,775,000	9,700,000	75,000

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (Continued):

Bonds payable at June 30, 2017, are comprised of the following individual issues:

General Obligation Bonds:	<u>Total</u>	<u>Long-term Amount Outstanding</u>	<u>Current Amount Outstanding</u>
\$9,000,000 – General Obligation Bonds Series 2014 (taxable), due in annual installments of \$660,000 to \$830,000 through June 2026, variable interest.....	7,290,000	6,460,000	830,000
\$9,995,000 – 2015 General Obligation Bonds – due in annual installments of \$245,000 to \$545,000 through June 2045, variable interest.....	9,995,000	9,750,000	245,000
\$4,395,000 – 2016 Landfill General Obligation Bonds – due in annual installments of \$675,000 to \$775,000 through June 2022, interest at 2%.	3,720,000	3,020,000	700,000
\$9,625,000 – 2016 General Obligation Bonds – due in annual installments of \$65,000 to \$975,000 through June 2042, variable interest.	9,490,000	9,420,000	70,000
\$9,995,000 – 2017 General Obligation Bonds – due in annual installments of \$460,000 to \$685,000 through June 2037, variable interest.	9,995,000	9,995,000	-
Revenue Bonds:			
\$4,064,166 – 2011 State Revolving Funds – due in annual installments of \$35,642 to \$207,313 through March 2033, interest at 3.4%	<u>3,238,201</u>	<u>3,072,169</u>	<u>166,032</u>
Total Bonds Outstanding	<u>\$ 147,963,201</u>	<u>\$ 142,042,169</u>	<u>\$ 5,921,032</u>
Capital Outlay Notes:			
\$266,990 – 2016 General Obligation Capital Outlay Note – due in monthly installments of \$7,673 through December 2019, interest at 2.25%	<u>216,374</u>	<u>135,705</u>	<u>80,669</u>
Total Bonds and Capital Outlay Notes Outstanding	<u>\$ 148,179,575</u>	<u>\$ 142,177,874</u>	<u>\$ 6,001,701</u>

Total Bonds and Capital Outlay Notes Outstanding are classified in the financial statements as follows:

Proprietary Fund Types.....	\$ 65,659,575
Governmental Activities	<u>82,520,000</u>
Total Bonds and Notes Outstanding.....	<u>\$ 148,179,575</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (Continued):

The annual requirements to amortize all Bonds and Capital Outlay Notes outstanding as of June 30, 2017, including interest payments, are \$225,256,230 as follows:

Fiscal Year Ending June 30th	Principal	Interest	Total
2018	\$ 6,001,701	\$ 5,755,816	\$ 11,757,517
2019	6,231,721	5,472,696	11,704,417
2020	6,463,460	5,241,195	11,704,655
2021	6,673,840	4,998,810	11,672,650
2022	<u>6,755,188</u>	<u>4,743,673</u>	<u>11,498,861</u>
Subtotal	<u>32,125,910</u>	<u>26,212,190</u>	<u>58,338,100</u>
2023	5,691,752	4,759,271	10,451,023
2024	5,908,556	4,543,352	10,451,908
2025	6,085,576	4,317,712	10,403,288
2026	6,312,848	4,079,911	10,392,759
2027	<u>5,965,372</u>	<u>3,831,776</u>	<u>9,797,148</u>
Subtotal	<u>29,964,104</u>	<u>21,532,022</u>	<u>51,496,126</u>
2028	6,158,160	3,590,645	9,748,805
2029	6,526,212	3,339,328	9,865,540
2030	6,859,540	3,061,599	9,921,139
2031	6,153,156	2,766,584	8,919,740
2032	<u>5,312,072</u>	<u>2,515,831</u>	<u>7,827,903</u>
Subtotal	<u>31,009,140</u>	<u>15,273,987</u>	<u>46,283,127</u>
2033	5,292,265	2,310,787	7,603,052
2034	5,543,156	2,099,437	7,642,593
2035	5,710,000	1,872,220	7,582,220
2036	5,995,000	1,636,682	7,631,682
2037	<u>4,900,000</u>	<u>1,386,620</u>	<u>6,286,620</u>
Subtotal	<u>27,440,421</u>	<u>9,305,747</u>	<u>36,746,167</u>
2038	4,360,000	1,182,870	5,542,870
2039	4,555,000	994,800	5,549,800
2040	4,810,000	794,831	5,604,831
2041	4,990,000	583,075	5,573,075
2042	<u>5,250,000</u>	<u>372,026</u>	<u>5,622,026</u>
Subtotal	<u>23,965,000</u>	<u>3,927,602</u>	<u>27,892,602</u>
2043	2,605,000	150,751	2,755,751
2044	525,000	42,800	567,800
2045	545,000	21,800	566,800
2046	-	-	-
2047	-	-	-
Subtotal	<u>3,675,000</u>	<u>215,351</u>	<u>3,890,351</u>
Totals	<u>\$ 148,179,575</u>	<u>\$ 76,466,898</u>	<u>\$ 224,646,473</u>

In the Electric Utility Fund, there are certain limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES:

Interest Rate Derivatives

The City of Alcoa, Tennessee has three interest rate swaps as of June 30, 2017. Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet the criteria of GASB 53, paragraph 27 a and b, or investment derivative instruments if they do not meet the criteria. The following table summarizes the interest rate swaps outstanding as of the date of this report.

<u>Derivative Instrument</u>	<u>Trade Date</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Counterparty</u>
\$13.4M 63% CMS Swap	8/7/2008	8/7/2008	6/1/2040	DEPFA Bank, PLC
\$ 4.5M 63% CMS Swap	8/7/2008	8/7/2008	6/1/2030	DEPFA Bank, PLC
\$10.0M 63.1% CMS Swap	8/7/2008	8/7/2008	6/1/2022	Morgan Keegan Financial Products, Inc.

Fair Values

The fair values of the interest rate swaps were estimated using the GASB 72 Fair Value and Leveling method. Derivative instruments are classified in Level 2 of the fair value hierarchy using a market approach that considers benchmark interest rates with inputs of 5-year forward CMS/3M LIBOR zero curve/AA Rated General Obligation curve/ and LIBOR swaption volatility with Market source from Reuters.

Fair Values at 6-30-2017:

<u>Hedging Derivatives</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change In Value</u>	<u>Government Activities</u>	<u>Business-Type Activities</u>
\$13.4M 63% CMS Swap	\$ (4,173,301)	\$ (5,501,079)	\$ 1,327,778	\$ -	\$ 1,327,778
\$ 4.5M 63% CMS Swap	(979,364)	(1,330,022)	350,658	-	350,658
\$10.0M 63.1% CMS Swap	<u>(686,952)</u>	<u>(1,152,297)</u>	<u>465,345</u>	<u>465,345</u>	<u>-</u>
	<u>\$ (5,839,617)</u>	<u>\$ (7,983,398)</u>	<u>\$ 2,143,781</u>	<u>\$ 465,345</u>	<u>\$ 1,678,436</u>

Evaluation of Hedge Effectiveness

GASB 53 describes four primary methods for evaluating hedge effectiveness as follows: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. However, GASB 53 also allows a governmental entity to use other quantitative methods that are based on “established principles of financial economic theory”. A governmental entity may use any of the evaluation methods outlined in the Statement and is not limited to using the same method from period to period. All potential hedging derivative instruments that were determined to be hedging derivative instruments in the prior reporting period should be re-evaluated as of

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Evaluation of Hedge Effectiveness

the end of the current reporting period using the method that was applied in the prior reporting period. If that method is applied and the hedging derivative no longer meets the criteria for effectiveness of that method, a government may, but is not required to, apply another method before concluding that the hedging derivative instrument is no longer effective.

As of the date of this report, each of Alcoa’s outstanding derivatives pass at least one of the established GASB 53 hedge effectiveness testing methods and would be considered hedging derivatives for the year ending June 30, 2017. Those passing the dollar-offset method as of the date of this report. These derivatives and their associated hedged items are listed below:

<u>Derivative Instrument</u>	<u>Hedged Item</u>	<u>Maturity</u>	<u>Refunding?</u>	<u>Date</u>	<u>Refunded Bonds</u>
\$13.4M 63% CMS Swap	Series E-5-B: CUSIP: 095175RQ0	6/1/2042	Yes	8/7/2008	095175KK0
\$ 4.5M 63% CMS Swap	Series E-5-B: CUSIP: 095175RQ0	6/1/2042	Yes	8/7/2008	095175KE4
\$10.0M 63.1% CMS Swap	Series E-5-B: CUSIP: 095175RQ0	6/1/2042	Yes	8/7/2008	818200FX0

Consistent Critical Terms Method

Consistent critical terms (“CCT”) is the only non-quantitative method included in the Statement. If all of the critical terms of the derivative match the hedged item, the derivative is presumed to be effective.

Quantitative Methods

Three quantitative methods for testing effectiveness are included in GASB 53. Those methods are synthetic instrument, dollar-offset, and regression analysis. It is important to note that from period to period, a governmental entity can use any method that verifies effectiveness.

Synthetic Instrument Method

The synthetic instrument (“SI”) method combines the net cash flows from the derivative with the variable cash flows of the hedged item to simulate a third synthetic instrument. The synthetic rate is calculated based on the combined cash flows and is compared against the fixed rate on the derivative. If the synthetic rate is no less than 90% or no greater than 111% of the fixed rate on the derivative, the hedge passes the test and is considered effective.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Dollar-Offset Method

Under the dollar-offset (“D-O”) method the governmental entity divides the changes in the fair value of the derivative by the changes in fair value of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. The result of the calculation must fall within 80% to 125% in order for the derivative to be considered effective. An important distinction between D-O and SI is that D-O is a measure of expected future cash flows rather than a calculation of actual cash flows used in the SI test. The \$13.4M 63% CMS and \$4.5M 63% CMS Swaps were tested and passed the D-O method in the prior period; therefore, the D-O method was the first method applied to the swaps for the current period. The results are detailed below:

Dollar Offset Method (Life-to-Date)

<u>Swap</u> <u>Description</u>	<u>Swap</u> <u>Beginning</u> <u>Value</u>	<u>Swap</u> <u>Ending</u> <u>Value</u>	<u>Bond</u> <u>Beginning</u> <u>Value</u>	<u>Bond</u> <u>Ending</u> <u>Value</u>	<u>Dollar</u> <u>Offset</u> <u>Ratio</u>	<u>Pass</u> <u>or</u> <u>Fail</u>
\$13.4M 63% CMS Swap	\$ (980,408)	\$ (4,268,262)	\$ _____ -	\$ 3,629,597	91%	Pass

Regression Analysis Method

Regression analysis measures the statistical relationship between the fair value or cash flows of the potential hedging derivative and the hedgeable item. For cash flow hedges, the relationship analyzed should be relevant cash flows, rates, or fair values. Linear regression is a common statistical tool used to measure correlation and produce a linear function that can be used to predict results, if the data is highly correlated. For the analysis, the potential hedging derivative is the independent variable and the hedgeable item is the dependent variable.

The regression analysis should be based on sufficient data to determine if the potential hedging derivative instrument is effective as of the end of the reporting period. The changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item if all of the following criteria are met:

- a. The R² of the regression analysis is at least 0.80.
- b. The regression model is significant using a 95 percent confidence level.
- c. The regression coefficient for the slope is between -1.25 and -0.80.

The use of regression analysis requires an understanding of statistics. The results need to be interpreted correctly in order for the test to have any relevance.

Regression Analysis Method (Continued)

The \$10.0M 63.1% CMS Swap and \$4.5M 63% CMS Swap were tested and passed the regression analysis method in the prior period. Therefore, the swaps were tested using the regression analysis method for the current period. The results of the regression analysis are as follows:

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Regression Analysis Method (Continued)

The \$10.0M 63.1% CMS Swap and \$4.5M 63% CMS Swap were tested and passed the regression analysis method in the prior period. Therefore, the swaps were tested using the regression analysis method for the current period. The results of the regression analysis are as follows:

Relevant Results Summary

<u>Interest Rate Swap Description</u>	<u>R Square</u>	<u>Significance F</u>	<u>Slope</u>	<u>Observations</u>	<u>Pass or Fail</u>
\$4.5M 63% CMS Swap	0.9549	0.00%	(1.2099)	37	Pass
\$10.0M 63.1% CMS Swap	0.8758	0.00%	(0.8404)	37	Pass

Based on the parameters required to apply hedge accounting, the derivatives are deemed to be highly effective.

Derivative Instruments

On May 1, 2006, the City entered into a \$13,400,000 loan agreement with the Public Building Authority of Blount County (the “Authority”). Under its loan agreement, the Authority, at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-7-A effective on December 1, 2006.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variables and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$13.4 million Series D-7-A variable-rate bonds. The intention of the swap was to effectively change the City’s variable interest rate on the bonds to a synthetic fixed rate. The Series D-7-A bonds have since been refunded with a portion of the proceeds of the Series E-5-B bonds and the interest rate swap is now associated with the Series E-5-B bonds.

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 3.8675 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had an original notional amount of \$13.4 million along with the original associated variable-rate bonds. At no time will the notional amount on interest rate swap agreement exceed the outstanding principle of the Series E-5-B Bonds. The variable-rates on the bonds have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The swap agreement and the associated bonds mature on June 1, 2040. As of June 30, 2017, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.868%
Variable payment from counterparty	% LIBOR	<u>-1.234%</u>
Net interest rate swap payments		2.634%
Variable-rate bond coupon payments		<u>1.441%</u>
Effective Synthetic interest rate on bonds		<u>4.075%</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Fair Value: As of June 30, 2017, the swap had a negative fair value of (\$4,173,301) excluding accrued interest of \$29,147. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk: As of June 30, 2017, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with Depfa bank, who was rated “A+” by Standard and Poor’s and “Aa3” by Moody’s Investor Service at the time the interest rate swap agreement was entered into. If Depfa’s credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2017, Depfa’s credit rating had been downgraded and was rated “NR/A-” by Moody’s and Standard and Poor’s respectively. The counterparty has posted all collateral requirements with a third-party custodian.

Basic risk: As noted above, the swap exposes the City to basic risk should the rate on the Bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

Swap payments and associated debt: As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable – rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Business-Type Activities			
	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2018	\$ -	\$ 193,041	\$ 352,951	\$ 545,992
2019	-	193,041	352,951	545,992
2020	-	193,041	352,951	545,992
2021	-	193,041	352,951	545,992
2022	-	193,041	352,951	545,992
2023– 2027	-	965,204	1,764,753	2,729,957
2028 – 2032	2,000,000	950,798	1,738,414	4,689,212
2033 – 2037	6,900,000	638,187	1,166,844	8,705,031
2038 – 2040	4,500,000	129,655	237,055	4,866,710
	<u>\$ 13,400,000</u>	<u>\$ 3,649,049</u>	<u>\$ 6,671,821</u>	<u>\$ 23,720,870</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

On December 15, 2005, the City entered into a \$4,500,000 loan agreement with the Public Building Authority of Blount County (the “Authority”). Under its loan agreement, the Authority, at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-5-C effective on December 1, 2006.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variables and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$4.5 million Series D-5-C variable-rate bonds. The intention of the swap was to effectively change the City’s variable interest rate on the bonds to a synthetic fixed rate. The Series D-5-C bonds have since been refunded with a portion of the proceeds of the Series E-5-B bonds and the interest rate swap is now associated with the Series E-5-B bonds.

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 3.8825 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had an original notional amount of \$4.5 million along with the original associated variable-rate bonds. At no time will the notional amount on interest rate swap agreement exceed the outstanding principle of the Series E-5-B Bonds. The variable-rates on the bonds have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The swap agreement and the associated bonds mature on June 1, 2030. As of June 30, 2017, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.883%
Variable payment from counterparty	% LIBOR	<u>(1.234)%</u>
Net interest rate swap payments		2.649%
Variable-rate bond coupon payments		<u>1.441%</u>
Effective Synthetic interest rate on bonds		<u><u>4.090%</u></u>

Fair Value: As of June 30, 2017, the swap had a negative fair value of (\$979,364) excluding accrued interest of \$361,700. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk: As of June 30, 2017, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with Depfa bank, who was rated “A+” by Standard and Poor’s and “Aa3” by Moody’s Investor Service at the time the interest rate swap agreement was entered into. If Depfa’s credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2017, Depfa’s credit rating had been downgraded and was rated “NR/A-” by Moody’s and Standard and Poor’s respectively. The counterparty has posted all collateral requirements with a third-party custodian.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Basic risk: As noted above, the swap exposes the City to basic risk should the rate on the Bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

Swap payments and associated debt: As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year <u>Ending June 30,</u>	Business-Type Activities			
	<u>Variable Rate Bonds</u>		<u>Net Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap Payment</u>	
2018	\$ -	\$ 64,827	\$ 119,203	\$ 184,030
2019	-	64,827	119,203	184,030
2020	-	64,827	119,203	184,030
2021	-	64,827	119,203	184,030
2022	100,000	64,827	119,203	284,030
2023 – 2027	600,000	282,358	519,196	1,401,554
2028 – 2030	<u>3,800,000</u>	<u>137,938</u>	<u>253,638</u>	<u>4,191,576</u>
	<u>\$ 4,500,000</u>	<u>\$ 744,431</u>	<u>\$ 1,368,849</u>	<u>\$ 6,613,280</u>

On January 1, 2000, the City entered into a \$10,000,000 loan agreement with the Public Building Authority of Sevier County (the “Authority”). Under its loan agreement, the Authority, at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-B-5 on June 19, 2002.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variables and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series IV-B-5 variable-rate bonds. The intention of the swap was to effectively change the City’s variable interest rate on the bonds to a synthetic fixed rate. The Series IV-B-5 bonds have since been refunded with a portion of the proceeds of the Series E-5-B bonds and the interest rate swap is now associated with the Series E-5-B bonds.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 4.20 percent and receives a variable payment computed as 63.10 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had an original notional amount of \$10 million along with the original associated variable-rate bonds. At no time will the notional amount on interest rate swap agreement exceed the outstanding principle of the Series E-5-B Bonds. The variable-rates on the bonds have historically approximated the Securities Industry and Financial Markets Association Index (the “SIFMA”). The swap agreement and the associated bonds mature on June 1, 2022. As of June 30, 2017, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.200%
Variable payment from counterparty	% LIBOR	<u>(1.236)%</u>
Net interest rate swap payments		2.964%
Variable-rate bond coupon payments		<u>1.441%</u>
Effective Synthetic interest rate on bonds		<u><u>4.405%</u></u>

Fair Value: As of June 30, 2017, the swap had a negative fair value of (\$686,952) excluding accrued interest of \$20,874. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk: As of June 30, 2017, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s fair value. The swap counterparty, Morgan Keegan Financial Products (“MKFP”) was rated “BBB” by Standard and Poor’s as of June 30, 2017, with its Credit Support Provider, Deutsche Bank, rated Baa2/A-/A- by Moody’s, Standard & Poor’s and Fitch, respectively.

Basic risk: As noted above, the swap exposes the City to basic risk should the rate on the Bonds increase to above 63.1% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63.1% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Swap payments and associated debt: As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Governmental Activities			
	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2018	\$ 1,550,000	\$ 123,172	\$ 253,465	\$ 1,926,637
2019	1,625,000	100,842	207,515	1,933,357
2020	1,705,000	77,432	159,342	1,941,774
2021	1,790,000	52,870	108,797	1,951,667
2022	1,880,000	27,083	55,733	1,962,816
	\$ 8,550,000	\$ 381,399	\$ 784,852	\$ 9,716,251

NOTE 8 – RETIREMENT COMMITMENTS:

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA:

Effective Date:

The retirement system was restated in its entirety effective July 1, 2013. The original effective date was January 1, 1955.

Eligibility:

All full-time employees of the City employed at least 30 hours per week, except school personnel eligible for membership in the Tennessee Teachers' Retirement System, shall become members of the system on the first day of the calendar month coincident with or next following the date of employment. The City Manager may, by affirmative written election, choose to be a member of the system. Certain department heads may elect not to become members of the system. Each employee shall be classified as a general employee, fireman, policeman or lineman.

Employees hired on or after May 18, 2000 shall not be eligible to participate in the system.

Credited Service:

Credited service shall mean the period of a member's continuous service since his last date of employment with the City; authorized leaves of absence do not interrupt continuous service, but no credit is given for the period of absence except for certain periods of military service. Prior periods of employment may be credited subject to certain conditions. Credited service does not include employment beyond age 65 for members classified as fireman, policemen or linemen.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS:

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA:

Compensation of a Member:

For system purposes, compensation shall mean the total cash compensation paid to a member by the City.

Normal Retirement:

Condition – The normal retirement date is the last day of the calendar month during which the member's 55th birthday occurs and the member completes 25 years of credited service, but not beyond the later of age 65 and the date the member completes 5 years of credited service.

Benefit – The normal retirement benefit, commencing on the last day of the third calendar month following the member's normal retirement date and payable monthly for life, is equal to 1/12th of the total of (i) and (ii) as follows:

- (i) 1.4% of average earnings multiplied by total years of credited service.
- (ii) .316% of average earnings in excess of covered compensation multiplied by the total years of credited service not in excess of 35 years

“Average earnings” is the average annual earnings of a member for the five consecutive years of credited service which produce the highest average.

“Covered compensation” is the average (without indexing) of the contribution and benefit based in effect under Section 230 of the Social Security Act for each calendar year in the 35 year period ending with the last day of the calendar year in which the member attains (or will attain) his Social Security retirement age.

Upon retirement, the member shall receive a severance allowance in the amount of his regular rate of compensation, excluding overtime and other special forms of pay, for three (3) months after the date of his termination of employment.

If a member's normal retirement benefit payments are to commence before age 62, then the member will receive a temporary supplemental retirement benefit in addition to his normal retirement benefit described above. This benefit will be a monthly benefit in the normal form, with payments commencing at the same time as the normal retirement benefit and ceasing on the last day of the month immediately preceding the earlier of the member's date of death and age 62. The amount of the member's supplemental retirement benefit shall be equal to the member's projected primary annual retirement benefit under the Social Security Act to which the member would be entitled upon attainment of age 62, based on the assumption that his compensation for purposes of the Social Security Act would be at the same rate until such date as the annual rate he was receiving from the City at the determination date and that the Social Security Act remains unchanged after the determination date.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

Normal Retirement (Continued):

If a member retires under the normal retirement provisions of the system before July 1, 1999 and prior to attaining age 65, then the member will receive an additional temporary supplemental retirement benefit in addition to the benefits described above. This benefit will be a monthly benefit in the normal form, with payments commencing at the same time as the normal retirement benefit and ceasing on the last day of the month immediately preceding the earlier of the member's date of death and age 65. The amount of this benefit shall be \$150 per month.

“Social Security retirement age” shall mean age 65 in the case of a member born before January 1, 1938, age 66 for a member born after December 31, 1937, but before January 1, 1955, and age 67 for a member born after December 31, 1954.

Employees Covered by Benefit Terms:

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	170
Inactive employees entitled to but not yet receiving benefits	<u>68</u>
	<u>238</u>

Early Retirement:

Condition – If the employment of a member is terminated after his normal retirement date, he is eligible for a delayed retirement benefit.

Benefit – The benefit, commencing on the last day of the third calendar month following the member's actual date of retirement, is computed in the same manner as the normal retirement benefit described above, with the computation being made as of the member's actual retirement date.

Upon retirement, the member shall receive a severance allowance in the amount of his regular rate of compensation, excluding overtime and other special forms of pay, for three (3) months after the date of his termination of employment.

If a member's delayed retirement benefit payments are to commence before age 62, then the member will receive a temporary supplemental retirement benefit in addition to his delayed retirement benefit described above. This benefit shall be a monthly benefit in the normal form. The terms and amount of the member's supplemental retirement benefit shall be the same as the supplemental retirement benefit described for normal retirement, with the computation of the amount being made as of the member's date of termination of service using the member's rate of annual compensation at his date of termination for purposes of determining his projected primary insurance amount.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

Delayed Retirement:

Condition – If the employment of a member is terminated after his normal retirement date, he is eligible for a delayed retirement benefit.

Benefit – The benefit, commencing on the last day of the third calendar month following the member's actual date of retirement, is computed in the same manner as the normal retirement benefit described above, with the computation being made as of the member's actual retirement date.

Upon retirement, the member shall receive a severance allowance in the amount of his regular rate of compensation, excluding overtime and other special forms of pay, for three (3) months after the date of his termination of employment.

If a member's delayed retirement benefit payments are to commence before age 62, then the member will receive a temporary supplemental retirement benefit in addition to his delayed retirement benefit described above. This benefit shall be a monthly benefit in the normal form. The terms and amount of the member's supplemental retirement benefit shall be the same as the supplemental retirement benefit described for normal retirement, with the computation of the amount being made as of the member's date of termination of service using the member's rate of annual compensation at his date of termination for purposes of determining his projected primary insurance amount.

Disability Retirement:

Condition – In the event a member becomes totally and permanently disabled, as determined by the Board, after completion of 5 years of credited service, and remains so disabled until the benefit commencement date described below, he will be entitled to a disability retirement benefit.

Benefit – The disability retirement benefit will commence on the last day of the calendar month after all the member's sick leave, salary continuation or vacation benefits of whatever kind provided to him by the City are exhausted, but not before the last day of the later of:

- (i) The sixth calendar month following the member's date of disablement as determined by the Board, and
- (ii) The calendar month coincident with or immediately following age 65.

The benefit is computed in the same manner as the normal retirement benefit described above, except that such computation shall be based on the member's average earnings as of the date he became disabled and shall include credit for credited service for the period of time after disability occurs and prior to the disability retirement benefit commencement date.

Death Before Retirement:

Condition – In the event of the death of a member after becoming eligible for vested, early, normal or delayed retirement benefits, but before benefits commence, a monthly survivorship benefit shall be payable to the member's surviving spouse.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

Death Before Retirement (Continued):

Benefit – The monthly survivorship benefit, payable on the last day of the calendar month following the later of the member's death and his earliest retirement age, and continuing for the lifetime of the surviving spouse, is determined as 50% of the member's vested accrued benefit at the time of his death.

If there is no surviving spouse, the monthly benefit is payable for five years to the member's designated beneficiary.

Termination of Employment After 5 Years of Service:

If a participant terminates employment after completion of 5 or more years of service, he is entitled to a deferred vested benefit to commence as his normal retirement date. The amount of the benefit is computed in the same manner as the deferred benefit for early retirement described above, with the computation being made as of his date of termination, and is multiplied by the vesting percentage in the following table:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 5	0%
5	100%

Other Termination of Employment:

If employment is otherwise terminated before retirement, no benefits are provided under the system.

Optional Methods of Benefit Payment:

Subject to the applicable system conditions, a member may select an optional method of benefit payment, in lieu of the prescribed straight life income, which is actuarially equivalent. The purpose of the optional method is to permit the guarantee of retirement income payments for a minimum period of time or to provide a continued life income to a surviving beneficiary after the death of the member. Optional methods of benefit payment are as follows:

- Life income, 60 payments guaranteed
- Life income, 120 payments guaranteed
- Life income, 180 payments guaranteed
- Joint and 50% survivor
- Joint and 75% survivor
- Joint and 100% survivor

Employer Contributions:

The City contributes actuarially determined amounts to finance the system benefits; no contributions are required by members of the system.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

Prior to the current year, the funds of the retirement system were invested in a trust fund with First Tennessee Bank and managed by Martin & Company. During the current year, the funds of the retirement system were transferred to the TCRS for investing in the Tennessee Retiree Group Trust (TRGT), and managed by State Street. The City is one participant in the TRGT, and owns shares in the TRGT valued at \$25,338,933 as of June 30, 2017. The TRGT is an external investment pool sponsored by the State of Tennessee. The TRGT was established in 2015 under provisions codified in *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37.

The TCRS and the State Treasurer as custodians are responsible for managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of the TCRS. The TRGT assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the TCRS.

Schedule of Changes in Net Pension Liability, Deferrals, and Pension Expense

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances – 06/30/2015	<u>\$ 37,245,314</u>	<u>\$ 23,536,876</u>	<u>\$ 13,708,438</u>
Changes for the Year:			
Service cost	205,136	-	205,136
Interest expense	2,695,269	-	2,695,269
Experience losses (gains)	117,353	-	117,353
Changes of assumptions	(1,221,352)	-	(1,221,352)
Contributions – Employer	-	2,406,072	(2,406,072)
Net investment income	-	802,129	(802,129)
Benefits paid	(2,832,855)	(2,832,855)	-
Plan administrative expenses	-	(83,979)	83,979
Net Changes	<u>(1,036,449)</u>	<u>291,367</u>	<u>(1,327,816)</u>
Balances – 06/30/2016	<u>\$ 36,208,865</u>	<u>\$ 23,828,243</u>	<u>\$ 12,380,622</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

Investment of Funds (Continued):

The following presents the net pension liability using the stated discount rate of 7.5%, as well as what the net position liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Net Pension Liability	\$ <u>15,806,858</u>	\$ <u>12,380,622</u>	\$ <u>9,428,140</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2017, the recognized pension expense will be \$2,132,867. This determination is based on a measurement date of June 30, 2015. At June 30, 2017, the Employees' Retirement System of the City of Alcoa reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,118	\$ -
Change of assumptions	-	407,117
Net difference between projected and actual earnings on pension plan investments	973,131	-
Contributions subsequent to the measurement date of June 30, 2016	<u>2,132,867</u>	<u>-</u>
Total	<u>\$ 3,145,116</u>	<u>\$ 407,117</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive (no future service is assumed for inactive for this calculation).

Contributions subsequent to the measurement date totaling \$2,132,867 were reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

2018	\$ (174,023)
2019	193,977
2020	396,383
2021	188,795
2022	-
Thereafter	-

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued):

Summary of Actuarial Assumptions and Methods

	<u>Age 20</u>	<u>Age 35</u>	<u>Age 50</u>	<u>Age 60</u>
Withdrawal Rates (per 1,000 lives)				
Male and Female				
Estimated Experience (1 st Year Select)	342.00	329.00	277.00	219.40
Estimated Experience (2 nd Year Select)	140.80	137.40	123.00	105.90
Estimated Experience (Ultimate)	105.60	59.80	38.40	31.30
Rate of Disablement (per 1,000 lives)				
Railroad Retirement System	0.80	0.80	5.20	33.50
Disabled Mortality/Recovery Rates (per 1,000 lives)				
1965 Railroad Retirement Board	44.06	44.06	45.30	53.30
Salary Scale				
4.0% annual increase to normal retirement, adjustment for longevity and sick pay	1.04	1.04	1.04	1.04
Rate of Retirement		<u>AGE</u>	<u>% RETIRING</u>	
Participants are assumed to retire according to a variable age distribution		55	50.00%	
		56	08.00%	
		57	08.70%	
		58	07.14%	
		59	07.69%	
		60	08.33%	
		61	09.09%	
		62	33.33%	
		63	25.00%	
		64	33.33%	
		65	100.00%	
Rate Of Investment Return	7.5% per annum for funding			
Social Security Projection	Wage base at 4.0% per annum			
	Cost of living escalation at 4.0% per annum			
Actuarial Valuation Method	Entry age normal method (level percentage of pay)			
Asset Valuation Method	Market value			
Provision for Expenses	None assumed			
Adjustment to Credited Service	Credited service adjusted to reflect accumulated sick leave			
Amortization Method	Level dollar			

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(B) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:

Plan Description:

Employees of the City of Alcoa 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. 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided:

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLA's) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one-percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms:

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	110
Active employees	<u>241</u>
	<u>411</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(B) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

Contributions:

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for the City was \$1,927,205 based on a rate of 16.24% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state share 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 amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8— RETIREMENT COMMITMENTS (Continued):

(B) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

Net Pension Liability (Asset) (Continued)

Actuarial assumptions (Continued):

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(B) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

Changes in the Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
Balance at June 30, 2015	<u>\$ 34,062,348</u>	<u>\$ 31,787,407</u>	<u>\$ 2,274,941</u>
Changes for the year:			
Service cost	948,025	-	948,025
Interest	2,593,218	-	2,593,218
Differences between expected and actual experience	(36,221)	-	(36,221)
Contributions – employer	-	1,949,830	(1,949,830)
Contributions - employees	-	-	-
Net investment income	-	855,389	(855,389)
Benefit payments, including refunds of employee contributions	(868,269)	(868,269)	-
Administrative expense	<u>-</u>	<u>(18,410)</u>	<u>18,410</u>
Net Changes	<u>2,636,753</u>	<u>1,918,540</u>	<u>718,213</u>
Balance at June 30, 2016	<u>\$ 36,699,101</u>	<u>\$ 33,705,947</u>	<u>\$ 2,993,154</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
The City's net pension liability (asset)	\$ 8,519,093	\$ 2,993,154	\$(1,580,874)

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

Pension expense:

For the year ended June 30, 2017, The City recognized pension expense of \$1,296,311.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(B) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

Deferred outflows of resources and deferred inflows of resources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 281,262	\$ 47,152
Net difference between projected and actual earnings on pension plan investments	1,150,808	-
Contributions subsequent to the measurement date of June 30, 2016	<u>1,927,205</u>	<u>-</u>
 Total	 <u>\$ 3,359,275</u>	 <u>\$ 47,152</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:	
2018	160,582
2019	160,582
2020	615,165
2021	346,783
2022	33,076
Thereafter	68,730

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(C) ALCOA CITY SCHOOLS – TEACHER LEGACY PENSION PLAN OF TCRS

Plan Description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Alcoa City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. 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 all employer pension plans in 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service 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. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAS, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(C) ALCOA CITY SCHOOLS – TEACHER LEGACY PENSION PLAN OF TCRS (Continued)

Contributions (Continued)

Employer contributions by Alcoa City Schools for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were \$861,447 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is 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.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (assets)

At June 30, 2017, Alcoa City Schools reported a liability of \$1,543,334 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial value as of that date. Alcoa City Schools' proportion of the net pension liability was based on Alcoa City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016 Alcoa City Schools' proportion was 0.246955 percent. The proportion measured as of June 30, 2015 was 0.232672 percent.

Negative pension expense

For the year ended June 30, 2017, Alcoa City Schools recognized negative pension expense of \$233,711.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 64,949	\$ 1,868,467
Net difference between projected and actual earnings on pension plan investments	1,723,154	-
Changes in proportion of Net Pension Liability (Asset)	228,989	-
LEA's contributions subsequent to the measurement date of June 30, 2016	<u>861,447</u>	<u>-</u>
TOTAL	<u>\$ 2,878,539</u>	<u>\$ 1,868,467</u>

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(C) ALCOA CITY SCHOOLS – TEACHER LEGACY PENSION PLAN OF TCRS (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Alcoa City Schools employer contributions of \$861,447, reported as pension related deferred outflows of resources, subsequent to the measurement date will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2018	(236,953)
2019	(236,963)
2020	589,643
2021	132,979
2022	(95,081)

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

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(C) ALCOA CITY SCHOOLS – TEACHER LEGACY PENSION PLAN OF TCRS (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

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

Discount rate:

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

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(C) ALCOA CITY SCHOOLS – TEACHER LEGACY PENSION PLAN OF TCRS (Continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents Alcoa City Schools’ proportionate share of the net pension liability (asset) of the calculated using the discount rate of 7.5 percent, as well as what the Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Alcoa City Schools’ proportionate share of the net pension liability (asset)	\$ 8,474,715	\$ 1,543,334	\$(4,198,308)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

(D) ALCOA CITY SCHOOLS – TEACHER’S RETIREMENT PLAN OF TCRS:

Plan Description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Alcoa City Schools are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. 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 all employer pension plans in 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member’s age and service credit total 90. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(D) ALCOA CITY SCHOOLS – TEACHER’S RETIREMENT PLAN OF TCRS (Continued):

Benefits Provided (Continued)

Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Alcoa City Schools for the year ended June 30, 2017 to the Teacher Retirement Plan were \$26,916 which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is 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.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets)

At June 30, 2017, Alcoa City Schools reported an asset of \$5,839 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Alcoa City Schools’ proportion of the net pension asset was based on Alcoa City Schools’ share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016 Alcoa City Schools’ proportion was 0.056086 percent. The proportion measured as of June 30, 2015 was 0.26151 percent.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(D) ALCOA CITY SCHOOLS – TEACHER’S RETIREMENT PLAN OF TCRS (Continued):

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pension Expense

For the year ended June 30, 2017, Alcoa City Schools’ recognized pension expense of \$4,818.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 566	\$ 673
Net difference between projected and actual earnings on pension plan investments	956	-
Change in proportion of net pension Liability (Asset)	-	840
LEAs contributions subsequent to the measurement date of June 30, 2016	26,916	-
Total	\$ 28,438	\$ 1,513

Alcoa City Schools’ employer contributions of \$26,916 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:	
2018	166
2019	166
2020	166
2021	166
2022	(84)
Thereafter	(571)

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

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(D) ALCOA CITY SCHOOLS – TEACHER’S RETIREMENT PLAN OF TCRS (Continued):

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(D) ALCOA CITY SCHOOLS – TEACHER’S RETIREMENT PLAN OF TCRS (Continued):

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

Discount rate

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

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents Alcoa City Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Alcoa City Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease	Current	1% Increase
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
Alcoa City Schools’ Proportionate share of the net pension liability (asset)	\$ 2,757	\$ (5,839)	\$ (12,172)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

(E) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM – HYBRID W/O Cc

Plan Description

Employees of the City of Alcoa Hybrid W/O Cc are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administrated 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(E) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM – HYBRID W/O Cc (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 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. 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 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>39</u>
Total	<u><u>39</u></u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City's Hybrid W/O Cc makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for the City's Hybrid W/O Cc were \$113,677 based on a rate of 5.9% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's Hybrid W/O Cc state shared taxes if required employer contributions are not remitted. The employer's 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 ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(E) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM – HYBRID W/O Cc (Continued)

Net Pension Liability (Asset)

The City's Hybrid W/O Cc net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(E) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM – HYBRID W/O Cc (Continued)

Net Pension Liability (Asset)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

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

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City's Hybrid W/O Cc 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)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
Balance at June 30, 2015	\$ 3,760	\$ 2,959	\$ 801
Changes for the year:			
Service cost	6,951	-	6,951
Interest	803	-	803
Differences between expected and actual experience	41,847	-	41,847
Contributions – employer	-	53,225	(53,225)
Contributions - employees	-	-	-
Net investment income	-	750	(750)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(2,639)	2,639
Net Changes	<u>49,601</u>	<u>51,336</u>	<u>(1,735)</u>
Balance at June 30, 2016	<u>\$ 53,361</u>	<u>\$ 54,295</u>	<u>\$ (934)</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(E) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM – HYBRID W/O Cc (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’s Hybrid W/O Cc calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Current Discount</u> <u>Rate (7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
The City’s Hybrid W/O Cc net pension liability (asset)	\$ 14,625	\$ (934)	\$ (12,655)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense:

For the year ended June 30, 2017, The City’s Hybrid W/O Cc recognized pension expense of \$12,103.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the City’s Hybrid W/O Cc reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual experience	\$ 38,771	\$ -
Net difference between projected and actual earnings on pension plan investments	1,144	-
Contributions subsequent to the measurement date of June 30, 2016	<u>113,677</u>	<u>-</u>
Total	<u>\$ 153,592</u>	<u>\$ -</u>

The amount show above for “Contributions subsequent to the measurement date of June 30, 2016”, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2018	3,829
2019	3,829
2020	3,829
2021	3,813
2022	3,539
Thereafter	21,078

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(E) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM – HYBRID W/O Cc (Continued)

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

(F) RESTRICTED FOR NET PENSION ASSET

At June 30, 2017, the City reported a Net Pension Asset of \$6,773, which is made up of the Teacher’s Hybrid Plan of TCRS and the TCRS – Hybrid W/O Cc Plan. As the net change of the Pension Liability resulted in a Pension Asset for the year thus ended, the following restrictions have been placed on Net Position.

	<u>Retirement Plan</u>	<u>Hybrid Plan</u>	<u>Total</u>
Net pension asset	\$ 5,839	\$ 934	\$ 6,773
Deferred inflows - pensions	28,438	153,592	182,030
Deferred outflows - pensions	(1,513)	-	(1,513)
Restricted for pension asset	\$ 32,764	\$ 154,526	\$ 187,290

(G) DEFERRED COMPENSATION PLAN:

The City of Alcoa, Tennessee offers its employees a deferred compensation plan known as the City of Alcoa Thrift Plan. The Plan, available to all city employees, permits them to defer a portion of their salary until future years. Contributions to the plan are optional. The deferred compensation is not available to employees until termination, retirement, or death. Investments in the plan are managed by SEI Private Trust Company through Wachovia Bank as sub-custodian.

The City of Alcoa Thrift Plan qualifies under Internal Revenue Section 457(g). The assets of the deferred compensation plan are held in trust (not available to the creditors of the City) and the City does not act as a fiduciary or administrator of the trust. The Plan administrator provides an annual valuation report to the City. The Plan assets totaled \$1,762,337 and \$17,098,134 as of June 30, 2017 and 2016, respectively.

The following is a summary of activity in the Plan for the year:

Asset balance at July 1, 2016	\$ 17,098,134
Deferrals of compensation	1,257,507
Investment appreciation/depreciation	2,012,752
Withdrawals	(2,745,017)
Asset balance at June 30, 2017	\$ 17,623,376

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

(H) OTHER POST-EMPLOYMENT BENEFITS:

In addition to the pension benefits described above, the City of Alcoa provides post-retirement health care benefits to all employees who retire from the City. Currently 41 City retirees and 21 Education retirees meet the eligibility requirements.

CITY OF ALCOA – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Background

On July 1, 2008, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the City’s retiree health benefits. Historically, the City’s post retirement benefits were funded on a pay-as-you-go basis, but GASB 45 requires that the City accrue the cost of the retiree health subsidy and any other post-employment benefits during the period of the employees’ active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City.

Plan Description

The City established a policy that provides medical insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in the self-insured plan provided by the City. The retiree can remain on the City plan from age 55 through age 65 by paying half of the coverage premium to the City.

At July 1, 2016 the date of the actuarial valuation, membership included:

	<u>Primary Government</u>
Retirees and beneficiaries receiving benefits	41
Terminated employees entitled to, but not yet receiving benefits	0
Employees eligible for coverage	231

Funding Policy

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City’s annual required contribution, but does not require the funding of the related liability. The City has established an internal service fund where assets are set aside for payment of OPEB.

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(H) OTHER POST-EMPLOYMENT BENEFITS (Continued):

CITY OF ALCOA – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset is as follows for June 30:

	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
Net OPEB Obligation – July 1	\$ 313,393	\$ 451,177	\$ 501,000
Annual Required Contribution (ARC)	395,552	310,746	325,606
Interest on Net OPEB Obligation	12,536	18,047	20,040
Adjustment on ARC	<u>(10,339)</u>	<u>(15,367)</u>	<u>(17,596)</u>
Annual OPEB Cost	<u>397,749</u>	<u>313,426</u>	<u>328,050</u>
Annual Employer Trust Contribution	-	-	-
Employer Payments for Retiree Benefits	<u>(259,965)</u>	<u>(263,603)</u>	<u>(284,691)</u>
Total Contribution	<u>(259,965)</u>	<u>(263,603)</u>	<u>(284,691)</u>
Increase in Net OPEB Obligation	<u>137,784</u>	<u>49,823</u>	<u>43,359</u>
Net OPEB Obligation – June 30	\$ <u>451,177</u>	\$ <u>501,000</u>	\$ <u>544,359</u>

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the year ended June, 2016 (based on an actuarial as of July 1, 2016), the City’s OPEB funding progress is as follows:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL(UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	UAAL (Funding Excess as a Percentage of Covered Payroll)
7/01/09	\$ -	\$ 4,187,184	\$ 4,187,184	0%	\$13,540,995	30.9%
7/01/10	\$ -	4,231,148	4,231,148	0%	13,540,995	31.2%
7/01/11	\$ -	5,424,471	5,424,471	0%	12,441,103	43.6%
7/01/12	\$ -	5,561,497	5,561,497	0%	12,441,103	44.7%
7/01/13	\$ -	5,655,719	5,655,719	0%	13,076,017	43.3%
7/01/14	\$ -	5,789,674	5,655,719	0%	13,076,017	43.3%
7/01/15	\$ -	4,861,135	4,861,135	0%	12,618,206	38.5%
7/01/16	\$ -	4,880,813	4,880,813	0%	12,618,206	38.7%

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(H) OTHER POST-EMPLOYMENT BENEFITS (Continued):

CITY OF ALCOA – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued):

* Information for the 2010-2011 fiscal years is based on results from an actuarial valuation that was performed as of July 1, 2010, information for the 2012 and 2013 fiscal years is based on an actuarial valuation as of July 1, 2012, information for the 2014 and 2015 fiscal years is based on an actuarial valuation as of July 1, 2014, and information for the 2016 fiscal year is based on an actuarial valuation as of July 1, 2016.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of evaluation. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

ACTUARIAL METHOD AND ASSUMPTION

The ARC for fiscal year ended June 30, 2017 was determined as part of the July 1, 2016, actuarial valuation using the entry age normal method – a method under which the Actuarial Present Value of the Projected Benefits is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages.

Funding Investment Rate	4%
Medical Trend Rate	8% graded down to 6% after 4 years, and 6% thereafter
Inflation Rate Assumption	3%
Ultimate Trend Rate.....	6%
Actuarial Cost Method.....	Entry Age Normal
Annual Payroll Growth Rate.....	4.00%
Remaining amortization period at June 30, 2017	30 years, closed

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(I) ALCOA CITY SCHOOLS – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Background

On July 1, 2008, the Alcoa Schools adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension*. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the School’s retiree health benefit subsidy. Historically, the School’s subsidy was funded on a pay-as-you-go basis, but GASB 45 requires that the Schools accrue the cost of the retiree health subsidy and any other post-employment benefits during the period of the employees’ active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Schools.

Plan Description

The Schools maintain a policy that provides medical insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in the self-insured plan provided by the Schools.

Funding Policy

At July 1, 2016 the date of the actuarial valuation, membership included:

	<u>Alcoa City Schools</u>
Retirees and beneficiaries receiving benefits.....	21
Terminated employees entitled to, but not yet receiving benefits	0
Active employees.....	178

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the School’s annual required contribution, but does not require the funding of the related liability.

The School’s annual OPEB cost (expense) is calculated based on the annual required contribution of the School (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(I) ALCOA CITY SCHOOLS – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset is as follows for June 30:

	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
Net OPEB Obligation – July 1	\$ 347,820	\$ 444,244	\$ 550,426
Annual Required Contribution (ARC)	236,778	217,975	230,941
Interest on Net OPEB Obligation	13,913	17,770	22,017
Adjustment on ARC	<u>(14,175)</u>	<u>(18,378)</u>	<u>(23,108)</u>
Annual OPEB Cost	<u>236,516</u>	<u>217,367</u>	<u>229,850</u>
Annual Employer Trust Contribution	-	-	-
Employer Payments for Retiree Benefits	<u>(140,092)</u>	<u>(111,185)</u>	<u>(120,080)</u>
Total Contribution	<u>(140,092)</u>	<u>(111,185)</u>	<u>(120,080)</u>
Increase in Net OPEB Obligation	<u>96,424</u>	<u>106,182</u>	<u>109,770</u>
Net OPEB Obligation – June 30	<u>\$ 444,244</u>	<u>\$ 550,426</u>	<u>\$ 660,196</u>

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the year ended June, 2016, the School's OPEB funding progress is as follows:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL(UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	UAAL (Funding Excess as a Percentage of Covered Payroll)
7/01/08	\$ -	\$ 3,543,694	\$ 3,543,694	0%	\$ 8,128,471	43.6%
7/01/09	\$ -	\$ 1,786,267	\$ 1,786,267	0%	\$ 8,396,138	21.3%
7/01/10	\$ -	\$ 1,846,396	\$ 1,846,396	0%	\$ 8,396,138	22.0%
7/01/11	\$ -	\$ 1,799,973	\$ 1,799,973	0%	\$ 8,519,194	21.1%
7/01/12	\$ -	\$ 1,849,957	\$ 1,849,957	0%	\$ 8,519,194	21.1%
7/01/13	\$ -	\$ 2,291,375	\$ 2,291,375	0%	\$ 8,507,101	27%
7/01/14	\$ -	\$ 2,291,375	\$ 2,291,375	0%	\$ 8,507,101	27%
7/01/15	\$ -	\$ 2,103,986	\$ 2,103,986	0%	\$ 9,950,218	21%
7/01/16	\$ -	\$ 2,188,242	\$ 2,188,242	0%	\$ 9,950,218	22%

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(I) ALCOA CITY SCHOOLS – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)

* Information for the 2009 fiscal year is based on results from an actuarial valuation that was performed as of July 1, 2010 and information for the 2010-2011 fiscal years is based on an actuarial performed as of July 1, 2010. Information for the 2012 and 2013 fiscal years is based on an actuarial valuation performed as of July 1, 2012. Information for the 2014 and 2015 fiscal years is based on an actuarial valuation performed as of July 1, 2014. Information for the 2016 fiscal year is based on an actuarial valuation performed as of July 1, 2016.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of evaluation. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Method and Assumption

The ARC for fiscal year ended June 30, 2017 was determined as part of the July 1, 2012 actuarial valuation using the entry age normal method – a method under which the Actuarial Present Value of the Projected Benefits is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages.

Significant assumptions used in the actuarial valuation include:

Investment Return Rate	4%
Medical Trend Rate	8% graded down to 6% over 4 years, and 6% thereafter
Inflation Assumption	3%
Ultimate Trend Rate.....	6%
Actuarial Cost Method.....	Entry Age Normal
Annual Payroll Growth Rate.....	3.00%
Remaining amortization period at June 30, 2017	30 years, closed

NOTE 9 – EMPLOYEE HEALTH INSURANCE, INTERNAL SERVICE FUND:

The City of Alcoa, Tennessee has chosen to establish the Employees’ Insurance Trust Fund for risks associated with the employee’s health insurance plan. The Employees Insurance Trust is accounted for as an internal service fund where assets are set aside for claim settlements. The City retains the risk of loss to a limit of \$60,000 per specific loss. The City has obtained a stop/loss commercial insurance policy to cover claims beyond the \$60,000 per specific loss. The maximum liability approximates \$29.6 million for the year (based on 493 employees at a maximum of \$60,000 per employee).

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 – EMPLOYEE HEALTH INSURANCE, INTERNAL SERVICE FUND (Continued):

All full-time employees of the primary government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This premium charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employees’ Insurance Trust Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount.

Changes in the balance of claims liabilities during the past three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Beginning of</u> <u>Fiscal Year</u> <u>Liability</u>	<u>Current Year</u> <u>Claims</u>	<u>Liability Balance</u> <u>at Fiscal</u> <u>Year End</u>
2013	\$ 153,647	\$ 3,613,331	\$ 241,663
2014	241,663	3,311,882	306,223
2015	306,223	3,368,049	466,736
2016	466,736	3,147,126	465,200
2017	465,200	3,921,030	474,047

The City of Alcoa carries commercial insurance for all other risks of loss, including general liability, property and casualty, workers’ compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – CONTRACTS WITH THE TENNESSEE VALLEY AUTHORITY (TVA):

The Electric Utility has a power contract with TVA whereby the Utility purchases all its electric power from TVA subject to certain restrictions and conditions. The restrictions and conditions include prohibitions against diverting Utility assets to other operations of the Municipality, securing indebtedness of other operations, or paying more than the Utility’s equitable share of tax equivalents.

The Utility participates in TVA’s Home Energy Conservation Program. TVA advances the funds from which the Utility disburses for approved customer home insulation and heat pumps. In event of customer default, the Utility does not have loss exposure.

NOTE 11 – JOINT VENTURES:

In order to pool resources and share the costs, risks and rewards of providing services for the benefit of the general public, the City of Alcoa, Tennessee, participates (has an ongoing financial interest and financial responsibility) in the following joint ventures:

- (A) INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE

The Industrial Development Board of Blount County (IDB) was originally incorporated pursuant to a resolution of the Blount County quarterly Court in October, 1969 and was charged with performing any or all of the duties as well as exercising the authority granted by Tennessee Code Annotated (TCA) 7-53-101. Although the board was created by the County, the Cities of Alcoa and Maryville channeled their industrial development efforts along with a proportional share of funding to the Blount County IDB. In September 2008,

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – JOINT VENTURES (Continued):

(A) INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE

pursuant to the governing bodies of Blount County, the City of Alcoa and the City of Maryville and under the provisions of TCA 7-53-104 allowing for jointly created industrial development boards, the Board’s Charter was re-stated as a joint board and renamed the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville. The board consists of ten members, seven of which are elected by the governing bodies of Blount County, Alcoa, and Maryville and the remaining three being the incumbent mayors of the three governments or their designee.

For the fiscal year ended June 30, 2017, the City of Alcoa contributed \$302,675 to the Industrial Development Board of Blount County.

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2016 is presented below:

Industrial Development Board of Blount County and
the Cities of Alcoa and Maryville, Tennessee (Summary)

Revenues	\$ 5,986,633
Expenditures	<u>10,329,994</u>
Excess (deficit) of Expenditures Over Revenues	(4,343,361)
Net Position – July 1, 2015.....	<u>48,018,086</u>
Net Position – June 30, 2016.....	<u>\$ 43,674,725</u>
Total Assets	<u>\$ 76,163,212</u>
Total Liabilities	<u>\$ 32,488,487</u>
Net Position	<u>\$ 43,674,725</u>

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee issues a publicly available report. A copy may be obtained by writing to Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, 201 S. Washington Street, Maryville, Tennessee 37804.

(A) BLOUNT COUNTY PUBLIC LIBRARY:

The Blount County Public Library (a special revenue fund of Blount County, Tennessee) is funded jointly by Blount County, the City of Maryville, Tennessee, and the City of Alcoa, Tennessee, pursuant to an agreement entered into on effective date January 1, 1969, and continuing until any party shall furnish a six (6) months written notice to terminate its participation. Effective July 1, 1989, Blount County, Tennessee became the fiscal agent for the Library, a component unit of Blount County, Tennessee. Financial statements for the Blount County Public Library can be obtained by writing to Blount County Courthouse, 341 Court Street, Maryville, TN 37801.

The Blount County Public Library (a special revenue fund of Blount County, Tennessee) is funded jointly by Blount County, the City of Maryville, Tennessee, and the City of Alcoa, Tennessee, pursuant to an agreement entered into on effective date January 1, 1969, and continuing until any party shall furnish a six (6) months written notice to terminate its participation. Effective July 1, 1989, Blount County, Tennessee became the fiscal agent for the Library, a component unit of Blount County, Tennessee. Financial statements for the Blount County Public Library can be obtained by writing to Blount County Courthouse, 341 Court Street, Maryville, TN 37801.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – JOINT VENTURES (Continued):

(B) BLOUNT COUNTY PUBLIC LIBRARY (Continued):

For the fiscal year ended June 30, 2017, the City of Alcoa contributed \$199,147 to the Library. A summary of the Library’s financial information as required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2017, is presented below:

Revenues.....	\$ 1,215,947
Other Sources – Operating Transfers.....	978,667
Expenditures.....	<u>(2,251,458)</u>
Excess of Expenditures Over Revenues and Other Sources.....	(56,844)
Fund Balance – July 1, 2016.....	<u>811,299</u>
Fund Balance – June 30, 2017.....	<u>\$ 754,455</u>
Total Assets.....	<u>\$ 862,163</u>
Total Liabilities.....	<u>\$ 107,708</u>
Total Fund Balance.....	<u>\$ 754,455</u>

**(B) EMERGENCY COMMUNICATIONS DISTRICT OF BLOUNT COUNTY, TENNESSEE
(formerly Blount County Communications Center):**

Pursuant to agreement dated August 28, 1984, between Blount County, Tennessee, the City of Maryville, Tennessee, and the City of Alcoa, Tennessee, a Communications Center was established for the purpose of handling emergency calls for all three governmental units. The intergovernmental cooperative was known as the Blount County Communications Center, which has now merged with the Blount County Emergency Communications District, a component unit of Blount County, Tennessee. The City’s Board is composed of nine directors, whom are appointed by the Blount County Board of County Commissioners. The City of Alcoa has control over budget and financing of the joint venture only to the extent of representation by the committee members and is responsible for funding 25% of operations. The City of Alcoa contributed \$171,567 to the Emergency Communications District of Blount County during the fiscal year ended June 30, 2017. Summary financial information as required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2017, is presented at the top of the next page:

Operating Revenues.....	\$ 1,519,758
Operating Expenses.....	<u>(2,018,065)</u>
Operating Income (loss).....	(498,307)
Non-Operating Revenues.....	<u>737,957</u>
Change in Net Position.....	239,650
Net Position – July 1, 2016.....	<u>3,676,873</u>
Net Position – June 30, 2017.....	<u>\$ 3,916,523</u>
Total Assets.....	<u>\$ 5,694,952</u>
Total Liabilities.....	<u>\$ 1,778,429</u>
Total Net Position.....	<u>\$ 3,916,523</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – JOINT VENTURES (Continued):

(C) EMERGENCY COMMUNICATIONS DISTRICT OF BLOUNT COUNTY, TENNESSEE
(formerly Blount County Communications Center) (Continued):

The Emergency Communications District of Blount County issues a publicly available financial report. The financial statements can be obtained by writing the Emergency Communications District of Blount County at P. O. Box 4609, Maryville, TN 37802.

(D) BLOUNT COUNTY CABLE TELEVISION AUTHORITY:

Blount County, the City of Maryville, and the City of Alcoa jointly regulate the operation of cable television through the Blount County Cable Television Authority. The Authority is composed of nine members, three of whom are appointed by the City of Alcoa Commission. The remaining six members are appointed by the County and the City of Maryville. The City of Alcoa has control over budget and financing of the joint venture only to the extent of representation by the three board members appointed. The Authority funds its budget through the collection of cable television franchise fees from companies under its jurisdiction. After payment of the Authority’s expenses, the residual of those collections is remitted to the county and the two cities based on point of collection.

Alcoa’s share for the year ended June 30, 2017, amounted to \$71,762. Summary financial information required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2017, is presented below:

Revenues	\$ 1,058,508
Expenditures.....	<u>25,829</u>
Excess of Revenues Over Expenditures Before Franchise	
Fee Distributions	1,032,679
Franchise Fee Distributions to County and Cities	<u>1,033,362</u>
Excess (Deficiency) of Revenues Over Expenditures	(683)
Net Position – July 1, 2016	<u>18,363</u>
Net Position – June 30, 2017.....	<u>\$ 17,680</u>
Total Assets	<u>\$ 266,883</u>
Total Liabilities	<u>\$ 249,203</u>
Total Net Position	<u>\$ 17,680</u>

No joint venture debt was reported on the financial statements of the Cable Television Authority as of June 30, 2017. Publicly available financial statements can be obtained by writing to the Blount County Cable Television Authority, P. O. Box 4338, Maryville, TN 37802.

(E) RECREATION AND PARKS COMMISSION:

Blount County, the City of Maryville, and the City of Alcoa jointly operate a recreation and parks system through a joint Recreation and Parks Commission. The Commission is composed of seven members, two of whom are appointed by the City of Alcoa Commission. Two members each are appointed by the County and the City of Maryville and one member is appointed by the joint commission. The City of Alcoa has control over budget and financing of the Commission only to the extent of representation by the two board members appointed.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – JOINT VENTURES (Continued):

(E) **RECREATION AND PARKS COMMISSION (Continued):**

Contributions toward operations are provided annually by the county and the cities based on a per capita cost sharing formula. The City of Alcoa contributed \$529,685 to the operations of the Commission during the fiscal year ended June 30, 2017, and expended an additional \$81,073 for recreation and parks improvements. For the year ended June 30, 2016, the City contributed \$497,019 for Commission operations and \$89,149 for park improvements.

Summary financial information required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2017, is presented below.

Revenues.....	\$ 2,874,162
Expenditures	<u>(2,732,943)</u>
Excess of Revenues Over Expenditures	141,219
Fund Balance – July 1, 2016.....	<u>1,311,294</u>
Fund Balance – June 30, 2017	<u>\$ 1,452,513</u>
Total Assets	<u>\$ 1,954,790</u>
Total Liabilities.....	<u>\$ 502,277</u>
Total Fund Balance.....	<u>\$ 1,452,513</u>

Complete publically available financial statements are available by writing the office of the Recreation and Parks Commission at 316 Everett High School Road, Maryville, TN 37801.

Bonds issued by Blount County, Tennessee on behalf of the Recreation and Parks Commission for the construction of a new Senior Citizen Center totaled \$1,325,000. The City of Alcoa’s share (10%) is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 12,000</u>	<u>\$ 600</u>	<u>\$ 12,600</u>

JOINT DEVELOPMENT OF INDUSTRIAL PARKS

(F) **PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH:**

Pursuant to an Intergovernmental Agreement dated December 16, 1997, between the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, and the Industrial Development Board of Blount County, Tennessee, the two (2) cities and Blount County agreed to provide financial assistance to the Industrial Development Board and Blount County, Tennessee in connection with the purchase of certain property and the development and operation of such property as two (2) industrial parks. Such financial assistance is to be provided as follows: Blount County – forty percent (40%); City of Maryville – thirty percent (30%); and City of Alcoa – thirty percent (30%).

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 11 – JOINT VENTURES (Continued):

JOINT DEVELOPMENT OF INDUSTRIAL PARKS (Continued):

(F) **PARTNERSHIP PARK NORTH – PARTNERSHIP PARK SOUTH (Continued)**

Bonds issued by the Industrial Board and Blount County, Tennessee for the projects total \$7,915,000. The City of Alcoa’s share is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 81,000</u>	<u>\$ 5,000</u>	<u>\$ 86,000</u>

Under the terms of the Agreement, a Joint Operating Committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the two (2) industrial parks – the Partnership Park South (Herron property) and the Partnership Park North (Burkhart property). Such overall control shall include the right to approve all sales of the property in the Industrial Parks; approve all budgets related to the operation of the Industrial Parks; approve all capital improvements to the Industrial Parks; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Parks.

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, and Blount County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Parks together with other receipts in connection with the operation, development, and maintenance of the Industrial Parks. Also, amounts equivalent to the property taxes received with respect to any property within either of the Industrial Parks is to be contributed to the Industrial Board.

(G) **THE PELLISSIPPI RESEARCH CENTRE ON THE OAK RIDGE CORRIDOR:**

Pursuant to an Intergovernmental Cooperation Agreement dated May 2006, by and among the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, Knox County, Tennessee, and the Industrial Development Board of Blount County, Tennessee, the two (2) cities and two (2) counties agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as a research and development industrial park. Such financial assistance is to be provided as follows: Blount County – twenty-five percent (25%); Knox County – twenty-five percent (25%); City of Maryville – twenty-five percent (25%); and City of Alcoa – twenty-five percent (25%).

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the industrial park. Such overall control shall include the right to approve all sales of property in the Industrial park; approve all budgets related to the operation of the Industrial Park; approve all capital improvements to the Industrial Park; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Park.

In addition to financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, Blount County and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Park together with other receipts in connection with the operation, development, and maintenance of the Industrial Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon the above percentages.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 11 – JOINT VENTURES (Continued):

JOINT DEVELOPMENT OF INDUSTRIAL PARKS (Continued):

(G) THE PELLISSIPPI RESEARCH CENTRE ON THE OAK RIDGE CORRIDOR (Continued):

The City’s funding pursuant to this agreement is \$5,000,000 which is complete at June 30, 2017.

An agreement between the City of Alcoa Utilities and the City of Maryville Utilities (MUB) provides for MUB to treat wastewater from the City of Alcoa Utilities. During the current year, the City of Alcoa Utilities paid MUB \$2,308,606 in operating costs for the year ended June 30, 2017 (June 30, 2016 amount paid \$2,197,113).

NOTE 12 –LANDFILL OPERATIONS:

SOLID WASTE AUTHORITY:

In accordance with the Solid Waste Management Act of 1989, the Solid Waste Authority was established. The Authority’s eleven members, appointed by the Blount County Executive and the Mayors of Maryville and Alcoa, are comprised of the following representatives:

City of Alcoa.....	2
City of Maryville.....	2
Blount County.....	3
Citizens-At-Large.....	2
Private Hauler	1
Industrial	1

Expenditures of the Authority for management and a solid waste plan are paid by the City of Alcoa Landfill Fund and amounted to \$109,064 and \$118,290 for the years ended June 30, 2017 and June 30, 2016, respectively.

LANDFILL CLOSURE AND POSTCLOSURE CARE:

Blount County, Tennessee and the Cities of Maryville and Alcoa are currently being served by one landfill area operated by the City of Alcoa. The existing landfill (Phase I) began operations in 1974, and was expanded in July 1986 and in April 1991. The original design and both expansions were based on a variation of an area landfill using the trench method to develop refuse filled cells.

State and Federal laws and regulations require the Landfill to place a final cover on its Phase I site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after the closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste (including Phase II in 1996 through Phase IV which will all interface with the existing Phase I Landfill), the Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9,825,364 reported as restricted cash and landfill closure and postclosure care liability at June 30, 2017, represents the cumulative amount reported to date based on the use of twenty-eight (28%) percent of the estimated capacity of the Landfill. The amounts are based on what it would cost to perform all closure and postclosure care in 2016. The Landfill expects to close the Landfill site in 2028. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 13 – ECONOMIC DEPENDENCY (ALUMINUM COMPANY OF AMERICA):

The Aluminum Company of America (ALCOA) provides the City of Alcoa with substantial property tax revenues, approximately 25%. Eight additional entities provide an additional 10% in property tax revenues.

NOTE 14 – REFUNDING OF DEBT/NEW DEBT:

(A) GENERAL OBLIGATION BONDS – SERIES 2017

In 2017, the City of Alcoa issued \$9,995,000 General Obligation Bonds. The 2017 bonds were issued to assist in the re-development of the West Plant. The bonds are due in annual installments of \$460,000 to \$865,000, variable interest rate.

(B) GENERAL CAPITAL OUTLAY NOTE – SERIES 2016

In 2017, the City of Alcoa issued \$226,990 in Capital Outlay Notes. The 2016 notes were issued for Landfill to purchase equipment. The notes are due in monthly installments of \$7,673, 2.25% interest rate.

(C) GENERAL OBLIGATION REFUNDING BONDS – SERIES 2016A

On March 10, 2016, the City of Alcoa issued \$9,625,000 General Obligation Refunding Bonds to refund part of the debt of the Series 2008 General Obligation Bonds and part of the debt of the Local Government Improvement Bonds Series B-17-A. Concurrent with the issuance of the refunding bonds, the City transferred funds to an irrevocable trust to pay or call the bonds. As of June 30, 2016, the City retained liability for \$300,000 of the Series 2008 GO bonds to be paid \$150,000 in each fiscal year 2017 and 2018. The City also retained the liability for \$275,000 of the GO Series B-17-A bonds to be paid \$135,000 and \$140,000 in fiscal year 2017 and 2018, respectively. Accordingly, the remaining balance of the GO Series 2008 and B-17-A bonds were defeased by placing the proceeds of the new bond in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, \$10,025,000 at June 30, 2017, and the trust account assets are not included in the financial statements.

(D) GENERAL OBLIGATION REFUNDING BONDS – SERIES 2016B

In May 2016, the City issued \$4,395,000 – 2016 General Obligation refunding bonds to refund the 2009 Landfill obligation bonds. The total proceeds were deposited with the refunding escrow agent. The reacquisition price was equal to the carrying value of the refunded debt. Accordingly, the liability for the defeased bonds at June 30, 2016, and the escrow trust account are not included in the financial statements.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 15 – FUND BALANCES:

(A) FUND BALANCES:

At June 30, 2017, fund balances are as follows:

	Fund Balance Summary							Sub-totals	Description
	Major Governmental Funds								
	General Fund	Education Fund	Debt Service Fund	General Obligation Public Works Construction	Legacy Fund	West Plant Construction Fund	Nonmajor Governmental Funds		
NONSPENDABLE									
Prepays	\$ -	\$ 6,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,417	Nonspendable
RESTRICTED TO:									
General Fund	325,264	-	-	-	-	-	-	325,264	Restricted
Streets and Roads	-	-	-	-	-	-	768,542	768,542	Restricted
Vehicle enforcement	-	-	-	-	-	-	2,721	2,721	Restricted
Drug enforcement	-	-	-	-	-	-	11,401	11,401	Restricted
Public Works									
Construction	-	-	-	1,281,915	-	-	-	1,281,915	Restricted
Capital projects	-	-	-	-	-	10,831,045	50,918	10,881,983	Restricted
Landscaping	-	-	-	-	-	-	65,189	65,189	Restricted
ASSIGNED TO:									
Education Improvement	-	1,215,556	-	-	-	-	-	1,215,556	Restricted
Education	-	-	-	-	135,289	-	195	135,484	Assigned
General fund	508,792	-	-	-	-	-	-	508,792	Assigned
Education – Cafeteria	-	-	-	-	-	-	68,783	68,783	Assigned
Education -									
Extended Day	-	-	-	-	-	-	249,876	249,876	Assigned
Debt Service	-	-	759,849	-	-	-	-	759,849	Assigned
Home Grant Program	-	-	-	-	-	-	1,039	1,039	Assigned
Equipment replacement	-	-	-	-	-	-	303,389	303,389	Assigned
UNASSIGNED	<u>7,741,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,741,634</u>	Unassigned
Totals	<u>\$ 8,575,690</u>	<u>\$ 1,221,973</u>	<u>\$ 759,849</u>	<u>\$ 1,281,915</u>	<u>\$ 135,289</u>	<u>\$10,831,045</u>	<u>\$ 1,522,053</u>	<u>\$ 24,327,814</u>	

(B) CHANGES IN PROPRIETARY FUNDS' NET POSITION:

	Governmental Activities	Enterprise Funds				Total
	Internal Service Funds	Stormwater Utility	Water and Sewer Utility	Electric Utility	Landfill	
Net Position – Beginning (restated)	\$ 1,679,436	\$ 897,821	\$ 19,562,073	\$ 37,506,308	\$ 2,530,677	\$ 60,496,879
Change in Net Position	<u>92,085</u>	<u>54,616</u>	<u>28,045</u>	<u>2,516,114</u>	<u>478,026</u>	<u>3,076,801</u>
Net Position – Ending	<u>\$ 1,771,521</u>	<u>\$ 952,437</u>	<u>\$ 19,590,118</u>	<u>\$ 40,022,422</u>	<u>\$ 3,008,703</u>	<u>\$ 63,573,680</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 16 – COMMITMENTS:

(A) CAPITAL LEASES:

The City has acquired equipment for which it is obligated under certain leases accounted for as capital leases. The leased assets and related obligations at June 30, 2017 are as follows:

Assets Recorded Under Capital Leases	Total Lease Amount	Total Interest/ Interest Rate	Balance of lease Obligation at June 30, 2017
GOVERNMENTAL ACTIVITIES:			
General Fund:			
Civic Center Capital Lease.....	\$ 9,142,000 (1)	\$ 3,876,525/4.5	\$ 11,501,525
Communication Equipment	<u>751,750 (2)</u>	\$ 173,706/2.3%	<u>336,155</u>
Total Capital Leases – Governmental Funds	<u>\$ 8,376,750</u>		<u>\$ 11,867,680</u>

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	Governmental Activities
2018	\$ 79,200
2019	82,344
2020	85,614
2021	<u>89,008</u>
Minimum lease payments for all capital leases except Civic Arts Center (1).....	336,166
Less: Amount representing interest at City's incremental borrowing rate of interest	<u>(18,826)</u>
Present Value of Minimum Lease Payments...	<u>\$ 317,340</u>

(B) CAPITAL LEASE – OBLIGATION:

(1) Civic Arts Center

In May 2006 the City Commission adopted a resolution authorizing the execution of a lease agreement with respect to a Civic Arts Center to be constructed on the campus of Maryville College; approving the issuance of bonds by the Industrial Development Board of Blount County to finance such Civic Arts Center; consenting to the assignment of the City's obligation under the lease agreement; and such other matters with respect to the Civic Arts Center.

The City approved the Industrial Board's issuance of bonds, not to exceed \$33,685,000, for the construction of the Civic Arts Center. The resolution also authorized the City to levy and collect a direct annual tax sufficient with any other funds available and pledged to pay the rental payments due under the lease. The lease obligates the City to pay annually an amount not to exceed 28.57% of the rental payment due, which rental payments shall be an amount equal to a percentage of the principal and interest on the Bonds, approved under the resolution.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 16 – COMMITMENTS (Continued):

(B) CAPITAL LEASE – OBLIGATION:

(1) Civic Arts Center

The Industrial Board entered into a fifty (50) year lease with Maryville College to lease the land on which the Civic Arts Center is to be constructed. At the end of the fifty year lease, the Civic Arts Center becomes the property of Maryville College.

Bonds in the amount of \$32,000,000 were issued by the Industrial Board on December 14, 2006.

Maryville College has committed a total of \$18,000,000 toward the debt service of the bonds. Any amounts paid will reduce the City of Alcoa’s obligation under the lease. If Maryville College fulfills its commitment, the City’s Lease Obligation would be reduced by \$5,452,600.

Interest Rate Risk – As the bonds bear interest at a variable rate, and the lease payments are an amount equal to the total debt service, including interest, the City has risk associated with changes in interest rates. A rate of 4.5% has been used to determine the above obligations under the lease. The City has purchased insurance to protect the bond holders in the event the City defaults on its lease obligations, including defaults as a result in changes in the interest rate.

The following presents a summary of the City’s Civic Arts Center Capital Lease commitment as of June 30, 2017:

<u>Present Value of Minimum Lease Payments</u>	<u>Interest</u>	<u>Total Minimum Lease Payments</u>
<u>\$ 7,625,000</u>	<u>\$ 3,876,525</u>	<u>\$ 11,501,525</u>

The City has a 28.57% ownership interest in the Civic Center building for 50 years – the asset will then transfer to Maryville College. The City appropriately recognizes the long-term community benefit of its ownership interest as an asset in the government wide financial statements, and the corresponding long-term obligation of the lease payments. Without that long-term community benefit, the City would not have been authorized to issue long-term debt under State law. The asset rights expire after 50 years, but the financial obligation will be satisfied long before that.

Interest Rate Risk – As the bonds bear interest at a variable rate, and the lease payments are an amount equal to the total debt service, including interest, the City has risk associated with changes in interest rates. A rate of 4.5% has been used to determine the above obligations on the lease. The City has purchased insurance to protect the bond holders in the event the City defaults on its lease obligations, including defaults as a result in changes in the interest rate.

On August 3, 2010, and subsequently modified on October 21, 2010, the City entered into an inter-governmental agreement with Blount County, Tennessee, and the City of Maryville, Tennessee to acquire certain emergency communications equipment. Under the terms of the agreement, Blount County, Tennessee is the Lessee of the equipment. In turn, the County subleased to the cities of Alcoa and Maryville their prorata share of the equipment. The terms of the agreement require the City to make lease payments totaling \$751,750, plus interest at 3.97%.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 16 – COMMITMENTS (Continued):

(B) CAPITAL LEASE – OBLIGATION (Continued):

Communications Center Equipment

Title to the equipment will transfer to each governmental entity based upon its share of the actual equipment acquired.

Present Value of Minimum Lease Payments	Interest	Communication Equipment: Total Minimum Lease Payments
<u>\$ 317,340</u>	<u>\$ 18,826</u>	<u>\$ 336,166</u>

These total minimum lease payments are payable as follows:

Year Ending June 30,	Civic Center	Communication Equipment
2018	\$ 603,125	\$ 79,200
2019	606,425	82,344
2020	609,050	85,614
2021	606,000	89,008
2022	<u>602,500</u>	<u>-</u>
Subtotal	<u>3,027,100</u>	<u>366,166</u>
2023 – 2027	3,029,075	-
2028– 2032	3,032,625	-
2033 – 2037	<u>2,412,725</u>	<u>-</u>
Subtotal	<u>8,474,425</u>	<u>-</u>
Total	<u>\$ 11,501,525</u>	<u>\$ 366,166</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 16 – COMMITMENTS (Continued):

(C) COMMITTED CONSTRUCTION:

As of June 30, 2017, the City of Alcoa, Tennessee, had the following commitments with respect to unfinished construction in progress:

<u>Project Name</u>	<u>Total Contract or Estimated Amount</u>	<u>Costs Incurred through June 30, 2017</u>	<u>Estimated Cost to Complete</u>
West Plant Development	\$10,413,920	\$ 1,554,073	\$ 8,859,847
Electric Utility:			
Voltage and substation improvements, and line extensions	2,861,213	2,318,435	542,778
Water and Sewer Utility:			
Dalton Street.....	153,456	131,926	21,530
Hoopes.....	52,856	34,457	18,399
Regal Drive Booster Station.....	65,000	11,520	53,480
Alcoa Parkway Phase I Waterline Relocation.....	1,165,409	55,670	1,113,739
Fire Department Construction Project	598,000	507,210	90,790
Springbrook Roundabout.....	250,000	16,517	233,483
Phase IV Greenway	73,000	53,919	19,081
Greenway Extension Grant.....	901,515	18,850	882,665
Pistol Creek Phase IV	1,273,065	140,990	1,132,075
Duck Pond Centennial Park.....	200,000	153,945	46,055
Tesla Boulevard and Duck Pond Greenway	<u>12,093,823</u>	<u>362,099</u>	<u>11,731,724</u>
Totals.....	<u>\$30,105,257</u>	<u>\$ 5,359,611</u>	<u>\$ 24,745,646</u>

(D) SPRINGBROOK CORPORATE CENTER:

In August 1993, the City foreclosed on the Springbrook Corporate Center property, under terms of a prior 1992 settlement agreement approved by the U.S. Bankruptcy Court (re: City of Alcoa vs. United Tri-Tech, Inc.). All property in the Center has been sold except for a lake and commons area, and property for joining of the Greenbelt Park with the City of Maryville.

(E) RESEARCH AND DEVELOPMENT INDUSTRIAL PARK:

Pursuant to an Intergovernmental Cooperation Agreement dated May 2006, by and among the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, Knox County, Tennessee, and the Industrial Development Board of Blount County, Tennessee, the two (2) cities and two (2) counties agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as a research and development industrial park. Such financial assistance is to be provided as follows: Blount County – twenty-five percent (25%); Knox County – twenty-five percent (25%), City of Maryville – twenty-five percent (25%); City of Alcoa – twenty-five percent (25%).

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 16 – COMMITMENTS (Continued):

(E) RESEARCH AND DEVELOPMENT INDUSTRIAL PARK (Continued):

In addition to the financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, Blount County, and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon an equal share of 25% each.

The City’s funding pursuant to this agreement was \$5,000,000.

NOTE 17 – LITIGATION:

There are several pending lawsuits in which the City is involved. Information provided by attorneys for the City indicates that potential claims against the City resulting from such litigation which are not covered by insurance would not materially affect the financial statements of the City.

NOTE 18 – RISK FINANCING ACTIVITIES:

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and workers compensation. Settled claims have not exceeded this commercial coverage in the last three (3) years.

The City maintains its funds with financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must be equal to at least one hundred five percent (105%) of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Under this assessment agreement, public funds accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

NOTE 19 – CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS (GOVERNMENTAL FUNDS):

The following items are used in the calculation of net investment in capital assets as follows in the Statement of Net Position:

	Governmental Activities Net Investment In Capital Assets
Total Capital Assets	\$ 95,683,797
Long-Term Debt and Current Debt	(91,326,268)
Items in Long-Term Debt:	
Add – compensated absences	845,102
Civic Center debt	6,190,000
June 30, 2017	\$ 11,392,631

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 20 – PRIOR PERIOD ADJUSTMENT

Beginning net position for Water and Sewer as of June 30, 2016 was restated due to the reclassification of water meters to capital assets that were expensed in previous years. Net position for Water and Sewer as of June 30, 2017 was restated from \$19,017,902 to \$19,562,073.

NOTE 21 – INVESTIGATIVE AUDIT BY THE TENNESSEE COMPTROLLER OF THE TREASURY

The Comptroller of the Treasury, Division of Investigations, in conjunction with the Tennessee Bureau of Investigations, performed an investigative audit of selected records of the City of Alcoa. The audit focused primarily on the period from July 1, 2007 through May 16, 2013. The investigation revealed that a former school employee misappropriated school cash of at least \$344, 204. A plea agreement was filed in the Eastern District Knoxville U.S. District Court on May 20, 2014. The plea agreement included an agreement of restitution, although as of December 9, 2015 no funds were received from the former employee of the schools.

Additionally, the City of Alcoa will seek restitution through the court system and through the City's insurer, who has paid the City \$149,000 reflected as deferred revenue in the Education Fund, pending grantor approval for expending the monies. Current year collections represent restitution payments made through the court system. The former employee has paid back \$369 as of June 30, 2017.

NOTE 22 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 19, 2017, which is the date on which the financial statements were issued.

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 894,770	\$ 904,768	\$ 948,025
Interest	2,204,346	2,379,080	2,593,218
Changes in benefit terms	-	-	-
Differences between actual & expected experience	(23,187)	361,622	(36,221)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(173,405)</u>	<u>(798,854)</u>	<u>(868,269)</u>
Net change in total pension liability	2,362,524	2,846,616	2,636,753
Total pension liability-beginning	<u>28,853,208</u>	<u>31,215,732</u>	<u>34,062,348</u>
Total pension liability-ending (a)	<u>\$ 31,215,732</u>	<u>\$ 34,062,348</u>	<u>\$ 36,699,101</u>
 Plan fiduciary net position			
Contributions – employer	\$ 1,770,618	\$ 1,902,848	\$ 1,949,830
Contributions – employee	-	-	-
Net investment income	4,154,442	931,379	855,389
Benefit payments, including refunds of employee contributions	(713,405)	(798,854)	(868,269)
Administrative expense	<u>(10,211)</u>	<u>(12,952)</u>	<u>(18,410)</u>
Net change in plan fiduciary net position	5,201,444	2,022,421	1,918,540
Plan fiduciary net position – beginning	<u>24,563,542</u>	<u>29,764,986</u>	<u>31,787,407</u>
Plan fiduciary net position – ending (b)	<u>\$ 29,764,986</u>	<u>\$ 31,787,407</u>	<u>\$ 33,705,947</u>
 Net Pension Liability (asset)-ending (a) – (b)	<u>\$ 1,450,746</u>	<u>\$ 2,274,941</u>	<u>\$ 2,993,154</u>
 Plan fiduciary net position as a percentage of total pension liability	95.35%	93.32%	91.84%
 Covered-employee payroll	\$ 11,108,012	\$ 11,714,226	\$ 12,006,344
 Net Pension liability (asset) as a percentage of covered employee payroll	13.06%	19.42%	24.93%

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

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
For the Fiscal Years Ended June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,770,618	\$ 1,902,848	\$ 1,949,830	\$ 1,927,205
Contributions in relation to the actuarially determined contribution	<u>1,770,618</u>	<u>1,902,848</u>	<u>1,949,830</u>	<u>1,927,205</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 11,108,012	 \$ 11,714,226	 \$ 12,006,344	 \$ 11,867,026
Contributions as a percentage covered – employee payroll	15.94%	16.24%	16.24%	16.24%

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

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**SCHEDULE OF ALCOA CITY SCHOOLS'
PROPORTIONATE SHARE OF THE NET PENSION ASSET
TEACHER LEGACY PENSION PLAN OF TCRS
For the Fiscal Year Ended June 30 ***

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Alcoa City Schools' proportion of the net pension asset	0.221788%	0.232672%	0.246955%
Alcoa City Schools' proportionate share of the net pension liability (asset)	\$ (36,040)	\$ 95,310	\$ 1,543,334
Alcoa City Schools' covered-employee payroll	8,705,181	8,710,070	8,914,611
Alcoa City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.41)%	1.09%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%

*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**SCHEDULE OF ALCOA CITY SCHOOLS' CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS
For the Fiscal Years Ended June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution (ADC)	\$ 773,020	\$ 787,391	\$ 805,879	\$ 861,447
Contributions in relation to the actuarially determined contribution	<u>773,020</u>	<u>787,391</u>	<u>805,879</u>	<u>861,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Alcoa City Schools' covered-employee payroll	 \$ 8,705,181	 \$ 871,070	 \$ 8,914,611	 \$ 9,529,281
 Contributions as a percentage of Alcoa City Schools' covered-employee payroll	 8.88%	 9.04%	 9.04%	 9.04%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

City of Alcoa, Tennessee
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

**Schedule of Alcoa City Schools' Proportionate Share of the
Net Pension Liability (Asset)
Teacher Retirement Plan of TCRS
Fiscal Year Ended June 30***

	<u>2016</u>	<u>2017</u>
Alcoa City Schools' proportion of the net pension liability (asset)	0.026702%	0.056086%
Alcoa City Schools' proportionate share of the net pension liability (asset)	\$ (1,074)	\$ (5,839)
Alcoa City Schools' covered payroll	\$ 55,480	246,776
Alcoa City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94)%	(2.37)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**SCHEDULE OF ALCOA CITY SCHOOLS' CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS
For the Fiscal Years Ended June 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 55	\$ 6,177	\$ 26,916
Contributions in relation to the contractually required contribution	<u>2,219</u>	<u>9,871</u>	<u>26,916</u>
Contribution deficiency (excess)	<u>\$ (2,164)</u>	<u>\$ (3,694)</u>	<u>\$ -</u>
Alcoa City Schools' covered-employee payroll	\$ 55,480	\$ 246,776	\$ 672,900
Contributions as a percentage of Alcoa City Schools' covered-employee payroll	4%	4%	4%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 110 - 115
For the Fiscal Year Ended June 30, 2017

Valuation date:

Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed with a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS
HYBRID W/O Cc
Last Fiscal Year Ending June 30

	2016
Total pension liability	
Service cost	\$ 6,951
Interest	803
Changes in benefit terms	-
Differences between actual & expected experience	41,847
Change of assumptions	-
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability	<u>49,601</u>
Total pension liability - beginning	<u>3,760</u>
Total pension liability – ending (a)	<u><u>\$ 53,361</u></u>
Plan fiduciary net position	
Contributions – employer	\$ 53,225
Contributions – employee	-
Net investment income	750
Benefit payments, including refunds of employee contributions	-
Administrative expense	(2,639)
Other	-
Net change in plan fiduciary net position	<u>51,336</u>
Plan fiduciary net position – beginning	<u>2,959</u>
Plan fiduciary net position – ending (b)	<u><u>54,295</u></u>
Net Pension Liability (asset) – ending (a) – (b)	<u><u>\$ (934)</u></u>

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

EMPLOYEE RETIREMENT SYSTEM OF THE CITY OF ALCOA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(dollar amounts in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 232,880	\$ 190,824	\$ 205,136
Interest	2,612,606	2,688,755	2,695,269
Changes of benefit terms	-	-	-
Differences between expected and actual experience	547,119	-	117,353
Changes of assumptions	-	-	(1,221,352)
Benefit payments/refunds	<u>(2,549,182)</u>	<u>(2,587,026)</u>	<u>(2,832,855)</u>
Net Change in Total Pension Liability	834,423	292,553	(1,036,449)
Total Pension Liability – Beginning	<u>36,109,338</u>	<u>36,952,761</u>	<u>37,245,314</u>
Total Pension Liability – Ending (a)	<u>\$ 36,952,761</u>	<u>\$ 37,245,314</u>	<u>\$ 36,208,865</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 1,451,649	\$ 2,173,944	\$ 2,406,072
Net investment income	2,612,615	693,555	802,129
Benefit payments/refunds	(2,549,182)	(2,587,026)	(2,832,855)
Administrative expenses	(75,650)	(73,003)	(83,979)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	<u>\$ 1,439,432</u>	<u>\$ 207,470</u>	<u>\$ 291,367</u>
Plan Fiduciary Net Position – Beginning	<u>21,889,974</u>	<u>23,329,406</u>	<u>23,536,876</u>
Plan Fiduciary Net Position – ending (b)	<u>\$ 23,329,406</u>	<u>\$ 23,536,876</u>	<u>\$ 23,828,243</u>
Plan Pension Liability – ending (a) – (b)	<u>\$ 13,623,355</u>	<u>\$ 13,708,438</u>	<u>\$ 12,380,622</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	63%	63%	66%
Covered-employee payroll	\$ 3,747,156	\$ 3,747,156	\$ 3,087,577
Net Pension Liability as a % of covered employee payroll	364%	366%	401%

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

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN
THE EMPLOYEE RETIREMENT SYSTEM OF THE CITY OF ALCOA**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,427,703	\$ 1,427,703	\$ 1,445,037	\$ 1,445,037
Contributions in relation to the actuarially determined contribution	<u>1,451,649</u>	<u>2,173,944</u>	<u>2,406,072</u>	<u>2,132,867</u>
Contribution deficiency (excess)	<u>\$ (23,946)</u>	<u>\$ (746,241)</u>	<u>\$ (961,035)</u>	<u>\$ (687,830)</u>
Covered-employee payroll	\$ 3,747,156	\$ 3,747,156	\$ 3,087,577	\$ 3,087,577
Contributions as a percentage of Covered-employee payroll	39%	58%	78%	69%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 118 - 119
For the Fiscal Year Ended June 30, 2017

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Amortization method	Level dollar, closed (not to exceed 20 years)
Asset valuation	5 year smoothing of difference of expected value and market value
Inflation	4.0 percent
Salary increases	4 percent annual increase to normal retirement age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	RP-2000 Mortality Tables, customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	None

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH BENEFITS (OPEB)

The City implemented GASB 45 in the fiscal year ended 6/30/09; therefore, six years of data is not available, but will be accumulated over time. The above values were calculated using the Entry Age Normal Method, discount rates of 6%, and the initial unfunded actuarial liability is amortized over thirty years based on a level percentage of payroll method. Using this method, benefits are projected for life and their present value is determined, which are divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

PRIMARY GOVERNMENT

(Dollar amounts in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2017 (5)	7/1/2016	\$ -	\$ 4,881	\$ 4,881	0%	\$ 12,618	38.7%
2016 (5)	7/1/2016	-	4,861	4,861	0%	12,618	38.5%
2015 (4)	7/1/2014	-	5,790	5,790	0%	13,076	44.3%
2014 (4)	7/1/2014	-	5,656	5,656	0%	13,076	43.3%
2013 (3)	7/1/2012	-	5,561	5,561	0%	12,441	44.7%
2012 (3)	7/1/2012	-	5,424	5,424	0%	12,441	43.6%
2011 (2)	7/1/2010	-	4,231	4,231	0%	13,540	31.2%
2010 (2)	7/1/2010	-	4,187	4,187	0%	13,540	30.9%
2009 (1)	7/1/2006	-	2,642	2,642	0%	11,415	23.1%

Schedule of Employer Contributions:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Total Contributions</u>	<u>Percent Contributed</u>
2010 – 2011	266,169	306,995	115%
2011 – 2012	328,633	224,157	68%
2012 – 2013	347,563	246,573	71%
2013 – 2014	376,035	238,500	63%
2014 – 2015	397,749	259,965	65%
2015 – 2016	313,426	263,603	84%
2016 – 2017	328,050	284,691	87%

- (1) Information for the fiscal year 2009 is based on results from an actuarial valuation performed as of 7/1/06.
- (2) Information for the fiscal years 2010 and 2011 is based on results from an actuarial valuation performed as of 7/1/10.
- (3) Information for the fiscal years 2012 and 2013 is based on results from an actuarial valuation performed as of 7/1/12.
- (4) Information for the fiscal years 2014 and 2015 is based on results from an actuarial valuation performed as of 7/1/14.
- (5) Information for the fiscal year 2016 and 2017 is based on results from an actuarial valuation performed as of 7/1/16.

(Continued)

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH BENEFITS (OPEB) (Continued)

EDUCATION

(Dollar amounts in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2017 (5)	7/1/2016	\$ -	\$ 2,188	\$ 2,188	0%	\$ 9,950	22.0%
2016 (5)	7/1/2016	-	2,104	2,104	0%	9,950	21.0%
2015 (4)	7/1/2014	-	2,372	2,372	0%	8,507	27.0%
2014 (4)	7/1/2014	-	2,291	2,291	0%	8,507	27.0%
2013 (3)	7/1/2012	-	1,849	1,849	0%	8,519	21.1%
2012 (3)	7/1/2012	-	1,799	1,799	0%	8,519	21.1%
2011 (2)	7/1/2010	-	1,846	1,846	0%	8,396	22.0%
2010 (2)	7/1/2010	-	1,786	1,786	0%	8,396	21.3%
2009 (1)	1/1/2007	-	3,543	3,543	0%	8,128	43.6%

Schedule of Employer Contributions:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Total Contributions</u>	<u>Percent Contributed</u>
2010 – 2011	188,491	188,502	100%
2011 – 2012	182,536	100,123	55%
2012 – 2013	182,536	68,500	37%
2013 – 2014	223,922	128,525	57%
2014 – 2015	236,516	140,092	59%
2015 – 2016	217,367	111,185	51%
2016 – 2017	229,850	120,080	52%

- (1) Information for the fiscal year 2009 is based on results from an actuarial valuation performed as of 1/1/07.
- (2) Information for the fiscal years 2010 and 2011 is based on results from an actuarial valuation performed as of 7/1/10.
- (3) Information for the fiscal years 2012 and 2013 is based on results from an actuarial valuation performed as of 7/1/12.
- (4) Information for the fiscal years 2014 and 2015 is based on results from an actuarial valuation performed as of 7/1/14.
- (5) Information for the fiscal years 2016 and 2017 is based on results from an actuarial valuation performed as of 7/1/16.

(Continued)

CITY OF ALCOA, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

CITY OF ALCOA, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017

**CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET
Non-Major Governmental Funds
June 30, 2017**

With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Special Revenue Funds</u>						2017 Total Special Revenue Funds	2016 Total Specia Revenue Funds
	State Street Aid	Federal Projects	Alcoa City Schools Cafeteria	Alcoa Schools Extended Day Program	Drug Fund	Commercial Motor Vehicle Fines		
ASSETS								
Cash and cash equivalents	\$ 861,648	\$ 42,396	\$ 53,658	\$ 240,938	\$ 11,401	\$ 2,721	\$ 1,212,762	\$ 1,081,490
Accounts and assessments receivable.....	-	-	18,722	18,414	-	-	37,136	24,334
Due from grantors, other governments, and State of Tennessee	40,652	74,493	-	-	-	-	115,145	44,937
Due from other funds	-	-	1,529	-	-	-	1,529	-
Total Assets	<u>\$ 902,300</u>	<u>\$ 116,889</u>	<u>\$ 73,909</u>	<u>\$ 259,352</u>	<u>\$ 11,401</u>	<u>\$ 2,721</u>	<u>\$ 1,366,572</u>	<u>\$ 1,150,761</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 133,758	\$ 2,910	\$ 5,126	\$ 4,476	\$ -	\$ -	\$ 146,270	\$ 236,833
Unapplied grant funds	-	44,405	-	-	-	-	44,405	45,795
Unearned fee income.....	-	-	-	5,000	-	-	5,000	140
Due to other funds	-	69,574	-	-	-	-	69,574	-
Total Liabilities	<u>133,758</u>	<u>116,889</u>	<u>5,126</u>	<u>9,476</u>	<u>-</u>	<u>-</u>	<u>265,249</u>	<u>282,768</u>
Fund Balances								
Restricted.....	768,542	-	-	-	11,401	2,721	782,664	679,092
Assigned.....	-	-	68,783	249,876	-	-	318,659	188,901
Total Fund Balances	<u>768,542</u>	<u>-</u>	<u>68,783</u>	<u>249,876</u>	<u>11,401</u>	<u>2,721</u>	<u>1,101,323</u>	<u>867,993</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE.....	<u>\$ 902,300</u>	<u>\$ 116,889</u>	<u>\$ 73,909</u>	<u>\$ 259,352</u>	<u>\$ 11,401</u>	<u>\$ 2,721</u>	<u>\$ 1,366,572</u>	<u>\$ 1,150,761</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET (Continued)
Non-Major Governmental Funds
June 30, 2017**

With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Capital Project Funds</u>					2017 Total Capital Project Funds	Total Non-Major Governmental Funds	
	<u>Capital Projects</u>	<u>Equipment Replacement Fund</u>	<u>Home Grant Program Fund</u>	<u>Landscaping Fund</u>	<u>Alcoa High School Construction Fund</u>		<u>2017</u>	<u>2016</u>
ASSETS								
Cash and cash equivalents.....	\$ 50,918	\$ 303,389	\$ 1,039	\$ 67,689	\$ 195	\$ 423,230	\$ 1,635,992	\$ 2,144,925
Investments and Certificates of Deposit	-	-	-	-	-	-	-	167,179
Accounts and assessments receivable.....	-	-	-	-	-	-	37,136	188,308
Due from grantors, other governments, and State of Tennessee	-	-	-	-	-	-	115,145	44,937
Due from other funds	-	-	-	-	-	-	1,529	-
Total Assets.....	<u>\$ 50,918</u>	<u>\$ 303,389</u>	<u>\$ 1,039</u>	<u>\$ 67,689</u>	<u>\$ 195</u>	<u>\$ 423,230</u>	<u>\$ 1,789,802</u>	<u>\$ 2,545,349</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500	\$ 148,770	\$ 340,358
Unapplied grant funds	-	-	-	-	-	-	44,405	45,795
Unearned fee income.....	-	-	-	-	-	-	5,000	140
Due to other funds.....	-	-	-	-	-	-	69,574	-
Due to Blount County	-	-	-	-	-	-	-	91,096
Total Liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>267,749</u>	<u>477,389</u>
Fund Balances:								
Restricted	50,918	-	-	65,189	195	116,302	898,966	788,594
Assigned.....	-	303,389	1,039	-	-	304,428	623,087	1,279,366
Total Fund Balances.....	<u>50,918</u>	<u>303,389</u>	<u>1,039</u>	<u>65,189</u>	<u>195</u>	<u>420,730</u>	<u>1,522,053</u>	<u>2,067,960</u>
Total Liabilities and Fund Balances.....	<u>\$ 50,918</u>	<u>\$ 303,389</u>	<u>\$ 1,039</u>	<u>\$ 67,689</u>	<u>\$ 195</u>	<u>\$ 423,230</u>	<u>\$ 1,789,802</u>	<u>\$ 2,545,349</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Special Revenue Funds</u>						<u>2017 Total Special Revenue Funds</u>	<u>2016 Total Special Revenue Funds</u>
	<u>State Street Aid</u>	<u>Federal Projects</u>	<u>Alcoa City Schools Cafeteria</u>	<u>Alcoa Schools Extended Day Program</u>	<u>Drug Fund</u>	<u>Commercial Motor Vehicle Fines</u>		
Revenues:								
State gasoline tax	\$ 255,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,652	\$ 231,557
Federal and state grants	-	985,156	-	-	-	-	985,156	839,280
U.S.D.A. reimbursements	-	-	602,365	-	-	-	602,365	577,126
Charges for services	-	-	363,765	255,848	-	-	619,613	576,439
Fines, forfeitures and court cases ..	-	-	-	-	19,090	1,082	20,172	23,800
Investment income	108	-	56	-	-	-	164	-
Total Revenues	<u>255,760</u>	<u>985,156</u>	<u>966,186</u>	<u>255,848</u>	<u>19,090</u>	<u>1,082</u>	<u>2,483,122</u>	<u>2,248,252</u>
Expenditures:								
Current:								
Public Safety	-	-	-	-	3,207	-	3,207	20,516
Public Works	146,256	-	-	-	-	-	146,256	104,358
Culture and Recreation	-	-	-	-	-	-	-	-
Education	-	985,156	910,560	181,716	-	-	2,077,432	1,963,702
Capital Outlay	-	-	-	-	22,897	-	22,897	-
Total Expenditures	<u>146,256</u>	<u>985,156</u>	<u>910,560</u>	<u>181,716</u>	<u>26,104</u>	<u>-</u>	<u>2,249,792</u>	<u>2,088,576</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>109,504</u>	<u>-</u>	<u>55,626</u>	<u>74,132</u>	<u>(7,014)</u>	<u>1,082</u>	<u>233,330</u>	<u>159,676</u>
Other Financing Sources (Uses):								
Transfers Out	-	-	-	-	-	-	-	-
Net Change in Fund Balance	109,504	-	55,626	74,132	(7,014)	1,082	233,330	159,676
Fund Balance, July 1 st	<u>659,038</u>	<u>-</u>	<u>13,157</u>	<u>175,744</u>	<u>18,415</u>	<u>1,639</u>	<u>867,993</u>	<u>708,317</u>
Fund Balance, June 30th	<u>\$ 768,542</u>	<u>\$ -</u>	<u>\$ 68,783</u>	<u>\$ 249,876</u>	<u>\$ 11,401</u>	<u>\$ 2,721</u>	<u>\$ 1,101,323</u>	<u>\$ 867,993</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (Continued)
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Capital Project Funds</u>							<u>Total</u>		
	<u>Capital Projects</u>	<u>2001 Special Project</u>	<u>Special Projects</u>	<u>Equipment Replacement</u>	<u>Home Grant Program</u>	<u>Landscaping</u>	<u>Alcoa High School</u>	<u>2017 Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>	<u>2016</u>
Revenues:										
Intergovernmental	\$ 171,960	\$ -	\$ 91,096	\$ -	\$ -	\$ -	\$ -	\$ 263,056	\$ 263,056	\$ 123,360
State gasoline tax	-	-	-	-	-	-	-	-	255,652	231,557
Federal and state grants	-	-	-	-	-	-	-	-	985,156	839,280
U.S.D.A. reimbursements	-	-	-	-	237,478	-	-	237,478	839,843	762,253
Charges for services	-	-	-	-	-	7,332	-	7,332	626,945	593,889
Fines, forfeitures and court cases ..	-	-	-	-	-	-	-	-	20,172	23,800
Investment income	-	-	-	1,342	-	17	667	2,026	2,190	14,591
Donations	-	-	-	-	-	-	-	-	-	35,000
Total Revenues.....	<u>171,960</u>	<u>-</u>	<u>91,096</u>	<u>1,342</u>	<u>237,478</u>	<u>7,349</u>	<u>667</u>	<u>509,892</u>	<u>2,993,014</u>	<u>2,623,730</u>
Expenditures:										
Current:										
Public Safety	-	-	-	-	-	-	-	-	3,207	20,516
Public Works.....	-	-	-	-	-	-	-	-	146,256	129,176
Culture and Recreation.....	-	-	-	-	237,182	25,198	-	262,380	262,380	199,597
Education	-	-	-	-	-	-	-	-	2,077,432	1,963,702
Capital Outlay	<u>147,506</u>	<u>-</u>	<u>-</u>	<u>198,094</u>	<u>-</u>	<u>-</u>	<u>270,886</u>	<u>616,486</u>	<u>639,383</u>	<u>1,755,347</u>
Total Expenditures	<u>147,506</u>	<u>-</u>	<u>-</u>	<u>198,094</u>	<u>237,182</u>	<u>25,198</u>	<u>270,886</u>	<u>878,866</u>	<u>3,128,658</u>	<u>4,068,338</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)....	<u>24,454</u>	<u>-</u>	<u>-</u>	<u>(196,752)</u>	<u>296</u>	<u>(17,849)</u>	<u>(270,219)</u>	<u>(368,974)</u>	<u>(135,644)</u>	<u>(1,444,608)</u>
Other Financing Sources (Uses):										
Transfers In:										
General Obligation Works										
Construction Fund.....	-	-	-	-	-	-	-	-	-	1,200,000
Transfers Out	<u>-</u>	<u>(319,167)</u>	<u>(91,096)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,263)</u>	<u>(410,263)</u>	<u>-</u>
Total Other Financing Sources (Uses).....	<u>-</u>	<u>(319,167)</u>	<u>(91,096)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,263)</u>	<u>(410,263)</u>	<u>1,200,000</u>
Net Change in Fund Balances	24,454	(319,167)	-	(196,752)	296	(17,849)	(270,219)	(779,237)	(545,907)	(244,608)
Fund Balance, July 1 st	<u>26,464</u>	<u>319,167</u>	<u>-</u>	<u>500,141</u>	<u>743</u>	<u>83,038</u>	<u>270,414</u>	<u>1,199,967</u>	<u>2,067,960</u>	<u>2,312,568</u>
Fund Balance, June 30th.....	<u>\$ 50,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,389</u>	<u>\$ 1,039</u>	<u>\$ 65,189</u>	<u>\$ 195</u>	<u>\$ 420,730</u>	<u>\$ 1,522,053</u>	<u>\$ 2,067,960</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS
June 30, 2017

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other governmental operating units on a cost-reimbursed basis.

Employee Insurance Fund – The Employee Insurance Fund is used to account for the City of Alcoa’s self-insured health insurance program. Premiums charged to various operating funds and employee payroll deductions are placed in this fund for the payment of medical claims and administrative expenses.

Service Center Fund – The Service Center Fund is used to account for the operation of the City’s physical facilities. Charges collected from various City funds are placed in this fund for the payment of operating expenses associated with the City’s physical facilities.

Flexible Spending Fund – The Flexible Spending Fund is a fund used to account for the City of Alcoa’s employees for setting aside a certain amount of each paycheck (before income tax) and to later get reimbursed for other medical expenses not covered by insurance.

City OPEB Insurance Fund – The OPEB Insurance Fund is a dedicated reserve used to account for the City’s liability for postemployment benefits – medical benefits not associated with a pension plan.

Schools OPEB Insurance Fund – The OPEB Insurance Fund is a dedicated reserve used to account for the City School’s liability for postemployment benefits – medical benefits not associated with a pension plan.

**CITY OF ALCOA, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2017
With Comparative Totals for June 30, 2016**

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	School's OPEB Insurance Fund	Total Internal Service Funds	
						<u>2017</u>	<u>2016</u>
ASSETS:							
Cash	<u>\$ 1,175,566</u>	<u>\$ 1,066</u>	<u>\$ 10,178</u>	<u>\$ 531,000</u>	<u>\$ 555,500</u>	<u>\$ 2,273,310</u>	<u>\$ 2,144,914</u>
LIABILITIES:							
Medical claims payable	\$ 474,047	\$ -	\$ -	\$ -	\$ -	\$ 474,047	\$ 465,200
Accounts payable	<u>-</u>	<u>-</u>	<u>9,742</u>	<u>9,000</u>	<u>9,000</u>	<u>27,742</u>	<u>278</u>
Total Liabilities.....	<u>474,047</u>	<u>-</u>	<u>9,742</u>	<u>9,000</u>	<u>9,000</u>	<u>501,789</u>	<u>465,478</u>
NET POSITION:							
Unrestricted	<u>701,519</u>	<u>1,066</u>	<u>436</u>	<u>522,000</u>	<u>546,500</u>	<u>1,771,521</u>	<u>1,679,436</u>
Total Liabilities and Net Position.....	<u>\$ 1,175,566</u>	<u>\$ 1,066</u>	<u>\$ 10,178</u>	<u>\$ 531,000</u>	<u>\$ 555,500</u>	<u>\$ 2,273,310</u>	<u>\$ 2,144,914</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for June 30, 2016**

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	School's OPEB Insurance Fund	<u>Total Internal Service Funds</u>	
						<u>2017</u>	<u>2016</u>
OPERATING REVENUES:							
Insurance charges.....	\$ 4,557,664	\$ -	\$ -	\$ -	\$ -	\$ 4,557,664	\$ 4,519,815
Refunds – Co-insurance.....	391,899	-	-	-	-	391,899	157,000
Employee Contributions.....	273,362	208,824	-	-	-	482,186	456,422
Employer Contributions.....	-	-	-	-	68,500	68,500	-
Service Center charges.....	-	-	360,536	-	-	360,536	343,620
	<u>-</u>	<u>-</u>	<u>360,536</u>	<u>-</u>	<u>-</u>	<u>360,536</u>	<u>343,620</u>
Total Operating Revenues	<u>5,222,925</u>	<u>208,824</u>	<u>360,536</u>	<u>-</u>	<u>68,500</u>	<u>5,860,785</u>	<u>5,476,857</u>
OPERATING EXPENSES:							
Salaries	-	-	54,235	-	-	54,235	58,615
Fringe benefits	-	-	43,902	-	-	43,902	47,195
Building improvements.....	-	-	19,179	-	-	19,179	3,098
Improvement teams/training	-	-	2,794	-	-	2,794	1,365
Maintenance contracts	-	-	8,827	-	-	8,827	21,426
Contract services.....	-	-	6,675	9,000	9,000	24,675	1,380
Utilities	-	-	150,913	-	-	150,913	125,336
Supplies	-	-	10,124	-	-	10,124	9,282
Repair and maintenance.....	-	-	45,382	-	-	45,382	55,305
Insurance claims paid.....	3,921,030	207,843	-	-	-	4,128,873	3,348,735
Insurance claims, premiums and administrative expenses	1,206,048	-	-	-	-	1,206,048	1,399,269
Insurance.....	<u>-</u>	<u>-</u>	<u>18,659</u>	<u>-</u>	<u>-</u>	<u>18,659</u>	<u>21,155</u>
Total Operating Expenses.....	<u>5,127,078</u>	<u>207,843</u>	<u>360,690</u>	<u>9,000</u>	<u>9,000</u>	<u>5,713,611</u>	<u>5,092,161</u>
OPERATING INCOME (LOSS).....	95,847	981	(154)	(9,000)	59,500	147,174	384,696

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for June 30, 2016**

	Employee Insurance <u>Fund</u>	Flexible Spending <u>Fund</u>	Service Center <u>Fund</u>	City OPEB Insurance <u>Fund</u>	Schools OPEB Insurance <u>Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2017</u>	<u>2016</u>
NON-OPERATING REVENUES (EXPENSES):							
Transfers (out) in.....	(65,000)	-	(55,089)	65,000	-	(55,089)	133,500
CHANGE IN NET POSITION	30,847	981	(55,243)	56,000	59,500	92,085	518,196
NET POSITION – July 1 st	670,672	85	55,679	466,000	487,000	1,679,436	1,161,240
NET POSITION. June 30th.....	<u>\$ 701,519</u>	<u>\$ 1,066</u>	<u>\$ 436</u>	<u>\$ 522,000</u>	<u>\$ 546,500</u>	<u>\$ 1,771,521</u>	<u>\$ 1,679,436</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	Schools OPEB Insurance Fund	<u>Total Internal Service Funds</u>	
						<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:							
Insurance premiums/reimbursements							
Collected	\$ 5,231,772	\$ -	\$ -	\$ -	\$ -	\$ 5,231,772	\$ 4,934,826
Collections from various City departments	-	208,824	370,000	9,000	77,500	665,324	546,931
Payments to employees and vendors	<u>(5,127,078)</u>	<u>(207,843)</u>	<u>(360,690)</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>(5,713,611)</u>	<u>(5,105,981)</u>
Net Cash Provided By							
Operating Activities	<u>104,694</u>	<u>981</u>	<u>9,310</u>	<u>-</u>	<u>68,500</u>	<u>183,485</u>	<u>375,776</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Receipts from other funds.....	-	-	-	65,000	-	65,000	133,500
Payments to other funds	<u>(65,000)</u>	<u>-</u>	<u>(55,089)</u>	<u>-</u>	<u>-</u>	<u>(120,089)</u>	<u>-</u>
Net Cash Provided By (Used In)							
Noncapital Financing Activities	<u>(65,000)</u>	<u>-</u>	<u>(55,089)</u>	<u>65,000</u>	<u>-</u>	<u>(55,089)</u>	<u>133,500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,694	981	(45,779)	65,000	68,500	128,396	509,276
CASH AND CASH EQUIVALENTS – July 1 st	<u>1,135,872</u>	<u>85</u>	<u>55,957</u>	<u>466,000</u>	<u>487,000</u>	<u>2,144,914</u>	<u>1,635,638</u>
CASH AND CASH EQUIVALENTS – June 30th ..	<u>\$ 1,175,566</u>	<u>\$ 1,066</u>	<u>\$ 10,178</u>	<u>\$ 531,000</u>	<u>\$ 555,500</u>	<u>\$ 2,273,310</u>	<u>\$ 2,144,914</u>

(Continued)

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	Employee Insurance <u>Fund</u>	Flexible Spending <u>Fund</u>	Service Center <u>Fund</u>	OPEB Insurance <u>Fund</u>	Schools OPEB Insurance <u>Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss).....	\$ 95,847	\$ 981	\$ (154)	\$ (9,000)	\$ 59,500	\$ 147,174	\$ 384,696
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Changes in assets and liabilities:							
Accounts receivable.....	-	-	-	-	-	-	4,900
Accounts payable.....	8,847	-	9,464	9,000	9,000	36,311	(13,820)
Due to other funds.....	-	-	-	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ 104,694</u>	<u>\$ 981</u>	<u>\$ 9,310</u>	<u>\$ -</u>	<u>\$ 68,500</u>	<u>\$ 183,485</u>	<u>\$ 375,776</u>

See accompanying independent auditors' report and notes.

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always presented as a major fund in the basic financial statements.

**CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES AND
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2017</u>	<u>2016</u>
Cash on hand and equity in pooled cash.....	\$ 7,669,880	\$ 4,293,741
Property taxes receivable (net of allowance for estimated uncollectibles).....	10,768,735	10,766,894
Sales taxes receivable – State of Tennessee	2,068,859	1,775,374
Accounts receivable.....	56,137	535,153
Investments.....	-	1,002,746
Due from other funds.....	<u>14,186</u>	<u>-</u>
Total Assets:	<u>\$ 20,577,797</u>	<u>\$ 18,363,908</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities:		
Accounts payable.....	\$ 909,075	\$ 758,596
Deferred revenue	717,894	710,581
Accrued liabilities.....	<u>387,327</u>	<u>411,681</u>
Total Liabilities	<u>2,014,296</u>	<u>1,880,858</u>
Deferred Inflows of Resources:		
Deferred Revenue – Property tax	<u>9,987,811</u>	<u>10,014,628</u>
Fund Balance:		
Restricted.....	325,264	165,441
Assigned	508,792	947,010
Unassigned	<u>7,741,634</u>	<u>5,355,971</u>
Total Fund Balance.....	<u>8,575,690</u>	<u>6,468,422</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 20,577,797</u>	<u>\$ 18,363,908</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
TAXES:					
Current property taxes.....	\$10,600,000	\$10,600,000	\$10,592,878	\$ (7,122)	\$10,101,060
Delinquent property taxes	250,000	250,000	295,548	45,548	325,602
Business tax	818,500	818,500	961,374	142,874	853,959
Local sales tax.....	5,880,000	5,880,000	6,003,828	123,828	5,588,386
Property tax – Partnership South	28,525	28,525	31,085	2,560	59,218
Gas franchise tax.....	175,000	175,000	118,701	(56,299)	116,873
Cable TV tax.....	95,000	95,000	93,251	(1,749)	94,817
Tax equivalent/in lieu	194,400	194,400	1,078,094	883,694	163,997
Hotel/Motel tax	148,000	148,000	147,408	(592)	143,988
Beer/liquor privilege tax	19,650	19,650	24,234	4,584	14,846
Total Taxes	<u>18,209,075</u>	<u>18,209,075</u>	<u>19,346,401</u>	<u>1,137,326</u>	<u>17,462,746</u>
LICENSES AND PERMITS:					
Animal registration	450	450	493	43	445
Building permits	125,000	125,000	155,763	30,763	132,375
Mechanical and gas permits.....	5,000	5,000	5,109	109	4,299
Plumbing permits.....	4,000	4,000	5,418	1,418	3,641
Sanitary sewer inspection	1,000	1,000	925	(75)	995
Special events permits.....	2,250	2,250	6,075	3,825	-
Total Licenses and Permits	<u>137,700</u>	<u>137,700</u>	<u>173,783</u>	<u>36,083</u>	<u>141,755</u>
INTERGOVERNMENTAL REVENUE:					
State of Tennessee:					
Beer tax	4,100	4,100	4,080	(20)	4,000
Sales tax	670,000	670,000	762,414	92,414	679,808
State Income tax.....	75,000	75,000	99,185	24,185	118,000
Streets and transportation.....	17,150	17,150	18,498	1,348	17,189
Mixed drink tax.....	147,000	147,000	96,437	(50,563)	70,647
Alcoholic liquor tax	288,000	288,000	282,965	(5,035)	260,947
TVA – in lieu	100,000	100,000	95,330	(4,670)	99,149
Excise tax	9,500	9,500	28,242	18,742	17,244
Fire – salary supplement	16,800	16,800	18,600	1,800	16,800
Police – salary supplement.....	22,200	22,200	24,000	1,800	24,000
Local:					
Local beer tax.....	615,000	615,000	633,204	18,204	615,028
Credit Union cost recovery	-	-	-	-	-
Stormwater cost recovery	96,000	96,000	116,163	20,163	107,400
Traffic operation	2,000	2,000	-	(2,000)	-
Grants:					
State/Federal grants.....	12,000	12,000	12,170	170	31,441
Drug Task Force	1,000	1,000	2,299	1,299	2,205
Total Intergovernmental Revenue.....	<u>2,075,750</u>	<u>2,075,750</u>	<u>2,193,587</u>	<u>117,837</u>	<u>2,078,704</u>

(Continued)

**CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	June 30, 2017				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2016
	Original	Final			
FINES AND FORFEITS:					
Fines and costs	320,000	320,000	154,681	(165,319)	367,272
Penalties	150,000	150,000	154,417	4,417	156,610
Police Evidence Money/Drug					
Control	17,500	17,500	49,885	32,385	63,897
Litigation tax	33,000	33,000	197,411	164,411	37,799
Citation fees	12,000	12,000	13,495	1,495	13,796
Total Fines and Forfeits	<u>532,500</u>	<u>532,500</u>	<u>569,889</u>	<u>37,389</u>	<u>639,374</u>
INTEREST EARNED.....	<u>2,500</u>	<u>2,500</u>	<u>8,470</u>	<u>5,970</u>	<u>6,109</u>
MISCELLANEOUS REVENUE:					
Public works, labor, and material....	327,000	327,000	468,202	141,202	326,211
Miscellaneous	20,000	20,000	18,649	(1,351)	35,538
Fees/development	15,500	15,500	23,396	7,896	18,986
Department Services	131,000	131,000	156,609	25,609	137,569
Insurance refunds	5,000	5,000	36,286	31,286	6,537
Property rental.....	153,335	153,335	145,138	(8,197)	153,336
Sale of property/equipment	50,000	50,000	23,283	(26,717)	23,588
Special events.....	-	-	150	150	-
Private grants	17,000	17,000	12,625	(4,375)	18,200
Fire prevention training.....	-	-	1,125	1,125	-
Disaster recovery	-	-	-	-	52,472
Contributions and donations -					
Business	5,500	5,500	6,887	1,387	1,250
TML Grants	-	-	9,777	9,777	-
Total Miscellaneous Revenue ...	<u>724,335</u>	<u>724,335</u>	<u>902,127</u>	<u>177,792</u>	<u>868,504</u>
TOTAL REVENUES.....	<u>\$ 21,681,860</u>	<u>\$ 21,681,860</u>	<u>\$ 23,194,257</u>	<u>\$ 1,512,397</u>	<u>\$ 21,087,529</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>	
GENERAL GOVERNMENT:					
<u>Board of Commissioners:</u>					
Wages and salaries.....	\$ 11,400	\$ 11,400	\$ 11,400	\$ -	\$ 11,400
FICA	1,210	1,210	1,203	7	1,202
Other personal services.....	100	100	4,320	(4,220)	-
Election services.....	2,000	2,000	1,250	750	-
Mailing	50	50	17	33	16
Dues, memberships, and subscriptions	3,850	3,850	1,467	2,383	1,467
Travel, conferences, and training.....	6,000	6,000	326	5,674	2,766
Advertising and publicity	2,300	2,300	1,734	566	1,809
Reproduction and printing.....	1,000	1,000	-	1,000	817
Maintenance contract.....	-	-	689	(689)	-
Utilities	4,050	4,050	4,225	(175)	4,043
Other contractual services.....	4,350	4,350	-	4,350	4,320
Office supplies.....	750	750	192	558	267
Uniforms and clothing	-	-	169	(169)	-
Other commodities.....	1,200	1,200	-	1,200	-
Insurance.....	33,200	33,200	33,896	(696)	31,597
Computer Equipment.....	-	-	159	(159)	1,233
Total Board of Commissioners	<u>71,460</u>	<u>71,460</u>	<u>61,047</u>	<u>10,413</u>	<u>60,937</u>
<u>Administration City Manager:</u>					
Wages and salaries.....	118,400	118,400	119,302	(902)	127,413
F. I. C. A.	10,917	10,917	9,022	1,895	8,262
Retirement	30,560	30,560	27,092	3,468	26,275
Hospitalization insurance.....	20,160	20,160	20,160	-	20,160
Life/AD&D.....	492	492	487	5	515
Dental insurance	1,703	1,703	837	866	837
Workmen's compensation	907	907	348	559	448
Other personal services.....	10,722	10,722	9,620	1,102	9,340
Employee education and training	550	550	315	235	476
Mailing	150	150	281	(131)	98
Dues, memberships, and subscriptions	11,000	11,000	8,177	2,823	7,834
Advertising	600	600	-	600	546
Travel, conferences, and training.....	7,000	7,000	2,861	4,139	2,317
Public relations	3,000	3,000	4,258	(1,258)	3,898
Repairs and maintenance	100	100	346	(246)	85
Reproduction and printing.....	1,000	1,000	-	1,000	817
Maintenance contract.....	-	-	689	(689)	-
Utilities	4,000	4,000	4,370	(370)	3,543
Office supplies/other supplies.....	1,200	1,200	918	282	1,033
Auto parts/Gas	2,200	2,200	2,078	122	1,263
Insurance.....	2,225	2,225	885	1,340	2,114
Lease.....	3,000	3,000	2,865	135	2,865
Computer equipment	1,500	1,500	1,194	306	828
Total City Manager's Office.....	<u>231,386</u>	<u>231,386</u>	<u>216,105</u>	<u>15,281</u>	<u>220,967</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Human Resources:</u>					
Wages and salaries	141,082	141,082	145,634	(4,552)	121,612
F. I. C. A.	12,419	12,419	12,620	(201)	9,657
Retirement	64,725	64,725	65,157	(432)	54,802
Hospitalization insurance	33,696	33,696	33,264	432	27,072
Life/AD&D	669	669	661	8	606
Dental insurance	2,846	2,846	2,209	637	1,440
Workmen's compensation	496	496	184	312	218
Retiree insurance	460	460	497	(37)	-
Other personal services	9,732	9,732	9,927	(195)	7,905
Drug/Alcohol testing	-	-	40	(40)	-
Employee education and training	2,800	2,800	1,581	1,219	1,499
Professional services	1,500	1,500	300	1,200	1,105
Mailing	1,000	1,000	840	160	456
Dues, memberships, and subscriptions	750	750	1,238	(488)	642
Regulatory fees and licenses	2,500	2,500	-	2,500	-
Travel, conferences, and training	2,000	2,000	1,369	631	36
Business/Public relations	250	250	70	180	117
Improvement teams/service awards	5,500	5,500	5,201	299	5,505
Repairs and maintenance – office equip... ..	500	500	680	(180)	370
Reproduction and printing	3,500	3,500	2,302	1,198	3,184
Maintenance contracts	500	500	2,279	(1,779)	208
Utilities	2,800	2,800	3,887	(1,087)	2,831
Other contractual services	4,500	4,500	2,608	1,892	1,728
Office supplies	5,500	5,500	5,129	371	3,563
Safety supplies	1,500	1,500	95	1,405	395
Insurance	1,000	1,000	759	241	932
Computer equipment	4,500	4,500	2,999	1,501	2,634
Total Personnel Office	306,725	306,725	301,530	5,195	248,517
<u>Purchasing and Warehouse:</u>					
Wages and salaries	35,241	35,241	35,526	(285)	33,995
F. I. C. A.	2,746	2,746	2,794	(48)	2,567
Retirement	6,886	6,886	6,903	(17)	6,582
Hospitalization insurance	9,648	9,648	9,648	-	9,648
Life/AD&D	178	178	174	4	182
Dental insurance	815	815	462	353	462
Workmen's compensation	120	120	44	76	58
Other personal services	650	650	650	-	617
Employee education/training/testing	850	850	36	814	1,602
Professional services	50	50	-	50	-
Mailing	150	150	44	106	73
Dues, memberships, and subscriptions	770	770	244	526	1,128
Advertising/Public Relations	300	300	100	200	246
Travel and training	1,975	1,975	8	1,967	153
Improvement teams	100	100	42	58	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Purchasing and Warehouse (Continued):</u>					
Repair and maintenance office	600	600	491	109	170
Reproduction and printing	-	-	505	(505)	-
Rental/Maintenance contracts.....	1,000	1,000	-	1,000	-
Utilities	2,400	2,400	3,037	(637)	3,162
Other contracted services	100	100	-	100	-
Office supplies.....	800	800	911	(111)	540
Other operating supplies/parts	350	350	415	(65)	389
Uniforms and clothing.....	200	200	-	200	148
Auto parts/gas.....	1,000	1,000	1,670	(670)	1,455
Insurance and bonds	1,000	1,000	797	203	853
Fuel island costs	1,800	1,800	17,824	(16,024)	2,367
Total Purchasing and Warehouse	<u>69,729</u>	<u>69,729</u>	<u>82,325</u>	<u>(12,596)</u>	<u>66,397</u>
<u>Building and Grounds:</u>					
Wages and salaries	36,032	36,032	37,448	(1,416)	35,090
F. I. C. A.	2,807	2,807	2,906	(99)	2,642
Retirement	7,042	7,042	7,062	(20)	6,666
Hospitalization insurance	8,640	8,640	8,751	(111)	8,640
Life/AD&D	159	159	157	2	163
Dental insurance	730	730	547	183	538
Workmen's compensation	2,850	2,850	1,285	1,565	1,383
Other personal services.....	670	670	670	-	650
Utilities	1,000	1,000	1,060	(60)	1,105
Insurance	18,000	18,000	13,699	4,301	17,012
Repairs and maintenance	1,000	1,000	-	1,000	40
Maintenance – Associates Boulevard.....	12,500	12,500	3,805	8,695	6,570
Springbrook Corporation Center	9,000	9,000	10,063	(1,063)	9,157
Cedar Lawn Cemetery	500	500	-	500	-
Building improvements	2,500	2,500	-	2,500	9,944
Total Building and Grounds	<u>103,430</u>	<u>103,430</u>	<u>87,453</u>	<u>15,977</u>	<u>99,600</u>
<u>Fleet Services:</u>					
Wages and salaries	121,114	121,114	123,954	(2,840)	109,462
F.I.C.A.	9,367	9,367	9,623	(256)	8,029
Retirement	23,088	23,088	21,984	1,104	17,343
Hospitalization insurance	35,856	35,856	35,856	-	30,864
Life/AD&D	623	623	596	27	519
Dental insurance	3,028	3,028	2,884	144	2,164
Workmen's compensation	8,548	8,548	3,476	5,072	3,442
Retiree insurance	168	168	-	168	1,903
Other personal services.....	1,349	1,349	1,348	1	793
Drug/Alcohol test	45	45	79	(34)	13

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Fleet Services (Continued):</u>					
Employee education and training	3,200	3,200	302	2,898	-
Professional services	50	50	-	50	178
Dues, memberships and subscriptions.....	5,045	5,045	3,289	1,756	2,220
Regulatory fees and licenses.....	50	50	-	50	75
Advertising	-	-	150	(150)	-
Travel	1,000	1,000	535	465	1,198
Improvement teams	100	100	109	(9)	100
Maintenance contract.....	600	600	4,493	(3,893)	790
Utilities	700	700	732	(32)	671
Other contractual services	100	100	-	100	120
Office supplies.....	150	150	23	127	78
Other operating supplies.....	15,000	15,000	10,707	4,293	12,969
Small tools.....	3,500	3,500	3,516	(16)	3,970
Uniforms.....	2,200	2,200	1,419	781	2,251
Auto/electrical parts/materials.....	2,000	2,000	142	1,858	648
Gas, fuel, and lubricants	1,500	1,500	2,007	(507)	1,694
Safety supplies.....	500	500	355	145	456
Insurance and bonds	3,000	3,000	2,789	211	2,809
Repairs and maintenance	1,000	1,000	769	231	626
Machinery and equipment	-	-	-	-	1,450
Computer equipment	1,000	1,000	-	1,000	705
Total Fleet Services	<u>243,881</u>	<u>243,881</u>	<u>231,137</u>	<u>12,744</u>	<u>207,540</u>
<u>Judicial/Legal:</u>					
FICA.....	689	689	495	194	536
Retirement	1,462	1,462	1,461	1	1,462
Medical Insurance	14,400	14,400	14,400	-	14,400
Dental Insurance.....	1,216	1,216	1,158	58	1,158
Wages – City Judge.....	9,000	9,000	9,000	-	9,000
City Attorney.....	75,150	75,150	82,128	(6,978)	72,646
Other Legal Services	10,000	10,000	10,000	-	10,000
Total Judicial/Legal.....	<u>111,917</u>	<u>111,917</u>	<u>118,642</u>	<u>(6,725)</u>	<u>109,202</u>
<u>Finance:</u>					
Wages and salaries	160,822	160,822	161,504	(682)	157,286
F. I. C. A.	11,079	11,079	12,629	(1,550)	11,900
Retirement	44,992	44,992	44,969	23	45,479
Hospitalization insurance	37,296	37,296	30,768	6,528	30,276
Life/AD&D	754	754	730	24	748
Dental insurance	3,150	3,150	2,212	938	2,237
Workmen’s compensation	550	550	203	347	272
Bonds.....	600	600	578	22	578
Other personal services.....	4,345	4,345	4,799	(454)	3,863
Employee education and training	4,000	4,000	-	4,000	600

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Finance (Continued):</u>					
Professional services	500	500	-	500	1,254
Property tax assessment fees	26,000	26,000	21,083	4,917	29,521
Mailing	6,000	6,000	6,325	(325)	4,733
Dues, memberships, and subscriptions	2,000	2,000	1,134	866	2,182
Accounting and auditing	15,000	15,000	17,227	(2,227)	14,500
Advertising	500	500	560	(60)	710
Travel	12,500	12,500	6,506	5,994	8,957
Public relations	500	500	168	332	355
Repairs and maintenance	500	500	-	500	41
Reproduction and printing	1,800	1,800	-	1,800	1,649
Maintenance contracts	3,225	3,225	4,292	(1,067)	2,603
Utilities	2,000	2,000	3,193	(1,193)	2,166
Other contractual services	1,450	1,450	98	1,352	990
Office supplies	6,500	6,500	3,429	3,071	6,735
Uniforms	500	500	-	500	167
Auto/Gas	300	300	426	(126)	306
Insurance	1,350	1,350	865	485	1,252
Computer equipment	1,000	1,000	163	837	2,339
Total Finance	<u>349,213</u>	<u>349,213</u>	<u>323,861</u>	<u>25,352</u>	<u>333,699</u>
<u>Information Systems:</u>					
Wages and salaries	80,335	80,335	81,013	(678)	77,953
F. I. C. A.	6,242	6,242	6,382	(140)	5,911
Retirement	20,376	20,376	20,417	(41)	19,567
Hospitalization insurance	20,016	20,016	20,016	-	20,016
Life/AD&D	388	388	380	8	395
Dental insurance	1,691	1,691	1,610	81	1,610
Workmen's compensation	271	271	100	171	127
Other personal services	1,862	1,862	1,813	49	1,298
Employee education training	-	-	-	-	6,940
Professional services	-	-	20	(20)	135
Mailing	100	100	103	(3)	132
Dues, memberships, and subscriptions	100	100	417	(317)	380
Advertising/Public Relations	100	100	-	100	-
Travel, conference and training	12,000	12,000	5,824	6,176	2,166
Rental and maintenance contracts	24,600	24,600	24,600	-	23,120
Utilities	27,000	27,000	14,015	12,985	15,187
Office supplies	6,000	6,000	7,549	(1,549)	5,199
Other operating supplies	250	250	91	159	344
Auto parts/gasoline/repairs	21,000	21,000	621	20,379	494
Printing	-	-	-	-	-
Insurance	2,100	2,100	2,311	(211)	1,960
Computer equipment	108,375	108,375	108,509	(134)	2,001
Total Information Systems	<u>332,806</u>	<u>332,806</u>	<u>295,791</u>	<u>37,015</u>	<u>184,935</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Planning and Development:</u>					
Wages and salaries	186,180	186,180	167,869	18,311	178,527
F. I. C. A.	18,040	18,040	16,652	1,388	13,437
Retirement.....	43,880	43,880	32,751	11,129	34,860
Hospitalization insurance	36,000	36,000	33,000	3,000	36,000
Life/AD&D	810	810	726	84	844
Dental insurance.....	3,041	3,041	2,654	387	2,896
Workmen’s compensation.....	633	633	234	399	296
Other personal services	2,775	2,775	3,632	(857)	2,700
Car allowance.....	2,400	2,400	2,000	400	-
Drug/alcohol testing	100	100	-	100	22
Employee education	800	800	765	35	948
Professional and consulting services.....	6,750	6,750	3,474	3,276	1,024
Mailing.....	100	100	-	100	91
Dues and memberships	1,500	1,500	1,779	(279)	1,250
Advertising/Public relations.....	1,350	1,350	3,033	(1,683)	1,565
Travel.....	2,100	2,100	133	1,967	1,073
Repairs and maintenance office	150	150	150	-	65
Printing.....	500	500	360	140	522
Maintenance contracts.....	500	500	339	161	-
Planning commission meetings.....	1,200	1,200	1,008	192	1,695
Utilities.....	1,600	1,600	2,064	(464)	1,251
Other contractual services	-	-	-	-	2,400
Office supplies	1,000	1,000	862	138	661
Other operating supplies	100	100	-	100	-
Gasoline/auto parts.....	300	300	-	300	-
Insurance	1,450	1,450	1,091	359	1,332
Computer equipment.....	1,400	1,400	1,758	(358)	-
Total Planning and Development.....	<u>314,659</u>	<u>314,659</u>	<u>276,334</u>	<u>38,325</u>	<u>283,459</u>
<u>Municipal Building:</u>					
Wages.....	20,145	20,145	22,478	(2,333)	17,795
F.I.C.A.	1,590	1,590	1,717	(127)	1,299
Retirement.....	5,231	5,231	5,324	(93)	3,563
Hospital insurance	9,072	9,072	9,072	-	8,676
Life insurance/AD&D.....	132	132	127	5	123
Dental insurance.....	766	766	259	507	226
Workers Comp	1,594	1,594	646	948	685
Other personal services	637	637	633	4	360
Rental/Maintenance contract.....	9,400	9,400	9,271	129	7,975
Utilities.....	99,000	99,000	77,942	21,058	83,672
Operating supplies.....	6,500	6,500	4,474	2,026	7,493
Auto parts/gas	-	-	-	-	2

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Municipal Building (Continued):</u>					
Insurance	5,525	5,525	5,305	220	5,248
Repairs and maintenance.....	18,000	18,000	87,782	(69,782)	15,612
Other charges	-	-	189	(189)	-
Building improvements.....	<u>300,000</u>	<u>300,000</u>	<u>201,157</u>	<u>98,843</u>	<u>12,060</u>
Total Municipal Building.....	<u>477,592</u>	<u>477,592</u>	<u>426,376</u>	<u>51,216</u>	<u>164,789</u>
<u>Engineering and Codes Enforcement:</u>					
Wages and salaries	142,640	142,640	139,859	2,781	136,732
F. I. C. A.	11,623	11,623	11,260	363	10,562
Retirement.....	69,438	69,438	69,429	9	66,504
Hospitalization insurance	35,568	35,568	34,968	600	35,964
Life/AD&D	689	689	661	28	713
Dental insurance.....	3,004	3,004	2,813	191	2,893
Workmen's compensation.....	8,851	8,851	3,016	5,835	4,243
Other personal services	10,546	10,546	8,036	2,510	8,860
Drug/Alcohol testing	200	200	45	155	22
Employee education/training	1,500	1,500	561	939	100
Mailing.....	350	350	543	(193)	409
Dues and memberships	800	800	335	465	529
Advertising/Public relations.....	400	400	-	400	-
Travel.....	1,000	1,000	380	620	330
Repairs and maintenance – Office equipment.....	150	150	49	101	-
Printing.....	400	400	-	400	332
Maintenance contracts.....	215	215	339	(124)	-
Utilities.....	2,750	2,750	2,978	(228)	2,695
House demolition	3,000	3,000	21	2,979	5,264
Other contractual services	2,050	2,050	-	2,050	(853)
Office supplies	600	600	1,039	(439)	332
Small tools	100	100	15	85	25
Uniforms	600	600	525	75	529
Auto parts.....	1,000	1,000	296	704	2,064
Gas	2,100	2,100	2,274	(174)	2,299
Insurance	1,600	1,600	1,373	227	1,514
Computer equipment.....	<u>1,400</u>	<u>1,400</u>	<u>584</u>	<u>816</u>	<u>-</u>
Total Engineering and Codes	<u>302,574</u>	<u>302,574</u>	<u>281,399</u>	<u>21,175</u>	<u>282,062</u>
<u>Economic and Industrial Development:</u>					
Wages and salaries	60,064	60,064	60,341	(277)	58,272
F. I. C. A.	5,311	5,311	4,903	408	4,688
Retirement	13,077	13,077	13,077	-	12,586
Hospitalization insurance	7,200	7,200	7,200	-	7,200
Life/AD&D	224	224	224	-	237

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Economic and Industrial</u>					
<u>Development (Continued):</u>					
Dental insurance.....	608	608	579	29	579
Workmen’s compensation.....	649	649	232	417	340
Other personal services	9,365	9,365	9,365	-	6,550
Employee education and training.....	200	200	-	200	151
Professional services	50,000	50,000	34,730	15,270	34,987
Mailing.....	200	200	124	76	174
Dues and memberships	4,800	4,800	6,113	(1,313)	4,818
Advertising.....	3,000	3,000	2,865	135	2,300
Travel	15,000	15,000	15,479	(479)	13,535
Public relations.....	1,250	1,250	1,363	(113)	873
Repairs and maintenance.....	-	-	229	(229)	-
Printing.....	1,200	1,200	-	1,200	817
Utilities.....	2,400	2,400	2,987	(587)	2,332
Other contractual services	2,550	2,550	-	2,550	2,550
Office supplies	700	700	809	(109)	696
Maintenance contract	-	-	689	(689)	-
Insurance	700	700	443	257	628
Computer equipment.....	500	500	397	103	3,008
Total Economic and Industrial Development	<u>178,998</u>	<u>178,998</u>	<u>162,149</u>	<u>16,849</u>	<u>157,321</u>
TOTAL GENERAL GOVERNMENT....	<u>3,094,370</u>	<u>3,094,370</u>	<u>2,864,149</u>	<u>230,221</u>	<u>2,419,425</u>
PUBLIC WORKS:					
<u>Supervision:</u>					
Wages and salaries – regular.....	181,125	181,125	227,455	(46,330)	184,546
F. I. C. A.	14,155	14,155	17,433	(3,278)	14,003
Retirement.....	31,394	31,394	41,829	(10,435)	35,969
Hospitalization insurance	34,272	34,272	32,796	1,476	35,352
Life/AD&D	760	760	704	56	842
Dental insurance.....	2,895	2,895	2,638	257	2,843
Workmen’s compensation.....	749	749	280	469	498
Other personal services	3,906	3,906	4,715	(809)	5,653
Drug/Alcohol testing.....	100	100	140	(40)	22
Employee education and training.....	525	525	150	375	220
Public Education	475	475	-	475	-
Professional and consulting.....	3,400	3,400	3,119	281	3,642
Mailing.....	600	600	708	(108)	777
Dues and memberships	11,000	11,000	7,896	3,104	9,321

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

June 30, 2017

<u>Function/Activity/Object</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS:					
<u>Supervision (Continued):</u>					
Regulatory fees and licenses	950	950	450	500	1,001
Advertising.....	300	300	1,100	(800)	1,479
Travel.....	10,000	10,000	4,836	5,164	4,957
Public relations.....	100	100	60	40	182
Improvement teams.....	1,200	1,200	2,167	(967)	1,088
Repair and maintenance	450	450	63	387	546
GIS Systems.....	25,200	25,200	22,149	3,051	20,759
Reproduction and printing.....	600	600	-	600	731
Rental and maintenance contracts	175	175	654	(479)	63
Radio system – annual fee.....	2,100	2,100	2,983	(883)	2,827
Utilities.....	1,925	1,925	2,290	(365)	1,996
Other contractual services	1,925	1,925	-	1,925	1,720
Office supplies	2,000	2,000	1,636	364	2,494
Other supplies	400	400	163	237	267
Small tools	200	200	65	135	88
Uniforms	400	400	122	278	134
Auto parts.....	750	750	1,372	(622)	1,184
Gas	500	500	497	3	428
Safety supplies and materials	100	100	15	85	13
Insurance and bonds.....	2,000	2,000	1,152	848	1,898
Service center cost	96,000	96,000	99,690	(3,690)	99,372
Machinery and equipment.....	1,350	1,350	1,254	96	122
Communication and computer equipment.....	<u>7,800</u>	<u>7,800</u>	<u>3,750</u>	<u>4,050</u>	<u>551</u>
Total Supervision	<u>441,781</u>	<u>441,781</u>	<u>486,331</u>	<u>(44,550)</u>	<u>437,588</u>
<u>Right of Way Maintenance:</u>					
Wages and salaries – regular.....	343,019	343,019	302,498	40,521	264,659
F. I. C. A.	27,956	27,956	23,570	4,386	19,595
Retirement.....	60,676	60,676	49,124	11,552	49,757
Hospitalization insurance	144,000	144,000	128,400	15,600	106,800
Life/AD&D	2,112	2,112	1,809	303	1,644
Dental insurance.....	12,162	12,162	9,413	2,749	7,087
Workmen’s compensation.....	39,822	39,822	16,016	23,806	18,700
Retiree insurance.....	3,450	3,450	-	3,450	-
Other personal services	3,700	3,700	3,793	(93)	4,654
Drug/alcohol testing.....	400	400	200	200	154
Employee education.....	500	500	74	426	204
Professional services	300	300	552	(252)	70
Travel.....	800	800	-	800	1,799
Improvement teams.....	-	-	93	(93)	-
Maintenance contracts.....	6,050	6,050	13,350	(7,300)	4,800
Utilities.....	1,250	1,250	1,935	(685)	1,197

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>Amounts (Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>	
PUBLIC WORKS (Continued):					
<u>Right of Way Maintenance (Continued):</u>					
Operating supplies.....	2,000	2,000	2,384	(384)	2,215
Small tools.....	3,750	3,750	3,177	573	2,665
Uniforms	2,500	2,500	2,217	283	2,184
Auto parts.....	22,000	22,000	30,301	(8,301)	31,967
Chemical supplies	5,000	5,000	2,799	2,201	3,247
Gasoline.....	15,000	15,000	15,067	(67)	13,300
Construction materials.....	500	500	-	500	22
Safety supplies.....	2,000	2,000	2,041	(41)	1,692
Insurance	2,450	2,450	4,284	(1,834)	2,315
Repairs and maintenance	6,000	6,000	663	5,337	1,247
Greenway maintenance	-	-	-	-	599
Other equipment.....	-	-	20,000	(20,000)	1,744
Total Right of Way Maintenance	<u>707,397</u>	<u>707,397</u>	<u>633,760</u>	<u>73,637</u>	<u>544,317</u>
<u>Streets Supervision:</u>					
Wages and salaries – regular	73,993	73,993	70,575	3,418	111,634
F.I.C.A.....	7,273	7,273	7,000	273	8,582
Retirement.....	34,864	34,864	31,248	3,616	51,042
Hospitalization insurance	15,552	15,552	15,753	(201)	27,157
Life/AD&D	307	307	307	-	545
Dental insurance	1,313	1,313	1,267	46	2,184
Workmen’s compensation.....	8,949	8,949	3,914	5,035	7,821
Retiree insurance	8,000	8,000	7,695	305	6,450
Other personal services	4,306	4,306	3,371	935	5,616
Drug/alcohol testing	250	250	240	10	223
Employee training	400	400	-	400	2
Professional and consulting.....	100	100	-	100	65
Regulatory fees and license.....	150	150	60	90	17
Travel	700	700	578	122	25
Improvement teams	200	200	309	(109)	100
Maintenance contracts.....	100	100	-	100	-
Radio system annual contract.....	150	150	398	(248)	147
Utilities.....	1,750	1,750	340	1,410	775
Office supplies.....	100	100	6	94	53
Other operating supplies.....	100	100	-	100	-
Uniforms	700	700	565	135	765
Automotive parts	500	500	410	90	2,219
Gasoline, fuel and lubricants	1,000	1,000	392	608	727
Insurance	1,450	1,450	1,639	(189)	2,277
Total Streets Supervision.....	<u>162,207</u>	<u>162,207</u>	<u>146,067</u>	<u>16,140</u>	<u>228,425</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Streets – Repair and Construction:</u>					
Wages and salaries – regular	237,704	237,704	248,439	(10,735)	188,258
F.I.C.A.	18,671	18,671	19,410	(739)	14,207
Retirement	110,517	110,517	114,651	(4,134)	91,442
Hospitalization insurance	79,920	79,920	80,500	(580)	61,712
Life/AD&D	1,287	1,287	1,254	33	988
Dental insurance	6,750	6,750	5,308	1,442	3,485
Workmen’s compensation	30,447	30,447	13,487	16,960	11,135
Retiree insurance	3,450	3,450	2,010	1,440	3,225
Other personal services	6,386	6,386	6,386	-	5,046
Drug/Alcohol test	100	100	-	100	22
Employee education/training	400	400	417	(17)	409
Professional services	100	100	-	100	-
Dues	-	-	45	(45)	-
Regulatory fees and license	150	150	9	141	49
Travel	1,400	1,400	378	1,022	25
Improvement teams	-	-	218	(218)	-
Printing	50	50	-	50	34
Utilities	500	500	917	(417)	556
Landfill services	200	200	-	200	-
Other operating supplies	600	600	1,011	(411)	728
Small tools	600	600	1,740	(1,140)	801
Uniforms	1,500	1,500	2,013	(513)	1,829
Auto parts	15,000	15,000	20,910	(5,910)	23,278
Repairs – sidewalks	5,000	5,000	539	4,461	2,654
Gasoline, fuel and lubricants	12,000	12,000	7,826	4,174	8,440
Construction materials	37,000	37,000	77,443	(40,443)	10,545
Safety supplies	700	700	1,660	(960)	916
Insurance and bonds	2,800	2,800	3,181	(381)	2,619
Repairs and maintenance	23,900	23,900	19,197	4,703	14,158
Snow removal	15,000	15,000	15,000	-	10,935
Christmas light maintenance	2,000	2,000	1,243	757	893
Emergency response	100	100	-	100	-
Easements	1,000	1,000	34	966	1,127
Street resurfacing	140,000	140,000	140,000	-	139,546
Traffic calming	8,000	8,000	-	8,000	-
Computer equipment	1,500	1,500	1,450	50	26
Total Streets – Repair and Construction	<u>764,732</u>	<u>764,732</u>	<u>786,676</u>	<u>(21,944)</u>	<u>599,048</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Traffic Operations:</u>					
Wages and Salaries.....	77,049	77,049	79,934	(2,885)	77,864
F.I.C.A.....	6,378	6,378	6,576	(198)	6,252
Retirement.....	15,853	15,853	15,990	(137)	15,594
Hospitalization insurance.....	17,280	17,280	17,266	14	17,280
Life/AD&D insurance.....	333	333	326	7	342
Dental insurance.....	1,459	1,459	1,310	149	1,311
Workmen's compensation.....	6,473	6,473	2,867	3,606	3,157
Retiree insurance.....	1,620	1,620	-	1,620	-
Other personal services.....	6,329	6,329	6,329	-	6,947
Employee Education and Training.....	2,000	2,000	1,770	230	648
Dues.....	400	400	340	60	340
Advertising.....	100	100	-	100	61
Travel.....	100	100	-	100	-
Maintenance contract.....	50	50	-	50	250
Utilities.....	10,000	10,000	11,004	(1,004)	10,689
Operating supplies.....	150	150	47	103	12
Small tools.....	500	500	264	236	288
Uniforms.....	300	300	320	(20)	235
Auto parts.....	1,300	1,300	288	1,012	975
Gasoline.....	2,000	2,000	1,332	668	1,438
Safety supplies.....	200	200	24	176	127
Insurance.....	400	400	426	(26)	382
Repairs and maintenance.....	100	100	2,990	(2,890)	344
Traffic signal maintenance.....	16,000	16,000	3,782	12,218	9,914
Cost recovery.....	60,200	60,200	59,002	1,198	37,010
Machinery/equipment.....	6,840	6,840	-	6,840	-
Total Traffic Operations.....	<u>233,414</u>	<u>233,414</u>	<u>212,187</u>	<u>21,227</u>	<u>191,461</u>
<u>Street Lighting:</u>					
Utilities.....	<u>600,000</u>	<u>600,000</u>	<u>599,673</u>	<u>327</u>	<u>605,724</u>
<u>Sanitation Supervision:</u>					
Wages and Salaries.....	75,143	75,143	75,490	(347)	72,884
F.I.C.A.....	6,180	6,180	6,195	(15)	5,714
Retirement.....	57,184	57,184	52,668	4,516	54,965
Hospitalization insurance.....	14,400	14,400	14,400	-	14,400
Life/Accidental death insurance.....	326	326	322	4	339
Dental insurance.....	1,216	1,216	1,158	58	1,158
Workmen's compensation.....	8,126	8,126	3,368	4,758	3,693
Other personal services.....	5,636	5,636	-	5,636	5,417
Drug/Alcohol test.....	300	300	241	59	223

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Sanitation Supervision (Continued):</u>					
Employee Education and Training	100	100	34	66	-
Professional and consulting.....	300	300	196	104	585
Mailing	200	200	-	200	-
Utility processing	3,300	3,300	3,646	(346)	3,348
Dues	100	100	25	75	25
Regulatory fees.....	150	150	-	150	-
Travel	1,800	1,800	285	1,515	299
Improvement teams	250	250	714	(464)	515
Repair and maintenance	-	-	45	(45)	-
Printing.....	4,000	4,000	3,657	343	3,689
Maintenance contract	100	100	100	-	-
Utilities.....	600	600	778	(178)	564
Office supplies.....	100	100	97	3	32
Operating supplies.....	100	100	32	68	-
Small tools.....	100	100	-	100	64
Uniforms	370	370	86	284	106
Auto parts	500	500	993	(493)	1,068
Gasoline.....	1,000	1,000	809	191	772
Safety supplies.....	100	100	12	88	11
Insurance	500	500	489	11	444
Total Sanitation Supervision	<u>182,181</u>	<u>182,181</u>	<u>165,840</u>	<u>16,341</u>	<u>170,315</u>
<u>Sanitation Residential Collection:</u>					
Wages and salaries	121,958	121,958	118,084	3,874	136,643
F.I.C.A.....	9,415	9,415	9,298	117	10,279
Retirement.....	17,464	17,464	20,225	(2,761)	20,866
Hospitalization insurance	57,600	57,600	49,200	8,400	55,800
Life/Accidental death insurance	811	811	660	151	767
Dental insurance	4,865	4,865	2,846	2,019	3,671
Workmen's compensation.....	12,354	12,354	6,006	6,348	5,917
Other personal services	1,100	1,100	1,088	12	3,100
Professional services	500	500	-	500	-
Radio system annual contract.....	150	150	131	19	148
Utilities.....	25	25	24	1	24
Landfill services	125,000	125,000	132,748	(7,748)	112,394
Recycling contracts	175,000	175,000	145,993	29,007	172,618
Other supplies.....	500	500	182	318	281
Small tools and minor equipment.....	100	100	18	82	-
Uniforms	2,000	2,000	3,762	(1,762)	2,981
Automotive parts	13,000	13,000	15,951	(2,951)	12,285
Gasoline, fuel, and lubricants	15,000	15,000	9,835	5,165	9,087

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Sanitation Residential Collection</u>					
<u>(Continued):</u>					
Safety supplies.....	2,200	2,200	3,143	(943)	3,485
Insurance	2,500	2,500	1,171	1,329	2,352
Recycling center	100	100	-	100	-
Total Sanitation Collection.....	<u>561,642</u>	<u>561,642</u>	<u>520,365</u>	<u>41,277</u>	<u>552,698</u>
<u>Brush and Demolition Collection:</u>					
Wages and Salaries.....	89,563	89,563	64,841	24,722	79,253
F.I.C.A.	7,135	7,135	5,009	2,126	7,084
Retirement	44,152	44,152	5,555	38,597	49,000
Hospitalization insurance	28,800	28,800	28,800	-	28,800
Life/Accidental death insurance	464	464	391	73	460
Dental insurance	2,432	2,432	1,532	900	2,251
Workmen's compensation	8,615	8,615	3,596	5,019	4,364
Retiree insurance	6,000	6,000	6,240	(240)	500
Other personal services	3,704	3,704	-	3,704	4,969
Professional services	200	200	-	200	-
Travel	-	-	-	-	25
Radio system contract	300	300	-	300	-
Utilities	30	30	5	25	28
Landfill services	70,000	70,000	90,657	(20,657)	63,373
Recycling contracts	38,000	38,000	57,780	(19,780)	33,600
Other operating supplies.....	800	800	410	390	694
Small tools.....	250	250	429	(179)	207
Uniforms	1,000	1,000	626	374	602
Automotive parts	15,000	15,000	12,392	2,608	17,215
Gasoline.....	12,000	12,000	12,012	(12)	8,959
Safety supplies.....	450	450	602	(152)	280
Insurance	1,450	1,450	1,264	186	1,139
Machinery/equipment.....	7,000	7,000	-	7,000	-
Total Brush and Demolition Collection	<u>337,345</u>	<u>337,345</u>	<u>292,141</u>	<u>45,204</u>	<u>303,003</u>
<u>Industrial Collection:</u>					
Wages and salaries	115,558	115,558	119,506	(3,948)	87,542
F.I.C.A.	8,978	8,978	8,826	152	7,073
Retirement	24,907	24,907	12,380	12,527	30,204
Hospitalization insurance	43,200	43,200	42,000	1,200	34,800
Life/Accidental death insurance	660	660	620	40	541
Dental insurance	3,649	3,649	1,810	1,839	1,230
Workmen's compensation	11,781	11,781	5,134	6,647	5,943
Retiree insurance	2,940	2,940	3,030	(90)	980
Other personal services	1,800	1,800	-	1,800	4,422

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>	
PUBLIC WORKS (Continued):					
<u>Industrial Collection (Continued):</u>					
Professional services.....	50	50	-	50	-
Communication equipment.....	450	450	392	58	441
Utilities	50	50	10	40	48
Landfill services.....	240,000	240,000	252,985	(12,985)	212,967
Other operating supplies/small tools.....	700	700	412	288	439
Uniforms.....	1,200	1,200	1,050	150	1,287
Automotive parts	27,000	27,000	31,511	(4,511)	25,051
Gasoline, fuel, and lubricants	20,000	20,000	17,685	2,315	16,263
Safety supplies.....	400	400	606	(206)	297
Insurance.....	2,500	2,500	2,067	433	2,823
Repair and maintenance.....	400	400	5	395	685
Equipment lease payments.....	-	-	-	-	24,817
Computer equipment	15,000	15,000	7,433	7,567	6,688
Total Industrial Collection.....	<u>521,223</u>	<u>521,223</u>	<u>507,462</u>	<u>13,761</u>	<u>464,541</u>
<u>Special Projects:</u>					
Road repair	-	-	-	-	59,529
TOTAL PUBLIC WORKS.....	<u>4,511,922</u>	<u>4,511,922</u>	<u>4,350,502</u>	<u>161,420</u>	<u>4,156,649</u>
PUBLIC SAFETY:					
<u>Police Administration:</u>					
Wages and salaries	163,598	163,598	188,003	(24,405)	157,080
F.I.C.A.	12,722	12,722	14,126	(1,404)	11,479
Retirement	31,915	31,915	34,815	(2,900)	30,316
Hospitalization insurance.....	28,800	28,800	33,600	(4,800)	28,800
Life/AD&D.....	688	688	760	(72)	713
Dental insurance	2,432	2,432	2,703	(271)	2,316
Workmen's compensation	8,061	8,061	3,672	4,389	3,319
Other personal services.....	2,700	2,700	2,450	250	2,150
Professional and consultation services.....	10,000	10,000	5,532	4,468	2,848
Medical physical.....	4,500	4,500	-	4,500	-
Mailing.....	100	100	32	68	39
Dues and memberships	1,700	1,700	965	735	713
Advertising	700	700	-	700	-
Travel, conferences and training.....	5,200	5,200	4,558	642	6,431
Public relations	2,000	2,000	3,803	(1,803)	562
Improvement teams	-	-	149	(149)	-
Reproduction and printing	4,000	4,000	-	4,000	3,394
Rental, maintenance contracts	-	-	2,385	(2,385)	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued):					
<u>Police Administration (Continued):</u>					
TIES Terminal services.....	2,240	2,240	1,830	410	2,390
Utilities.....	3,000	3,000	3,204	(204)	2,467
Office supplies	500	500	876	(376)	460
Other supplies	-	-	15	(15)	-
Small Tools	300	300	-	300	-
Uniforms	850	850	1,295	(445)	997
Auto parts	650	650	612	38	304
Gasoline, fuel and lubricants.....	1,500	1,500	2,007	(507)	1,732
Insurance and bonds.....	2,575	2,575	3,593	(1,018)	2,435
Machinery/equipment	-	-	2,152	(2,152)	-
Computer equipment.....	132,473	132,473	1,984	130,489	16,500
Total Police Administration	<u>423,204</u>	<u>423,204</u>	<u>315,121</u>	<u>108,083</u>	<u>277,445</u>
<u>Administrative Services:</u>					
Wages and salaries – regular.....	669,364	669,364	755,446	(86,082)	509,997
F.I.C.A.	55,170	55,170	59,232	(4,062)	37,294
Retirement.....	218,121	218,121	216,329	1,792	98,085
Hospitalization insurance	178,560	178,560	180,960	(2,400)	136,560
Life/AD&D	3,248	3,248	3,237	11	2,562
Dental insurance.....	15,081	15,081	13,588	1,493	9,886
Workmen’s compensation.....	40,094	40,094	19,916	20,178	10,676
Other personal services	23,895	23,895	24,243	(348)	19,921
Employee education/training	2,000	2,000	-	2,000	8
Professional services	1,000	1,000	32	968	940
Credit card processing fees	1,000	1,000	7,386	(6,386)	5,701
Mailing.....	1,725	1,725	1,613	112	1,355
Dues and memberships	6,400	6,400	6,795	(395)	2,730
Regulatory fees	-	-	-	-	89
Travel, conferences and training.....	16,000	16,000	26,014	(10,014)	13,704
Repair and maintenance	-	-	-	-	27
Printing.....	3,950	3,950	-	3,950	3,256
Repair and maintenance – Machinery and equipment	-	-	1,429	(1,429)	-
Computer software	12,800	12,800	1,878	10,922	12,125
Rental and maintenance contracts	15,000	15,000	16,202	(1,202)	17,791
Software license fee	35,355	35,355	145,066	(109,711)	29,356
Radio Systems annual fee	19,000	19,000	11,552	7,448	11,524
Other contractual services	-	-	10,085	(10,085)	-
Utilities.....	6,000	6,000	14,242	(8,242)	6,771
Office supplies	15,000	15,000	11,014	3,986	18,558
Evidence/essential supplies.....	-	-	3,264	(3,264)	-
Community policing	15,000	15,000	11,521	3,479	5,195
Small tools	2,000	2,000	2,096	(96)	758

(Continued)

**CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued)					
<u>Administrative Services (Continued):</u>					
Ammunition	20,000	20,000	21,240	(1,240)	10,654
Uniforms	6,550	6,550	3,898	2,652	4,671
Auto parts	5,000	5,000	4,684	316	2,318
Gasoline	6,765	6,765	4,789	1,976	2,991
Range maintenance	5,175	5,175	6,383	(1,208)	-
Insurance	9,000	9,000	12,616	(3,616)	8,590
Repair and maintenance	31,500	31,500	38,476	(6,976)	41,583
Lease equipment	46,275	46,275	46,272	3	46,272
Communication equipment	-	-	-	-	100
Machinery/equipment	-	-	1,704	(1,704)	-
Office/computer machinery and equipment	27,500	27,500	32,905	(5,405)	5,145
Building and improvements	-	-	3,280	(3,280)	-
Certificate of Accreditation expenses	9,250	9,250	7,351	1,899	14,492
Total Administrative Services	<u>1,522,778</u>	<u>1,522,778</u>	<u>1,726,738</u>	<u>(203,960)</u>	<u>1,091,685</u>
<u>Police Patrol and Traffic Division:</u>					
Wages and salaries – regular	1,418,190	1,418,190	1,368,818	49,372	1,481,253
F. I. C. A.	111,292	111,292	109,771	1,521	115,362
Retirement	366,278	366,278	334,508	31,770	440,006
Hospitalization insurance	374,400	374,400	357,600	16,800	390,000
Life/AD&D	6,441	6,441	5,904	537	6,823
Dental insurance	31,621	31,621	26,998	4,623	29,343
Workmen’s compensation	102,413	102,413	53,488	48,925	46,980
Retiree insurance	9,875	9,875	9,660	215	15,390
Other personal services	68,748	68,748	60,970	7,778	79,617
Drug/Alcohol testing	2,000	2,000	1,196	804	1,438
Employee education and training	8,000	8,000	3,035	4,965	3,700
Professional services	6,500	6,500	3,051	3,449	4,612
Contract services	15,420	15,420	15,420	-	15,420
Mailing	500	500	213	287	273
Dues and memberships	1,500	1,500	185	1,315	455
Advertising	-	-	2,081	(2,081)	-
Travel, conferences and training	26,000	26,000	23,209	2,791	30,030
Printing and photography	2,880	2,880	-	2,880	3,395
Repair and maintenance – machinery and equipment	-	-	83	(83)	-
Maintenance contracts	1,000	1,000	2,217	(1,217)	663
Utilities	97,000	97,000	90,847	6,153	95,446
Veterinarian	2,500	2,500	156	2,344	321
Office/other operating supplies	11,000	11,000	20,317	(9,317)	8,041
Community policing	-	-	-	-	949

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued)					
<u>Police Patrol and Traffic Division</u>					
<u>(Continued):</u>					
Small tools and minor equipment.....	500	500	884	(384)	578
Ammunition	-	-	125	(125)	931
Uniforms and clothing.....	45,250	45,250	38,738	6,512	46,628
K-9	4,500	4,500	1,422	3,078	168
Automotive parts	45,000	45,000	35,057	9,943	55,180
Gasoline, fuel, and lubricants	80,000	80,000	64,448	15,552	63,120
Firing range	-	-	348	(348)	670
Insurance	40,000	40,000	40,317	(317)	38,087
Repairs and maintenance – machinery	-	-	1,134	(1,134)	3,327
Lease equipment.....	-	-	29,033	(29,033)	-
Federal block grant.....	-	-	-	-	385
Other equipment.....	-	-	3,035	(3,035)	16,994
Vehicle	52,800	52,800	46,804	5,996	38,344
Computer equipment	18,000	18,000	17,870	130	9,538
Total Police Patrol and Traffic Control	<u>2,949,608</u>	<u>2,949,608</u>	<u>2,768,942</u>	<u>180,666</u>	<u>3,043,467</u>
<u>Police Investigation:</u>					
Wages and salaries – regular	405,189	405,189	443,548	(38,359)	457,525
F. I. C. A.	31,472	31,472	33,899	(2,427)	37,794
Retirement	92,780	92,780	82,941	9,839	157,517
Hospitalization insurance	100,800	100,800	100,800	-	108,000
Life/AD&D	1,780	1,780	1,732	48	2,083
Dental insurance	8,513	8,513	8,108	405	8,687
Workmen’s compensation.....	25,594	25,594	13,211	12,383	12,459
Retiree insurance	6,000	6,000	6,240	(240)	3,000
Other personal services	6,200	6,200	6,200	-	15,701
Employee education/training.....	4,000	4,000	2,000	2,000	-
Professional services	3,500	3,500	472	3,028	-
Mailing	400	400	227	173	200
Dues/subscriptions/memberships	-	-	-	-	355
Travel, conferences, and training	13,000	13,000	14,404	(1,404)	8,007
Printing.....	2,200	2,200	62	2,138	1,565
Evidence/essential supplies	-	-	1,187	(1,187)	-
Repairs and maintenance – machinery and equipment	-	-	155	(155)	-
Rental/maintenance contracts.....	-	-	1,572	(1,572)	-
Utilities.....	6,700	6,700	6,280	420	5,826
Undercover operations	1,000	1,000	-	1,000	-
Office supplies.....	3,000	3,000	4,498	(1,498)	3,117
Other operating supplies.....	1,000	1,000	139	861	1,093
Small tools.....	1,450	1,450	1,966	(516)	2,429
Uniforms	5,100	5,100	5,407	(307)	4,900

(Continued)

**CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued)					
<u>Police Investigation (Continued):</u>					
Auto parts.....	5,000	5,000	324	4,676	9,625
Gasoline, fuel and lubricants.....	11,000	11,000	7,719	3,281	7,473
Insurance.....	8,300	8,300	7,620	680	7,871
Repair and maintenance.....	750	750	588	162	80
Machinery/equipment.....	-	-	-	-	3,224
Computer equipment.....	-	-	201	(201)	-
Total Police Investigation.....	<u>744,728</u>	<u>744,728</u>	<u>751,500</u>	<u>(6,772)</u>	<u>858,531</u>
<u>Police – Animal Control:</u>					
Wages and salaries – regular.....	101,958	101,958	104,497	(2,539)	101,178
F. I. C. A.	9,466	9,466	8,021	1,445	7,471
Retirement.....	23,077	23,077	20,138	2,939	19,438
Hospitalization insurance.....	28,800	28,800	28,800	-	28,800
Life/AD&D.....	516	516	489	27	528
Dental insurance.....	2,432	2,432	1,532	900	1,532
Workmen’s compensation.....	6,943	6,943	3,657	3,286	3,306
Retiree insurance.....	1,650	1,650	-	1,650	-
Other personal services.....	2,050	2,050	2,250	(200)	2,000
Professional services.....	1,000	1,000	-	1,000	-
Dues and memberships.....	400	400	110	290	-
Travel and training.....	750	750	-	750	-
Utilities.....	1,100	1,100	1,090	10	1,118
Animal shelter fees.....	5,500	5,500	6,760	(1,260)	3,065
Office supplies.....	500	500	300	200	319
Small tools and equipment.....	1,500	1,500	1,221	279	-
Uniforms.....	800	800	682	118	447
Auto parts.....	1,500	1,500	1,135	365	792
Gasoline, fuel and lubricants.....	4,000	4,000	3,091	909	3,392
Other commodities.....	250	250	119	131	124
Insurance.....	1,575	1,575	1,686	(111)	1,497
Total Police – Animal Control.....	<u>195,767</u>	<u>195,767</u>	<u>185,578</u>	<u>10,189</u>	<u>175,009</u>
<u>Police Grants:</u>					
National night out.....	-	-	1,521	(1,521)	1,577
TOTAL PUBLIC SAFETY – POLICE.....	<u>5,836,085</u>	<u>5,836,085</u>	<u>5,749,400</u>	<u>86,685</u>	<u>5,447,714</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE:					
<u>Fire Supervision:</u>					
Wages and salaries.....	300,252	300,252	299,776	476	292,692
F. I. C. A.	24,623	24,623	24,194	429	26,128
Retirement.....	196,231	196,231	195,253	978	183,293
Hospitalization insurance.....	57,600	57,600	57,600	-	57,600
Life AD&D.....	1,291	1,291	1,267	24	1,325
Dental insurance.....	4,865	4,865	4,633	232	4,633
Workmen’s compensation.....	13,022	13,022	5,040	7,982	6,818
Retiree insurance.....	11,880	11,880	12,300	(420)	10,380
Other personal services.....	21,627	21,627	21,597	30	23,611
Employee education.....	3,000	3,000	1,547	1,453	2
Professional and consultation.....	5,000	5,000	965	4,035	10,513
Mailing.....	500	500	167	333	109
Dues and memberships.....	1,000	1,000	723	277	675
Travel, conferences and training.....	10,000	10,000	4,539	5,461	2,831
Public relations.....	3,500	3,500	1,472	2,028	4,278
Repairs and maintenance.....	200	200	-	200	222
Reproduction and printing.....	4,000	4,000	-	4,000	2,856
Rental and maintenance contracts.....	7,000	7,000	4,185	2,815	2,626
Utilities.....	14,000	14,000	10,583	3,417	11,158
Office supplies.....	1,700	1,700	1,229	471	1,659
Small tools.....	1,000	1,000	982	18	13
Uniforms.....	2,500	2,500	1,743	757	1,527
Auto parts.....	1,800	1,800	1,898	(98)	3,740
Gasoline, fuel and lubricants.....	7,500	7,500	3,501	3,999	4,819
Other commodities.....	-	-	42	(42)	-
Insurance.....	5,000	5,000	2,954	2,046	4,649
Computer equipment.....	-	-	75	(75)	396
Accrued fees.....	6,960	6,960	7,605	(645)	-
Total Fire Supervision.....	<u>706,051</u>	<u>706,051</u>	<u>665,870</u>	<u>40,181</u>	<u>658,552</u>
<u>Fire Prevention/Inspection:</u>					
Wages and salaries.....	66,207	66,207	55,800	10,407	41,067
F. I. C. A.	5,126	5,126	4,155	971	3,876
Retirement.....	21,150	21,150	11,142	10,008	20,340
Hospitalization insurance.....	14,400	14,400	15,016	(616)	12,579
Life/AD&D.....	259	259	258	1	232
Dental insurance.....	1,216	1,216	1,208	8	1,012
Workmen’s compensation.....	4,670	4,670	2,035	2,635	2,768
Retiree insurance.....	6,210	6,210	6,453	(243)	5,805
Other personal services.....	800	800	800	-	750
Employee education and training.....	5,000	5,000	4,195	805	841
Professional services.....	2,500	2,500	209	2,291	155
Mailing.....	50	50	17	33	24

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE (Continued):					
<u>Fire Prevention/Inspection (Continued):</u>					
Dues and memberships	500	500	960	(460)	290
Advertising.....	2,500	2,500	1,485	1,015	1,829
Travel.....	4,500	4,500	4,044	456	4,400
Rental and maintenance contracts.....	200	200	-	200	-
Repairs and maintenance – contracts	1,500	1,500	-	1,500	-
Utilities	1,800	1,800	1,456	344	1,813
Office supplies	500	500	118	382	474
Public fire education	3,000	3,000	2,688	312	-
Small tools and minor equipment	1,250	1,250	671	579	1,216
Uniforms	600	600	370	230	1,418
Auto parts.....	1,000	1,000	697	303	716
Smoke detectors	500	500	57	443	-
Gasoline, fuel and lubricants.....	2,000	2,000	1,281	719	1,474
Insurance.....	<u>2,425</u>	<u>2,425</u>	<u>740</u>	<u>1,685</u>	<u>2,290</u>
Total Fire Prevention/Inspection.....	<u>149,863</u>	<u>149,863</u>	<u>115,855</u>	<u>34,008</u>	<u>105,369</u>
<u>Fire Fighting:</u>					
Wages and salaries – regular.....	1,586,875	1,586,875	1,581,530	5,345	1,475,717
F. I. C. A.	127,779	127,779	125,336	2,443	115,149
Retirement.....	419,127	419,127	407,646	11,481	397,533
Hospitalization insurance.....	417,600	417,600	410,984	6,616	390,621
Life/AD&D.....	7,229	7,229	6,959	270	6,989
Dental insurance	35,270	35,270	27,763	7,507	26,974
Workmen’s compensation.....	81,654	81,654	36,052	45,602	36,917
Retiree insurance.....	8,550	8,550	8,820	(270)	9,570
Other personal services	83,390	83,390	79,139	4,251	97,796
Drug/Alcohol testing.....	500	500	738	(238)	558
Professional and consultation.....	4,400	4,400	1,938	2,462	3,350
Medical physicals.....	2,500	2,500	543	1,957	459
Mailing.....	500	500	230	270	38
Dues	2,400	2,400	100	2,300	-
Travel.....	10,000	10,000	5,905	4,095	8,963
Repairs and maintenance	15,200	15,200	15,564	(364)	9,320
Printing	1,500	1,500	-	1,500	1,530
Computer software programs.....	9,850	9,850	12,317	(2,467)	-
Maintenance contracts	10,500	10,500	7,234	3,266	11,694
Fire equipment testing.....	10,000	10,000	5,252	4,748	10,256
Radio system annual contract	15,500	15,500	10,653	4,847	10,653
Utilities	64,000	64,000	65,293	(1,293)	58,783
Fire hydrant rental.....	23,310	23,310	23,310	-	20,670
Station supplies	13,000	13,000	13,073	(73)	12,137
EMS supplies	5,500	5,500	3,870	1,630	1,464
Small tools	16,700	16,700	11,227	5,473	7,631

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>				<u>Total 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE (Continued):					
<u>Fire Fighting (Continued):</u>					
Uniforms	34,000	34,000	36,953	(2,953)	26,608
Automotive parts.....	26,000	26,000	41,222	(15,222)	53,293
Gasoline, fuel and lubricants.....	12,000	12,000	10,740	1,260	8,176
Other commodities.....	13,600	13,600	16,244	(2,644)	173
Insurance	22,800	22,800	11,878	10,922	18,591
American Heart CPR contract.....	30,750	30,750	20,929	9,821	7,181
Equipment – lease purchase.....	46,275	46,275	46,272	3	46,272
Other equipment	10,000	10,000	9,172	828	-
Station furnishings	-	-	2,729	(2,729)	1,780
Computer equipment.....	4,500	4,500	4,143	357	716
Total Fire Fighting	<u>3,172,759</u>	<u>3,172,759</u>	<u>3,061,758</u>	<u>111,001</u>	<u>2,877,562</u>
TOTAL PUBLIC SAFETY – FIRE	<u>4,028,673</u>	<u>4,028,673</u>	<u>3,843,483</u>	<u>185,190</u>	<u>3,641,483</u>
CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES:					
<u>Parks and Recreation:</u>					
Repairs and maintenance	13,000	13,000	4,036	8,964	4,284
Support services and projects.....	559,685	559,685	529,685	30,000	497,019
Special events	10,000	10,000	-	10,000	1,486
Freedom Fest.....	51,500	51,500	53,001	(1,501)	62,111
Greenway	-	-	-	-	1,947
Little League Park.....	10,000	10,000	8,600	1,400	8,130
Senior Citizen Center	12,000	12,000	10,326	1,674	10,471
Greenway Grant	-	-	5,000	(5,000)	-
Springbrook Pool	5,000	5,000	109	4,891	720
Total Parks and Recreation	<u>661,185</u>	<u>661,185</u>	<u>610,757</u>	<u>50,428</u>	<u>586,168</u>
Joint Emergency Services:					
911 Communications Center.....	168,396	168,396	171,567	(3,171)	157,142
In Lieu of Taxes	344,250	344,250	337,484	6,766	335,136
Centennial Committee	2,500	2,500	2,500	-	1,500
Retirement Supplements	139,116	139,116	11,551	127,565	149,527
Other personal services	13,850	13,850	13,850	-	23,092
Blount County Library	199,431	199,431	199,147	284	196,513

(Continued)

**CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

<u>Function/Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES (Continued):					
East Tennessee Development District	<u>1,352</u>	<u>1,352</u>	<u>1,352</u>	<u>-</u>	<u>1,352</u>
Blount County Chamber of Commerce	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>-</u>	<u>3,250</u>
Blount County Community Action Agency.....	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>10,300</u>
Blount County Industrial Development Board ..					
Board Operations.....	219,875	219,875	219,875	-	203,236
Development Agreements.....	37,500	37,500	37,500	-	382,991
Park Operation	<u>45,300</u>	<u>45,300</u>	<u>45,300</u>	<u>-</u>	<u>34,500</u>
Total Blount County Industrial Development Board	<u>302,675</u>	<u>302,675</u>	<u>302,675</u>	<u>-</u>	<u>620,727</u>
Blount County Family Services.....	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>15,245</u>
Vocational Rehabilitation	<u>48,251</u>	<u>48,251</u>	<u>48,251</u>	<u>-</u>	<u>46,678</u>
TOTAL CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES.....	<u>1,916,256</u>	<u>1,916,256</u>	<u>1,734,384</u>	<u>181,872</u>	<u>2,146,630</u>
TOTAL EXPENDITURES	<u>\$ 19,387,306</u>	<u>\$ 19,387,306</u>	<u>\$18,541,918</u>	<u>\$ 845,388</u>	<u>\$17,811,901</u>

See accompanying independent auditors' report and notes.

EDUCATION SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specific purposes.

Education Fund – The Education Fund is used to account for the general operations of the Alcoa City Schools. Major funding for the Education Fund is provided by State education funds, shared revenues provided by Blount County, and transfer of property tax revenue from the General Fund. The Education Fund is presented as a major fund in the basic financial statements.

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Source of Revenue</u>	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance – With</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>	
TAXES:					
Current city taxes.....	\$ 4,020,000	\$ 4,020,000	\$ 3,938,962	\$ (81,038)	\$ 3,949,353
Current county taxes.....	3,750,000	3,930,000	3,929,964	(36)	3,685,558
Previous year's county taxes	148,000	148,000	129,336	(18,664)	136,579
In-lieu of taxes.....	<u>36,000</u>	<u>36,000</u>	<u>34,279</u>	<u>(1,721)</u>	<u>34,185</u>
Total Taxes.....	<u>7,954,000</u>	<u>8,134,000</u>	<u>8,032,541</u>	<u>(101,459)</u>	<u>7,805,675</u>
MISCELLANEOUS REVENUE:					
Mixed drink tax	5,000	5,000	81,038	76,038	70,647
Regular tuition.....	320,000	245,000	243,496	(1,504)	253,541
Business tax, marriage licenses, fees	91,900	91,900	92,757	857	88,566
Local sales tax – County.....	2,600,000	2,920,000	2,745,707	(174,293)	2,513,019
Contributions/gifts/miscellaneous	12,000	12,000	49,245	37,245	46,766
Interest earned	-	-	431	431	185
Insurance recovery	<u>-</u>	<u>-</u>	<u>164,900</u>	<u>164,900</u>	<u>-</u>
Total Miscellaneous Revenue.....	<u>3,028,900</u>	<u>3,273,900</u>	<u>3,377,574</u>	<u>103,674</u>	<u>2,972,724</u>
REVENUE FROM OTHER AGENCIES:					
State of Tennessee:					
Tennessee Foundation Program.....	7,767,000	7,860,000	7,868,010	8,010	7,231,000
State driver education	4,900	4,900	-	(4,900)	5,460
Career Ladder Program	70,000	70,000	34,573	(35,427)	43,550
Teachers Group Insurance	-	-	-	-	198,279
State Matching.....	5,800	5,800	8,248	2,448	7,517
Lottery Pre-K.....	162,400	162,400	170,445	8,045	170,445
Other State Funds	57,000	57,000	185,030	128,030	71,269
Coord. School Health	80,000	80,000	-	(80,000)	80,000
Education Handicapped ACT	-	64,000	63,876	(124)	71,570
ARRA.....	-	-	-	-	5,015
Family Resource Center	<u>28,000</u>	<u>28,000</u>	<u>-</u>	<u>(28,000)</u>	<u>29,612</u>
Total Revenue from Other Agencies ..	<u>8,175,100</u>	<u>8,332,100</u>	<u>8,330,182</u>	<u>(1,918)</u>	<u>7,913,717</u>
TOTAL REVENUES	<u>\$ 19,158,000</u>	<u>\$ 19,740,000</u>	<u>\$ 19,740,297</u>	<u>\$ 297</u>	<u>\$ 18,692,116</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Totals 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
INSTRUCTION ELEMENTARY/ SECONDARY:					
Regular teacher salaries	6,713,430	6,762,930	6,812,634	(49,704)	6,275,790
Substitute /homebound teacher salaries.....	71,000	137,000	153,054	(16,054)	153,704
Secretaries	-	-	533	(533)	-
F.I.C.A/Medicare.....	552,788	552,788	527,275	25,513	501,218
Retirement	672,070	672,070	723,161	(51,091)	705,590
Employee insurance	1,257,565	1,265,565	1,204,583	60,982	1,306,251
Unemployment insurance.....	3,000	3,000	2,168	832	9,392
Other contractual services	33,000	33,000	21,494	11,506	28,367
Other fringe benefits.....	4,000	4,000	250	3,750	750
Instructional supplies/materials	130,000	130,000	175,419	(45,419)	151,415
Textbooks	134,000	134,000	151,321	(17,321)	149,937
Educational assistants.....	337,678	337,678	300,794	36,884	337,910
Other supplies/charges.....	26,000	26,000	11,555	14,445	31,183
Career ladder program.....	45,000	45,000	22,002	22,998	23,877
Other salaries and wages	58,350	58,350	3,500	54,850	5,378
Education.....	-	-	344	(344)	577
Instruction equipment	<u>130,000</u>	<u>130,000</u>	<u>179,944</u>	<u>(49,944)</u>	<u>276,000</u>
Total Instruction					
Elementary/Secondary.....	<u>10,167,881</u>	<u>10,291,381</u>	<u>10,290,031</u>	<u>1,350</u>	<u>9,957,339</u>
SPECIAL EDUCATION PROGRAM:					
Supervisor/director	-	-	-	-	32,979
Teachers	629,614	629,614	629,614	-	611,423
Career ladder	-	-	2,000	(2,000)	-
Speech pathologist.....	98,053	98,053	99,328	(1,275)	56,427
F.I.C.A/Medicare.....	71,687	71,687	75,126	(3,439)	62,895
Retirement	93,406	93,406	95,571	(2,165)	86,578
Employee insurance	174,669	174,669	154,654	20,015	129,288
In-service/Staff development.....	3,000	3,000	2,849	151	2,921
Special Education equipment	5,000	5,000	4,496	504	2,686
Educational assistants.....	128,350	128,350	144,405	(16,055)	101,023
Psychological personnel	75,014	75,014	75,014	-	72,457
Other supplies & materials	5,000	5,000	4,951	49	1,000
Contracts with Others	140,000	140,000	134,422	5,578	152,563
Instructional supplies and materials	3,000	3,000	2,523	477	3,914
Clerical personnel.....	<u>31,956</u>	<u>31,956</u>	<u>31,966</u>	<u>(10)</u>	<u>30,874</u>
Total Special Education Program	<u>1,458,749</u>	<u>1,458,749</u>	<u>1,456,919</u>	<u>1,830</u>	<u>1,347,028</u>

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Activity/Object</u>	<u>June 30, 2017</u>				<u>Totals 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
VOCATIONAL EDUCATION:					
Teachers	298,436	298,436	305,966	(7,530)	210,981
Substitute teachers	2,500	2,500	-	2,500	-
F.I.C.A./Medicare	23,098	23,098	22,465	633	15,435
Retirement	27,069	27,069	27,674	(605)	19,163
Instructional supplies	12,750	12,750	12,277	473	12,750
Textbooks	3,000	3,000	2,974	26	3,000
Employee insurance	65,998	65,998	61,748	4,250	37,149
Other charges	2,500	2,500	1,997	503	2,542
Career ladder	1,000	1,000	167	833	1,000
Vocational equipment	<u>18,000</u>	<u>18,000</u>	<u>18,107</u>	<u>(107)</u>	<u>18,000</u>
Total Vocational Education	<u>454,351</u>	<u>454,351</u>	<u>453,375</u>	<u>976</u>	<u>320,020</u>
HEALTH SERVICES:					
Wages	54,810	54,810	54,810	-	52,601
F.I.C.A./Medicare	9,746	9,746	9,895	(149)	9,171
Retirement	16,745	16,745	18,891	(2,146)	17,981
Employee insurance	7,135	7,135	14,079	(6,944)	6,489
Contractual services	30,000	30,000	10,410	19,590	6,301
Medical supplies	5,000	5,000	7,423	(2,423)	3,345
Other supplies and materials	6,000	6,000	2,763	3,237	6,029
Medical personnel	72,598	72,598	76,151	(3,553)	68,743
Other charges	<u>21,000</u>	<u>23,000</u>	<u>30,135</u>	<u>(7,135)</u>	<u>20,341</u>
Total Health Services	<u>223,034</u>	<u>225,034</u>	<u>224,557</u>	<u>477</u>	<u>191,001</u>
OTHER STUDENT SUPPORT:					
Guidance personnel	327,915	327,915	328,397	(482)	253,210
Career ladder	55,000	55,000	-	55,000	-
F.I.C.A./Medicare	25,086	25,086	24,238	848	18,623
Retirement	29,644	29,644	29,665	(21)	22,890
Employee insurance	41,980	41,980	39,727	2,253	29,991
Evaluation and testing	34,000	34,000	29,049	4,951	49,105
Other contracted services	22,000	22,000	9,772	12,288	15,247
In service/staff development	28,000	28,000	54,649	(26,649)	35,101
Other supplies/charges	<u>21,000</u>	<u>21,000</u>	<u>20,585</u>	<u>415</u>	<u>21,373</u>
Total Other Student Support	<u>584,625</u>	<u>584,625</u>	<u>536,082</u>	<u>48,543</u>	<u>445,540</u>
INSTRUCTION-REGULAR PROGRAM:					
Supervisor/Director	194,778	194,778	195,278	(500)	118,212
Resource officer	4,000	4,000	1,250	2,750	7,000
Librarians	184,452	184,452	184,077	375	195,810
Clerical personnel	-	-	426	(426)	-

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

Activity/Object	June 30, 2017				Totals 2016
	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	
	Original	Final			
INSTRUCTION-REGULAR PROGRAM					
(Continued):					
F.I.C.A./Medicare.....	27,640	27,640	28,124	(484)	26,243
Retirement.....	36,000	36,000	34,388	1,612	31,984
Employee insurance.....	47,696	47,696	47,372	324	37,193
Other fringe benefits.....	3,500	-	-	-	-
Consultants.....	4,000	-	-	-	-
Travel.....	20,000	7,000	7,338	(338)	2,841
Library books.....	28,000	28,000	26,238	1,762	41,808
Other salaries and wages.....	15,000	-	-	-	-
Total Instruction-Regular Program.....	<u>565,066</u>	<u>529,566</u>	<u>524,491</u>	<u>5,075</u>	<u>461,091</u>
TECHNOLOGY:					
Supervisor/Director.....	84,140	84,140	81,890	2,250	79,130
Data processing personnel.....	44,366	44,366	45,287	(921)	43,274
Career ladder.....	-	-	2,750	(2,750)	-
Clerical personnel.....	12,000	12,000	16,043	(4,043)	15,458
Other salaries and wages.....	134,526	134,526	135,954	(1,428)	163,074
FICA/Medicare.....	18,272	18,272	20,086	(1,814)	21,554
Internet connectivity.....	19,000	19,000	18,715	285	-
Retirement.....	28,057	28,057	30,216	(2,159)	30,714
Maintenance and repair.....	45,000	45,000	48,569	(3,569)	196,096
Travel.....	7,500	7,500	12,687	(5,187)	6,902
Software.....	50,000	50,000	3,300	46,700	-
Other contracted services.....	68,000	85,000	122,880	(37,880)	34,974
Other charges.....	28,000	28,000	27,920	80	8,766
Employee insurance.....	49,522	49,522	38,609	10,913	41,128
Total Technology.....	<u>588,383</u>	<u>605,383</u>	<u>604,906</u>	<u>477</u>	<u>641,070</u>
BOARD OF EDUCATION:					
Board member fees.....	6,850	6,850	5,775	1,075	5,700
F.I.C.A./Medicare.....	524	524	442	82	436
Professional services.....	28,000	28,000	14,587	13,413	16,750
Dues and memberships.....	11,000	11,000	12,473	(1,473)	11,962
Legal services.....	40,000	110,000	128,724	(18,724)	54,822
Travel.....	15,000	15,000	6,146	8,854	8,610
Liability insurance.....	31,000	31,000	28,542	2,458	28,921
Surety bonds.....	1,500	1,500	1,350	150	1,350
Commissions – Blount County Trustee.....	70,000	70,000	85,453	(15,453)	79,924
Workmen’s compensation insurance.....	85,000	85,000	80,856	4,144	83,760
Other charges/supplies.....	12,500	12,500	4,529	7,971	11,050
Total Board of Education.....	<u>301,374</u>	<u>371,374</u>	<u>368,877</u>	<u>2,497</u>	<u>303,285</u>

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Activity/Object</u>	<u>June 30, 2017</u>				<u>Totals 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
OFFICE OF THE DIRECTOR:					
Administrative Officer.....	108,217	108,217	108,967	(750)	105,308
F.I.C.A/Medicare.....	8,278	8,278	8,489	(211)	8,272
Retirement.....	9,783	9,783	10,266	(483)	9,845
Employee insurance.....	5,617	5,617	8,226	(2,609)	4,153
Communication.....	15,000	8,000	7,140	860	14,477
Travel.....	7,100	7,100	4,778	2,322	7,013
Office supplies.....	250	250	-	250	-
Other fringe benefits.....	6,000	6,000	3,000	3,000	6,000
Career ladder.....	-	-	1,000	(1,000)	-
Total Office of the Director.....	<u>160,245</u>	<u>153,245</u>	<u>151,866</u>	<u>1,379</u>	<u>155,068</u>
OFFICE OF PRINCIPALS:					
Principals.....	392,478	392,478	395,478	(3,000)	391,184
Assistant Principals.....	418,408	418,408	414,334	4,074	397,777
Career ladder.....	7,500	7,500	4,500	3,000	4,459
Secretaries.....	153,662	153,662	164,760	(11,098)	147,977
Clerical personnel.....	75,066	75,066	74,891	175	86,270
F.I.C.A/Medicare.....	80,104	80,104	74,841	5,263	66,040
Retirement.....	98,937	98,937	102,593	(3,656)	114,889
Employee insurance.....	120,285	120,285	114,160	6,125	106,912
Communications.....	31,000	31,000	26,752	4,248	38,777
Other contracted services.....	-	-	-	-	1,132
Travel.....	12,000	12,000	15,169	(3,169)	10,166
Total Office of Principals.....	<u>1,389,440</u>	<u>1,389,440</u>	<u>1,387,478</u>	<u>1,962</u>	<u>1,365,583</u>
FISCAL SERVICES:					
Finance Director.....	48,698	48,698	48,698	-	47,051
Secretaries.....	49,536	49,536	43,357	6,179	37,089
F.I.C.A/Medicare.....	7,515	7,515	3,641	3,874	3,191
Retirement.....	8,045	8,045	8,313	(268)	7,100
Employee insurance.....	14,937	14,937	13,222	1,715	16,952
Travel.....	3,800	3,800	35	3,765	711
Office supplies.....	5,500	5,500	10,375	(4,875)	8,491
Other charges.....	28,000	28,000	34,306	(6,306)	40,628
Administration equipment.....	3,000	3,000	1,603	1,397	8,537
Total Fiscal Services.....	<u>169,031</u>	<u>169,031</u>	<u>163,550</u>	<u>5,481</u>	<u>169,750</u>
HUMAN SERVICES:					
Secretaries.....	134,403	137,903	137,878	25	134,083
F.I.C.A./Medicare.....	10,282	10,282	10,175	107	9,920
Retirement.....	21,827	26,827	26,293	534	25,494
Employee insurance.....	10,961	10,961	11,453	(492)	9,064
Travel.....	1,500	6,500	5,883	617	4,258
Total Human Services.....	<u>178,973</u>	<u>192,473</u>	<u>191,682</u>	<u>791</u>	<u>182,819</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
OPERATION OF PLANT:					
Custodial personnel	264,563	264,563	246,544	18,019	213,649
F.I.C.A/Medicare	20,239	20,239	17,778	2,461	16,514
Retirement	42,965	42,965	34,026	8,939	32,510
Employee insurance.....	60,947	60,947	53,440	7,507	50,126
Education.....	-	-	456	(456)	-
Contractual services.....	200,000	193,000	188,548	4,452	183,769
Electricity	650,000	670,000	703,558	(33,558)	631,467
Natural gas.....	70,000	70,000	76,926	(6,926)	54,016
Water and sewer	87,000	87,000	120,751	(33,751)	87,022
Other supplies.....	10,000	10,000	905	9,095	474
Other charges.....	20,000	20,000	10,489	9,511	9,967
Rentals	6,500	6,500	9,877	(3,377)	11,148
Custodial supplies.....	70,000	70,000	68,797	1,203	51,101
Building and contents insurance.....	127,000	127,000	115,613	11,387	154,491
Disposable fees.....	11,000	11,000	6,664	4,336	7,278
Equipment	4,000	4,000	-	4,000	1,391
Total Operation of Plant	<u>1,644,214</u>	<u>1,657,214</u>	<u>1,654,372</u>	<u>2,842</u>	<u>1,504,923</u>
MAINTENANCE OF PLANT:					
Maintenance personnel.....	270,825	270,825	269,226	1,599	258,384
FICA/Medicare.....	20,718	20,718	19,718	1,000	19,017
Retirement	43,982	43,982	47,464	(3,482)	97,203
Employee insurance.....	41,004	41,004	39,501	1,503	33,997
Contractual services.....	95,000	263,000	264,638	(1,638)	224,985
Machinery parts	4,000	4,000	-	4,000	-
Building maintenance/repairs	75,000	255,500	273,681	(18,181)	96,453
Equipment repairs/maintenance	60,000	60,000	50,630	9,370	78,871
Supplies/materials.....	22,500	22,500	13,421	9,079	21,117
Other charges.....	24,100	54,100	53,818	282	12,348
Maintenance equipment.....	4,000	4,000	528	3,472	-
Total Maintenance of Plant.....	<u>661,129</u>	<u>1,039,629</u>	<u>1,032,625</u>	<u>7,004</u>	<u>842,375</u>
TRANSPORTATION:					
Bus Drivers.....	17,068	17,068	17,068	-	9,748
F.I.C.A/Medicare.....	1,305	1,305	1,305	-	743
Retirement	2,772	2,772	2,772	-	1,583
Employee insurance.....	-	-	-	-	-
Gasoline/Diesel.....	3,000	3,000	-	3,000	109
Tires and tubes.....	2,000	2,000	1,189	811	403
Vehicle parts.....	2,500	2,500	8,718	(6,218)	5,267
Other charges.....	15,000	15,000	15,000	-	31,758
Contracts with private agencies.....	250,000	210,000	209,000	1,000	188,320
Vehicle maintenance and repair.....	4,000	4,000	929	3,071	127
Vehicle and equipment insurance.....	-	-	-	-	-
Total Transportation	<u>297,645</u>	<u>257,645</u>	<u>255,981</u>	<u>1,664</u>	<u>238,058</u>

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>Activity/Object</u>	<u>June 30, 2017</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2016</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
FOOD SERVICES:					
Supervisor/Director	-	-	-	-	43,564
F.I.C.A./Medicare	-	-	-	-	3,333
Retirement	-	-	-	-	3,938
Employee insurance.....	-	-	-	-	5,434
Other charges.....	40,000	-	-	-	-
Inservice/staff development.....	500	500	789	(289)	-
Office supplies/staff development	150	150	-	150	-
Total Food Services	<u>40,650</u>	<u>650</u>	<u>789</u>	<u>(139)</u>	<u>56,269</u>
FAMILY RESOURCE CENTER:					
Supervisor/director	47,644	47,644	48,169	(525)	46,783
F.I.C.A./Medicare	3,645	3,645	3,350	295	3,211
Retirement	4,307	4,307	4,355	(48)	4,229
Travel.....	1,000	1,000	254	746	614
Other charges.....	2,975	2,975	1,471	1,504	2,941
Employee insurance.....	18,544	10,544	10,139	405	17,977
Total Family Resource	<u>78,115</u>	<u>70,115</u>	<u>67,738</u>	<u>2,377</u>	<u>75,755</u>
LOTTERY PRE-K FUNDS:					
Teacher salaries	128,142	128,142	111,585	16,557	123,664
Education assistant	44,092	44,092	43,488	604	53,197
F.I.C.A./Medicare	13,176	13,176	10,760	2,416	12,236
Retirement	18,745	18,745	30,464	(11,719)	32,239
Employee insurance.....	11,440	41,440	42,399	(959)	39,171
Instructional supplies.....	1,500	1,500	1,262	238	7,175
Total Lottery Pre-K Funds	<u>217,095</u>	<u>247,095</u>	<u>239,958</u>	<u>7,137</u>	<u>267,682</u>
CAPITAL OUTLAY:					
Equipment and other.....	20,000	43,000	42,495	505	21,108
TOTAL EXPENDITURES.....	<u>\$19,200,000</u>	<u>\$19,740,000</u>	<u>\$19,647,772</u>	<u>\$ 92,228</u>	<u>\$18,545,764</u>

(Continued)

SCHOOL CONSTRUCTION AND PUBLIC WORKS IMPROVEMENT FUNDS

School construction and public works improvement funds are used to account for the acquisition and construction of education major capital facilities and equipment and public works improvement projects.

Legacy Fund – The Legacy Fund is presented as a major fund in the basic financial statements.

Alcoa High School Construction Fund – The Alcoa High School construction fund is presented as a major fund in the basic financial statements.

General Obligation Public Works Fund – This fund is presented as a major fund in the basic financial statements.

West Plant Construction Fund – This fund is presented as a major fund in the basic financial statements.

**CITY OF ALCOA, TENNESSEE
 LEGACY FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2017
 With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>	
		<u>Basis</u>	<u>Positive</u>		
			<u>(Negative)</u>	<u>2016</u>	
REVENUES:					
Donations	\$ 95,600	\$ 95,600	\$ 95,596	\$ (4)	\$ 170,000
EXPENDITURES:					
Capital projects	95,600	95,600	65,560	30,040	172,918
Net Change in Fund Balance	-	-	30,036	30,036	(2,918)
Fund Balance, July 1 st	105,253	105,243	105,253	-	108,171
Fund Balance, June 30th	<u>\$ 105,253</u>	<u>\$ 105,253</u>	<u>\$ 135,289</u>	<u>\$ 30,036</u>	<u>\$ 105,253</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ALCOA HIGH SCHOOL CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Totals 2016</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Investment income	\$ 670	\$ 670	\$ 667	\$ (3)	\$ 9,689
Donations	-	-	-	-	35,000
Total Revenues	<u>670</u>	<u>670</u>	<u>667</u>	<u>(3)</u>	<u>44,689</u>
EXPENDITURES:					
High School Project.....	<u>270,887</u>	<u>270,887</u>	<u>270,886</u>	<u>1</u>	<u>925,478</u>
Net Change in Fund Balance	(270,217)	(270,217)	(270,219)	(2)	(880,789)
Fund Balance, July 1 st	<u>270,414</u>	<u>270,414</u>	<u>270,414</u>	<u>-</u>	<u>1,151,203</u>
Fund Balance, June 30th	<u>\$ 197</u>	<u>\$ 197</u>	<u>\$ 195</u>	<u>\$ (2)</u>	<u>\$ 270,414</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
GENERAL OBLIGATION PUBLIC WORKS CONSTRUCTION (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
State Grant	\$ 9,078,874	\$ 61,502	\$(9,017,372)	\$ 1,385,336
Interest income	<u>10,000</u>	<u>15,299</u>	<u>5,299</u>	<u>52,074</u>
Total Revenue	<u>9,088,874</u>	<u>76,801</u>	<u>(9,012,073)</u>	<u>1,437,410</u>
Expenditures:				
Capital Outlay	<u>9,088,874</u>	<u>101,042</u>	<u>8,987,832</u>	<u>1,399,422</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	<u>-</u>	<u>(24,241)</u>	<u>(24,241)</u>	<u>37,988</u>
Other Financing Sources:				
Transfer from Special Project Fund	-	91,096	91,096	-
Transfer from 2001 Special Project Fund	-	319,167	319,167	-
Transfer from Service Center.....	-	55,089	55,089	-
Transfer to West Plant Construction Fund	<u>-</u>	<u>(2,770,625)</u>	<u>(2,770,625)</u>	<u>(1,200,000)</u>
Total Other Financing Sources.....	<u>-</u>	<u>(2,305,273)</u>	<u>(2,305,273)</u>	<u>(1,200,000)</u>
Net Change in Fund Balance	-	(2,329,514)	(2,329,514)	(1,162,012)
Fund Balance, July 1 st	<u>3,611,429</u>	<u>3,611,429</u>	<u>-</u>	<u>4,773,441</u>
Fund Balance, June 30th	<u>\$ 3,611,429</u>	<u>\$ 1,281,915</u>	<u>\$(2,329,514)</u>	<u>\$ 3,611,429</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
WEST PLANT CONSTRUCTION FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				<u>Totals 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Positive (Negative)</u>	
REVENUES:					
Other state revenue.....	\$ 14,088,329	\$ 14,088,329	\$ 159,629	\$ (13,928,700)	\$ -
Miscellaneous revenue	<u>81,580</u>	<u>81,580</u>	<u>81,580</u>	<u>-</u>	<u>-</u>
Total Revenues.....	<u>14,169,909</u>	<u>14,169,909</u>	<u>241,209</u>	<u>(13,928,700)</u>	<u>-</u>
EXPENDITURES:					
Capital Outlay	<u>23,839,468</u>	<u>23,839,468</u>	<u>2,175,789</u>	<u>21,663,679</u>	<u>-</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	<u>(9,669,559)</u>	<u>(9,669,559)</u>	<u>(1,934,580)</u>	<u>7,734,979</u>	<u>-</u>
Other Financing Sources (Uses):					
Bond Proceeds.....	9,995,000	9,995,000	9,995,000	-	-
Bond Premium.....	-	-	-	-	-
Transfer from G.O. Public Works Construction Fund	<u>-</u>	<u>-</u>	<u>2,770,625</u>	<u>2,770,625</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>9,995,000</u>	<u>9,995,000</u>	<u>12,756,625</u>	<u>2,770,275</u>	<u>-</u>
Net Change in Fund Balance.....	325,441	325,441	10,831,045	10,505,604	-
Fund Balance, July 1 st	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30th	<u>\$ 325,441</u>	<u>\$ 325,441</u>	<u>\$ 10,831,045</u>	<u>\$ 10,505,604</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt not being accounted for in the enterprise funds. The Debt Service Fund is presented as a major fund in the basic financial statements.

CITY OF ALCOA, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				<u>Totals 2016</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>	
Revenues					
Interest income	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	\$ 12,543
Expenditures:					
Bond/capital outlay note redemptions	2,770,000	2,770,000	2,770,000	-	3,365,000
Interest charges	<u>1,989,192</u>	<u>1,989,192</u>	<u>1,989,192</u>	<u>1,841,543</u>	<u>1,490,849</u>
Total Expenditures.....	<u>4,759,192</u>	<u>4,759,192</u>	<u>4,759,192</u>	<u>1,841,543</u>	<u>4,855,849</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,749,192)</u>	<u>(4,749,192)</u>	<u>(4,759,192)</u>	<u>1,831,543</u>	<u>(4,843,306)</u>
Other Financing Sources (Uses):					
Operating transfers – In:					
General Fund	4,500,000	4,500,000	4,500,000	-	3,959,069
Issuance of Refunding Debt	-	-	-	-	13,815,000
Underwriter’s Discount	-	-	-	-	-
Cost of Issuance.....	-	-	-	-	(90,993)
Payments to Escrow Refunding Agent....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,841,472)</u>
Total Other Financing Sources (Uses)...	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>	<u>3,841,604</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(249,192)	(249,192)	(259,192)	683,604	(1,001,702)
Fund Balance at Beginning of Year	1,019,041	1,019,041	1,019,041	-	2,945,179
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(924,436)</u>
Fund Balance at Beginning of Year, restated	<u>1,019,041</u>	<u>1,019,041</u>	<u>1,019,041</u>	<u>-</u>	<u>2,020,743</u>
Fund Balance at End of Year	<u>\$ 76,984</u>	<u>\$ 76,984</u>	<u>\$ 759,849</u>	<u>\$ 683,604</u>	<u>\$ 1,019,041</u>

See accompanying independent auditors’ report and notes.

NON – MAJOR OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specific purposes.

State Street Aid Fund – The State Street Aid Fund is used to account for the State gasoline tax. Proceeds of this tax must be expended for the improvement and maintenance of City streets.

Federal Projects Fund – The Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

Extended Day Program – The Extended Day Program Fund is used to account for the revenues (primarily fees) and expenditures of the before – and – after school program at the elementary school.

Alcoa City Schools Cafeteria Fund – The Alcoa City Schools Cafeteria Fund is used to account for the operations of all cafeterias in the Alcoa City School System. Revenues are provided primarily by the sale of meals (breakfasts, lunches, and a la carte items) and reimbursements from the United States Department of Agriculture (USDA).

Drug Fund – The Drug Fund is used to account for revenues (primarily drug related fines) which must be expended on drug enforcement operations of the City.

Commercial Motor Vehicle Fine Fund – The Commercial Motor Vehicle Fund is used to account for commercial motor vehicle fines and related expenditures.

CITY OF ALCOA, TENNESSEE
STATE STREET AID – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Totals 2016</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
State gasoline tax.....	\$ 214,500	\$ 214,500	\$ 255,652	\$ 41,152	\$ 231,557
Investment income	-	-	108	108	-
Total Revenues.....	<u>214,500</u>	<u>214,500</u>	<u>255,760</u>	<u>41,260</u>	<u>231,557</u>
Expenditures:					
Streets:					
Resurfacing/stripping	175,000	175,000	135,470	39,530	81,945
Traffic signal maintenance	2,500	2,500	-	2,500	-
Other equipment and vehicles.....	22,000	22,000	10,786	11,214	9,163
Snow removal	15,000	15,000	-	15,000	13,206
Maintenance contracts.....	-	-	-	-	44
Total Expenditures	<u>214,500</u>	<u>214,500</u>	<u>146,256</u>	<u>68,244</u>	<u>104,358</u>
Excess (Deficiency) of Revenues Over Expenditures.....	-	-	109,504	109,504	127,199
Fund Balance at Beginning of Year	<u>659,038</u>	<u>659,038</u>	<u>659,038</u>	-	<u>531,839</u>
Fund Balance at End of Year	<u>\$ 659,038</u>	<u>\$ 659,038</u>	<u>\$ 768,542</u>	<u>\$ 109,504</u>	<u>\$ 659,038</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS FUND – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Grant revenue	<u>\$1,112,759</u>	<u>\$ 985,156</u>	<u>\$ (127,603)</u>	<u>\$ 839,280</u>
Expenditures:				
Personnel and related costs	688,740	674,454	14,286	526,226
Seminars/travel/staff development	126,691	97,311	29,380	86,438
Contracted services	84,000	66,563	17,437	53,208
Instructional materials and supplies	79,429	58,827	20,602	83,074
Equipment	66,355	63,793	2,562	90,334
Vocational equipment	15,000	20,620	(5,620)	-
Other miscellaneous charges	<u>52,544</u>	<u>3,588</u>	<u>48,956</u>	<u>-</u>
Total Expenditures	<u>1,112,759</u>	<u>985,156</u>	<u>127,603</u>	<u>839,280</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
CARL PERKINS PROJECT #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 27,643</u>	<u>\$ 27,521</u>	<u>\$ (122)</u>	<u>\$ 17,430</u>
Expenditures:				
Vocational Education Instruction:				
Instructional equipment.....	15,000	20,620	(5,620)	11,000
Vocational Education Support:				
Seminars/staff development/Travel....	<u>12,643</u>	<u>6,901</u>	<u>5,742</u>	<u>6,430</u>
Total Expenditures	<u>\$ 27,643</u>	<u>\$ 27,521</u>	<u>\$ 122</u>	<u>\$ 17,430</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
TITLE I CARRY OVER PROJECT #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 35,002</u>	<u>\$ 24,435</u>	<u>\$ (10,567)</u>	<u>\$ 77,141</u>
Expenditures:				
Regular Education Instruction:				
Salaries and related costs.....	19,452	19,452	-	67,256
Inservice/Staff development.....	5,550	1,730	3,820	3,410
Materials and supplies	<u>10,000</u>	<u>3,253</u>	<u>6,747</u>	<u>6,475</u>
Total Expenditures	<u>\$ 35,002</u>	<u>\$ 24,435</u>	<u>\$ 10,567</u>	<u>\$ 77,141</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
NCLB TITLE I PROJECT #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 424,996</u>	<u>\$ 366,083</u>	<u>\$ (58,913)</u>	<u>\$ 279,100</u>
Expenditures:				
Regular Instruction:				
Salaries and related costs	265,352	262,469	2,883	173,659
Instructional equipment	51,455	49,208	2,247	48,403
Instructional supplies and materials	<u>27,145</u>	<u>20,382</u>	<u>6,763</u>	<u>23,982</u>
Total Regular Instruction	<u>343,952</u>	<u>332,059</u>	<u>11,893</u>	<u>246,044</u>
Regular Instruction Support:				
In-service/staff development/travel	35,500	34,024	1,476	31,200
Other charges	<u>45,544</u>	<u>-</u>	<u>45,544</u>	<u>1,856</u>
Total Regular Instruction Support	<u>81,044</u>	<u>34,024</u>	<u>47,020</u>	<u>33,056</u>
Total Expenditures	<u>\$ 424,996</u>	<u>\$ 366,083</u>	<u>\$ 58,913</u>	<u>\$ 279,100</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
FOCUS SCHOOLS GRANT #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 101,550</u>	<u>\$ 101,532</u>	<u>\$ (18)</u>	<u>\$ -</u>
Expenditures:				
Regular Instruction:				
Salaries and related costs	96,979	96,979	-	-
Instructional supplies and materials	<u>4,571</u>	<u>4,553</u>	<u>18</u>	<u>-</u>
Total Expenditures	<u>\$ 101,550</u>	<u>\$ 101,532</u>	<u>\$ 18</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA DISCRETIONARY GRANT #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 17,324</u>	<u>\$ 17,312</u>	<u>\$ (12)</u>	<u>\$ -</u>
Expenditures:				
Instructional supplies and materials	11,324	11,312	12	-
In-service/staff development/travel	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 17,324</u>	<u>\$ 17,312</u>	<u>\$ 12</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
READ TO BE READY #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 5,000</u>	<u>\$ 4,972</u>	<u>\$ (28)</u>	<u>\$ -</u>
Expenditures:				
Instructional supplies and materials	<u>\$ 5,000</u>	<u>\$ 4,972</u>	<u>\$ (28)</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
TITLE II (PART A) TRAINING #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 82,802</u>	<u>\$ 61,965</u>	<u>\$ (20,837)</u>	<u>\$ 63,686</u>
Expenditures:				
Regular Education Support:				
Travel/training	-	-	-	34,140
In-service/staff development.....	54,488	38,593	15,895	-
Materials and supplies	2,942	153	2,789	103
Other contracted services.....	-	-	-	2,000
Salaries and related costs	<u>25,372</u>	<u>23,219</u>	<u>2,153</u>	<u>27,443</u>
Total Expenditures.....	<u>\$ 82,802</u>	<u>\$ 61,965</u>	<u>\$ 20,837</u>	<u>\$ 63,686</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA PRESCHOOL PROJECT #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 14,993</u>	<u>\$ 9,997</u>	<u>\$ (4,996)</u>	<u>\$ 9,495</u>
Expenditures:				
Instructional supplies and materials	<u>\$ 14,993</u>	<u>\$ 9,997</u>	<u>\$ 4,996</u>	<u>\$ 9,495</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA (PART B) PROJECT #17-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 403,509</u>	<u>\$ 371,339</u>	<u>\$ (32,170)</u>	<u>\$ 352,596</u>
Expenditures:				
Special Education Instruction:				
Teachers and assistants	171,684	167,916	3,768	155,449
Seminars/travel	-	-	-	12,028
Related salary costs.....	109,901	104,419	5,482	102,419
Instructional supplies and materials.....	12,514	10,140	2,374	9,407
Contracts with private agencies/others .	84,000	65,228	18,772	48,582
Equipment.....	11,900	11,587	313	24,711
In service staff development	<u>13,510</u>	<u>12,049</u>	<u>1,461</u>	<u>-</u>
Total Expenditures	<u>\$ 403,509</u>	<u>\$ 371,339</u>	<u>\$ 32,170</u>	<u>\$ 352,596</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
E-RATE PROJECT #17-01 (Communications)
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,832</u>
Expenditures:				
Special Education Instruction: Instructional supplies and equipment/materials	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,832</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
CAFETERIA FUND – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>	<u>Total</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget -</u>	
			<u>Basis)</u>	<u>Positive</u>	<u>(Negative)</u>
Revenues:					
Lunch and breakfast payments - children	\$ 185,600	\$ 185,600	\$ 212,898	\$ 27,298	\$ 187,083
Lunch and breakfast payments - adults	16,000	16,000	16,525	525	17,964
USDA reimbursements	590,000	590,000	602,365	12,365	577,126
Milk sales	1,200	1,200	1,214	14	1,458
Interest	-	-	56	56	50
A la carte and other income	<u>179,000</u>	<u>179,000</u>	<u>133,128</u>	<u>(45,872)</u>	<u>143,326</u>
Total Revenues.....	<u>971,800</u>	<u>971,800</u>	<u>966,186</u>	<u>(5,614)</u>	<u>927,007</u>
Expenditures:					
Food	434,000	434,000	431,038	2,962	433,436
Labor	484,000	484,000	426,520	57,480	458,649
Non-food supplies	29,000	29,000	24,528	4,472	28,894
Transportation	800	800	3,062	(2,262)	679
Ice cream and other expenses.....	<u>24,000</u>	<u>24,000</u>	<u>25,412</u>	<u>(1,412)</u>	<u>25,564</u>
Total Expenditures	<u>971,800</u>	<u>971,800</u>	<u>910,560</u>	<u>61,240</u>	<u>947,222</u>
Excess of Revenues Over Expenditures	-	-	55,626	55,626	(20,215)
Fund Balance at Beginning of Year	<u>13,157</u>	<u>13,157</u>	<u>13,157</u>	<u>-</u>	<u>33,372</u>
Fund Balance at End of Year	<u>\$ 13,157</u>	<u>\$ 13,157</u>	<u>\$ 68,783</u>	<u>\$ 55,626</u>	<u>\$ 13,157</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
EXTENDED DAY PROGRAM – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Fees	\$ 230,000	\$ 230,000	\$ 255,848	\$ 25,848	\$ 226,608
Expenditures:					
Salaries.....	152,140	152,140	128,249	23,891	131,120
Fringe benefits	29,860	29,860	21,444	8,416	20,677
Supplies and food.....	20,000	20,000	4,843	15,157	5,582
Other charges	<u>28,000</u>	<u>28,000</u>	<u>27,180</u>	<u>820</u>	<u>19,821</u>
Total Expenditures	<u>230,000</u>	<u>230,000</u>	<u>181,716</u>	<u>48,284</u>	<u>177,200</u>
Excess of Revenues Over Expenditures	-	-	74,132	74,132	49,408
Fund Balance at Beginning of Year	<u>175,744</u>	<u>175,744</u>	<u>175,744</u>	<u>-</u>	<u>126,336</u>
Fund Balance at End of Year.....	<u>\$ 175,744</u>	<u>\$ 175,744</u>	<u>\$ 249,876</u>	<u>\$ 74,132</u>	<u>\$ 175,744</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
DRUG CONTROL FUND – NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2016
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
Revenues:					
Fines and forfeits:					
DVD sales	\$ -	\$ -	\$ 1,470	\$ 1,470	\$ 1,590
Sale of Equipment	12,000	12,000	-	(12,000)	-
Drug Control and seizure	<u>36,650</u>	<u>36,650</u>	<u>17,620</u>	<u>(19,030)</u>	<u>22,091</u>
Total Revenues.....	<u>48,650</u>	<u>48,650</u>	<u>19,090</u>	<u>(29,560)</u>	<u>23,681</u>
Expenditures:					
Capital outlay	46,650	46,650	22,897	23,753	-
Drug control and seizure	-	-	-	-	2,457
K9.....	<u>17,000</u>	<u>17,000</u>	<u>3,207</u>	<u>13,793</u>	<u>18,059</u>
Total expenditures.....	<u>63,650</u>	<u>63,650</u>	<u>26,104</u>	<u>37,546</u>	<u>20,516</u>
Excess (Deficiency) of Revenues Over Expenditures.....	(15,000)	(15,000)	(7,014)	7,986	3,165
Fund Balance at Beginning of Year	<u>18,415</u>	<u>18,415</u>	<u>18,415</u>	<u>-</u>	<u>15,250</u>
Fund Balance at End of Year	<u>\$ 3,415</u>	<u>\$ 3,415</u>	<u>\$ 11,401</u>	<u>\$ 7,986</u>	<u>\$ 18,415</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
COMMERCIAL MOTOR VEHICLES FINES FUND
NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>June 30, 2017</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Fines.....	\$ -	\$ -	\$ 1,082	\$ 1,082	\$ 119
Expenditures	-	-	-	-	-
Excess of Revenues Over Expenditures	-	-	1,082	1,082	119
Fund Balance at Beginning of Year...	1,639	1,639	1,639	-	1,520
Fund Balance at End of Year.....	<u>\$ 1,639</u>	<u>\$ 1,639</u>	<u>\$ 2,721</u>	<u>\$ 1,082</u>	<u>\$ 1,639</u>

See accompanying independent auditors' report and notes.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds.

2001 Special Projects Fund – The 2001 Special Projects Fund is used to account for the acquisition and construction of improvements to roads.

Special Projects Fund – The Special Projects Fund is used to account for the acquisition of industrial park development land and facilities.

Equipment Replacement Fund – The Equipment Replacement Fund is used to account for the acquisition of equipment.

Home Grant Program Fund – The Home Grant Program Fund is used to account for improvements for low income residents.

Landscaping Fund – The Landscaping Fund is used to account for improvements to landscaping areas of the city.

Capital Projects Fund – The Capital Projects Fund is used to account for the acquisition of equipment.

CITY OF ALCOA, TENNESSEE
2001 SPECIAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Middlesettlements Road.....	-	-	-	24,818
Bank charges.....	-	-	-	-
Total Expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,818</u>
Net Change in Fund Balance Before Other Financing Sources (Used).....	-	-	-	-
Other Financing Sources (Uses):				
General Obligation Public Works				
Construction Fund – transfer out.....	<u>(319,167)</u>	<u>(319,167)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(319,167)	(319,167)	-	(24,818)
Fund Balance, July 1 st	<u>319,167</u>	<u>319,167</u>	<u>-</u>	<u>343,985</u>
Fund Balance, June 30th	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,167</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
SPECIAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Intergovernmental	\$ 91,096	\$ 91,096	-	-
Expenditures:				
R & D Park	-	-	-	-
Other Financing Sources:				
Transfer to G.O. Public Works	(91,096)	(91,096)	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1 st	-	-	-	-
Fund Balance, June 30th	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
EQUIPMENT REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Interest of investments	\$ -	\$ 1,342	\$ 1,342	\$ 4,852
Other revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Total Revenues	<u>-</u>	<u>1,342</u>	<u>1,342</u>	<u>6,352</u>
Expenditures:				
Capital Outlay	<u>198,900</u>	<u>198,094</u>	<u>806</u>	<u>728,107</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	(198,900)	(196,752)	2,148	(721,755)
Other Financing Sources (Uses):				
General Obligation Public Works Construction Fund – transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>
Net Change in Fund Balance	(198,900)	(196,752)	2,148	478,245
Fund Balance, July 1 st	<u>500,141</u>	<u>500,141</u>	<u>-</u>	<u>21,896</u>
Fund Balance, June 30th	<u>\$ 301,241</u>	<u>\$ 303,389</u>	<u>\$ 2,148</u>	<u>\$ 500,141</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
HOME GRANT PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
State Grant (THDA)	\$ 237,478	\$ 237,478	\$ -	\$ 185,127
Expenditures:				
Home Improvements	237,478	237,182	296	185,127
Net Change in Fund Balance	-	296	296	-
Fund Balance, July 1 st	743	743	-	743
Fund Balance, June 30th	<u>\$ 743</u>	<u>\$ 1,039</u>	<u>\$ 296</u>	<u>\$ 743</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
LANDSCAPING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2016
Revenues:				
Charges for services.....	\$ 11,000	\$ 7,332	\$ (3,668)	\$ 17,450
Interest earned.....	<u>-</u>	<u>17</u>	<u>17</u>	<u>-</u>
Total Revenues	<u>11,000</u>	<u>7,349</u>	<u>(3,651)</u>	<u>17,450</u>
Expenditures:				
Landscaping Projects	27,000	4,070	22,930	-
Sidewalk Projects.....	20,000	21,128	(1,128)	8,058
Bank charges.....	-	-	-	-
Greenway Projects	<u>23,000</u>	<u>-</u>	<u>23,000</u>	<u>6,412</u>
Total Expenditures.....	<u>70,000</u>	<u>25,198</u>	<u>44,802</u>	<u>14,470</u>
Net Change in Fund Balance	(59,000)	(17,849)	41,151	2,980
Fund Balance, July 1 st	<u>83,038</u>	<u>83,038</u>	<u>-</u>	<u>80,058</u>
Fund Balance, June 30th	<u>\$ 24,038</u>	<u>\$ 65,189</u>	<u>\$ 41,151</u>	<u>\$ 83,038</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2016</u>
Revenues:				
Intergovernmental	\$ 171,965	\$ 171,960	\$ (5)	\$ 121,860
Expenditures:				
Capital Outlay	171,965	147,391	24,574	101,551
Bank Charges	<u>-</u>	<u>115</u>	<u>(115)</u>	<u>211</u>
Total Expenditures	<u>171,965</u>	<u>147,506</u>	<u>24,459</u>	<u>101,762</u>
Net Change in Fund Balance	-	24,454	24,454	20,098
Fund Balance, July 1 st	<u>26,464</u>	<u>26,464</u>	-	<u>6,366</u>
Fund Balance, June 30th	<u>\$ 26,464</u>	<u>\$ 50,918</u>	<u>\$ 24,454</u>	<u>\$ 26,464</u>

See accompanying independent auditors' report and notes.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Stormwater Utility Fund – The Stormwater Utility Fund is used to account for the operations of the City’s stormwater systems and is presented as a major fund in the basic financial statements.

Water and Sewer Utility Fund – The Water and Sewer Utility Fund is used to account for the operation of the City’s water and sewer system. The Water and Sewer Utility Fund is presented as a major fund in the basic financial statements.

Electric Utility Fund – The Electric Department Fund is used to account for the operation of the City’s electric system. The Electric Utility Fund is presented as a major fund in the basic financial statements.

Landfill Fund – The Landfill Fund is used to account for the operation by the City of the Blount County Landfill. The Landfill Fund is presented as a major fund in the basic financial statements.

CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business Type Activities</u>	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Current Assets:		
Equity in pooled cash.....	\$ 680,127	\$ 592,672
Accounts receivable.....	<u>108,430</u>	<u>99,056</u>
Total Current Assets	<u>788,557</u>	<u>691,728</u>
Depreciable Capital Assets:		
Structures, improvements and equipment.....	654,516	654,516
Less: Allowance for depreciation	<u>(446,145)</u>	<u>(378,840)</u>
Total Net Capital Assets	<u>208,371</u>	<u>275,676</u>
TOTAL ASSETS	<u>996,928</u>	<u>967,404</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals.....	<u>108,737</u>	<u>104,809</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable.....	11,163	13,204
Accrued salaries.....	20,461	15,166
Compensated absences	<u>38,108</u>	<u>42,975</u>
Total Current Liabilities.....	69,732	71,345
Long-Term Liabilities:		
Net pension liability.....	<u>74,124</u>	<u>51,393</u>
TOTAL LIABILITIES	<u>143,856</u>	<u>122,738</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	<u>9,372</u>	<u>51,654</u>
NET POSITION:		
Unrestricted.....	744,066	622,145
Net investment in capital assets	<u>208,371</u>	<u>275,676</u>
TOTAL NET POSITION	<u>\$ 952,437</u>	<u>\$ 897,821</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Residential sales	\$ 185,763	\$ 158,859
Commercial/Industrial sales	<u>994,674</u>	<u>902,614</u>
Total Operating Revenue.....	<u>1,180,437</u>	<u>1,061,473</u>
Operating Expenses:		
Administrative	316,118	307,168
Operations and maintenance.....	639,866	679,000
Street cleaning	<u>102,956</u>	<u>88,880</u>
Total Operating Expenses Before Depreciation	<u>1,058,940</u>	<u>1,075,048</u>
Operating Income (Loss) Before Depreciation and Interest Income	121,497	(13,575)
Depreciation	(67,304)	(71,321)
Other Income:		
Interest Income	152	15
TML Grants.....	<u>271</u>	<u>-</u>
Total Other Income	<u>423</u>	<u>15</u>
Operating Income (Loss).....	<u>54,616</u>	<u>(84,881)</u>
Net Position at Beginning of Year.....	897,821	982,702
Net Position at End of Year	<u>\$ 952,437</u>	<u>\$ 897,821</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business Type Activities</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,171,486	\$ 962,432
Cash payments to suppliers for goods and services	(556,978)	(452,615)
Cash payments to employees for services	<u>(480,844)</u>	<u>(681,889)</u>
Net Cash Flows from Operating Activities	<u>133,664</u>	<u>(172,072)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for stormwater acquisitions	-	(1,774)
Pension deferrals	<u>(46,209)</u>	<u>(60,321)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(46,209)</u>	<u>(62,095)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	87,455	(234,167)
Cash and Cash Equivalents at Beginning of Year	<u>592,672</u>	<u>826,839</u>
Cash and Cash Equivalents at End of Year	<u>\$ 680,127</u>	<u>\$ 592,672</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	<u>\$ 54,616</u>	<u>\$ (84,881)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	67,304	71,321
Change in assets and liabilities:		
Accounts receivable	(9,374)	(99,056)
Compensated absences	(4,867)	3,782
Accrued salaries	5,295	4,856
Accounts payable	(2,041)	(91,430)
Net pension liability	<u>22,731</u>	<u>23,336</u>
Total adjustments	<u>79,048</u>	<u>(87,191)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 133,664</u>	<u>\$ (172,072)</u>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposits with original maturities of three (3) months or less.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES
BY DEPARTMENT**

**For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Business Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Administrative and General:		
Wages	\$ 162,038	\$ 159,383
Overtime	9	-
FICA	11,186	10,936
Retirement	9,835	14,339
Hospitalization insurance	43,572	34,729
Life/accidental death insurance	850	730
Dental insurance	3,477	2,754
Other personal services	4,482	2,110
Regulatory fees and license	3,988	5,293
Utilities	1,327	1,404
Maintenance contracts	136	-
Travel	1,768	275
Workmen’s compensation	1,789	1,492
Retiree insurance	22	-
Employee education and training	150	170
Professional services	11,111	17,965
Dues and memberships	6,141	5,902
Advertising/public education	1,179	2,338
Business/Public relations	31	-
Printing	-	211
Auto parts	586	46
Gasoline	438	-
Safety supplies	9	-
Insurance	2,308	2,152
Utility processing	10,938	10,045
Computer equipment	3,895	1,821
Improvement teams	429	511
GIS – System	22,149	20,759
Office supplies	179	-
Other operating supplies	66	124
Public education	2,119	-
Radio system annual contract	929	1,011
Small tools	16	-
Machinery and equipment	1,693	122
Uniforms	359	72
Cost-recovery – Service center	6,875	6,889
Repair and maintenance	39	546
Communication equipment	-	3,039
Total Administrative and General	<u>316,118</u>	<u>307,168</u>
Operations and Maintenance:		
Wages	251,826	256,245
Standby pay	9,689	11,173
Overtime	4,590	8,005
F.I.C.A.	20,328	20,035
Retirement	38,411	66,976
Hospitalization insurance	77,360	82,758
Life/Accidental death insurance	1,235	1,405
Dental insurance	5,840	5,962
Workmen’s compensation	13,215	17,361
Other personal services	6,362	-
Landfill	-	40

(Continued)

**CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES
BY DEPARTMENT**

**For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>Business Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Operations and Maintenance (Continued):		
Dues and membership.....	50	-
Improvement teams	179	-
Radio systems annual contracts	131	147
Other operating supplies	450	662
Utilities	1,381	951
Drug/Alcohol test.....	170	373
Retiree insurance	11,930	9,675
Employee education and training.....	417	818
Travel.....	168	600
Gasoline	8,371	8,350
Office supplies	15	-
Small tools	1,019	800
Uniforms.....	1,928	1,895
Auto parts	14,049	12,668
Safety supplies	1,550	828
Insurance.....	1,921	1,789
Repair and maintenance.....	12,453	13,464
Storm sewer rehabilitation	34,849	48,503
Cost recovered	116,163	107,400
Regulatory fees and license	-	27
Professional services.....	18	90
Machinery and equipment	3,798	-
Total Operations and Maintenance	<u>639,866</u>	<u>679,000</u>
Street Cleaning:		
Wages	50,699	45,625
Standby pay	2,421	2,622
Overtime pay	-	232
F.I.C.A.	3,536	3,289
Retirement	1,331	1,279
Retiree insurance	6,240	6,000
Hospitalization insurance.....	14,400	14,400
Life/Accidental death insurance	236	248
Dental insurance	1,158	1,158
Workmen’s compensation	1,749	1,967
Other personal services.....	8,253	1,914
Landfill services.....	-	314
Uniforms	199	536
Auto parts	6,462	3,296
Gasoline	5,654	5,064
Safety.....	23	70
Insurance.....	361	330
Repair and maintenance.....	-	284
Other operating supplies	216	139
Small tools	18	113
Total Street Cleaning	<u>102,956</u>	<u>88,880</u>
Total Operating and Maintenance	<u>\$ 1,058,940</u>	<u>\$ 1,075,048</u>

See accompanying independent auditors’ report and notes.

**CITY OF ALCOA, TENNESSEE
 STORMWATER UTILITY FUND – ENTERPRISE FUND
 SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION
 For the Fiscal Year Ended June 30, 2017**

	<u>Capital Assets</u>			<u>Allowance for Depreciation</u>				
	<u>Balance 7/01/16</u>	<u>Reclassi- fications/ Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>	<u>Balance 7/1/2016</u>	<u>Depreciation Taken</u>	<u>Additions Reclassifications/ Deductions</u>	<u>Balance 6/30/2017</u>
2002 Ford F250 Truck	\$ 20,564	\$ -	\$ -	\$ 20,564	\$ 20,564	\$ -	\$ -	\$ 20,564
2014 Ford Super Duty	34,929	-	-	34,929	17,983	6,985	-	24,968
Vacuum Truck	259,222	-	-	259,222	174,974	25,923	-	200,897
Geocollector XH6000	9,500	-	-	9,500	9,500	-	-	9,500
Bobcat Loader.....	49,361	-	-	49,361	20,806	4,936	-	25,742
2013 Freightliner	79,878	-	-	79,878	33,949	7,987	-	41,936
Schwarze Street Sweeper.....	168,940	-	-	168,940	70,392	21,118	-	91,510
Bobcat 72” Brushcat	1,774	-	-	1,774	325	355	-	680
2011 Ford F250 4x4.....	<u>30,348</u>	<u>-</u>	<u>-</u>	<u>30,348</u>	<u>30,348</u>	<u>-</u>	<u>-</u>	<u>30,348</u>
Total Stormwater Utility	<u>\$ 654,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,516</u>	<u>\$ 378,841</u>	<u>\$ 67,304</u>	<u>\$ -</u>	<u>\$ 446,145</u>

See accompanying independent auditors’ report and notes.

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business Type Activities</u>	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Current Assets:		
Equity in pooled cash.....	\$ 3,756,350	\$ 3,258,910
Inventory.....	851,378	829,018
Accounts receivable.....	1,061,164	1,147,999
Certificate of Deposit.....	1,009,283	1,003,203
Interest receivable.....	636	-
Due from Electric	<u>70,043</u>	<u>722,205</u>
Total Current Assets	<u>6,748,854</u>	<u>6,961,335</u>
Capital Assets:		
Non-depreciable Capital Assets:		
Land and easements.....	1,194,236	1,194,236
Construction in progress	<u>225,241</u>	<u>-</u>
	<u>1,419,477</u>	<u>1,194,236</u>
Depreciable Capital Assets:		
Structures, improvements, and equipment.....	87,120,823	85,452,251
Less: Allowance for depreciation	<u>(30,218,841)</u>	<u>(27,709,800)</u>
Net Depreciable Capital Assets	<u>56,901,982</u>	<u>57,742,451</u>
 Total Net Capital Assets	 <u>58,321,459</u>	 <u>58,936,687</u>
TOTAL ASSETS	<u>65,070,313</u>	<u>65,898,022</u>
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred state regulatory charges	278,403	313,657
Pension deferrals.....	504,261	485,087
Deferred amount on refunding.....	508,800	530,000
Accumulated decrease in fair value of hedging derivatives.....	<u>2,183,715</u>	<u>2,894,952</u>
 Total Deferred Outflows of Resources	 <u>3,475,179</u>	 <u>4,223,696</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION (Continued)
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business Type Activities</u>	
	<u>2017</u>	<u>2016</u>
LIABILITIES:		
Current Liabilities:		
Accrued salaries.....	99,891	75,821
Accounts payable.....	506,406	745,921
Bonds payable – Due within one (1) year.....	970,000	925,000
Compensated absences.....	162,874	196,967
Revolving loan – Due within one (1) year.....	166,032	160,500
Bond premium.....	-	6,006
Total Current Liabilities.....	<u>1,905,203</u>	<u>2,110,215</u>
Long-Term Liabilities:		
General obligation bonds payable.....	41,320,000	42,290,000
Compensated absences.....	40,719	49,242
Revolving loan payable.....	3,072,169	3,238,201
Net pension liability.....	423,594	321,843
Derivatives – Interest Rate Swap.....	<u>2,183,715</u>	<u>2,894,952</u>
Total Long-Term Liabilities.....	<u>47,040,197</u>	<u>48,794,238</u>
TOTAL LIABILITIES.....	<u>48,945,400</u>	<u>50,904,453</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	<u>9,974</u>	<u>199,363</u>
NET POSITION:		
Unrestricted.....	6,796,860	6,394,916
Net investment in capital assets.....	<u>12,793,258</u>	<u>12,622,986</u>
TOTAL NET POSITION.....	<u>\$ 19,590,118</u>	<u>\$ 19,017,902</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Retail water sales	\$ 4,880,476	\$ 4,301,526
Wholesale water sales	1,125,930	848,893
Wholesale water sales – ALCOA.....	1,240,222	1,219,984
Sewer charges	4,558,722	4,400,152
Other Operating Revenue:		
Penalties	240,751	201,814
Sewer taps	38,913	21,825
Connections.....	114,575	83,300
Fire hydrant rental.....	23,310	20,670
Line extension	24,906	17,802
Miscellaneous	22,046	21,490
Reimbursement from Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, TN	-	68,350
Total Operating Revenue	<u>12,269,851</u>	<u>11,205,806</u>
Operating Expenses:		
Administration	833,253	768,786
Accounting and collections	910,502	852,186
Supervision	366,522	307,044
Water treatment plant.....	1,500,703	1,522,777
Environmental compliance.....	114,254	111,684
Transmission and distribution	829,846	865,959
Meter reading and repairs.....	302,570	638,021
Water maintenance.....	274,269	253,161
Sewer collection/pumping.....	560,786	518,089
Special Projects	22,573	55,328
Sewer disposal	2,308,606	2,197,113
Total Operating Expenses	<u>8,023,884</u>	<u>8,090,148</u>
Other Operating Expense:		
Depreciation.....	<u>(2,591,379)</u>	<u>(2,527,880)</u>
Operating Income.....	<u>1,654,588</u>	<u>587,778</u>
Other Income:		
Sale of equipment.....	55,658	37,431
Interest income	7,655	3,329
Derivative investment income.....	-	8,621
TML Grant	1,238	-
Insurance proceeds	6,072	-
Total Other Income	<u>70,623</u>	<u>49,381</u>
Other Expense:		
Amortization of State Regulatory Charges.....	(50,448)	(321,114)
Interest expense – Bonds and capital leases	(1,323,560)	(1,244,342)
Debt service charges	(1,687)	-
Loss on disposal of ineffective hedging derivative instrument	(99,921)	-
Total Other Expense	<u>(1,475,616)</u>	<u>(1,565,456)</u>
Net Income Before Contributions and Transfers.....	249,595	(928,297)
Transfer in lieu of taxes.....	(400,000)	(400,000)
Capital Contributions	178,450	33,849
Change in Net Position.....	<u>28,045</u>	<u>(1,294,448)</u>
Net Position at Beginning of Year, as previously reported	19,017,902	20,312,350
Prior Period Adjustment:		
Fixed asset addition (Note 20)	544,171	-
Net Position at Beginning of Year, as restated.....	<u>19,562,073</u>	<u>20,312,350</u>
Net Position at End of Year	<u>\$ 19,590,118</u>	<u>\$ 19,017,902</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers.....	\$ 12,985,852	\$ 10,100,471
Cash payments to suppliers for goods and services.....	(5,744,490)	(5,612,514)
Cash payments to employees for services.....	(2,441,710)	(2,336,167)
Net Cash Flows From Operating Activities.....	<u>4,799,652</u>	<u>2,151,790</u>
CASH FLOWS FROM CAPITAL AND RELATED:		
FINANCING ACTIVITIES		
Principal paid and early extinguishment of bonds.....	(1,085,500)	(5,790,136)
Interest paid on notes/bonds/capital leases.....	(1,323,560)	(1,244,342)
Payments for acquisition and construction of capital assets.....	(1,492,226)	(1,030,108)
Issuance of debt.....	-	5,250,000
Other revenue.....	62,968	46,052
Contributions in Aid of Construction.....	178,450	33,849
Debt service charges.....	(1,687)	-
Disposal of assets.....	60,246	-
Loss on disposal of ineffective hedging.....	(99,921)	-
Deferred amount on refunding.....	21,200	(500,000)
Amortization.....	(15,194)	(321,114)
Net Cash Flows From (Used by) Capital and Related Financing Activities.....	<u>(3,695,224)</u>	<u>(3,444,513)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income.....	7,655	3,329
Purchase of investments.....	(6,080)	(1,000,000)
Net Cash Flows (Used by) From Investing Activities.....	<u>1,575</u>	<u>(996,671)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer out – In lieu of tax.....	(400,000)	(400,000)
Pension deferrals.....	(208,563)	55,653
Net Cash Flows From (Used by) Non-Capital Financing Activities.....	<u>(608,563)</u>	<u>(344,357)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	497,440	(2,745,037)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>3,258,910</u>	<u>6,003,947</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 3,756,350</u>	<u>\$ 3,258,910</u>

(Continued)

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income.....	\$ 1,654,588	\$ 587,778
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation.....	2,591,379	2,527,880
Changes in assets and liabilities:		
Accounts receivable	86,835	(1,044,963)
Compensated absences.....	(42,616)	(65,702)
Inventory	(22,360)	(60,318)
Accrued salaries	24,070	17,508
Accounts payable	(239,515)	69,092
Net pension liability	101,751	114,563
Bond premium	(6,006)	6,006
Due from other funds	652,162	(54)
Interest receivable	(636)	-
Total Adjustments	<u>3,145,064</u>	<u>1,564,012</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,799,652</u>	<u>\$ 2,151,790</u>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities on three (3) months or less.

The Water and Sewer Utility Fund acquired capital assets that were reclassified from construction in progress as follows:

Year Ended <u>June 30,</u>	
2017	\$
2016	\$ 43,461
2015	\$ 306,805
2014	\$ 240,236
2013	\$ 5,012,425
2012	\$ -

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Administrative and General:		
Wages.....	\$ 372,873	\$ 350,602
F.I.C.A.....	26,367	24,835
Retirement.....	38,833	37,590
Retirement settlement.....	5,600	-
Hospitalization insurance.....	58,716	56,904
Life/Accidental death insurance.....	1,373	1,462
Dental insurance.....	4,331	4,185
Workmen’s compensation.....	677	1,030
Retiree insurance.....	359	323
Professional service.....	81,906	57,142
Advertising/Public Relations.....	2,708	1,223
Travel and training.....	5,764	4,378
Drug/alcohol test.....	504	374
Gasoline.....	268	192
Safety.....	45	860
Dues.....	16,418	14,636
Printing.....	-	619
Maintenance contracts.....	4,262	1,867
Utilities.....	2,541	2,184
Other contracted services.....	-	6,858
Office supplies.....	191	1,160
Insurance.....	12,837	13,456
Other personal services.....	18,507	15,452
Repair and maintenance.....	156	546
GIS System.....	22,149	20,759
Operating supplies.....	374	343
Costs recovered.....	125,216	121,818
Computer Equipment.....	1,189	821
Improvement teams.....	1,417	1,341
Radio system annual contract.....	2,597	2,827
Uniforms.....	147	416
Small tools.....	35	38
Auto parts.....	-	447
Machinery/equipment.....	6,969	5,422
Public education.....	149	-
Regulatory fees and license.....	17,775	16,676
Total Administrative and General.....	<u>833,253</u>	<u>768,786</u>
Accounting and Collections:		
Wages.....	404,651	371,632
Overtime.....	251	143
F.I.C.A.....	29,308	26,443
Retirement.....	84,906	78,844
Hospitalization insurance.....	105,538	101,831
Life/Accidental death insurance.....	1,889	1,921
Dental insurance.....	7,644	7,221
Workmen’s compensation.....	466	589
Retiree insurance.....	173	-
Retirement settlement.....	238	4,010

See accompanying independent auditors’ report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Accounting and Collections (Continued):		
Other personnel service	12,969	4,180
Regulatory fees and license	179	-
Dues	25	25
Professional services	10,273	11,969
Mailing	54,903	56,211
Credit card processing	57,060	41,380
Repair and maintenance	-	173
Printing	30	1,340
Maintenance contracts	36,982	39,290
Rent expense	57,000	57,000
Utilities	2,593	1,426
Other contractual services	-	1,144
Collection fees	7,424	10,767
Office supplies	5,324	5,597
Billing process	28,531	26,335
Insurance	2,082	2,474
Computer equipment	63	241
Total Accounting and Collections	<u>910,502</u>	<u>852,186</u>
Supervision:		
Wages	159,810	129,176
Standby pay	8,793	5,888
Overtime	9,647	8,944
F.I.C.A.	14,563	11,043
Retirement	101,514	91,246
Retirement supplement	644	15,960
Retiree insurance	1,860	-
Employee education and training	-	6
Hospitalization insurance	33,672	28,560
Life/Accidental death insurance	651	604
Dental insurance	2,708	2,297
Workmen's compensation	7,075	4,708
Other personal service	13,435	-
Dues and memberships	294	-
Travel and training	2,373	422
Improvement teams	460	100
Utilities	4,195	4,532
Office supplies	90	25
Uniforms	638	635
Automotive parts	2,026	518
Gasoline	632	1,047
Insurance	1,098	1,075
Regulatory fees and license	150	210
Computer equipment	194	48
Total Supervision	<u>366,522</u>	<u>307,044</u>

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Water Treatment:		
Wages	453,055	408,837
Overtime	1,108	1,875
F.I.C.A.	35,059	35,923
Retirement	72,009	128,804
Retirement settlement	-	67,509
Hospitalization insurance.....	128,400	124,800
Life/Accidental death insurance	2,141	2,295
Dental insurance	7,975	8,012
Workmen’s compensation	8,853	15,392
Retiree insurance	21,780	10,020
Other operating supplies	1,601	1,877
Lab supplies.....	10,048	5,423
Advertising	1,115	1,952
Drug/alcohol test.....	637	156
Employee education and training	457	2,293
Other personal services.....	23,958	-
Professional fees.....	334	256
Mailing	127	237
Dues.....	232	90
Regulatory fees	9,006	8,350
Travel.....	4,523	6,850
Public relations	-	137
Improvement teams	406	413
Printing	162	104
Rental/Maintenance contracts.....	3,917	2,273
Utilities	508,019	476,359
Other contractual services.....	17,562	6,011
Office supplies.....	1,113	959
Small tools	98	296
Uniforms.....	2,396	2,863
Automotive parts	254	1,380
Electrical and plumbing.....	-	91
Chemicals	99,162	93,079
Gasoline.....	1,404	1,301
Safety supplies.....	246	429
Insurance.....	41,731	47,266
Repair and maintenance.....	37,900	52,576
Communication equipment.....	-	407
Machinery and equipment	3,236	4,954
Computer equipment	679	928
Total Water Treatment.....	<u>1,500,703</u>	<u>1,522,777</u>
Environmental Compliance:		
Wages	55,091	49,668
F.I.C.A.	3,911	3,606
Retirement	34,076	32,829
Hospitalization insurance.....	14,400	14,400
Life/Accidental death insurance	252	264
Dental insurance	1,158	1,158
Workmen’s compensation	1,215	1,695
Other personal services.....	531	-
Improvement teams	17	-
Employee education and training	-	60

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Environmental Compliance (Continued):		
Regulatory fees and license	90	301
Dues.....	10	10
Travel.....	350	1,344
Office supplies.....	5	224
Small tools.....	183	2,031
Uniforms.....	122	230
Mailing	87	-
Other operating supplies.....	25	109
Utilities	300	300
Repair and maintenance.....	241	57
Automotive parts	1,317	2,332
Electrical & Plumbing	-	188
Gasoline.....	111	286
Insurance	582	562
Safety.....	33	30
Computer equipment	147	-
Total Environmental Compliance	<u>114,254</u>	<u>111,684</u>
Transmission and Distribution:		
Wages	285,033	299,387
Standby pay	19,787	19,425
Overtime.....	40,152	30,436
F.I.C.A.	28,248	25,955
Retirement	53,119	52,034
Hospitalization insurance	114,831	114,463
Life/Accidental death insurance	1,752	1,833
Dental insurance	7,805	8,018
Workmen’s compensation	16,909	10,864
Retiree insurance	21,342	21,017
Regulatory fees and license	6,236	7,214
Employee education and training	417	12
Other personal services.....	5,667	3,512
Dues.....	224	422
Travel.....	285	1,174
Utilities	56,822	55,285
Office supplies.....	36	79
Other operating supplies.....	2,258	2,227
Small tools.....	5,545	3,133
Uniforms.....	3,345	4,529
Automotive parts	12,877	13,779
Gasoline.....	15,329	14,746
Safety.....	2,853	1,810
Drug/alcohol test	-	13
Construction materials.....	62,434	-
Radio systems annual contract	913	588
Insurance	12,193	11,877
Repair and maintenance.....	35,299	95,439

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Transmission and Distribution (Continued):		
Fire hydrant – install and maintenance	4,129	1,380
Water line relocation	-	555
Water line rehab	-	51,006
Costs recovered	10,943	7,206
Machinery and equipment	926	5,347
Vehicle equipment	1,498	816
Improvement teams	639	314
Maintenance contracts	-	64
Total Transmission and Distribution	<u>829,846</u>	<u>865,959</u>
Meter Readings and Repairs:		
Wages	132,346	103,504
Standby pay	13,176	11,076
Overtime	27,074	20,264
F.I.C.A.	12,596	12,715
Retirement	10,243	31,241
Hospitalization insurance	48,479	47,548
Life/Accidental death insurance	688	705
Dental insurance	3,033	2,916
Workmen's compensation	3,581	4,986
Retiree insurance	5,855	4,530
Other personal services	3,347	-
Employee education/training	-	6
Mailing	37	-
Drug/Alcohol test	48	187
Maintenance contracts	5,691	4,624
Utilities	2,274	2,438
Office supplies	740	1,291
Small tools	762	712
Contract meter reading	-	2,555
Uniforms	3,133	3,212
Automotive parts	1,279	4,377
Gasoline	4,307	4,053
Other commodities	198	230
Insurance	2,925	2,886
Repairs and maintenance	7,296	5,448
Meters and devices	11,392	348,184
Other operating supplies	4	-
Computer equipment	980	923
Retirement supplement	-	17,009
Travel	12	395
Improvement teams	89	6
Advertising	45	-
Radio systems annual contract	520	-
Vehicle equipment	420	-
Total Meter Readings and Repairs	<u>302,570</u>	<u>638,021</u>

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Maintenance (Continued):		
Wages	127,059	118,846
Standby pay	12,957	11,170
Overtime	7,496	6,013
F.I.C.A.	10,715	9,872
Retirement	9,590	9,347
Hospitalization insurance.....	31,582	31,680
Life/Accidental death insurance	569	598
Dental insurance	1,991	1,999
Workmen's compensation	4,520	5,554
Dues	40	40
Utilities	968	953
Other personnel service	3,703	1,280
Employee education/training	182	25
Contractual services.....	15,597	13,851
Other Operating Supplies.....	53	56
Small tools	281	186
Uniforms	1,142	1,009
Automotive parts	3,426	2,961
Improvement teams	134	-
Gasoline	3,640	3,162
Insurance.....	1,811	1,508
Regulatory fees and license	290	190
Repairs and maintenance	35,026	16,109
Travel.....	-	500
Electric/plumbing	-	35
Safety	92	140
Machinery and equipment	1,405	16,059
Vehicle	-	18
Total Maintenance	<u>274,269</u>	<u>253,161</u>
Sewage Collection/Pumping:		
Wages	245,165	155,087
Standby pay	18,384	8,977
Overtime	29,256	12,689
F.I.C.A.	29,367	13,942
Retirement	84,272	123,702
Retirement insurance	8,923	6,932
Life/Accidental death insurance	1,655	1,806
Dental insurance	7,268	7,648
Other personal service	12,474	1,578
Drug/alcohol test.....	-	8
Employee education/training	-	8
Regulatory fees and license	25	74
Improvement teams	159	-

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Sewage Collection/Pumping (Continued):		
Utilities	20,322	19,309
Other operating supplies	-	1,130
Small tools	224	1,588
Uniforms	-	2,296
Auto parts	-	20,783
Gas	-	10,371
Safety supplies	-	1,962
Insurance	-	3,596
Repair and maintenance	-	9,514
Machinery and equipment	-	251
Sewer rehabilitation	-	8,877
Workmen's compensation	-	6,298
Retirement settlement	644	15,960
Hospitalization insurance	102,648	75,028
Easement	-	8,675
Total Sewage Collection/Pumping	<u>560,786</u>	<u>518,089</u>
Disposal:		
Sewage treatment expense	1,355,795	1,272,665
City of Maryville	853,263	767,740
Treatment plant capital improvements	99,548	156,708
Total Disposal	<u>2,308,606</u>	<u>2,197,113</u>
Special Projects:		
Lift station replacement	558	1
Regal Drive Station replacement	-	32,300
Utility relocation project	22,015	23,027
Total Special Projects	<u>22,573</u>	<u>55,328</u>
Total Operating and Maintenance.....	<u>\$ 8,023,884</u>	<u>\$ 8,090,148</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION
For the Fiscal Year Ended June 30, 2017

<u>SEWER</u>	<u>CAPITAL ASSETS</u>				<u>ALLOWANCE FOR DEPRECIATION</u>			
	<u>Balance</u> <u>7/01/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/17</u>	<u>Balance</u> <u>7/1/16</u>	<u>Depreciation</u> <u>Taken</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>6/30/17</u>
Land and easements.....	\$ 174,138	\$ -	\$ -	\$ 174,138	\$ -	\$ -	\$ -	\$ -
Buildings:								
Pumping station.....	327,992	-	-	327,992	-	-	-	-
Leasehold improvements.....	2,898,015	-	-	2,898,015	-	-	-	-
Service Center	<u>1,502,128</u>	<u>-</u>	<u>-</u>	<u>1,502,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Buildings.....	<u>4,728,135</u>	<u>-</u>	<u>-</u>	<u>4,728,135</u>	<u>1,785,526</u>	<u>130,638</u>	<u>-</u>	<u>1,916,164</u>
Improvements Other Than Buildings:								
Sewer lines and mains	<u>19,171,053</u>	<u>384,876</u>	<u>-</u>	<u>19,555,929</u>	<u>5,739,891</u>	<u>506,310</u>	<u>-</u>	<u>6,246,201</u>
Machinery and Equipment:								
Pumping equipment.....	105,094	-	-	105,094	91,775	2,292	-	94,067
Tools and working equipment	356,266	-	(68,534)	287,732	324,959	10,793	(68,533)	267,219
Automobile and trucks	<u>524,662</u>	<u>-</u>	<u>-</u>	<u>524,662</u>	<u>206,112</u>	<u>39,380</u>	<u>-</u>	<u>245,492</u>
Total Machinery and Equipment	<u>986,022</u>	<u>-</u>	<u>(68,534)</u>	<u>917,488</u>	<u>622,846</u>	<u>52,465</u>	<u>(68,533)</u>	<u>606,778</u>
Total Sewer	<u>\$ 25,059,348</u>	<u>\$ 384,876</u>	<u>\$ (68,534)</u>	<u>\$ 25,375,690</u>	<u>\$ 8,148,263</u>	<u>\$ 689,413</u>	<u>\$ (68,533)</u>	<u>\$ 8,769,143</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (Continued)
For the Fiscal Year Ended June 30, 2017

<u>WATER</u>	<u>CAPITAL ASSETS</u>				<u>ALLOWANCE FOR DEPRECIATION</u>			
	<u>Balance 7/01/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/17</u>	<u>Balance 7/1/16</u>	<u>Depreciation Taken</u>	<u>Additions (Deductions)</u>	<u>Balance 6/30/17</u>
Land.....	\$ 1,020,097	\$ -	\$ -	\$ 1,020,097	\$ -	\$ -	\$ -	\$ -
Buildings:								
Filter and treatment plant.....	19,219,761	-	-	19,219,761	4,047,582	422,739	-	4,470,321
Improvements Other Than Buildings:								
Water mains.....	12,601,567	263,318	-	12,864,885	3,509,699	285,522	-	3,795,221
Reservoirs.....	7,897,143	-	-	7,897,143	1,242,494	168,719	-	1,411,213
Lines to reservoirs.....	139,187	-	-	139,187	121,099	2,784	-	123,883
Water service connections.....	1,519,067	20,577	-	1,539,644	494,610	29,342	-	523,952
Raw water storage.....	2,961,770	-	-	2,961,770	1,481,038	59,248	-	1,540,286
Total Improvements Other Than Buildings.....	25,118,734	283,895	-	25,402,629	6,848,940	545,615	-	7,394,555
Machinery and Equipment:								
Water meters.....	507,201	917,220	-	1,424,421	421,448	96,779	60,245	578,472
Fire hydrants.....	347,500	-	-	347,500	137,614	6,952	-	144,566
Water purification equipment.....	6,175,279	-	-	6,175,279	3,321,220	335,214	-	3,656,434
Pumping equipment.....	7,287,030	-	-	7,287,030	3,115,164	364,381	-	3,479,545
Laboratory equipment.....	181,791	-	-	181,791	167,014	14,777	-	181,791
Tools and working equipment.....	677,711	192,560	(57,988)	812,283	626,775	41,965	(57,987)	610,753
Automobile and truck.....	639,612	32,605	(16,062)	656,155	570,472	18,382	(16,063)	572,791
Office furniture and fixtures.....	412,423	-	-	412,423	305,308	55,162	-	360,470
Total Machinery and Equipment.....	16,228,547	1,142,385	(74,050)	17,296,882	8,665,015	933,612	(13,805)	9,584,822
Total Water.....	\$ 61,587,139	\$ 1,426,280	\$ (74,050)	\$ 62,939,369	\$ 19,561,537	\$ 1,901,966	\$ (13,805)	\$ 21,449,698
TOTAL WATER AND SEWER.....	\$ 86,646,487	\$ 1,811,156	\$ (142,584)	\$ 88,315,059	\$ 27,709,800	\$ 2,591,379	\$ (82,338)	\$ 30,218,841

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	Business-Type Activities	
	2017	2016
ASSETS:		
CAPITAL ASSETS:		
Non-depreciable Capital Assets:		
Land and easements	\$ 1,260,996	\$ 1,260,996
Construction in progress	<u>2,318,435</u>	<u>1,775,606</u>
	<u>3,579,431</u>	<u>3,036,602</u>
Depreciable Capital Assets:		
Structures, improvements and equipment	86,292,471	84,057,563
Less: Allowance for depreciation	<u>(36,972,894)</u>	<u>(34,736,752)</u>
	<u>49,319,577</u>	<u>49,320,811</u>
Net Capital Assets	<u>52,899,008</u>	<u>52,357,413</u>
CURRENT ASSETS:		
Cash.....	5,657,533	3,907,489
Cash investments.....	25,972	20,105
Certificate of deposit.....	-	1,002,746
Accounts receivable - Less provision for doubtful accounts of \$253,548 at June 30, 2017 and \$345,390 at June 30, 2016.....	5,316,739	5,572,660
Accounts receivable - Pole rentals	211,003	211,003
Materials and supplies at average cost	928,017	592,095
Accrued interest receivable	-	492
Prepaid TVA Power Invoice Program.....	<u>3,759,675</u>	<u>3,466,268</u>
Total Current Assets	<u>15,898,939</u>	<u>14,772,858</u>
NON-CURRENT ASSETS:		
Receivables from customers for conservation loans	<u>1,593,743</u>	<u>1,978,696</u>
TOTAL ASSETS	<u>70,391,690</u>	<u>69,108,967</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension deferrals	756,560	502,341
Deferred State Regulatory Charges	<u>369,413</u>	<u>395,799</u>
Total Deferred Outflows of Resources	<u>1,125,973</u>	<u>898,140</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION (Continued)
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	Business-Type Activities	
	<u>2017</u>	<u>2016</u>
LIABILITIES:		
LONG-TERM LIABILITIES:		
Compensated absences.....	\$ 64,169	\$ 150,870
Revenue bonds payable.....	15,110,000	15,950,000
Deferred credits.....	224,266	172,542
Conservation – TVA.....	1,723,770	2,097,225
Net pension liability.....	651,224	491,459
Total Long-Term Liabilities.....	17,773,429	18,862,096
CURRENT LIABILITIES:		
Accounts payable.....	9,985,193	10,004,663
Due to other funds.....	82,876	-
Customer deposits.....	2,042,066	1,880,863
Accrued payroll.....	239,983	164,524
Accrued rentals.....	240,784	159,041
Accrued interest.....	-	145,314
Miscellaneous payables.....	5,399	4,466
Compensated absences.....	285,511	404,245
Revenue bonds payable.....	840,000	815,000
Total Current Liabilities.....	13,721,812	13,578,116
TOTAL LIABILITIES	<u>31,495,241</u>	<u>32,440,212</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	-	60,587
NET POSITION:		
Net investment in capital assets.....	36,949,008	35,592,413
Unrestricted.....	3,073,414	1,913,895
TOTAL NET POSITION	<u>\$ 40,022,422</u>	<u>\$ 37,506,308</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULES OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE:		
Sale of Electric Energy:		
Residential - Non-farm	\$ 40,230,309	\$ 37,370,698
Small lighting and power sales	5,505,286	5,603,705
Large lighting and power sales	18,103,828	17,199,018
Street and outdoor lighting	1,138,706	1,118,855
Consumer forfeited discounts.....	437,166	406,977
Rent from electric property	647,868	969,062
Miscellaneous service revenue.....	360,280	318,103
Other electric revenue	<u>76,955</u>	<u>73,718</u>
Total Operating Revenue	<u>66,500,398</u>	<u>63,060,136</u>
PURCHASED POWER	<u>51,209,143</u>	<u>48,603,739</u>
OPERATING EXPENSES:		
Distribution expense.....	1,682,414	1,451,869
Customer accounts expense	1,452,413	1,480,757
Customer services and informational	19,594	18,508
Sales expense	58,778	80,654
Administrative and general expense	<u>3,141,168</u>	<u>3,189,199</u>
Total Operating Expenses.....	<u>6,354,367</u>	<u>6,220,987</u>
MAINTENANCE EXPENSE:		
Transmission expense	73,536	172,770
Distribution expense.....	1,852,614	2,347,687
Administrative and general expense	<u>24,790</u>	<u>82,360</u>
Total Maintenance Expense.....	<u>1,950,940</u>	<u>2,602,817</u>
OTHER OPERATING EXPENSE:		
Depreciation expense	<u>2,941,316</u>	<u>2,723,872</u>
TOTAL PURCHASED POWER AND		
OPERATING EXPENSES	<u>62,455,766</u>	<u>60,151,415</u>
OPERATING INCOME	4,044,632	2,908,721
Interest income on investments	<u>8,985</u>	<u>5,745</u>
Net Operating Income	<u>4,053,617</u>	<u>2,914,466</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULES OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>2017</u>	<u>2016</u>
INTEREST EXPENSE:		
Interest on long-term debt	(14,757)	(169,167)
Amortization of long-term debt regulatory expense.....	<u>(26,387)</u>	<u>(26,387)</u>
Total Interest Expense.....	<u>(41,144)</u>	<u>(195,554)</u>
OTHER INCOME (EXPENSE):		
State of TN – unclaimed property returned	408	1,311
Gain (loss) on sale of fixed assets	3,162	1,116
Grant revenue – FEMA/TEMA.....	-	343,381
Grant expenses – FEMA/TEMA.....	<u>-</u>	<u>(343,381)</u>
Total Other Income	<u>3,570</u>	<u>2,427</u>
NET INCOME BEFORE TRANSFERS	4,016,043	2,721,339
Transfer in lieu of tax	<u>(1,499,929)</u>	<u>(1,489,495)</u>
NET INCOME.....	2,516,114	1,231,844
NET POSITION – BEGINNING OF YEAR	<u>37,506,308</u>	<u>36,274,464</u>
NET POSITION – END OF YEAR	<u>\$ 40,022,422</u>	<u>\$ 37,506,308</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULES OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 66,127,482	\$ 63,132,532
Cash payments to suppliers for goods and services	(56,626,274)	(54,587,343)
Cash payments to employees for services	<u>(3,017,383)</u>	<u>(4,153,536)</u>
Net Cash Flows From Operating Activities.....	<u>6,483,825</u>	<u>4,391,653</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Customer deposits received.....	539,720	585,035
Customer deposits refunded	(378,517)	(359,163)
Advances from TVA	237,110	543,877
Repayments of advances	(610,566)	(654,005)
Principal paid on bonds/notes.....	(815,000)	(785,000)
Interest paid on bonds/notes	(14,757)	(169,167)
Deferred credits	51,724	31,445
Merchandise, jobbing, and contract work revenue	(155,041)	(248,407)
Acquisition and construction of capital assets.....	(3,517,688)	(1,811,638)
Removal costs of fixed assets.....	34,776	38,898
Acquisition of conservation loans	(544,286)	(744,963)
Other income	3,570	2,427
Deferred charges	-	(26,387)
Collection on conservation loans	929,239	868,071
Grant proceeds	<u>-</u>	<u>343,381</u>
Net Cash Flows (Used by) From Capital and Related Financing Activities	<u>(4,239,716)</u>	<u>(2,385,596)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(1,002,746)
Proceeds from maturities of investments	1,002,746	-
Interest and dividends on investments.....	<u>8,985</u>	<u>5,745</u>
Net Cash Flows From (Used by) Investing Activities.....	<u>1,011,731</u>	<u>(997,001)</u>
CASH FLOWS FROM (USED BY) NON-CAPITAL ACTIVITIES:		
Transfers – In lieu of Tax.....	<u>(1,499,929)</u>	<u>(1,489,495)</u>

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULES OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	<u>2017</u>	<u>2016</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	1,755,911	(480,439)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,927,594</u>	<u>4,408,033</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,683,505</u>	<u>\$ 3,927,594</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income.....	<u>\$ 4,044,632</u>	<u>\$ 2,908,721</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,941,317	2,723,872
Amortization.....	-	26,387
Changes in assets and liabilities:		
Poles rental.....	-	(58,682)
Accounts receivable	255,921	(77,736)
Prepaid expenses	(293,407)	391,722
Inventory	(335,922)	(182,416)
Accrued interest receivables	492	(492)
Accounts payable	63,406	(1,308,884)
Accrued rentals	81,743	52,707
Accrued interest	(145,314)	79,627
Accrued payroll.....	75,459	74,668
Miscellaneous Payables	933	107
Compensated absences.....	<u>(205,435)</u>	<u>(237,948)</u>
Total Adjustments.....	<u>2,439,193</u>	<u>1,482,932</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,483,825</u>	<u>\$ 4,391,653</u>

ACCOUNTING POLICY NOTE:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less.

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULES OF OPERATING AND MAINTENANCE EXPENSE
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016**

<u>OPERATING EXPENSE</u>	<u>2017</u>	<u>2016</u>
DISTRIBUTION:		
Supervision and engineering	\$ 117,405	\$ 75,973
Station expense	105,601	89,256
Overhead line expense	664,464	461,276
Underground expense	57,272	86,310
Meter expense	219,582	204,756
Miscellaneous	327,235	336,530
Rents	<u>190,855</u>	<u>197,768</u>
Total Distribution Expense	<u>1,682,414</u>	<u>1,451,869</u>
CUSTOMER ACCOUNTS EXPENSE:		
Meter reading expense	198,954	157,692
Customer record and collection expense	1,053,459	1,023,065
Uncollectible accounts	<u>200,000</u>	<u>300,000</u>
Total Customer Accounts Expense	<u>1,452,413</u>	<u>1,480,757</u>
CUSTOMER SERVICE AND INFORMATIONAL:		
Customer Assistance expense	19,300	18,233
Informational and instructional advertising expense	<u>294</u>	<u>275</u>
Total Customer Services and Informational	<u>19,594</u>	<u>18,508</u>
SALES EXPENSE:		
Demonstrating and selling expense	<u>58,778</u>	<u>80,654</u>
ADMINISTRATIVE AND GENERAL EXPENSE:		
Administrative and general salaries	448,259	496,195
Office supplies and expense	44,122	40,323
Outside service employed	75,728	63,673
Property insurance	115,669	117,952
Injuries and damages	156,916	178,305
Employee pensions and benefits	2,144,619	2,140,189
Duplicate charges – Credit	(1,854)	(1,775)
Rents - City cost recovery	87,960	94,428
Miscellaneous	<u>69,749</u>	<u>59,909</u>
Total Administrative and General Expense	<u>3,141,168</u>	<u>3,189,199</u>
Total Operating Expense	<u>6,354,367</u>	<u>6,220,987</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULES OF OPERATING AND MAINTENANCE EXPENSE (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

<u>MAINTENANCE EXPENSE</u>	<u>2017</u>	<u>2016</u>
TRANSMISSION EXPENSE:		
Maintenance of station equipment	73,536	41,161
Maintenance of overhead lines	-	131,609
Total Transmission Expense	<u>73,536</u>	<u>172,770</u>
DISTRIBUTION EXPENSE:		
Supervision and engineering	115,220	65,758
Maintenance of station equipment	32,219	83,676
Maintenance of overhead and underground lines	1,559,214	2,067,319
Maintenance of line transformers	857	29,079
Street lighting and signal systems	26,089	14,470
Maintenance of meters/miscellaneous distribution plant	85,144	78,243
Maintenance of underground lines	29,471	6,368
Maintenance of miscellaneous distribution plant	4,400	2,774
Total Distribution Expense	<u>1,852,614</u>	<u>2,347,687</u>
ADMINISTRATIVE AND GENERAL EXPENSE:		
Maintenance of general plant	24,790	82,360
Total Maintenance Expense	<u>1,950,940</u>	<u>2,602,817</u>
Total Operating and Maintenance Expense	<u>\$ 8,305,307</u>	<u>\$ 8,823,804</u>

See accompanying independent auditors' report and notes/

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ELECTRIC PLANT IN SERVICE
June 30, 2017**

	<u>Balance 7-01-16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassify</u>		<u>Balance 6-30-17</u>
				<u>DR</u>	<u>CR</u>	
TRANSMISSION:						
Station equipment	\$ 17,160,114	\$ 227,863	\$ -	\$ -	\$ -	\$ 17,387,977
DISTRIBUTION:						
Land and land rights	6,853	-	-	-	-	6,853
Station equipment	1,969,449	-	-	-	-	1,969,449
Poles, towers and fixtures	12,328,534	853,595	274,432	-	-	12,907,697
Overhead conductors and devices	13,153,457	743,138	128,479	-	-	13,768,116
Underground conduit	682,469	10,329	970	-	-	691,828
Underground conductors and devices	2,968,784	105,405	8,244	-	-	3,065,945
Line transformers	11,421,738	340,561	79,816	-	-	11,682,483
Services	2,180,929	26,908	107	-	-	2,207,730
Meters	5,380,749	157,682	41,594	-	-	5,496,837
Street lighting and signal systems	3,360,953	150,130	82,373	-	-	3,428,710
Outdoor lighting on customer premises	1,496,595	120,601	5,052	-	-	1,612,144
GENERAL:						
Land and land rights	329,628	-	-	-	-	329,628
Structures and improvements	7,583,663	-	-	-	-	7,583,663
Office furniture and equipment	525,969	-	-	-	-	525,969
Transportation equipment	3,012,405	238,647	108,975	-	-	3,142,077
Stores equipment	51,647	-	-	-	-	51,647
Tools, shop and garage equipment	90,229	-	-	-	-	90,229
Laboratory equipment	30,456	-	-	-	-	30,456
Communication equipment	1,153,634	-	-	-	-	1,153,634
Power operated equipment	415,332	-	9,909	-	-	405,423
Miscellaneous equipment	<u>14,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,972</u>
Totals	85,318,559	2,974,859	739,951	-	-	87,553,467
CONSTRUCTION WORK IN PROGRESS	<u>1,775,606</u>	<u>542,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,318,435</u>
Total Electric Plant in Service ...	<u>\$ 87,094,165</u>	<u>\$ 3,517,688</u>	<u>\$ 739,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,871,902</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ACCUMULATED PROVISION FOR DEPRECIATION
June 30, 2017**

	Balance 7-01-16	Depreciation Expense	Retirement	Removal Cost and Other	Reclassify		Balance 6/30/17	Depreciation Rate
					DR	CR		
TRANSMISSION:								
Station equipment.....	\$ 7,430,452	\$ 504,772	\$ -	\$ -	\$ -	\$ -	\$ 7,935,224	4.00%
DISTRIBUTION PLANT:								
Station equipment.....	1,205,331	69,648	-	-	-	-	1,274,979	
Poles, towers, and fixtures.....	5,177,902	523,752	274,433	-	-	-	5,427,221	4.25%
Overhead conductors and devices	2,831,806	430,484	128,480	-	-	-	3,133,810	3.25%
Underground conduit.....	401,007	20,534	970	-	-	-	420,571	3.00%
Underground conductors and devices.....	1,340,783	89,351	8,245	-	-	-	1,421,889	3.00%
Line transformers	5,258,522	282,641	79,816	-	-	-	5,461,347	2.50%
Services	1,300,789	70,950	106	-	-	-	1,371,633	3.25%
Meters.....	2,108,045	326,040	41,594	-	-	-	2,392,491	6.67%
Street lighting and signal systems	2,168,741	79,525	82,373	9,674	-	-	2,175,567	12.00%
Outdoor lighting on customer premises	<u>868,282</u>	<u>66,475</u>	<u>5,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>929,705</u>	8.00%
Total Distribution Plant.....	<u>22,661,208</u>	<u>1,959,400</u>	<u>621,069</u>	<u>9,674</u>	<u>-</u>	<u>-</u>	<u>24,009,213</u>	
GENERAL PLANT:								
Structures and improvements	1,592,708	156,928	-	-	-	-	1,749,636	2.00%
Office furniture and equipment	447,895	20,861	-	-	-	-	468,756	various
Transportation equipment.....	1,532,563	205,398	108,973	25,102	-	-	1,654,090	various
Tools, shop and garage equipment.....	86,269	1,101	-	-	-	-	87,370	8.00%
Laboratory equipment	30,456	-	-	-	-	-	30,456	5.00%
Communication equipment	638,685	79,989	-	-	-	-	718,674	10.00%
Power operated equipment	307,676	11,871	9,909	-	-	-	309,638	Various
Miscellaneous equipment.....	<u>8,840</u>	<u>997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,837</u>	8.00%
Total General Plant.....	<u>4,645,092</u>	<u>477,145</u>	<u>118,882</u>	<u>25,102</u>	<u>-</u>	<u>-</u>	<u>5,028,457</u>	
Totals	<u>\$ 34,736,752</u>	<u>\$ 2,941,317</u>	<u>\$ 739,951</u>	<u>\$ 34,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,972,894</u>	

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-Type Activities	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Current Assets:		
Cash	\$ 500	\$ 500
Cash in bank	1,634,218	1,425,236
Due from Debt Service Fund	202,284	202,284
Accounts receivable	442,915	508,747
Interest receivable	9,856	-
Total Current Assets	<u>2,289,773</u>	<u>2,136,767</u>
Capital Assets:		
Non-depreciable Capital Assets:		
Land	929,861	929,861
Construction in progress	50,225	-
Total non-depreciable capital assets	<u>980,086</u>	<u>929,861</u>
Depreciable Capital Assets:		
Structures, improvements, and equipment	13,867,077	13,711,915
Less: Allowance for depreciation	<u>(9,688,584)</u>	<u>(9,135,295)</u>
Net Capital Assets	<u>5,158,579</u>	<u>5,506,481</u>
Non-Current Assets:		
Cash in banks – Restricted	4,825,364	4,254,595
Investments – Certificate of deposit – Restricted	5,000,000	5,000,000
Total Non-Current Assets	<u>9,825,364</u>	<u>9,254,595</u>
TOTAL ASSETS	<u>17,273,716</u>	<u>16,897,843</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension deferrals	213,098	207,742
Accumulated decrease in fair value of hedging derivatives	2,968,950	3,936,149
Total Deferred Outflows of Resources	<u>3,182,048</u>	<u>4,143,891</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION (Continued)
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-Type Activities	
	<u>2017</u>	<u>2016</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable.....	105,713	125,012
Due to General Fund.....	1,353	-
Accrued salaries.....	37,098	30,289
Bonds payable – Due within one (1) year.....	820,000	795,000
Capital outlay note – Due within one (1) year.....	80,669	-
Compensated absences.....	77,931	90,769
Premium on bonds.....	<u>4,441</u>	<u>6,661</u>
Total Current Liabilities.....	<u>1,127,205</u>	<u>1,047,731</u>
Long-Term Liabilities:		
Bonds payable.....	3,145,000	3,965,000
Capital outlay note – Due in more than (1) year.....	135,705	
Compensated absences.....	19,483	22,692
Estimated liability for landfill closure and post closure care costs.....	9,783,900	9,218,798
Derivatives – Interest rate swap.....	2,968,950	3,936,149
Net pension liability.....	<u>180,683</u>	<u>137,357</u>
Total Long-Term Liabilities.....	<u>16,233,721</u>	<u>17,279,996</u>
TOTAL LIABILITIES.....	<u>17,360,926</u>	<u>18,327,727</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	2,802	83,330
Bond deferral.....	<u>83,333</u>	<u>100,000</u>
Total Deferred Inflows of Resources.....	<u>86,135</u>	<u>183,330</u>
NET POSITION:		
Net investment in capital assets.....	977,205	746,481
Restricted for property acquisition.....	1,281,411	1,264,653
Unrestricted.....	<u>750,087</u>	<u>519,543</u>
TOTAL NET POSITION.....	<u>\$ 3,008,703</u>	<u>\$ 2,530,677</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-Type Activities	
	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Fees and permits.....	\$ 4,290,739	\$ 3,623,435
Miscellaneous	<u>-</u>	<u>41</u>
Total Operating Revenue.....	<u>4,290,739</u>	<u>3,623,476</u>
Operating Expenses:		
Administrative and General	382,615	400,472
Landfill operations	944,144	829,781
Scales and security operations	311,952	308,564
Facilities Maintenance	850,721	809,649
Vehicle and equipment maintenance.....	314,463	212,500
Solid Waste Authority.....	109,064	118,290
Environmental compliance.....	115,074	135,121
Closure/Postclosure.....	<u>495</u>	<u>-</u>
Total Operating Expenses.....	<u>3,028,528</u>	<u>2,814,377</u>
Operating Income Before Depreciation	1,262,211	809,099
Depreciation.....	<u>(751,149)</u>	<u>(759,653)</u>
Operating Income After Depreciation.....	<u>511,062</u>	<u>49,446</u>
Other Income (Expense):		
Other income.....	60	877
Amortization	-	(73,895)
Interest income.....	14,397	8,079
Interest expense.....	(111,055)	(192,838)
Grant income.....	125,744	153,261
Service fees.....	-	(1,024)
Derivative investment income.....	-	11,721
Other expense.....	(3,017)	-
Gain on sale of property and equipment	57,805	-
Loss on disposal of ineffective hedging derivative instrument	(135,857)	-
Bond issuance premium	<u>18,887</u>	<u>-</u>
Total Other Income (Expense).....	<u>(33,036)</u>	<u>(93,819)</u>
Change In Net Position	478,026	(44,373)
Net Position – Beginning of Year	<u>2,530,677</u>	<u>2,575,050</u>
Net Position – End of Year.....	<u>\$ 3,008,703</u>	<u>\$ 2,530,677</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received	\$ 4,346,715	\$ 3,674,483
Cash payments to suppliers for goods and services	(2,025,713)	(1,762,637)
Cash payments to employees for services	<u>(988,893)</u>	<u>(913,982)</u>
Net Cash Flows From Operating Activities	<u>1,332,109</u>	<u>997,864</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Closure/Postclosure payments	565,102	440,892
Pension deferrals	(85,884)	-
Bond deferral	<u>(16,667)</u>	<u>-</u>
Net Cash Flows From Non-Capital Financing Activities	<u>462,551</u>	<u>448,892</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest paid on capital leases/bonds	(111,055)	(192,838)
Payments for landfill plant acquisitions	(403,247)	(256,214)
Principal paid on bonds/notes	(845,616)	(5,265,000)
Service fees	-	(1,024)
Issuance of debt	266,990	4,395,000
Grant proceeds	125,744	153,261
Other revenues	76,752	46,666
Other expenses	<u>(138,874)</u>	<u>(73,895)</u>
Net Cash Flows From (Used by) Capital and Related Financing Activities	<u>(1,029,306)</u>	<u>(1,194,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	14,397	8,079
Purchase of investments	(3,591,141)	(2,375,342)
Proceeds from sale of investments	<u>3,020,372</u>	<u>1,885,428</u>
Net Cash Flows From (Used by) Investing Activities	<u>(556,372)</u>	<u>(481,835)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	208,982	(236,123)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,425,736</u>	<u>1,661,859</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,634,738</u>	<u>\$ 1,425,736</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-Type Activities	
	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income.....	\$ 511,062	\$ 49,446
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	751,149	759,653
Changes in assets and liabilities:		
Accounts receivable	65,832	51,007
Accounts payable	(17,946)	60,963
Accrued salaries	6,809	7,063
Accrued compensated absences.....	(16,047)	13,250
Net pension liability	43,326	49,821
Premium on bonds.....	(2,220)	6,661
Interest receivable.....	(9,856)	-
Total Adjustments	821,047	948,418
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,332,109</u>	<u>\$ 997,864</u>

Accounting Policy Note:

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three (3) months or less.

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Administrative and General:		
Wages.....	\$ 137,170	\$ 131,087
Overtime.....	49	45
F.I.C.A.....	11,255	9,756
Retirement.....	18,841	19,680
Retirement settlement.....	-	21,762
Hospitalization insurance.....	23,653	22,381
Life/Accidental death insurance.....	537	570
Dental insurance.....	1,897	1,766
Workmen’s compensation.....	293	405
Retiree insurance.....	1,495	-
Other personal services.....	9,387	-
Drug/alcohol test.....	935	514
Employee education and training.....	1,455	3,259
Professional services.....	-	1,462
Postage.....	1,936	1,247
Dues.....	1,270	1,013
Regulatory fees and license.....	30,041	30,290
Accounting and auditing.....	5,857	4,500
Advertising.....	105	128
Credit card processing.....	11,920	7,364
Improvement teams.....	1,583	797
Printing.....	29	2,263
Maintenance contract.....	2,191	198
Utilities.....	81,825	100,708
Other contracted services.....	1,028	4,447
Office supply.....	1,044	1,495
Other operating supplies.....	2,948	2,088
Auto parts.....	-	507
Uniforms.....	7,303	6,925
Safety.....	2,007	1,326
Construction materials.....	305	204
Insurance.....	5,217	4,991
Repairs and maintenance.....	-	207
Cost recovery.....	13,387	11,195
Equipment lease.....	358	357
Communication equipment.....	1,209	2,250
Computer equipment.....	549	372
Radio system annual contract.....	549	599
Recycling contracts.....	749	1,109
Business/Public relations.....	17	-
Small tools.....	442	-
Debt service fees.....	1,072	-
Travel.....	707	1,205
Total Administrative and General.....	<u>382,615</u>	<u>400,472</u>

See accompanying independent auditors’ report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Landfill Operations:		
Wages	303,325	290,817
Overtime	11,789	9,348
F.I.C.A.	22,607	21,060
Retirement	92,138	89,046
Retirement settlement	24,244	-
Hospitalization insurance	86,400	86,400
Life/Accidental death insurance	1,449	1,541
Dental insurance	5,773	6,165
Workmen’s compensation	12,641	8,472
Retiree insurance	7,170	6,450
Waste tire recovery	123,770	115,484
Litter fencing	1,911	715
Gas	94,796	88,262
Construction materials	147,974	85,834
Alter daily cover liners	1,988	2,042
Insurance	888	773
Construction materials/supplies	737	1,065
Landfill services	-	112
Other personal services	4,544	16,195
Total Landfill Operations	<u>944,144</u>	<u>829,781</u>
Scales and Security Operations:		
Wages	161,115	148,188
Overtime	9,847	7,628
F.I.C.A.	12,302	11,301
Retirement	40,405	39,078
Hospitalization insurance	56,400	54,000
Life/Accidental death insurance	846	857
Dental insurance	4,536	3,951
Workmen’s compensation	1,198	263
Retiree insurance	3,420	3,120
Other personal services	4,716	6,771
Regulatory fees and license	150	150
Printing	824	1,145
Utilities	2,523	1,933
Other contracted services	2,350	3,067
Office supplies	2,782	2,143
Insurance	291	347
Repair and maintenance	728	5,239
Maintenance contracts	7,519	8,227
Computer equipment	-	11,156
Total Scales and Security Operations	<u>311,952</u>	<u>308,564</u>
Facility Maintenance:		
Wages	200,975	170,350
Overtime	9,347	5,804
F.I.C.A.	15,386	13,370

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Facility Maintenance (Continued):		
Retirement	7,671	8,914
Hospitalization insurance	56,400	56,400
Life/Accidental death insurance	942	968
Dental insurance	4,144	4,275
Workmen’s compensation	7,637	13,299
Retiree insurance	3,030	2,940
Other personal services.....	10,083	-
Building materials	7	-
Repair and maintenance.....	-	335
Utilities	2,641	2,196
Small tools.....	1,112	192
Electric and plumbing.....	12	-
Slope stabilization	3,860	2,723
Insurance	974	1,383
Closure and postclosure expense	526,500	526,500
Total Facilities Maintenance	<u>850,721</u>	<u>809,649</u>
Vehicle and Equipment Maintenance:		
Wages	56,347	52,535
Overtime	-	36
F.I.C.A.	3,967	3,615
Retirement	2,725	2,646
Hospitalization insurance	14,400	14,400
Life/Accidental death insurance	255	269
Dental insurance	1,158	1,158
Workmen’s compensation	1,390	1,729
Retiree insurance	-	490
Heavy equipment maintenance.....	119,867	55,471
Maintenance contract.....	1,693	703
Utilities	2,784	2,746
Other contracted services	2,517	3,960
Fluids.....	15,866	19,432
Small tools.....	2,150	2,317
Auto parts	39,564	21,369
Heavy equipment parts.....	40,582	23,758
Construction materials.....	1,096	1,257
Insurance	5,629	4,609
Vehicles	18	-
Machinery and equipment	2,455	-
Total Vehicle and Equipment Maintenance	<u>314,463</u>	<u>212,500</u>
Solid Waste Authority:		
Wages	44,292	40,117
F.I.C.A.	4,821	3,379
Retirement	2,395	2,241
Retirement supplement.....	-	20,258

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Solid Waste Authority (Continued):		
Hospitalization insurance	8,400	7,200
Life/Accidental death insurance	186	187
Retiree insurance	1,430	-
Other personal services	5,143	-
Dental insurance	676	579
Workmen’s compensation	153	214
Advertising	41,250	41,242
Dues.....	88	-
Travel	95	649
Other contracted services	-	2,100
Insurance	135	124
Total Solid Waste Authority	<u>109,064</u>	<u>118,290</u>
Environmental Compliance:		
Wages	45,286	61,438
Overtime	113	-
F.I.C.A.	3,346	4,242
Retirement	4,208	3,083
Hospitalization insurance	12,000	14,400
Life/Accidental death insurance	216	294
Dental insurance	965	1,158
Workmen’s compensation	75	97
Other personal services	405	-
Utilities	100	-
Employee education and training	-	107
Professional services	39,403	41,046
Insurance	137	110
Dues and memberships.....	690	267
Regulatory fees and license	30	30
Legal fees	8,100	7,800
Machinery and equipment	-	574
Computer equipment	-	476
Total Environmental Compliance	<u>115,074</u>	<u>135,121</u>
Closure/Postclosure:		
Utilities	495	-
Total Operating and Maintenance	<u>\$ 3,028,528</u>	<u>\$ 2,814,377</u>

See accompanying independent auditors’ report and notes.

**CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION
For the Fiscal Year Ended June 30, 2017**

Fixed Assets				
	Balance 7-1-16	Additions	Deductions	Balance 6-30-17
Land	\$ 929,861	\$ -	\$ -	\$ 929,861
Office Buildings and Improvements	<u>10,979,123</u>	-	-	<u>10,979,123</u>
Machinery and Equipment:				
Office equipment	25,311	-	-	25,311
Landfill – working equipment	1,827,794	324,255	(197,860)	1,954,189
Tools and small equipment	561,288	-	-	561,288
Trucks	<u>318,399</u>	<u>28,767</u>	-	<u>347,166</u>
Total Machinery and Equipment	<u>2,732,792</u>	<u>353,022</u>	<u>(197,860)</u>	<u>2,887,954</u>
Construction in progress	-	<u>50,225</u>	-	<u>50,225</u>
Totals	<u>\$ 14,641,776</u>	<u>\$ 403,247</u>	<u>\$ (197,860)</u>	<u>\$ 14,847,163</u>

ALLOWANCE FOR DEPRECIATION					
	Balance 7-1-16	Depreciation Expense	Other Additions (Deductions)	Balance 6-30-17	Depreciation Rates
Land	\$ -	\$ -	\$ -	\$ -	
Office Building and Improvements	<u>7,092,186</u>	<u>527,661</u>	-	<u>7,619,847</u>	3 - 7%
Machinery and Equipment:					
Office equipment	25,311	-	-	25,311	10 - 20%
Landfill working equipment	1,211,075	204,785	(197,860)	1,218,000	17%
Tools and small equipment	537,695	6,164	-	543,859	8 - 20%
Trucks	<u>269,028</u>	<u>12,539</u>	-	<u>281,567</u>	20%
Total Machinery and Equipment	<u>2,043,109</u>	<u>223,488</u>	<u>(197,860)</u>	<u>2,068,737</u>	
Totals	<u>\$ 9,135,295</u>	<u>\$ 751,149</u>	<u>\$ (197,860)</u>	<u>\$ 9,688,584</u>	

See accompanying independent auditors' report and notes.

FIDUCIARY FUND

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for another party. Fiduciary Funds include Pension Trust Funds.

PENSION TRUST FUNDS

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other employee benefit plans. Pension Trust Funds are accounted for in essentially the same manner as governmental funds – accrual basis of accounting.

Employees' Retirement System Fund – The Employees' Retirement System Fund is used to account for assets held by the City in a fiduciary capacity for employees or former employees of the City. The Employees' Retirement System Fund uses the accrual method of accounting.

CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM FUND – FIDUCIARY FUND
SCHEDULE OF FIDUCIARY ASSETS, LIABILITIES AND NET POSITION
June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Investments in Tennessee Retirement Group Trust.....	\$ 25,338,933	\$ 23,584,039
LIABILITIES	-	-
NET POSITION:		
Net position restricted for pensions	<u>25,338,933</u>	<u>23,584,039</u>
TOTAL NET POSITION	<u>\$ 25,338,933</u>	<u>\$ 23,584,039</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM FUND – FIDUCIARY FUND
SCHEDULE OF CHANGES IN FIDUCIARY PLAN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
Additions:		
Employer contributions.....	\$ 2,132,867	\$ 2,406,072
Interest/Dividend income.....	<u>2,659,255</u>	<u>796,963</u>
Total Additions	<u>4,792,122</u>	<u>3,203,035</u>
Deductions:		
Administrative expenses	66,592	78,196
Benefit payments	<u>2,970,636</u>	<u>3,077,676</u>
Total Deductions.....	<u>3,037,228</u>	<u>3,155,872</u>
Change in Net Position	1,754,894	47,163
Net Position – Beginning of Year	<u>23,584,039</u>	<u>23,536,876</u>
Net Position – End of Year.....	<u>\$ 25,338,933</u>	<u>\$ 23,584,039</u>

See accompanying independent auditors' report and notes.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES

Fixed assets used in Governmental Fund type operations (capital assets used in the operation of governmental activities) are presented in the government-wide financial statements. However, they are presented in the fund financial statements as expenditures when purchased.

CITY OF ALCOA, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Changes by Function and Activity
For the Fiscal Year Ended June 30, 2017

<u>Program</u>	<u>CAPITAL ASSETS</u>				
	<u>Balance 7/1/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/17</u>
Construction in Progress	\$ 1,185,161	\$ 1,622,443	\$ -	\$ -	\$ 2,807,604
General Government – Bridges	5,367,656	-	-	-	5,367,656
General Government – Cemetery	4,400	-	-	-	4,400
Fire	4,197,573	9,097	-	-	4,206,670
General Government	4,791,059	197,853	(147,699)	-	4,841,213
General Government – Codes	70,380	-	-	(21,008)	49,372
General Government – Finance	133,003	57,925	-	-	190,928
Police	5,530,737	241,130	(130,154)	-	5,641,713
Recreation	7,710,748	215,703	-	-	7,926,451
Sanitation	1,819,375	50,547	(79,747)	-	1,790,175
Schools	65,750,474	347,870	-	-	66,098,344
Service Center	5,463,204	-	-	-	5,463,204
Streets	32,640,823	-	-	21,008	32,661,831
	<u>133,479,432</u>	<u>1,120,125</u>	<u>(357,600)</u>	<u>-</u>	<u>134,241,957</u>
Totals.....	\$ 134,664,593	\$ 2,742,568	\$ (357,600)	\$ -	\$ 137,049,561

<u>Program</u>	<u>ACCUMULATED DEPRECIATION</u>					
	<u>Balance 7/1/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/17</u>	<u>Net Book Value</u>
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,807,604
General Government – Bridges	3,172,088	106,859	-	-	3,278,947	2,088,709
General Government – Cemetery	-	-	-	-	-	4,400
Fire	2,017,914	195,905	-	-	2,213,819	1,992,851
General Government	1,989,181	110,991	(147,699)	-	1,952,473	2,888,740
General Government – Codes	39,125	9,875	-	(21,008)	27,992	21,380
General Government – Finance	109,970	23,131	-	-	133,101	57,827
Police	2,795,979	279,780	(130,154)	-	2,945,605	2,696,108
Recreation	2,928,673	250,731	-	-	3,179,404	4,747,047
Sanitation	1,282,849	196,487	(79,747)	-	1,399,589	390,586
Schools	15,124,274	1,809,352	-	-	16,933,626	49,164,718
Service center	1,152,321	142,328	-	-	1,294,649	4,168,555
Streets	16,981,485	898,216	-	21,008	17,900,709	14,761,122
	<u>47,593,859</u>	<u>4,023,655</u>	<u>(357,600)</u>	<u>-</u>	<u>51,259,914</u>	<u>82,982,043</u>
Totals.....	\$ 47,593,859	\$ 4,023,655	\$ (357,600)	\$ -	\$ 51,259,914	\$ 85,789,647

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Capital Assets by Function and Activity
For the Fiscal Year Ended June 30, 2017

	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
General Government – Bridges	\$ -	\$ -	\$ 5,367,656	\$ -	\$ -	\$ -	\$ 5,367,656
General Government – Cemetery	4,400	-	-	-	-	-	4,400
Construction in Progress	-	-	-	-	-	2,807,604	2,807,604
Service Center	-	5,057,120	-	114,919	291,165	-	5,463,204
Fire	146,731	1,631,122	-	90,000	2,338,817	-	4,206,670
General Government	1,192,349	2,745,508	-	690,052	292,239	-	4,920,148
General Government – Codes	-	-	-	-	49,372	-	49,372
General Government – Finance.....	-	-	-	-	190,929	-	190,929
Police.....	-	3,394,528	-	-	2,247,185	-	5,641,713
Recreation	567,105	1,132,793	1,047,667	535,903	79,087	-	3,362,555
Sanitation.....	-	-	-	-	1,790,175	-	1,790,175
Schools.....	286,717	49,771,704	-	14,437,316	1,602,607	-	66,098,344
Streets.....	-	51,223	36,357,229	-	738,339	-	37,146,791
Total Capital Assets.....	<u>2,197,302</u>	<u>63,783,998</u>	<u>42,772,552</u>	<u>15,868,190</u>	<u>9,619,915</u>	<u>2,807,604</u>	<u>137,049,561</u>
Accumulated Depreciation.....	<u>-</u>	<u>(13,937,182)</u>	<u>(22,545,968)</u>	<u>(7,570,414)</u>	<u>(7,206,350)</u>	<u>-</u>	<u>(51,259,914)</u>
Net Capital Assets	<u>\$ 2,197,302</u>	<u>\$ 49,846,816</u>	<u>\$ 20,226,584</u>	<u>\$ 8,297,776</u>	<u>\$ 2,413,565</u>	<u>\$ 2,807,604</u>	<u>\$85,789,647</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
MISCELLANEOUS SCHEDULES
June 30, 2017

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS – ALL FUNDS
For the Fiscal Year Ended June 30, 2017

TRANSFERS TO:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>West Plant Construction Fund</u>	<u>GO Public Works Fund</u>	<u>Total</u>
TRANSFERS FROM:					
Education Fund (1)	\$ 55,000	\$ -	\$ -	\$ -	\$ 55,000
General Fund (2).....	-	4,500,000	-	-	4,500,000
Water Utility (5)	400,000	-	-	-	400,000
Electric Utility (5).....	1,499,929	-	-	-	1,499,929
Special Projects (3).....	-	-	-	91,096	91,096
2001 Special Projects (3).....	-	-	-	319,167	319,167
Service Center (4).....	-	-	-	55,089	55,089
GO Public Works (3).....	-	-	<u>2,770,625</u>	-	<u>2,770,625</u>
Totals	<u>\$ 1,954,929</u>	<u>\$ 4,500,000</u>	<u>\$2,770,625</u>	<u>\$ 465,352</u>	<u>\$ 9,690,906</u>
		(2)	(3)	(3)	

- (1) To provide monies for resource officer.
- (2) To provide monies for debt retirement.
- (3) To provide monies for capital outlay
- (4) Internal Service Fund Transfer
- (5) Transfers from business-type activities for in-lieu-of-taxes

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2017

	Balance July 1, <u>2016</u>	Levy/ Pick-up/ (Releases)	Write- offs	<u>Collections</u>	Balance June 30, <u>2017</u>
Estimated Levy – Current Year 2017	\$ -	\$ 9,987,811	\$ -	\$ -	\$ 9,987,811
Prior Years:					
2016	10,014,628	-	-	(9,394,840)	619,788
2015	600,435	-	-	(537,385)	63,050
2014	61,130	-	-	(35,962)	25,168
2013	24,094	-	-	(7,337)	16,757
2012	25,347	-	-	(267)	25,080
2011	24,487	-	-	(255)	24,232
2010	5,298	-	-	(255)	5,043
2009	16,501	-	-	(42)	16,459
2008	19,309	-	-	-	19,309
2007	12,109	-	-	-	12,109
2006	<u>8,031</u>	<u>-</u>	<u>(8,031)</u>	<u>-</u>	<u>-</u>
Total Taxes Receivable	10,811,369	9,987,811	(8,031)	(9,976,343)	10,814,806
Less: Allowance for Estimated Uncollectible accounts	<u>(44,475)</u>	<u>-</u>	<u>(1,596)</u>	<u>-</u>	<u>(46,071)</u>
Net Taxes Receivable	<u>\$ 10,766,894</u>	<u>\$ 9,987,811</u>	<u>\$ (9,627)</u>	<u>\$ (9,976,343)</u>	<u>\$ 10,768,735</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – ELECTRIC UTILITY
June 30, 2017

<u>Name of Company</u>	<u>Policy Number</u>	<u>Term of Policy</u>		<u>Annual Premium</u>	<u>Coverage and Liability Limits</u>
		<u>From</u>	<u>To</u>		
Federal Insurance Company	(17)78389459	6-30-17	6-30-18	\$ 42,271	<u>AUTOMOBILES AND TRUCKS</u> \$1,000,000 combined single limit for all damages because of bodily injury or property damage Medical payments – \$2,000 Uninsured motorist – \$100,000 Physical Damage – actual cash value less deductible
Travelers Casualty Insurance Company	105946886	6-30-17	6-30-18	3,650	<u>CRIME</u> Theft and embezzlement – \$500,000 each loss Deductible – \$5,000
Distributors Self Insurance Fund	WC-014-2017	6-30-17	6-30-18	89,674	<u>WORKMEN’S COMPENSATION</u> Legal – Statutory requirements \$1,000,000 Employer’s Liability Limit
Affiliated FM Insurance Company	GM-702	6-30-17	6-30-18	51,345	<u>REAL AND PERSONAL PROPERTY DAMAGE</u> Substations – \$22,211,269 Automotive – \$1,408,076 Contractor’s Equipment – \$1,508,121
North River Insurance Company	5811069285	6-30-17	6-30-18	37,272	<u>COMMERCIAL UMBRELLA</u> Commercial catastrophe liability – \$5,000,000
Distributors Insurance Company	CL-G048-2017	6-30-17	6-30-18	54,803	<u>GENERAL LIABILITY</u> General aggregate – \$750,000 Property damage – \$250,000 Bodily injury – \$250,000 Fire damage limit – \$250,000 Medical expense – \$50,000 Each occurrence limit – \$250,000
Federal Insurance Co.	7987-48-45	6-30-17	6-30-18	14,647	<u>EXCESS GENERAL LIABILITY</u> Each occurrence – \$750,000 Aggregate – \$2,250,000
Public Officials Liability Coverage	TML-0247-17	7-28-17	7-28-18	25,480	<u>DIRECTORS AND OFFICERS</u> Liability – \$1,000,000 per occurrence Deductible – \$5,000
The Hartford Steam Boiler Inspection and Ins. Co.	FBP9450255	6-30-17	6-30-18	50,753	<u>BOILER & MACHINERY</u> Insurance Limits – \$3,000,000
Illinois Union Insurance	PPLG24878685009	6-30-17	6-30-18	2,640	<u>POLLUTION LIABILITY</u> Liability - \$750,000
Illinois Union Insurance	USTG27271935004	6-30-17	6-30-18	2,866	Storage tanks - \$1,000,000

SCHEDULE OF INSURANCE ON REAL PERSONAL PROPERTY:

	<u>Replacement Cost</u>	<u>90% Coverage</u>
Buildings.....	\$ 10,019,571	\$ 9,017,614
Personal property.....	<u>27,792,426</u>	<u>23,213,183</u>
Total.....	<u>\$ 37,811,997</u>	<u>\$ 32,230,797</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – GENERAL/ WATER AND SEWER UTILITY
June 30, 2017

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Number</u>		<u>Detail of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
		<u>From</u>	<u>To</u>			
TML Risk Management Pool	TML 0247-17	7-28-16	7-28-17	COMPREHENSIVE GENERAL LIABILITY Covers all operations of the City and all officials and employees	\$300,000 per Person as limited by the Tort Liability Act \$700,000 per Occurrence \$100,000 Property Damage \$1,000,000 per Occurrence Each other loss Non-Tort Acts	\$ 89,166
				AUTOMOBILE LIABILITY & PHYSICAL DAMAGE Deductible: Comprehensive - \$2,500 Collision - \$2,500 Liability - \$1,000		\$ 61,953
				PUBLIC OFFICIALS' PERSONAL ERRORS AND OMISSIONS LIABILITY Deductible: \$5,000	\$1,000,000 per occurrence	\$ 74,112
TML Risk Management Pool	TWC-0251-17	7-28-16	7-28-17	WORKER'S COMPENSATION State requirements employer's Liability	\$300,000 – each accident \$700,000 – policy limit \$300,000 – each employee	\$ 308,865
				PROPERTY DAMAGE - Caterpillar compactor, scraper, bulldozer, tractor, and backhoes.	\$2,235,037 – limit per occurrence	\$ 2,288
TML Risk Management Pool	TMP-5296-18	1-20-17	1-20-18	CRIME COVERAGE	\$150,000 per occurrence	
				PROPERTY COVERAGE Physical Damage to Public Safety Building, fire stations, garage and storage, municipal building, service center, landfill buildings, water treatment plant, pump stations, and other small structures - 90% co-insurance – see schedule	\$92,894,328 limit per occurrence	\$ 91,779
TML Risk Management Pool	TMP-5296-18	1-20-17	1-20-18	ELECTRONIC DATA PROCESSING - Equipment coverage	\$1,000,000 limit per occurrence	\$ 1,024

SCHEDULE OF INSURANCE ON REAL AND PERSONAL PROPERTY:

	<u>General</u>	Blount County <u>Landfill</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
Building and Contents	<u>\$23,396,094</u>	<u>\$ 663,768</u>	<u>\$ 54,672,305</u>	<u>\$ 10,927,124</u>	<u>\$ 89,659,291</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – SCHOOLS
June 30, 2017

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
TML Risk Management Pool	TML 0604-16	07/28/17-07/28/18	Comprehensive General Liability	\$300,000 per person as limited by the Tort Liability Act; \$700,000 per occurrence; \$100,000 property damage; \$1,000,000 per occurrence each other loss non-tort acts	\$ 3,718
			Errors & Omissions Liability Deductible - \$5,000	\$1,000,000	\$ 22,759
			Comprehensive Auto Liability Deductible: Comprehensive - \$250 Collision - \$500		\$ 3,998
				\$ 300,000	\$ 96,413
TML Risk Management Pool	TWC 0581-16	07/28/17-07/28/18	Worker's Compensation		
TML Risk Management Pool	TMP 0317-16	01/20/17-01/20/18	Physical damage to real and personal property Values - \$48,426,816		\$ 117,773
			Copiers and small office equipment and blanket data processing equipment values - \$1,227,000		\$ 1,565
			Mobile equipment Values - \$150,000		\$ 225

* Automobile liability
** Auto physical damage

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
June 30, 2017

Fiscal Year Ending June 30,	Total Bond Principal/ Interest Requirements	Bond Total		General Obligation Bonds Series 2012	
		Bond	Interest	Bond	Interest
2018	\$ 11,757,517	\$ 6,001,701	\$ 5,755,816	\$ 50,000	\$ 272,106
2019	11,704,417	6,231,721	5,472,696	50,000	270,106
2020	11,704,655	6,463,460	5,241,195	50,000	268,106
2021	11,672,650	6,673,840	4,998,810	50,000	266,106
2022	<u>11,498,861</u>	<u>6,755,188</u>	<u>4,743,673</u>	<u>50,000</u>	<u>264,106</u>
Subtotal	<u>58,338,100</u>	<u>32,125,910</u>	<u>26,212,190</u>	<u>250,000</u>	<u>1,340,530</u>
2023	10,451,023	5,691,752	4,759,271	250,000	263,106
2024	10,451,908	5,908,556	4,543,352	275,000	258,106
2025	10,403,288	6,085,576	4,317,712	275,000	252,606
2026	10,392,759	6,312,848	4,079,911	300,000	247,106
2027	<u>9,797,148</u>	<u>5,965,372</u>	<u>3,831,776</u>	<u>325,000</u>	<u>241,106</u>
Subtotal	<u>51,496,126</u>	<u>29,964,104</u>	<u>21,532,022</u>	<u>1,425,000</u>	<u>1,262,030</u>
2028	9,748,805	6,158,160	3,590,645	325,000	234,281
2029	9,865,540	6,526,212	3,339,328	350,000	226,969
2030	9,921,139	6,859,540	3,061,599	350,000	218,744
2031	8,919,740	6,153,156	2,766,584	375,000	210,344
2032	<u>7,827,903</u>	<u>5,312,072</u>	<u>2,515,831</u>	<u>400,000</u>	<u>201,156</u>
Subtotal	<u>46,283,127</u>	<u>31,009,140</u>	<u>15,273,987</u>	<u>1,800,000</u>	<u>1,091,494</u>
2033	7,603,052	5,292,265	2,310,787	425,000	191,156
2034	7,642,593	5,543,156	2,099,437	425,000	177,875
2035	7,582,220	5,710,000	1,872,220	450,000	164,594
2036	7,631,682	5,995,000	1,636,682	450,000	150,531
2037	<u>6,286,620</u>	<u>4,900,000</u>	<u>1,386,620</u>	<u>500,000</u>	<u>136,469</u>
Subtotal	<u>36,746,167</u>	<u>27,440,421</u>	<u>9,305,746</u>	<u>2,250,000</u>	<u>820,625</u>
2038	5,542,870	4,360,000	1,182,870	525,000	120,844
2039	5,549,800	4,555,000	994,800	575,000	104,438
2040	5,604,831	4,810,000	794,831	575,000	85,031
2041	5,573,075	4,990,000	583,075	600,000	65,625
2042	<u>5,622,026</u>	<u>5,250,000</u>	<u>372,026</u>	<u>625,000</u>	<u>44,626</u>
Subtotal	<u>27,892,602</u>	<u>23,965,000</u>	<u>3,927,602</u>	<u>2,900,000</u>	<u>420,564</u>
2043	2,755,751	2,605,000	150,751	650,000	22,751
2044	567,800	525,000	42,800	-	-
2045	<u>566,800</u>	<u>545,000</u>	<u>21,800</u>	<u>-</u>	<u>-</u>
Subtotal	<u>3,890,351</u>	<u>3,675,000</u>	<u>215,351</u>	<u>650,000</u>	<u>22,751</u>
TOTALS	<u>\$224,646,473</u>	<u>\$148,179,575</u>	<u>\$ 76,466,898</u>	<u>\$ 9,275,000</u>	<u>\$ 4,957,994</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
June 30, 2017

Fiscal Year Ending June 30,	Water and Sewer General Obligation Bonds Series 2008		Local Government Public Improvement Bonds Series B-17-A		General Obligation Bonds Series E-5-B	
	Bonds	Interest	Bonds	Interest	Bonds	Interest
2018	\$ 150,000	\$ 6,000	\$ 140,000	\$ 5,600	\$ 3,070,000	\$ 3,399,000
2019	-	-	-	-	3,290,000	3,245,500
2020	-	-	-	-	3,550,000	3,081,000
2021	-	-	-	-	3,735,000	2,903,500
2022	-	-	-	-	3,925,000	2,716,750
Subtotal	<u>150,000</u>	<u>6,000</u>	<u>140,000</u>	<u>5,600</u>	<u>17,570,000</u>	<u>15,345,750</u>
2023	-	-	-	-	2,605,000	2,520,500
2024	-	-	-	-	2,695,000	2,390,250
2025	-	-	-	-	2,775,000	2,255,500
2026	-	-	-	-	2,885,000	2,116,750
2027	-	-	-	-	3,245,000	1,972,500
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,205,000</u>	<u>11,255,500</u>
2028	-	-	-	-	3,360,000	1,810,250
2029	-	-	-	-	3,835,000	1,642,250
2030	-	-	-	-	4,060,000	1,450,500
2031	-	-	-	-	2,920,000	1,247,500
2032	-	-	-	-	1,940,000	1,101,500
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,115,000</u>	<u>7,252,000</u>
2033	-	-	-	-	2,000,000	1,004,500
2034	-	-	-	-	2,160,000	904,500
2035	-	-	-	-	2,255,000	796,500
2036	-	-	-	-	2,300,000	683,750
2037	-	-	-	-	1,905,000	568,750
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,620,000</u>	<u>3,958,000</u>
2038	-	-	-	-	1,910,000	473,500
2039	-	-	-	-	2,020,000	378,000
2040	-	-	-	-	2,090,000	277,000
2041	-	-	-	-	1,710,000	172,500
2042	-	-	-	-	1,740,000	87,000
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,470,000</u>	<u>1,388,000</u>
2043	-	-	-	-	-	-
TOTALS	<u>\$ 150,000</u>	<u>\$ 6,000</u>	<u>\$ 140,000</u>	<u>\$ 5,600</u>	<u>\$ 67,980,000</u>	<u>\$ 39,199,250</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2017

Fiscal Year Ending June 30,	The Industrial Board of Blount County, TN		2012 State Revolving Fund Project		General Obligation Bonds Series 2013A	
	Series 2009		Bond	Interest	Bond	Interest
	Bonds	Interest				
2018	\$ -	\$ -	\$ 166,032	\$ 107,532	\$ 25,000	\$ 424,750
2019	-	-	171,768	101,796	25,000	424,250
2020	-	-	177,708	95,856	25,000	423,563
2021	-	-	183,840	89,724	25,000	422,875
2022	-	-	190,188	83,376	25,000	422,188
Subtotal	-	-	889,536	478,284	125,000	2,117,626
2023	325,000	278,550	196,752	76,812	275,000	421,500
2024	340,000	263,925	203,556	70,008	300,000	413,250
2025	360,000	248,625	210,576	62,988	300,000	404,250
2026	375,000	232,425	217,848	55,716	325,000	394,500
2027	390,000	215,550	225,372	48,192	325,000	383,938
Subtotal	1,790,000	1,239,075	1,054,104	313,716	1,525,000	2,017,438
2028	410,000	198,000	233,160	40,404	350,000	372,563
2029	425,000	179,550	241,212	32,352	400,000	359,438
2030	445,000	160,425	249,540	24,024	400,000	343,437
2031	470,000	140,400	258,156	15,408	425,000	327,437
2032	485,000	119,250	267,072	6,492	450,000	310,437
Subtotal	2,235,000	797,625	1,249,140	118,680	2,025,000	1,713,312
2033	510,000	97,425	22,265	532	450,000	292,437
2034	535,000	74,475	23,156	-	475,000	274,437
2035	555,000	50,400	-	-	500,000	254,250
2036	565,000	25,425	-	-	500,000	233,000
2037	-	-	-	-	575,000	210,500
Subtotal	2,165,000	247,725	45,421	532	2,500,000	1,264,624
2038	-	-	-	-	575,000	184,625
2039	-	-	-	-	575,000	158,750
2040	-	-	-	-	600,000	130,000
2041	-	-	-	-	625,000	100,000
2042	-	-	-	-	675,000	68,750
Subtotal	-	-	-	-	3,050,000	642,125
2043	-	-	-	-	700,000	35,000
TOTALS	\$ 6,190,000	\$ 2,284,425	\$ 3,238,201	\$ 911,212	\$ 9,925,000	\$ 7,790,125

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2017

Fiscal Year Ending June 30,	General Obligation Bonds Series 2013B		General Obligation Bonds Series 2014		General Obligation Bonds Series 2014 (Taxable)	
	Bonds	Interest	Bond	Interest	Bond	Interest
2018	\$ 400,000	\$ 24,000	\$ 75,000	\$ 351,000	\$ 830,000	\$ 206,732
2019	400,000	12,000	75,000	350,250	835,000	193,245
2020	-	-	75,000	348,750	865,000	176,127
2021	-	-	75,000	347,250	885,000	155,367
2022			<u>100,000</u>	<u>345,750</u>	<u>715,000</u>	<u>131,915</u>
Subtotal	<u>800,000</u>	<u>36,000</u>	<u>400,000</u>	<u>1,743,000</u>	<u>4,130,000</u>	<u>863,386</u>
2023	-	-	250,000	343,750	745,000	110,465
2024	-	-	250,000	337,500	780,000	86,625
2025	-	-	275,000	331,250	805,000	60,105
2026	-	-	275,000	323,000	830,000	31,126
2027	-	-	<u>300,000</u>	<u>314,750</u>	-	-
Subtotal	-	-	<u>1,350,000</u>	<u>1,650,250</u>	<u>3,160,000</u>	<u>288,321</u>
2028	-	-	300,000	305,000	-	-
2029	-	-	300,000	295,250	-	-
2030	-	-	350,000	285,500	-	-
2031	-	-	350,000	273,250	-	-
2032	-	-	<u>350,000</u>	<u>261,000</u>	-	-
Subtotal	-	-	<u>1,650,000</u>	<u>1,420,000</u>	-	-
2033	-	-	400,000	248,750	-	-
2034	-	-	425,000	234,750	-	-
2035	-	-	425,000	219,875	-	-
2036	-	-	475,000	205,000	-	-
2037	-	-	<u>575,000</u>	<u>186,000</u>	-	-
Subtotal	-	-	<u>2,300,000</u>	<u>1,094,375</u>	-	-
2038	-	-	575,000	163,000	-	-
2039	-	-	600,000	140,000	-	-
2040	-	-	700,000	116,000	-	-
2041	-	-	700,000	88,000	-	-
2042	-	-	<u>750,000</u>	<u>60,000</u>	-	-
Subtotal	-	-	<u>3,325,000</u>	<u>567,000</u>	-	-
2043	-	-	<u>750,000</u>	<u>30,000</u>	-	-
Subtotal	-	-	<u>750,000</u>	<u>30,000</u>	-	-
TOTALS	<u>\$ 800,000</u>	<u>\$ 36,000</u>	<u>\$ 9,775,000</u>	<u>\$ 6,504,625</u>	<u>\$ 7,290,000</u>	<u>\$ 1,151,707</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2017

Fiscal Year Ending June 30,	General Obligation Bonds Series 2015		General Obligation Bonds Series 2016A		General Obligation Bonds Series 2016B	
	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
2018	\$ 245,000	\$ 323,145	\$ 70,000	\$ 251,262	\$ 700,000	\$ 74,400
2019	250,000	318,245	315,000	249,862	730,000	60,400
2020	255,000	313,245	215,000	243,562	745,000	45,800
2021	260,000	308,145	220,000	239,262	770,000	30,900
2022	<u>265,000</u>	<u>302,945</u>	<u>230,000</u>	<u>234,862</u>	<u>775,000</u>	<u>15,500</u>
Subtotal	<u>1,275,000</u>	<u>1,565,725</u>	<u>1,050,000</u>	<u>1,218,810</u>	<u>3,720,000</u>	<u>227,000</u>
2023	270,000	297,645	290,000	230,262	-	-
2024	275,000	292,245	295,000	224,462	-	-
2025	280,000	286,745	300,000	218,562	-	-
2026	290,000	279,745	300,000	212,562	-	-
2027	<u>295,000</u>	<u>272,495</u>	<u>335,000</u>	<u>206,563</u>	-	-
Subtotal	<u>1,410,000</u>	<u>1,428,875</u>	<u>1,520,000</u>	<u>1,092,411</u>	-	-
2028	305,000	265,415	335,000	199,863	-	-
2029	310,000	257,637	115,000	193,163	-	-
2030	320,000	248,337	120,000	190,288	-	-
2031	330,000	238,738	445,000	187,288	-	-
2032	<u>340,000</u>	<u>228,838</u>	<u>485,000</u>	<u>176,163</u>	-	-
Subtotal	<u>1,605,000</u>	<u>1,238,965</u>	<u>1,500,000</u>	<u>946,765</u>	-	-
2033	350,000	217,787	525,000	162,825	-	-
2034	360,000	206,412	515,000	148,388	-	-
2035	375,000	193,813	505,000	132,938	-	-
2036	390,000	180,688	650,000	117,788	-	-
2037	<u>400,000</u>	<u>166,063</u>	<u>260,000</u>	<u>98,288</u>	-	-
Subtotal	<u>1,875,000</u>	<u>964,763</u>	<u>2,455,000</u>	<u>660,227</u>	-	-
2038	420,000	151,063	355,000	89,838	-	-
2039	435,000	135,312	350,000	78,300	-	-
2040	450,000	119,000	395,000	67,800	-	-
2041	465,000	101,000	890,000	55,950	-	-
2042	<u>485,000</u>	<u>82,400</u>	<u>975,000</u>	<u>29,250</u>	-	-
Subtotal	<u>2,255,000</u>	<u>588,775</u>	<u>2,965,000</u>	<u>321,138</u>	-	-
2043	505,000	63,000	-	-	-	-
2044	525,000	42,800	-	-	-	-
2045	545,000	21,800	-	-	-	-
2046	-	-	-	-	-	-
Subtotal	<u>1,575,000</u>	<u>127,600</u>	-	-	-	-
TOTALS	<u>\$ 9,995,000</u>	<u>\$ 5,914,703</u>	<u>\$ 9,490,000</u>	<u>\$ 4,239,351</u>	<u>\$ 3,720,000</u>	<u>\$ 227,000</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2017

Fiscal Year Ending June 30,	Capital Outlay Notes Series 2016A		General Obligation Bonds Series 2017	
	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
	2018	\$ 80,669	\$ 4,188	\$ -
2019	89,953	2,161	-	244,881
2020	45,752	305	460,000	244,881
2021	-	-	470,000	235,681
2022	-	-	<u>480,000</u>	<u>226,281</u>
Subtotal	<u>216,374</u>	<u>6,654</u>	<u>1,410,000</u>	<u>1,257,826</u>
2023	-	-	485,000	216,681
2024	-	-	495,000	206,981
2025	-	-	505,000	197,081
2026	-	-	515,000	186,981
2027	-	-	<u>525,000</u>	<u>176,682</u>
Subtotal	<u>-</u>	<u>-</u>	<u>2,525,000</u>	<u>984,406</u>
2028	-	-	540,000	164,869
2029	-	-	550,000	152,719
2030	-	-	565,000	140,344
2031	-	-	580,000	126,219
2032	-	-	<u>595,000</u>	<u>110,995</u>
Subtotal	<u>-</u>	<u>-</u>	<u>2,830,000</u>	<u>695,145</u>
2033	-	-	610,000	95,375
2034	-	-	625,000	78,600
2035	-	-	645,000	59,850
2036	-	-	665,000	40,500
2037	-	-	<u>685,000</u>	<u>20,550</u>
Subtotal	<u>-</u>	<u>-</u>	<u>3,230,000</u>	<u>294,875</u>
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 216,374</u>	<u>\$ 6,654</u>	<u>\$ 9,995,000</u>	<u>\$ 3,232,251</u>

**CITY OF ALCOA, TENNESSEE
ELECTRIC UTILITY
SCHEDULE OF UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2017**

The basic utility rates in force as of June 30, 2017, are as follows:

Base Residential Rate – Schedule RS

Customer Charge: \$14.25 per month
Energy Charge: 9.741 cents per kWh per month

Base General Power Rate – Schedule GSA

Part 1

Customer Charge: \$21.54 per delivery point per month
Energy Charge: 10.862 cents per kWh per month

Part 2

Customer Charge: \$96.00 per delivery point per month
Demand Charge: First 50 kWh of billing demand per month, no demand charge
\$13.82/kw for 51 – 1,000 kWh
Energy Charge: 10.595 cents per kWh for first 15,000 kWh
6.452 cents per kWh for all additional kWh

Part 3

Customer Charge: \$235.00 per delivery point per month
Demand Charge: First 1,000 kW of billing demand per month at 13.23 cents per kWh
From 1,000 – 5,000 kW of billing demand per month at 14.09 cents per kW.
Energy Charge: 6.438 cents per kWh per month

(Continued)

**CITY OF ALCOA, TENNESSEE
ELECTRIC UTILITY
SCHEDULE OF UTILITY RATES IN FORCE (Continued)
For the Fiscal Year Ended June 30, 2017**

ADJUSTMENTS

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

MINIMUM MONTHLY BILL

The monthly bill under this rate schedule shall not be less than the sum of (a) the base customer charge, (b) the base demand charge, as adjusted, applied to the customer's billing demand, and (c) the base energy charge, as adjusted, applied to the customer's energy takings; provided, however, that under Part 2 of the base charge, the monthly bill shall in no event be less than the sum of (a) the base customer charge and (b) 20 percent of the portion of the base demand charge, as adjusted, applicable to the second block (excess over 50 kW) of billing demand, multiplied by the higher of the customer's currently effective contract demand or its highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charge under Distributor's standard policy.

CUSTOMERS

The class and number of customers served by the Electric Utility is as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Residential.....	25,326	25,154
General Power – under 50 kW	3,106	3,091
General Power – 50 kW and over	351	349
Street and athletics	39	40
Outdoor lighting – code 78.....	<u>93</u>	<u>94</u>
	<u>\$ 28,915</u>	<u>\$ 28,728</u>

**CITY OF ALCOA, TENNESSEE
 WATER AND SEWER UTILITY
 SCHEDULE OF UTILITY RATES IN FORCE
 For the Fiscal Year Ended June 30, 2017**

The basic utility rates in force as of June 30, 2017 are as follows:

WATER UTILITY RATES:

Rates per 1,000 gallons for all water used, and minimum charge for water service according to the size of meter employed, except as otherwise provided:

	<u>One Monthly Billing</u>	<u>Customer Class</u>	<u>Inside City Total Charges/Mo.</u>	<u>Meter Size</u>	<u>Outside City Total Charges/Mo.</u>
First	2,000 Gallons	Residential	\$ 15.10 per mo.	5/8" to 1"	\$ 22.70 per mo.
		Commercial	\$ 18.25 per mo.	5/8" to 1"	27.05 per mo.
		All	\$ 45.65 per mo.	1-1/2 to 3"	67.70 per mo.
		All	\$334.20 per mo.	4" to 6"	495.65 per mo.
		All	\$911.50 per mo.	Greater than 6"	1,351.85 per mo.
	<u>One Monthly Billing</u>		<u>Inside City Price Per 1,000 Gals.</u>		<u>Outside City Price Per 1,000 Gals.</u>
Over	2,000 Gallons		\$ 3.75	All sizes	5.75

A 5% penalty will be imposed on bills not paid within fifteen (15) days from their date.

**CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY
SCHEDULE OF SANITARY SEWER SERVICE RATES IN FORCE
For the Fiscal Year Ended June 30, 2017**

The following are the rates charged by the City of Alcoa for the different classes of service listed below:

SEWER UTILITY RATES:

RATE A. Residential – Inside City

Each and every residential water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$12.25 per month. In addition to the base charge there shall be a charge of \$5.15 per thousand gallons of water consumption.

RATE A –1. Residential – Outside City

Each and every residential water user connected with the sanitary sewer system of the City be, and is, hereby required to pay sanitary sewerage disposal charge each month. The base charge for said service shall be \$20.90 per month. In addition to the base charge there shall be a charge of \$8.75 per thousand gallons of water consumption.

RATE B. Commercial – Inside City

Each and every commercial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage charge each month. The base charge for said service shall be \$22.45 per month. In addition to the base charge there shall be a charge of \$5.15 per thousand gallons of water consumption.

RATE B –1. Commercial – Outside City

Each and every commercial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$38.20 per month. In addition to the charge there shall be a charge of \$8.75 per thousand gallons of water consumption.

RATE C. Industrial – Inside City

Each and every inside industrial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$22.45 per month. In addition to the base charge there shall be a charge of \$5.15 per thousand gallons of water consumption.

RATE C –1. Industrial – Outside City

Each and every outside industrial water user connected with the sanitary sewer system of the City be, and is, hereby required to pay a sanitary sewerage disposal charge each month. The base charge for said service shall be \$38.20 per month. In addition to the base charge there shall be a charge of \$8.75 per thousand gallons of water consumption.

(Continued)

**CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY
SCHEDULE OF SANITARY SEWER SERVICE RATES IN FORCE
For the Fiscal Year Ended June 30, 2017**

RATE C -1. Industrial – Outside City (Continued)

When a consumer under Rates B, B-1, C, or C-1 operates a private sanitary sewerage system or by other means does not discharge all of this waste into the sanitary sewerage system of the City, a separate agreement may be approved by the sewerage actually discharged into the sanitary sewerage system.

A 5% penalty will be imposed on all sewer billings not paid within fifteen (15) days from their date.

Consumers under rates A and A-1 shall be subject to a maximum monthly billing of 15,000 gallons.

**CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY
SCHEDULE OF CUSTOMERS SERVED
For the Fiscal Year Ended June 30, 2017**

CUSTOMERS

The class and number of customers served by the Water and Sewer Utility are as follows:

	Water		Sewer	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Residential – inside city	3,537	3,489	3,158	3,140
Residential – outside city	5,183	5,121	2,206	2,166
Commercial – inside city	910	923	708	722
Commercial – outside city	404	426	182	192
Industrial – inside city.....	1	2	1	2
Industrial – outside city.....	3	3	1	1
Totals.....	10,038	9,964	6,256	6,223

CITY OF ALCOA, TENNESSEE
JUNE 30, 2017



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0

American Water Works Association

? [Click to access definition](#)
+ [Click to add a comment](#)

Water Audit Report for: **City of Alcoa (0000007)**
Reporting Year: **2017** | **7/2016 - 7/2017**

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

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

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

Master Meter and Supply Error Adjustments

WATER SUPPLIED

Volume from own sources: + ? MG/Yr
Water imported: + ? MG/Yr
Water exported: + ? MG/Yr

<----- Enter grading in column 'E' and 'J' -----> Pcnt: Value:
+ ? MG/Yr
+ ? MG/Yr

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

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? MG/Yr
Billed unmetered: + ? MG/Yr
Unbilled metered: + ? MG/Yr
Unbilled unmetered: + ? MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: Value:
 MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

AUTHORIZED CONSUMPTION: MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: + ? MG/Yr
Customer metering inaccuracies: + ? MG/Yr
Systematic data handling errors: + ? MG/Yr

Pcnt: Value:
 MG/Yr

MG/Yr
 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? miles
Number of active AND inactive service connections: + ?
Service connection density: ? conn./mile main

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: + ? psi

COST DATA

Total annual cost of operating water system: + ? \$/Year
Customer retail unit cost (applied to Apparent Losses): + ? \$/1000 gallons (US)
Variable production cost (applied to Real Losses): + ? \$/Million gallons U

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 88 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

-
-
-

**CITY OF ALCOA, TENNESSEE
JUNE 30, 2017**

**AWWA Free Water Audit Software:
System Attributes and Performance Indicators**

American Water Works Association.

Water Audit Report for:
Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 88 out of 100 ***

System Attributes:

Apparent Losses:	<input type="text" value="13,471"/>	MG/yr
+ Real Losses:	<input type="text" value="423,828"/>	MG/yr
= Water Losses:	<input type="text" value="437,299"/>	MG/yr

? Unavoidable Annual Real Losses (UARL): MG/yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	[Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="24.6%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="5.3%"/>	Real Losses valued at Variable Production Cost

Operational Efficiency:	[Apparent Losses per service connection per day:	<input type="text" value="3.50"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="110.04"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
		Real Losses per service connection per day per psi pressure:	<input type="text" value="1.38"/>	gallons/connection/day/psi

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

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

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY
SCHEDULE OF STORMWATER UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2017

The median Equivalent Residential Unit (ERU) of 2,696 square feet has been established for the calculation of Stormwater Fees within the corporate limits of the City of Alcoa. As outlined in Title 18, Chapter 8, of the Alcoa Municipal Code, the following rates and charges shall apply:

For billings calculated on or after January 1, 2017:

Detached Dwelling Unit - \$4.00 per month according to the following schedule:

Class I	0 – 1.0 ERU	\$ 4.00 per month
Class II	>1.0 – 1.5 ERU	\$ 6.00 per month
Class III	>1.5 – 2.0 ERU	\$ 8.00 per month
Class IV	>2.0 – 2.5 ERU	\$10.00 per month
Class V	>2.5 ERU	\$12.00 per month

Other Developed Land – Prorated at \$6.00 per ERU per month with a minimum charge of one (1) ERU per month.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collection</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2007	2.10	\$ 8,166,570	\$ 7,838,879	96.0	\$ 315,093	\$ 8,153,972	99.8	\$ 12,598	0.15%
2008	2.10	11,063,469	8,126,633	73.5	2,170,905	10,297,538	93.1	765,931	6.92%
2009	2.10	9,067,939	8,173,154	90.1	3304,550	8,477,704	93.5	590,235	6.50%
2010	1.96	9,132,861	8,864,975	97.1	-	8,864,975	97.1	267,886	2.93%
2011	1.96	8,945,269	8,641,271	96.6	195,439	8,836,710	98.8	303,998	3.40%
2012	1.96	9,712,794	8,759,559	95.5	232,414	8,991,973	98.0	413,235	4.51%
2013	1.96	8,951,791	8,540,278	95.4	501,398	9,041,676	100.0	292,808	3.27%
2014	1.96	9,681,393	8,241,080	85.1	1,254,783	9,495,863	98.1	516,355	5.33%
2015	1.96	10,014,628	9,080,958	90.7	599,187	9,680,145	96.7	600,435	6.00%
2016	1.96	9,987,811	9,394,840	94.1	581,503	9,976,343	99.88	826,995	8.28%

**CITY OF ALCOA, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT
TAXES FILED IN BLOUNT COUNTY, TENNESSEE
CIRCUIT COURT
June 30, 2017**

<u>Property Tax Year</u>	<u>Uncollected Delinquent Taxes</u>	<u>Penalty</u>	<u>Total</u>
2015	\$ 72,998	\$ 27,740	\$ 100,738
2014	112,439	40,479	152,918
2013	102,923	39,111	142,034
2012	112,439	40,479	152,918
2011	88,830	31,969	120,799
2010	97,318	36,982	134,300
2009	108,826	39,142	147,968
2008	82,781	29,800	112,581
2007	65,844	23,690	89,534
2006	49,081	13,157	62,238
2005	84,014	20,200	104,214
2004	56,827	14,875	71,702
2003	74,857	19,277	94,134
2002	<u>133,141</u>	<u>33,997</u>	<u>167,138</u>
Totals	<u>\$ 1,242,318</u>	<u>\$ 410,898</u>	<u>\$ 1,653,216</u>

CTY OF ALCOA, TENNESSEE
SCHEDULE OF MISCELLANEOUS DATA -
EDUCATION FUND
June 30, 2017

Education:	
Number of Schools	4
Number of Administrative Personnel	13
Number of Instructional Personnel (includes 31 paraprofessionals)	173
Number of Other Personnel (includes 20 lunchroom and and 7 after school program)	53
Number of Students enrolled	1,987

Other Ten-Year Statistics:

<u>School Year</u>	<u>Average Daily Attendance</u>	<u>No. of Teachers</u>	<u>Annual Appropriation</u>	<u>Debt Service</u>
2005-06	1,414	120	12,114,252	-
2006-07	1,520	121	13,275,000	-
2007-08	1,540	121	14,062,050	-
2008-09	1,569	129	14,697,150	-
2009-10	1,397	132	14,934,400	-
2010-11	1,654	134	15,498,000	-
2011-2012	1,676	134	16,056,000	-
2012-2013	1,726	135	16,521,500	-
2013-2014	1,755	135	17,180,500	-
2014-2015	1,780	135	17,450,000	-
2015-2016	1,898	129	19,210,000	-
2016-2017	1,915	143	19,740,000	-

CITY OF ALCOA, TENNESSEE

SECTION FOUR

STATISTICAL SECTION

June 30, 2017

CITY OF ALCOA, TENNESSEE
STATISTICAL SECTION
June 30, 2017

This part of the City of Alcoa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS	SCHEDULES
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1 through 4
REVENUE CAPACITY These schedules contain information to help the reader assess the City's most significant local revenue source.	5 through 8
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9 through 13
DEMOGRAPHIC AND ECONOMIC INFORMATION These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14 through 15
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	16 through 18

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting governmental-wide information include information beginning in that year.

CITY OF ALCOA, TENNESSEE
SCHEDULE 1
NET POSITION BY COMPONENT
(Prepared Using the Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 11,392,631	\$ 18,305,142	\$ 18,643,895	\$ 6,206,361	\$ 9,138,604	\$ 17,131,555	\$19,139,028	\$16,394,858	\$ 15,621,176	\$12,958,427
Restricted.....	16,773,470	9,100,582	12,237,981	18,960,022	12,890,404	5,656,633	5,182,983	4,557,091	7,554,419	2,058,850
Unrestricted (deficit).....	<u>(8,814,102)</u>	<u>(14,907,903)</u>	<u>(19,025,038)</u>	<u>(9,136,720)</u>	<u>(11,247,155)</u>	<u>(14,276,105)</u>	<u>(11,817,361)</u>	<u>(12,398,197)</u>	<u>(14,296,838)</u>	<u>4,417,981</u>
Total Governmental Activities Net Position.....	<u>\$ 19,351,999</u>	<u>\$ 12,497,821</u>	<u>\$ 11,856,838</u>	<u>\$ 16,029,663</u>	<u>\$ 10,781,853</u>	<u>\$ 8,512,083</u>	<u>\$12,504,650</u>	<u>\$ 8,553,752</u>	<u>\$ 8,878,757</u>	<u>\$19,435,258</u>
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	50,927,842	49,237,556	50,190,104	\$ 41,602,343	\$ 38,763,375	\$ 37,278,343	\$37,476,104	\$36,064,484	\$ 36,535,491	\$33,482,220
Restricted.....	1,281,411	1,264,653	1,477,123	1,407,958	1,338,590	1,269,617	1,200,538	1,131,873	1,056,919	1,056,919
Unrestricted	<u>11,364,427</u>	<u>9,450,499</u>	<u>8,477,339</u>	<u>16,550,292</u>	<u>18,846,604</u>	<u>18,844,587</u>	<u>14,497,846</u>	<u>11,978,142</u>	<u>10,172,283</u>	<u>15,033,590</u>
Total Business-Type Activities Net Position.....	<u>\$ 63,573,680</u>	<u>\$ 59,952,708</u>	<u>\$ 60,144,566</u>	<u>\$ 59,560,593</u>	<u>\$ 58,948,569</u>	<u>\$ 57,392,547</u>	<u>\$53,174,488</u>	<u>\$49,174,499</u>	<u>\$ 47,764,693</u>	<u>\$49,572,729</u>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 62,320,473	\$ 67,542,698	\$ 68,833,999	\$ 47,808,704	\$ 47,901,979	\$ 54,409,898	\$56,615,132	\$52,459,342	\$ 52,156,667	\$46,440,647
Restricted.....	18,054,881	10,365,235	13,715,104	20,367,980	14,228,994	6,926,250	6,383,521	5,688,964	8,611,338	3,115,769
Unrestricted (deficit).....	<u>2,550,325</u>	<u>(5,457,404)</u>	<u>(10,547,699)</u>	<u>7,413,572</u>	<u>7,599,449</u>	<u>4,568,482</u>	<u>2,680,485</u>	<u>(420,055)</u>	<u>(4,124,555)</u>	<u>19,451,571</u>
Total Primary Government Net Position	<u>\$ 82,925,679</u>	<u>\$ 72,450,529</u>	<u>\$ 72,001,404</u>	<u>\$ 75,590,256</u>	<u>\$ 69,730,422</u>	<u>\$ 65,904,630</u>	<u>\$65,679,138</u>	<u>\$57,728,251</u>	<u>\$ 56,643,450</u>	<u>\$69,007,987</u>

CITY OF ALCOA TENNESSEE
SCHEDULE 2
CHANGES IN NET POSITION
(Prepared Using the Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses:										
Governmental Activities:										
General Government	\$ 3,605,345	\$ 2,675,015	\$ 2,226,413	\$ 2,163,198	\$ 2,643,841	\$ 2,431,591	\$ 1,897,624	\$ 1,522,712	\$ 1,731,014	\$ 2,159,519
Public Safety.....	10,071,775	10,652,182	9,544,500	9,118,341	8,354,301	8,242,524	7,095,684	7,016,544	7,410,445	7,686,688
Public Works	5,733,789	5,815,449	5,698,308	4,583,593	4,183,912	5,484,274	4,453,578	4,522,688	4,844,146	13,880,225
Culture and Recreation	2,682,489	938,333	1,110,699	1,003,749	1,316,438	1,342,132	1,058,816	1,140,865	582,776	699,307
Other.....	-	-	-	-	-	-	-	-	-	1,026,510
Education.....	22,041,495	22,072,833	19,998,346	20,290,532	19,836,728	18,980,713	18,327,823	16,451,592	16,342,500	16,158,628
Economic Development	1,123,627	1,403,320	1,042,221	713,405	748,075	690,939	746,932	2,167,843	2,593,283	1,294,182
Interest on Long-term debt	<u>1,989,192</u>	<u>1,207,000</u>	<u>1,324,010</u>	<u>1,189,641</u>	<u>1,166,010</u>	<u>2,675,165</u>	<u>3,447,121</u>	<u>5,644,637</u>	<u>4,664,560</u>	<u>5,192,439</u>
Total Governmental Activities Expenses.....	<u>47,247,712</u>	<u>44,764,132</u>	<u>40,944,497</u>	<u>39,062,459</u>	<u>38,249,305</u>	<u>39,847,338</u>	<u>37,027,578</u>	<u>38,466,881</u>	<u>38,168,724</u>	<u>48,097,498</u>
Business-type Activities:										
Stormwater Utility	1,126,244	1,146,369	1,108,997	1,082,711	901,571	1,008,510	856,813	684,311	407,413	-
Water and Sewer.....	12,029,149	12,183,484	10,986,018	10,247,877	10,647,505	10,513,127	10,871,063	10,757,815	11,500,028	12,085,753
Electric	62,496,910	60,690,350	62,513,432	61,009,610	59,171,822	57,423,290	59,534,420	52,772,944	59,545,482	50,868,625
Landfill	<u>3,952,854</u>	<u>3,840,763</u>	<u>3,619,982</u>	<u>3,943,753</u>	<u>3,629,673</u>	<u>3,788,479</u>	<u>3,294,204</u>	<u>3,291,294</u>	<u>3,147,097</u>	<u>3,176,499</u>
Total Business-type Activities Expenses.....	<u>79,605,157</u>	<u>77,860,996</u>	<u>78,228,429</u>	<u>76,283,951</u>	<u>74,350,571</u>	<u>72,733,406</u>	<u>74,556,500</u>	<u>67,506,364</u>	<u>74,600,020</u>	<u>66,130,877</u>
Total Primary Government Expenses.....	<u>126,852,869</u>	<u>122,625,098</u>	<u>119,172,926</u>	<u>115,346,410</u>	<u>112,599,876</u>	<u>112,580,744</u>	<u>111,584,078</u>	<u>105,973,245</u>	<u>112,768,744</u>	<u>114,228,375</u>
Program Revenues:										
Governmental Activities:										
Charges for services:										
General Government.....	6,173,056	675,592	279,171	496,005	178,493	1,023,162	1,028,807	421,735	549,297	6,512,649
Police and Fire.....	636,235	663,174	504,445	15,087	18,146	29,985	-	-	-	-
Public Works	914,757	433,611	304,002	349,703	372,895	627,425	34,351	402,569	356,588	12,797,643
Economic Development	23,396	18,986	19,700	14,434	17,350	-	41,737	20,948	52,364	-
Education.....	1,123,605	603,372	451,405	849,379	552,034	782,537	754,043	736,025	583,548	605,749
Solid Waste.....	-	-	-	-	-	-	-	-	-	407,610
Operating grants and contributions.....	10,242,042	10,218,711	10,536,788	9,071,291	8,823,444	3,577,873	3,526,523	2,285,592	1,591,445	7,161,923
Capital grants and contributions.....	<u>569,067</u>	<u>1,385,336</u>	<u>5,202,207</u>	<u>3,107,392</u>	<u>223,478</u>	<u>328,348</u>	<u>3,238,754</u>	<u>665,927</u>	-	<u>27,240</u>
Total Governmental Activities Program Revenues.....	<u>19,682,158</u>	<u>13,998,782</u>	<u>17,297,718</u>	<u>13,903,291</u>	<u>10,185,840</u>	<u>6,369,330</u>	<u>8,624,215</u>	<u>4,532,796</u>	<u>3,133,242</u>	<u>27,512,814</u>

(Continued)

CITY OF ALCOA TENNESSEE
SCHEDULE 2
CHANGES IN NET POSITION (Continued)
(Prepared Using the Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Business-type Activities:										
Charges for services:										
Stormwater Utility.....	1,180,437	1,061,473	1,035,588	1,026,324	1,015,899	1,032,697	997,509	907,020	806,057	194,292
Water and Sewer.....	12,269,851	11,251,858	10,852,298	10,958,811	10,584,258	11,121,466	10,127,771	10,354,502	9,606,210	9,108,586
Electric.....	66,503,968	63,062,563	64,201,148	63,215,476	61,827,061	61,180,133	62,679,266	53,854,543	59,706,962	52,196,811
Landfill.....	4,290,739	3,635,050	3,534,132	3,319,691	3,461,295	4,158,261	3,554,335	3,276,464	2,791,841	3,070,331
Operating grants and contributions..	127,253	153,261	75,718	90,559	105,603	85,166	69,490	75,926	74,113	75,000
Capital grants and contributions.....	178,450	377,230	1,610,605	-	473,138	942,024	2,667,043	1,814,111	565,229	531,038
Total Business-type Activities										
Program Revenues.....	<u>84,550,698</u>	<u>79,541,435</u>	<u>81,309,489</u>	<u>78,610,861</u>	<u>77,467,254</u>	<u>78,519,747</u>	<u>80,095,414</u>	<u>70,282,566</u>	<u>73,550,412</u>	<u>65,176,058</u>
Total Primary Government										
Program Revenues.....	<u>104,232,856</u>	<u>93,540,217</u>	<u>98,607,207</u>	<u>92,514,152</u>	<u>87,653,094</u>	<u>84,889,077</u>	<u>88,719,629</u>	<u>74,815,362</u>	<u>76,683,654</u>	<u>92,688,872</u>
Net (Expense) / Revenue:										
Governmental Activities.....	(27,565,554)	(30,765,350)	(23,646,779)	(25,159,168)	(28,063,465)	(33,478,008)	(28,403,363)	(33,934,085)	(35,035,482)	(20,584,684)
Business-type Activities.....	<u>4,945,541</u>	<u>1,680,469</u>	<u>3,081,060</u>	<u>2,326,910</u>	<u>3,116,683</u>	<u>5,786,341</u>	<u>5,538,914</u>	<u>2,776,202</u>	<u>(1,049,608)</u>	<u>(954,819)</u>
Total primary government										
(expense) / revenue.....	<u>(22,620,013)</u>	<u>(29,084,881)</u>	<u>(20,565,719)</u>	<u>(22,832,258)</u>	<u>(24,946,782)</u>	<u>(27,691,667)</u>	<u>(22,864,449)</u>	<u>(31,157,883)</u>	<u>(36,085,090)</u>	<u>(21,539,503)</u>
General Revenues and Other Changes										
In Net Position										
Governmental Activities:										
Sales Taxes.....	15,485,976	14,142,755	14,520,112	14,256,596	15,445,336	15,002,875	15,808,462	18,667,876	13,950,671	8,500,325
State income taxes and excise taxes	-	135,244	95,095	87,636	104,705	145,229	69,431	101,659	-	145,505
Property taxes.....	14,328,724	13,744,696	13,734,216	12,723,141	12,129,571	12,211,321	13,797,967	11,768,876	10,680,581	10,693,312
Business taxes/licenses.....	961,373	942,515	897,280	902,658	284,263	1,361,561	817,279	684,788	-	760,459
Miscellaneous taxes.....	1,553,657	1,061,384	790,571	512,845	467,396	512,818	265,316	684,577	4,012,543	418,471
In lieu of taxes.....	163,683	297,331	371,954	155,929	255,535	-	-	140,979	-	(199,079)
Interest earned.....	26,390	117,349	56,826	17,032	3,476	17,931	19,370	11,828	173,239	521,908
Other general revenue.....	-	-	-	-	-	-	-	-	2,128,485	-
Gain/loss on sale of capital assets....	-	-	-	64,258	13,296	-	-	-	-	-
Payment to Maryville College.....	-	-	-	-	-	-	-	-	(7,875,000)	-
Bond proceeds from Blount County	-	-	-	-	-	-	-	-	490,595	-
Transfers-in-lieu of taxes.....	1,899,929	1,889,495	1,728,324	1,686,883	1,629,657	1,621,501	1,576,436	1,548,497	857,428	1,562,572
Total governmental activities.....	<u>34,419,732</u>	<u>32,330,769</u>	<u>32,194,378</u>	<u>30,406,978</u>	<u>30,333,235</u>	<u>30,873,236</u>	<u>32,354,261</u>	<u>33,609,080</u>	<u>24,418,542</u>	<u>22,403,473</u>
Business-type Activities:										
Gain/loss on sale of fixed assets.....	-	-	-	(50,755)	45,783	-	-	-	(67,465)	(304,413)
Interest earned.....	31,189	17,168	7,322	22,752	23,313	53,219	37,511	182,101	166,465	528,502
Transfers-in-lieu of taxes.....	(1,899,929)	(1,889,495)	(1,728,324)	(1,686,883)	(1,629,657)	(1,621,501)	(1,576,436)	(1,548,497)	(857,428)	(1,562,572)
Total Business-type Activities.....	<u>(1,868,740)</u>	<u>(1,872,327)</u>	<u>(1,721,002)</u>	<u>(1,714,886)</u>	<u>(1,560,661)</u>	<u>(1,568,282)</u>	<u>(1,538,925)</u>	<u>(1,366,396)</u>	<u>(758,428)</u>	<u>(1,338,483)</u>
Total Primary Government.....	<u>32,550,992</u>	<u>30,458,442</u>	<u>30,473,376</u>	<u>28,692,092</u>	<u>28,772,574</u>	<u>29,304,954</u>	<u>30,815,336</u>	<u>32,242,684</u>	<u>23,660,114</u>	<u>21,064,990</u>
Change in Net Position:										
Governmental Activities.....	6,854,178	1,565,419	8,547,599	5,247,810	2,269,770	(2,604,772)	3,950,898	(325,005)	(10,616,940)	1,818,789
Business-type Activities.....	<u>3,076,801</u>	<u>(191,858)</u>	<u>1,360,058</u>	<u>612,024</u>	<u>1,556,022</u>	<u>4,218,059</u>	<u>3,999,989</u>	<u>1,409,806</u>	<u>(1,808,036)</u>	<u>(2,293,302)</u>
Total Primary Government.....	<u>\$ 9,930,979</u>	<u>\$ 1,373,561</u>	<u>\$ 9,907,657</u>	<u>\$ 5,859,834</u>	<u>\$ 3,825,792</u>	<u>\$ 1,613,287</u>	<u>\$ 7,950,887</u>	<u>\$ 1,084,801</u>	<u>\$ (12,424,976)</u>	<u>\$ (474,513)</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS
(Prepared Using the Modified Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
GENERAL FUND										
Assigned	\$ 508,792	\$ 947,010	\$ 941,852	\$ 631,139	\$ -	\$ -	\$ 1,135,718	\$ -	\$ -	\$ -
Restricted	325,264	165,441	63,674	2,222	2,096	180,786	990	16,495	19,619	24,851
Unassigned.....	<u>7,741,634</u>	<u>5,355,971</u>	<u>4,142,773</u>	<u>3,139,908</u>	<u>2,590,467</u>	<u>2,336,761</u>	<u>3,993,720</u>	<u>2,392,524</u>	<u>2,482,343</u>	<u>3,312,439</u>
Total General Fund.....	<u>\$ 8,575,690</u>	<u>\$ 6,468,422</u>	<u>\$ 5,148,299</u>	<u>\$ 3,773,269</u>	<u>\$ 2,592,563</u>	<u>\$ 2,517,547</u>	<u>\$ 5,130,428</u>	<u>\$ 2,409,019</u>	<u>\$ 2,501,962</u>	<u>\$ 3,337,290</u>
All Other Governmental Funds										
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ -	\$ -	\$ -	\$ -
Restricted	13,011,926	4,400,023	5,408,474	2,774,092	3,215,522	2,533,986	41,988	1,168,915	1,590,226	2,033,999
Assigned, reported in:										
Debt Service Fund.....	759,849	1,019,041	2,945,179	1,787,413	804,120	94,697	95,232	95,766	95,766	95,766
Special Revenue Funds	318,659	188,901	159,708	165,066	641,993	1,265,943	2,685,827	2,576,815	2,395,866	4,289,608
Capital Projects Funds.....	304,428	820,051	366,624	685,982	3,307,028	1,081,149	1,004,074	715,595	4,036,277	6,789,139
Committed	<u>1,357,262</u>	<u>3,484,317</u>	<u>2,352,470</u>	<u>12,914,108</u>	<u>5,834,498</u>	<u>412,316</u>	-	-	-	-
Total All Other										
Governmental Funds	<u>\$ 15,752,124</u>	<u>\$ 9,912,333</u>	<u>\$ 11,232,455</u>	<u>\$ 18,326,661</u>	<u>\$ 13,803,161</u>	<u>\$ 5,399,273</u>	<u>\$ 3,827,121</u>	<u>\$ 4,557,091</u>	<u>\$ 8,118,135</u>	<u>\$ 13,208,512</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(Prepared Using the Modified Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:										
Taxes	\$ 30,380,302	\$ 25,390,315	\$ 26,555,861	\$ 24,149,030	\$ 22,449,030	\$ 18,847,900	\$ 20,758,394	\$ 19,241,999	\$ 19,304,370	\$ 20,372,567
Licenses, permits and fees	417,279	141,755	222,483	527,213	448,607	387,426	362,880	418,004	107,733	205,155
Rent	145,138	153,336	143,388	143,547	143,389	136,533	154,944	154,744	162,663	158,314
Intergovernmental.....	12,939,830	13,102,650	18,300,151	15,992,077	14,337,120	19,660,547	19,471,744	15,452,554	14,641,516	12,937,137
American Recovery and Reinvestment Act (ARRA)...	-	-	-	-	-	-	2,796,361	1,432,448	-	-
Fines, forfeitures and costs	590,061	663,174	517,539	507,920	467,396	504,571	833,623	580,522	507,517	982,593
Interest earned.....	26,390	85,317	56,826	17,032	3,476	14,301	15,381	11,828	173,241	521,908
Other revenue	590,418	3,566,681	758,671	130,807	98,121	1,022,837	235,338	144,164	427,025	1,820,655
Charges for service	<u>1,251,756</u>	<u>920,100</u>	<u>834,269</u>	<u>1,025,789</u>	<u>942,279</u>	<u>1,104,516</u>	<u>901,811</u>	<u>1,033,120</u>	<u>1,071,162</u>	<u>-</u>
Total Revenues	<u>46,341,174</u>	<u>44,023,328</u>	<u>47,389,188</u>	<u>42,493,415</u>	<u>38,889,418</u>	<u>41,678,631</u>	<u>45,530,476</u>	<u>38,469,383</u>	<u>36,395,227</u>	<u>36,998,329</u>
EXPENDITURES:										
General government.....	2,864,149	1,665,434	1,740,661	1,726,638	1,703,606	1,725,782	1,703,547	1,585,698	1,647,465	1,872,986
Public safety	9,596,090	9,266,855	9,126,797	8,691,747	8,047,944	7,831,192	7,381,046	7,145,375	7,410,445	7,296,684
Public Works	4,496,758	5,039,816	4,974,584	5,167,334	4,913,515	5,277,899	6,206,920	4,330,871	4,844,146	17,322,578
Recreation and Arts	873,137	785,765	851,898	747,727	1,060,417	1,096,972	583,044	1,140,865	582,776	703,805
Other Appropriations	-	-	-	-	-	-	-	-	-	972,937
Education.....	21,790,764	20,509,466	18,833,640	18,869,100	18,468,873	17,958,585	17,303,597	16,451,592	16,299,972	15,586,138
Capital Projects.....	-	-	-	-	-	-	-	-	-	53,575
Debt service:										
Principal retirement	2,770,000	5,560,136	5,269,964	4,157,023	3,354,834	3,497,476	3,022,318	2,462,276	2,407,416	2,202,688
Interest and fiscal fees.....	1,989,192	3,949,082	4,003,952	3,433,555	3,118,018	5,421,897	5,625,452	5,644,637	4,664,560	5,192,439
Capital Outlay.....	2,916,214	3,327,687	24,902,807	20,274,934	4,403,369	1,174,219	3,383,297	3,673,344	5,161,078	1,670,554
Community development/ Culture	<u>1,123,627</u>	<u>1,403,320</u>	<u>1,042,221</u>	<u>713,405</u>	<u>748,075</u>	<u>690,939</u>	<u>790,263</u>	<u>2,167,843</u>	<u>10,189,849</u>	<u>-</u>
Total Expenditures.....	<u>48,419,931</u>	<u>51,507,561</u>	<u>70,746,524</u>	<u>63,781,463</u>	<u>45,818,651</u>	<u>44,674,961</u>	<u>45,999,484</u>	<u>44,602,501</u>	<u>53,207,707</u>	<u>52,874,384</u>
Deficiency of Revenue										
Over Expenditures Before Financing Sources (Uses)	<u>(2,078,757)</u>	<u>(7,484,233)</u>	<u>(23,357,336)</u>	<u>(21,288,048)</u>	<u>(6,929,233)</u>	<u>(2,996,330)</u>	<u>(469,008)</u>	<u>(6,133,118)</u>	<u>(16,812,480)</u>	<u>(15,876,055)</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Continued)
(Prepared Using the Modified Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
OTHER FINANCING SOURCES (USES)										
Operating Transfers.....	55,089	4,594,973	5,738,182	4,455,371	3,778,480	(68,500)	(68,500)	(94,000)	-	17,806,049
Issuance of debt/capital lease	9,995,000	-	9,995,000	-	-	402,528	952,511	-	-	396,759
In lieu of taxes.....	1,899,929	1,889,495	1,728,324	1,686,883	1,629,657	1,621,501	1,576,436	1,548,497	1,411,774	1,562,572
Issuance of debt.....	-	-	-	20,850,000	10,000,000	-	470,000	1,024,635	34,000,000	-
Bond premium	-	-	176,654	-	-	-	-	-	-	-
Paid to debt escrow agent.....	-	-	-	-	-	-	(470,000)	-	(24,525,000)	-
Total Other Financing Sources.....	<u>11,950,018</u>	<u>6,484,468</u>	<u>17,638,160</u>	<u>26,992,254</u>	<u>15,408,137</u>	<u>1,955,529</u>	<u>2,460,447</u>	<u>2,479,132</u>	<u>10,886,774</u>	<u>19,765,380</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....	<u>\$ 9,871,261</u>	<u>\$ (999,765)</u>	<u>\$ (5,719,176)</u>	<u>\$ 5,704,206</u>	<u>\$ 8,478,904</u>	<u>\$ (1,040,729)</u>	<u>\$ 1,991,439</u>	<u>\$ (3,653,986)</u>	<u>\$ (5,925,706)</u>	<u>\$ 3,889,325</u>
Debt service as a percentage of non-capital expenditures	<u>10.5%</u>	<u>19.7%</u>	<u>20.2%</u>	<u>17.4%</u>	<u>15.6%</u>	<u>19.4%</u>	<u>20.2%</u>	<u>19.8%</u>	<u>14.7%</u>	<u>14.4%</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE 5
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ending 30-Jun	Tax Year	Commercial Property	Residential Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2008	2007	\$ 261,683,945	\$161,502,514	\$ 22,767,054	\$445,953,513	2.10	\$1,477,865,826	30%
2009	2008	272,106,130	107,305,226	20,424,399	399,835,755	2.10	1,359,312,773	29%
2010	2009	299,141,245	131,234,268	21,590,546	451,966,059	1.96	1,492,090,101	30%
2011	2010	298,353,980	121,632,050	21,242,913	441,228,943	1.96	1,468,493,462	30%
2012	2011	297,910,805	136,969,733	19,598,651	454,479,189	1.96	1,522,336,648	30%
2013	2012	300,422,940	129,589,563	20,655,563	450,667,633	1.96	1,524,033,999	29%
2014	2013	307,716,795	118,361,585	20,736,324	446,814,704	1.96	1,512,783,981	30%
2015	2014	345,523,373	119,580,225	28,845,040	493,948,638	1.96	1,513,008,885	33%
2016	2015	353,008,768	121,353,975	36,253,880	510,616,623	1.96	1,551,573,604	33%
2017	2016	351,952,477	123,191,450	34,438,280	509,582,207	1.96	1,571,415,375	32%

CITY OF ALCOA, TENNESSEE
SCHEDULE 6
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(Rate per \$100 of Assessed Value)
Last Ten Calendar Years

Fiscal Year Ending 30-Jun	Tax Year	General Fund	Debt Service Fund	General Purpose School Fund	Total Direct Tax Rate	Overlapping Tax Rate - Blount County
2008	2007	\$ 0.42	\$ 0.63	\$ 1.05	\$ 2.10	\$ 2.23
2009	2008	0.34	0.71	1.05	2.10	2.23
2010	2009	0.48	0.55	0.93	1.96	2.04
2011	2010	0.48	0.55	0.93	1.96	2.15
2012	2011	0.48	0.55	0.93	1.96	2.15
2013	2012	0.48	0.55	0.93	1.96	2.15
2014	2013	0.49	0.58	0.89	1.96	2.15
2015	2014	0.49	0.58	0.89	1.96	2.47
2016	2015	0.49	0.58	0.89	1.96	2.47
2017	2016	0.49	0.58	0.89	1.96	2.47

**CITY OF ALCOA, TENNESSEE
SCHEDULE 7
PRINCIPAL TAXPAYERS
June 30, 2017**

FOR TAX YEAR 2017

FOR TAX YEAR 2007

	<u>ASSESSMENT</u>	<u>Rank</u>	Percentage of Total City Taxable Assessed <u>Value</u>		<u>ASSESSMENT</u>	<u>Rank</u>	Percentage of Total City Taxable Assessed <u>Value</u>
ALCOA	\$ 123,343,625	1	24.2%	ALCOA	\$ 102,200,860	1	22.9%
KRG ALCOA HAMILTON, LLC	12,176,499	2	2.4%	CMH SERVICES	13,315,332	2	3.0%
FAULKNER PROPERTIES	9,272,120	3	1.8%	FAULKNER PROPERTIES	5,897,640	3	1.3%
CMH MANAGEMENT	8,422,075	4	1.7%	ETMG INVESTMENTS	4,549,760	4	1.0%
BLOUNT COUNTY SNF REAL ESTATE	7,751,640	5	1.5%	MIDEB NOMINEES, INC. #672	4,549,760	5	1.0%
RIDGE AT HAMILTON CROSSING	7,207,860	6	1.4%	MIDEB NOMINEES, INC.	3,057,760	6	.7%
MIDEB NOMINEES INC #672	6,063,880	7	1.2%	REHOLD ALCOA, LLC	3,017,400	7	.7%
MIDEB NOMINEES INC	4,555,200	8	.9%	EGGERS, FRANK M. II	2,755,955	8	.6%
AMI INVESTMENT HOLDINGS, INC.	<u>4,529,960</u>	9	<u>.9%</u>	STOCK CREEK, LLC	2,588,000	9	.6%
				DNSM PARTNERSHIP	2,447,320	10	.5%
				CERAMASPEED	2,151,122	11	.5%
				WEST 2 EAST LAND LP	<u>2,115,840</u>	12	<u>.5%</u>
	<u>\$ 183,333,760</u>		<u>36.0%</u>		<u>\$ 148,603,789</u>		<u>33.3%</u>
Total City Assessment	<u>\$ 509,582,207</u>			Total City Assessment	<u>\$ 445,953,513</u>		

CITY OF ALCOA, TENNESSEE
SCHEDULE 8
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities						Percentage of Personal Income	Per Capita
	General Obligation/ Revenue Bonds	Capital Outlay Notes	Capital Leases	Water & Sewer Bonds	Landfill Bonds	Landfill Capital Outlay Notes	Electric Bonds	Capital Leases	Total		
2008	\$41,085,000	\$ -	\$9,389,160	\$46,228,098	\$2,316,000	\$ -	\$21,075,000	\$ -	\$ 120,093,258	43.30%	\$ 13,907
2009	48,695,000	-	9,447,676	46,541,857	2,135,000	-	21,105,000	-	127,924,533	42.01%	13,685
2010	48,285,000	-	9,341,120	46,034,581	8,000,000	-	20,870,000	295,718	132,826,419	67.85%	15,720
2011	46,625,000	-	10,192,449	45,507,263	7,475,000	-	20,295,000	409,718	130,504,430	50.46%	15,322
2012	44,865,000	-	10,443,284	48,491,008	6,935,000	-	19,665,000	264,777	130,664,069	50.21%	15,246
2013	52,975,000	-	10,072,979	48,290,824	6,365,000	-	18,985,000	130,285	136,819,088	49.47%	15,835
2014	70,550,000	-	9,802,394	48,178,801	6,375,000	-	18,280,000	27,947	153,214,142	54.25%	17,504
2015	78,150,000	-	9,656,129	47,153,837	5,630,000	-	17,550,000	-	158,139,966	53.79%	17,980
2016	75,605,000	-	9,554,742	46,613,701	4,760,000	-	16,765,000	-	153,298,443	53.19%	15,525
2017	82,520,000	-	7,961,166	45,527,201	3,965,000	216,374	15,950,000	-	156,140,741	(1)	15,808

Notes:

Details regarding the City's outstanding debt may be found in the Notes to the Financial Statements.

See Schedule 14 for personal income and population data for the City. These ratios are calculated using personal income and population for the prior calendar year.

(1) Data not available.

CITY OF ALCOA, TENNESSEE
SCHEDULE 9
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>General Obligation/ Revenue Bonds</u>	<u>Capital Outlay Notes</u>	<u>Total</u>	<u>Taxable Value of Property</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2008	\$ 36,260,309	\$ -	\$ 36,260,309	\$ 372,652,154	09.73%	\$ 4,220
2009	41,085,000	-	41,085,000	445,953,513	09.21%	4,758
2010	48,695,000	-	48,695,000	399,835,755	12.18%	5,610
2011	46,625,000	-	46,625,000	451,966,059	10.32%	5,518
2012	44,865,000	-	44,865,000	441,228,943	10.17%	5,256
2013	52,975,000	-	52,975,000	450,667,633	11.75%	5,307
2014	70,550,000	-	70,550,000	446,814,704	15.79%	6,878
2015	78,150,000	-	78,150,000	493,948,638	15.82%	8,885
2016	75,605,000	-	75,605,000	510,616,623	14.81%	7,656
2017	82,520,000	-	82,520,000	509,582,207	16.19%	8,354

NOTES:

Gross Bonded Debt includes a long-term general obligation debt and loan agreements. Business-Type Activities Debt is not included.

Actual Taxable Value of Property data can be found on Schedule 5.

Population data can be found on Schedule 13.

CITY OF ALCOA, TENNESSEE
SCHEDULE 10
DIRECT AND OVERLAPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Direct Debt:			
General Obligation Bonds	\$ 82,520,000		
Capital Leases	<u>7,961,166</u>		
Total Direct Debt	90,481,166	100%	90,481,166
Overlapping Debt:			
Blount County General Government	256,055,462	15%	<u>38,408,319</u>
Total Direct and Overlapping Debt			<u>\$ 128,889,485</u>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding indebtedness of those overlapping governments that is borne by the residents and business of the City of Alcoa. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of Blount County, Tennessee's taxable assessed value within the City's boundaries and dividing it by Blount County, Tennessee's total taxable assessed value.

Source: Blount County, Tennessee government

CITY OF ALCOA, TENNESSEE
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Not applicable to the City of Alcoa, Tennessee, as neither the City Charter nor the State of Tennessee has placed any restrictions on the amount of debt that may be issued by the City.

CITY OF ALCOA, TENNESSEE
SCHEDULE 12
PLEDGED – REVENUE COVERAGE
Last Ten Fiscal Years*

Fiscal Year Ending 30-Jun	Landfill Revenue Debt					
	<u>Landfill Service Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2008	\$ 3,145,331	\$ 2,532,914	\$ 612,417	\$ 210,000	\$ 158,106	1.66
2009	2,865,954	2,555,229	310,725	210,000	110,745	0.97
2010	3,333,601	2,565,827	767,774	525,000	188,265	1.08
2011	3,609,425	2,440,878	1,168,547	525,000	277,490	1.46
2012	4,227,886	3,503,439	724,447	634,028	259,845	0.81
2013	3,460,408	3,361,784	98,624	646,145	247,999	0.23
2014	3,311,193	2,982,477	328,716	595,000	228,157	0.40
2015	3,533,557	2,789,714	743,843	745,000	208,830	0.78
2016	3,623,476	2,814,377	809,099	795,000	192,838	0.82
2017	4,290,739	3,028,528	1,262,211	845,616	111,055	1.32

	Electric Revenue Debt					
	<u>Utility Service Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2008	\$52,194,112	\$ 48,450,521	\$ 3,743,591	\$ 225,000	\$ 838,000	3.52
2009	59,696,972	55,973,384	3,723,588	235,000	486,155	5.16
2010	53,833,208	52,416,557	1,416,651	575,000	330,000	1.57
2011	62,677,214	59,103,033	3,574,181	575,000	405,000	3.65
2012	61,177,604	57,156,903	2,020,701	630,000	277,575	2.23
2013	61,824,158	56,271,437	5,552,721	680,000	462,500	4.86
2014	63,215,476	58,183,734	5,031,742	705,000	378,333	4.64
2015	64,132,308	59,684,010	4,448,298	730,000	340,000	4.16
2016	63,060,136	57,427,543	5,632,593	815,000	169,167	5.72
2017	66,500,398	59,299,057	7,201,341	815,000	14,757	8.67

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE 12
PLEDGED – REVENUE COVERAGE (Continued)
Last Ten Fiscal Years*

Water and Sewer Revenue Debt						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2008	\$ 9,108,586	\$ 7,867,338	\$ 1,241,248	\$ 477,416	\$ 2,034,035	0.49
2009	9,606,210	7,413,003	2,193,207	185,000	1,724,138	1.15
2010	10,354,502	7,223,718	3,130,784	190,000	1,414,681	1.95
2011	10,078,198	7,240,067	2,838,131	190,014	1,471,659	1.71
2012	11,981,772	6,884,584	5,097,188	567,486	1,433,809	2.55
2013	10,686,651	6,907,487	3,779,164	497,712	1,395,130	2.00
2014	10,958,811	6,311,934	4,646,877	656,848	1,637,424	2.03
2015	10,852,298	7,363,257	3,489,041	1,024,964	1,857,975	1.21
2016	11,205,806	8,090,148	3,115,658	1,085,500	1,244,342	1.34
2017	12,269,851	8,023,884	4,245,967	1,085,500	1,323,560	1.76

Stormwater Revenue Debt						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2010	\$ -	\$ -	\$ -	\$ -	\$ -	-
2011	997,509	816,882	100,627	49,213	-	2.04
2012	1,032,697	958,598	74,099	50,913	-	1.46
2013	1,015,899	833,508	182,391	52,671	-	3.46
2014	1,026,324	1,010,542	15,782	54,491	-	0.29
2015	1,035,588	1,033,603	1,985	27,947	-	0.07
2016	1,061,473	1,075,048	(13,575)	-	-	0.00
2017	1,180,437	1,058,940	121,497	-	-	0.00

Notes:

Operating expenses do not include interest, depreciation, transfers, or amortization expenses.

CITY OF ALCOA, TENNESSEE
SCHEDULE 13
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Tax Year Ended June 30,	(1) <u>Population</u>	(2) <u>Personal Income</u>	(3) <u>Per Capita Income</u>	(4) <u>School Enrollment</u>	(5) <u>Unemployment Rate</u>
2008	8,635	\$ 277,338,930	\$ 32,118	1,610	5.40%
2009	8,680	\$ 218,408,000	\$ 34,589	1,637	10.50%
2010	8,449	\$ 195,754,881	\$ 23,169	1,775	8.00%
2011	8,517	\$ 258,593,154	\$ 30,362	1,775	7.70%
2012	8,570	\$ 260,202,340	\$ 30,362	1,780	7.80%
2013	8,640	\$ 276,523,200	\$ 32,005	1,813	6.60%
2014	8,753	\$ 282,396,860	\$ 32,263	1,812	4.10%
2015	8,795	\$ 293,953,131	\$ 28,930	1,969	4.20%
2016	9,874	\$ 288,169,968	\$ 24,507	1,987	3.70%
2017	9,877	(6)	(6)	1,969	2.70%

- Sources:
- (1) U.S. Census Bureau
 - (2) Bureau of Economic Analysis report; Tennessee
 - (3) Blount County Chamber of Commerce
 - (4) City of Alcoa Schools
 - (5) Tennessee Department of Labor and Workforce Development
 - (6) 2017 amounts not available at time of report

CITY OF ALCOA, TENNESSEE
SCHEDULE 14
PRINCIPAL EMPLOYERS
June 30, 2017

<u>Employer</u>	<u>2017</u>			<u>(3) 2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City/County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City/County Employment</u>
Denso Manufacturing Tennessee, Inc. (1)	3,900	1	6.62%	2,500	1	4.15%
Clayton Homes (1)	3,139	2	5.33%	1,373	4	2.28%
Blount Memorial Hospital, Inc. (1)	2,572	3	4.37%	1,837	2	3.05%
Blount County School System (1)	1,700	4	2.89%	1,245	5	2.07%
McGhee Tyson ANG Base (1)	1,249	5	2.12%	-	-	0.00%
Newell Rubbermaid (1) Sanford Brands	1,200	6	2.04%	1,660	3	2.76%
Arconic (1)	1,000	7	1.70%	900	6	1.49%
Maryville City Schools (2)	670	8	1.14%	559	10	0.93%
Blount County Government (1)	647	9	1.10%	679	8	1.13%
Accenture Hospitality Service (1)	575	10	0.98%	663	9	1.10%
WalMart Super Center (2)	553	11	0.94%	-	-	0.00%
Ruby Tuesday (1)	485	12	0.82%	788	7	1.31%
TeamHealth Alcoa Billing Center (1)	451	13	0.77%	-	-	0.00%
Massey Group (2)	400	14	0.68%	-	-	0.00%
Maryville College (2)	362	15	0.61%	-	-	0.00%
Reinhart Food Service (1) Formerly IJ Co.	344	16	0.58%	336	12	0.56%
City of Maryville (2)	311	17	0.53%	-	-	0.00%
K 12	300	18	0.51%	-	-	0.00%
Rockford Manufacturing (1)	300	19	0.51%	-	-	0.00%
Peninsula Hospital (1), division of Park West Medical Center	274	20	0.47%	-	-	0.00%
City of Alcoa (2)	272	21	0.46%	483	11	0.80%
Cornerstone of Recovery (1)	240	22	0.41%	-	-	0.00%
Standard Aero, Inc. (1)	237	23	0.40%	-	-	0.00%
Alcoa City Schools (2)	233	24	0.40%	-	-	0.00%
	<u>21,414</u>		<u>36.38%</u>	<u>13,023</u>		<u>21.63%</u>

Total Blount County Employment 2017 (as of 05/17) (4) 58,891
Total Blount County Employment 2008 (as of 06/08) (4) 60,207

*Total employment for Blount County

Source: (1) The Knoxville News Sentinel "Book of Lists"
(2) 2017 Responses from Employer
(3) City of Alcoa Comprehensive Annual Financial Report 6/30/08
(4) US Bureau of Labor Statistics

CITY OF ALCOA, TENNESSEE
SCHEDULE 15
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	<u>Actual FY2017</u>	<u>Actual FY2016</u>	<u>Actual FY 2015</u>	<u>Actual FY 2014</u>	<u>Actual FY 2013</u>	<u>Actual FY 2012</u>	<u>Actual FY2011</u>	<u>Actual FY 2010</u>	<u>Actual FY 2009</u>	<u>Actual FY 2008</u>
General Government										
Administration / Office	42	42	42	42	43	42	51	51	51	53
Police	48	49	49	41	42	42	42	41	43	41
Fire	34	34	32	29	30	30	30	28	29	29
Public Works and Streets	13	13	17	17	15	15	18	18	20	21
Other-support service and maintenance	6	6	6	6	6	6	7	7	10	10
Education	242	249	235	231	231	231	228	227	227	218
Solid Waste	10	10	11	11	11	11	10	10	11	11
Other – inspectors	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>
Total General Government	<u>398</u>	<u>406</u>	<u>395</u>	<u>380</u>	<u>381</u>	<u>382</u>	<u>390</u>	<u>386</u>	<u>396</u>	<u>388</u>
Utilities										
Water and Sewer	35	34	34	34	34	34	33	33	34	34
Stormwater	8	8	8	8	8	8	8	8	-	-
Electric	57	60	60	61	62	62	61	61	63	67
Landfill	<u>18</u>	<u>17</u>	<u>17</u>	<u>18</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>18</u>	<u>18</u>	<u>12</u>
Total Utilities	<u>118</u>	<u>119</u>	<u>119</u>	<u>121</u>	<u>120</u>	<u>120</u>	<u>118</u>	<u>120</u>	<u>115</u>	<u>113</u>
Total General Government and Utilities	<u>516</u>	<u>525</u>	<u>514</u>	<u>501</u>	<u>501</u>	<u>502</u>	<u>508</u>	<u>506</u>	<u>511</u>	<u>501</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE 16
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Function/Program</u>										
Police										
Physical arrests	1,248	1,145	1,245	1,492	1,506	697	1,449	1,321	992	954
Traffic violations	5,199	5,298	6,061	7,431	7,179	7,550	8,067	6,403	7,838	9,282
Fire										
Emergency responses	2,184	2,185	1,519	1,867	1,797	1,669	1,591	1,518	1,510	1,400
Fires extinguished	71	84	46	61	58	75	99	63	119	132
Inspections	301	289	501	303	283	850	131	729	383	404
Public works/Streets										
Street resurfacing (miles)	3.5	3.4	2.3	4.5	1.3	1.5	3.3	0.81	0.50	2.03
Potholes repaired	77	253	83	52	126	83	38	203	116	70
Education										
Tuition students served	378	409	435	483	473	484	490	482	468	475
Parks and recreation										
Community pool admissions	32,360	36,045	30,368	34,677	35,500	40,510	44,506	47,474	53,627	46,097
Landfill										
Refuse collected (tons per day)	244.49	332.46	290.87	327.13	227.87	283.57	295.60	202.00	288.06	321.24
Recyclables collected (tons per day)	n/a	n/a	n/a	n/a	n/a	188.65	150.00	145.00	167.20	172.61
Water/Sewer										
New connections	71	83	232	219	147	117	81	79	29	263
Water mains breaks-leak repaired	79	108	160	216	154	208	194	116	171	249
Average daily consumption										
(thousands of gallons)	4,832	4,933	4,687	6,237	6,566	5,308	5,040	5,858	6,728	3,753
Peak daily consumption										
(thousands of gallons)	8,480	9,070	8,470	9,380	9,040	8,990	9,550	9,890	10,370	12,520
Average daily sewage treatment										
(thousands of gallons)	1,755	1,926	1,348	1,740	2,125	2,025	1,227	1,693	1,674	1,763
Electric Utility										
Average monthly kwh purchased	52,830,896	52,465,339	54,395,397	53,911,198	52,276,324	51,720,533	55,409,355	54,855,918	54,266,511	55,989,565

Sources: Various City departments.

CITY OF ALCOA, TENNESSEE
SCHEDULE 17
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	-	-	-	-	-	-	-	-	-	-
Patrol units	44	46	42	42	42	42	42	33	33	33
Police Adm./other vehicles	17	16	16	15	15	15	15	21	21	21
Fire stations	3	3	3	3	3	3	3	3	3	3
Landfill										
Collection trucks (customers)	70,712	69,548	53,056	57,873	56,809	71,500	71,500	80,784	83,283	80,573
Public works/Streets										
Highway (miles)	97.7	110.9	110.9	110.5	110.5	110.5	110.5	110	110	110
Streetlights										
Traffic signals	24	24	24	24	24	24	24	21	21	21
Education										
High School	1	1	1	1	1	1	1	1	1	1
Middle School	1	1	1	1	1	1	1	1	1	1
Intermediate School	1	1	1	-	-	-	-	-	-	-
Elementary School	1	1	1	1	1	1	1	1	1	1
Parks and recreation										
Acreage	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8
Playgrounds	3	3	3	3	3	3	3	3	3	3
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	257.0	255.0	251.8	213.1	213.1	213.1	213.1	213.1	214.0	213.4
Storage capacity (thousands of gallons)	14,950	14,950	14,950	13,350	13,350	13,350	13,350	13,350	13,350	13,350
Treatment capacity (thousands of gallons)	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Sewage										
Sanitary sewers (miles)	141.4	140.3	137.1	137.6	137.6	133.6	133.6	133.6	133.6	132.9
Storm sewers (miles)	49.7	49.6	138.36	47.3	47.3	47.3	47.3	47.3	49.8	48.8
Electric										
Number of Customers	28,915	28,728	28,549	27,905	27,808	27,640	27,443	27,431	27,364	27,557
Annual KWH sold	613,858,813	601,572,219	621,642,357	616,051,727	627,315,889	620,646,399	632,856,770	621,001,490	620,958,542	641,067,826
Sub Stations	13	13	13	12	12	12	12	12	12	12
Pole line (miles)	1,079	1,068	1,200	1,145	1,145	1,145	1,145	1,145	1,107	1,107
Sources: Various city departments.										

CITY OF ALCOA, TENNESSEE

SECTION FIVE

SINGLE AUDIT SECTION

June 30, 2017

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2017

<u>Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Other/ Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2017</u>
FEDERAL ASSISTANCE AWARDS:								
General Fund:								
Tennessee Highway Safety Office (THSO)	U.S. Dept. of Transportation Through TN Dept. of Transportation	N/A	20.600	(3,931)	7,686	-	8,239	(4,484)
Capital Projects Funds:								
G.O. Public Works Construction West Plant	U.S. Dept. of Transportation through TN Dept. of Transportation	N/A	20.205	(30,564)	-	-	104,221	(134,785)
Pistol Creek	U.S. Dept. of Transportation through TN Dept. of Transportation	N/A	20.205	-	61,502	-	61,502	-
Total Capital Projects Funds				(30,564)	61,502	-	165,723	(134,785)
Federal Projects Funds:								
	<u>U.S. Dept. of Education through:</u>							
Carl Perkins Program Improvement	TN Dept. of Education	2015-2016	84.048	-	27,521	-	27,521	-
Title I Carryover	TN Dept. of Education	16-01	84.010	-	24,435	-	24,435	-
Title I-A	TN Dept. of Education	16-01	84.010	-	395,768	-	366,083	29,685
Title II-A Training	TN Dept. of Education	16-01	84.367	-	65,828	-	61,965	3,863
Focus Grant	TN Dept. of Education	16-01	84.010	-	108,526	-	101,532	6,994
Preschool	TN Dept. of Education	16-01	84.173	-	11,232	-	9,997	1,235
IDEA B	TN Dept. of Education	16-01	84.027	-	373,967	-	371,339	2,628
Erate	TN Dept. of Education	16-01	84.377	45,687	23,887	-	-	69,574
IDEA Discretionary	TN Dept. of Education	16-01	84.010	-	17,312	-	17,312	-
Read to be Ready	TN Dept. of Education	17-01	95.575	-	4,972	-	4,972	-
Total Federal Projects Funds				45,687	1,053,448	-	985,156	113,979
TOTALS – FEDERAL FINANCIAL ASSISTANCE ASSISTANCE				11,192	1,122,636	-	1,159,118	(25,290)

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Fiscal Year Ended June 30, 2017

<u>Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Other/ Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2017</u>
STATE AWARDS:								
<u>Education Fund:</u>								
Early Childhood (Lottery – Pre K)	TN Dept. of Education	N/A	N/A	-	170,445	-	170,445	-
Education Handicapped ACT	TN Dept. of Education	N/A	N/A	-	63,876	-	63,876	-
Coordinated School Health	TN Dept. of Education	N/A	N/A	(14,882)	14,882	-	-	-
Career Ladder Extended Contract	TN Dept. of Education	N/A	N/A	-	33,406	-	34,573	(1,167)
Explorer ACT	TN Dept. of Education	N/A	N/A	-	3,875	-	3,875	-
Child Nutrition	TN Dept. of Education	N/A	N/A	-	8,248	-	8,248	-
Total Education Fund				<u>(14,882)</u>	<u>294,732</u>	<u>-</u>	<u>281,017</u>	<u>(1,167)</u>
TOTALS – STATE FINANCIAL ASSISTANCE				<u>(14,882)</u>	<u>294,732</u>	<u>-</u>	<u>281,017</u>	<u>(1,167)</u>
TOTALS – FEDERAL AND STATE FINANCIAL ASSISTANCE				<u>\$ (3,690)</u>	<u>\$1,417,368</u>	<u>\$ -</u>	<u>\$ 1,440,135</u>	<u>\$ (26,457)</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF PERFORMANCE BASED ASSISTANCE, LOANS AND ENTITLEMENTS
For the Fiscal Year Ended June 30, 2017

<u>Grantor/Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2016</u>	<u>Amount Earned</u>	<u>Receipts</u>	<u>Balance June 30, 2017</u>
Nutrition Cluster:							
National School Lunch Program	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.555	\$ -	\$ 416,914	\$ 416,914	\$ -
National School Breakfast Program	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.553	-	147,284	147,284	-
Summer Feeding	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.569	_____ -	_____ 31,759	_____ 31,759	_____ -
				<u>\$ _____ -</u>	<u>\$ 595,957</u>	<u>\$ 595,957</u>	<u>\$ _____ -</u>

Summary of Due from Grantors and Unapplied Grant Funds for the fiscal year ended June 30, 2017:

	<u>Due from Grantors</u>	<u>Unapplied Grant Funds</u>	<u>Total</u>
General Fund	\$ (4,484)	\$ -	\$ (4,484)
Federal Projects Funds	-	113,979	113,979
G.O. Public Works Construction	(134,785)	-	(134,785)
Education	(1,167)	-	(1,167)
Totals	<u>\$ (140,436)</u>	<u>\$ 113,979</u>	<u>\$ (26,457)</u>

Notes to Schedule of Expenditures of Federal and State Awards for the Year Ended June 30, 2017:

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of the City of Alcoa under programs of the federal and state governments for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Alcoa, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Alcoa.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-133, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF NON-CASH ASSISTANCE
For the Fiscal Year Ended June 30, 2017

CFDA No.	Program Name	Grantor Agency	Balance July 1, 2016	Receipts	Expenditures	Balance June 30, 2017
10.555	U.S. Department Of Agriculture Donated Commodities	Federal Pass Through Tennessee Department Of Agriculture	<u>\$ -</u>	<u>\$ 43,839</u>	<u>\$ 43,839</u>	<u>\$ -</u>

CITY OF ALCOA, TENNESSEE

**INDEPENDENT AUDITORS' 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***

AND

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

AND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017



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December 19, 2017

INDEPENDENT AUDITORS' 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*

Honorable Mayor, Members of
the Board of Commissioners
and the City Manager
City of Alcoa
Alcoa, Tennessee

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcoa, Tennessee, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise The City of Alcoa, Tennessee's basic financial statements and have issued our report thereon dated December 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Alcoa, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City of Alcoa, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Alcoa, Tennessee'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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Alcoa, Tennessee'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 City of Alcoa, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
December 19, 2017



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December 19, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor, Members of
the Board of Commissioners
and City Manager
City of Alcoa
Alcoa, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Alcoa, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Alcoa, Tennessee's major federal programs for the year ended June 30, 2017. The City of Alcoa, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Alcoa, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Alcoa, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Alcoa, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Alcoa, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the City of Alcoa, Tennessee is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Alcoa, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Alcoa, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee

December 19, 2017

CITY OF ALCOA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the Education Special Revenue Fund financial statements of the City of Alcoa, Tennessee in accordance with GAAP.
2. No instances of noncompliance are reported in the audit of the financial statements of the City of Alcoa based on the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No significant deficiencies disclosed during the audit of the financial statements of the City of Alcoa, Tennessee are reported in the Report of 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*.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to the Major Programs and Internal Control Over Compliance in Accordance with the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for the City of Alcoa, Tennessee expresses an unmodified opinion on all major federal programs.
6. Audit findings, if any, that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs determined and tested as major programs include:

<u>Program</u>	<u>Grant CFDA No.</u>
U.S. Department of Education (Cluster):	
Idea Part B/Comp. Plan/Special Education...	84.027
Title I Improving Basic Education.....	84.010
Supporting Effective Instruction.....	84.367
Special Education - Preschool	84.173
Career and Technical Education	84.048

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Alcoa, Tennessee was determined to be a low-risk auditee.

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2017

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. PRIOR YEAR FINDINGS IMPLEMENTED

The City has taken corrective action on the following prior year finding:

2016-01 Cafeteria expenditures exceed revenues