

CITY OF ALCOA

CITY OF ALCOA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2018



"Excellence in Service - Quality of Life"

CITY OF ALCOA, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

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CITY OF ALCOA, TENNESSEE
SECTION ONE
INTRODUCTORY SECTION
For the Fiscal Year Ended June 30, 2018

CITY OF ALCOA

City Officials

CITY OF ALCOA, TENNESSEE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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
Andrew Sonner, PE, Deputy City Manager
Susan Gennoe, CPA, Director of Finance & Administration

“Excellence in Service - Quality of Life”



223 Associates Blvd., Alcoa, TN 37701

Phone: 865-380-4700 Fax: 865-380-4797

February 27, 2019

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, 2018 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 30%. 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 3.1% which is comparable to 3.6% for the State of Tennessee and 3.9% for the United States.

Finally, the City has entered into an agreement in FY16 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, now known as Springbrook Farm. 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. An additional \$5 million has been earmarked for related road improvements. A 6,000 foot boulevard including utilities was completed in August 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 Springbrook Farm). Construction is scheduled to take place during fiscal 2019 and 2020, 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 2019 bond issue to cover a Phase I 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. That report has suggested needs in excess of \$24 million, such that a phased approach is planned. 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, 2018 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,



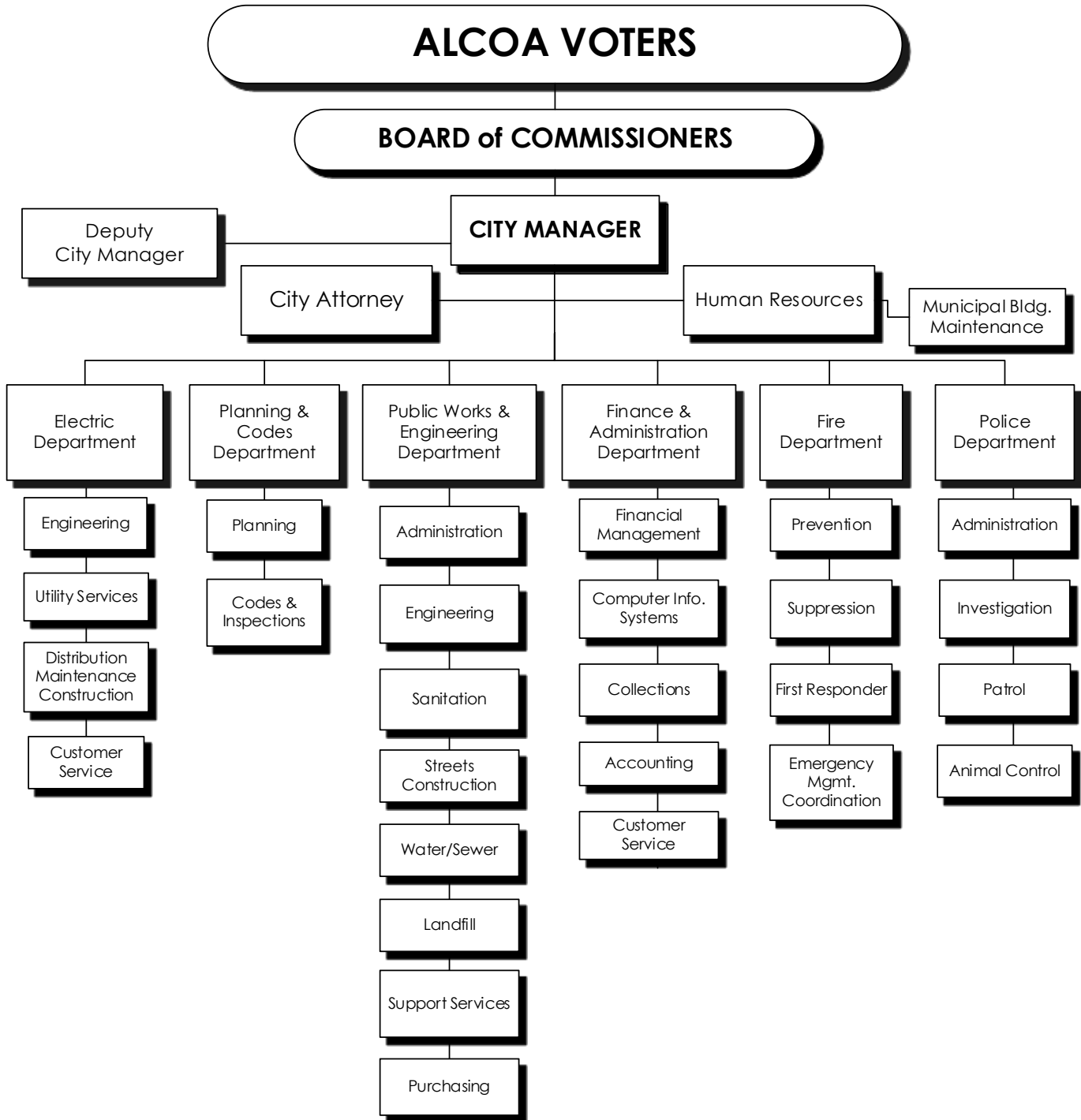
Mark L. Johnson
City Manager



Susan Gennoe
Director of Finance & Administration



City of Alcoa



CITY OF ALCOA, TENNESSEE

SECTION TWO

FINANCIAL SECTION

For the Fiscal Year Ended June 30, 2018



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

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
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865-982-1665

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcoa, Tennessee, as of June 30, 2018, 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

Change in Accounting Principle

As described in Note 1(T) to the financial statements, in 2017, the City of Alcoa, Tennessee adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for PostEmployment Benefits Other Than Pensions*. 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 109 through 123 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 Audit Requirements for Federal Awards*, and is 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 and state 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, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 February 27, 2019, 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
February 27, 2019



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, 2018. 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, 2018 is \$83,890,962, an increase of \$965,283. Of this amount, \$233,907 is unrestricted which may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$24,741,574, an increase of \$5,389,575 over the prior year.
- The City's General Fund reported total fund balance of \$8,307,173 at June 30, 2018, a decrease of \$268,517. This fund balance is 36.1% of total general fund revenue.
- At June 30, 2018 The City's General Purpose School Fund reported a fund balance of \$913,959, a decrease of \$308,014 from last fiscal year. Fund balance is 4.4% of total revenue. Tennessee State Law requires schools to maintain a minimum fund balance of 3% (TCA 49-3-352).
- \$9.975 million in bonds were issued to facilitate additional road construction in Springbrook Farm, a mixed use development on the site of ALCOA's former West Plant property along with \$1.2 million for a new fire truck and approximately \$3.6 million for membranes in the Water and Sewer fund.

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 \$83,890,962 at the close of the most recent fiscal year. The largest portion of the City's net position (93%) reflects its net investment of \$77.8 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that is 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, \$5.9 million (7%) represents resources that are subject to external restrictions on how they may be used.

Note 20 provides information on various prior period adjustments. Beginning net position for both governmental and business type activities were restated due to the recording of the Other Post Employment Benefit (OPEB) liability. Beginning net position for Water and Sewer was restated for depreciation expense on membranes that should have been taken in prior years. There was also a reclassification of City retirement pension liability from governmental activities to business type activities.

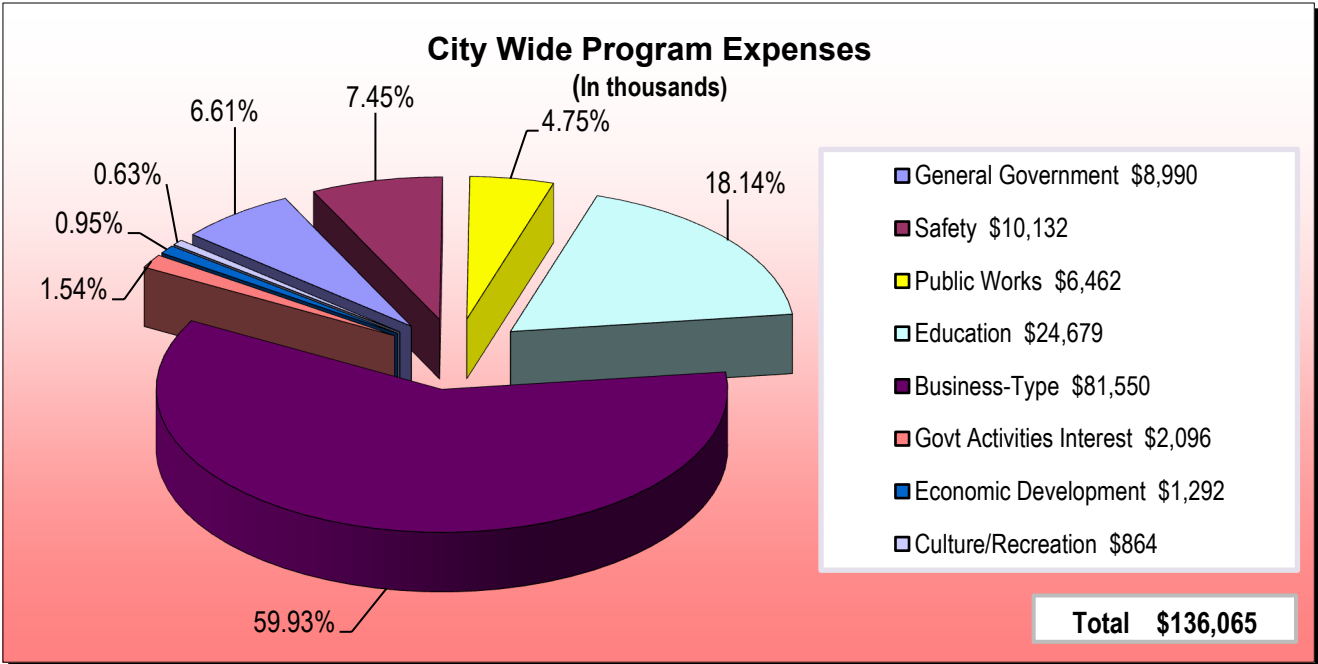
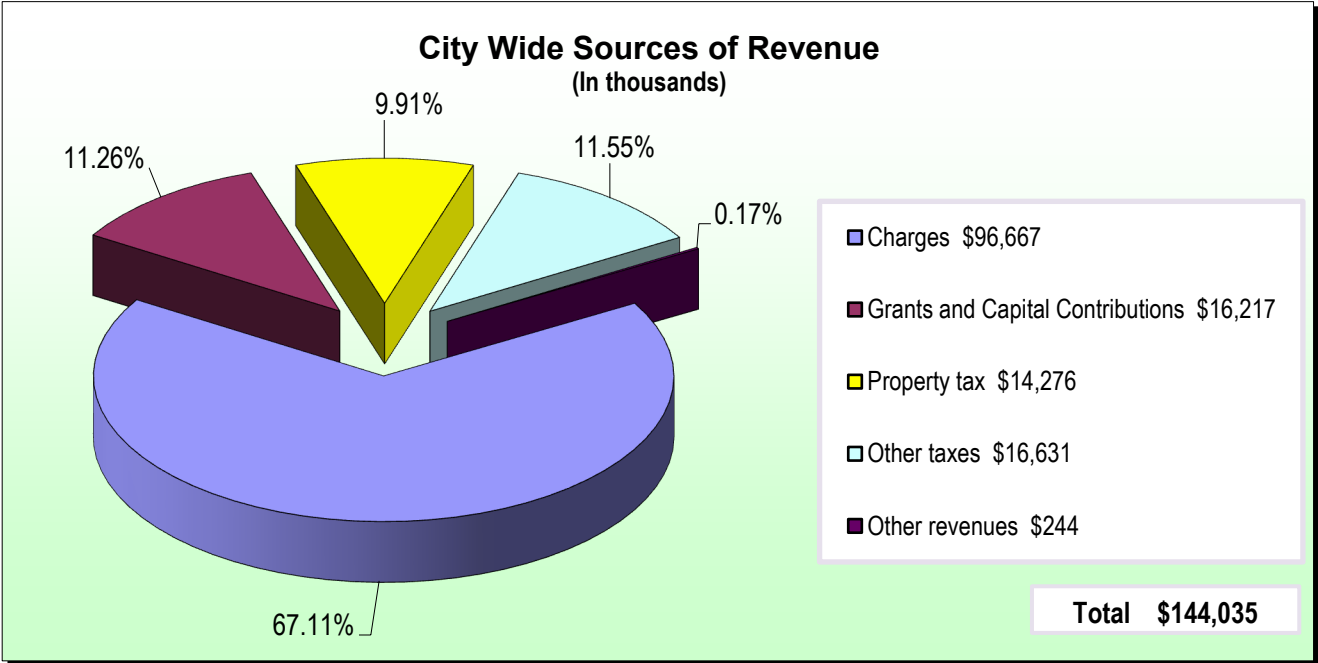
Assets	Net Position					
	Governmental Activities		Business-Type Activities		Total	Total
	2018	2017	2018	2017	2018	2017
Current and other Assets	\$ 40,678,488	\$ 40,587,572	\$ 41,764,208	\$ 37,145,230	\$ 82,442,696	\$ 77,732,802
Capital assets (net)	93,470,473	85,789,647	117,076,864	116,587,417	210,547,337	202,377,064
Capital lease property	9,894,150	9,894,150	-	-	9,894,150	9,894,150
Total Assets	<u>144,043,111</u>	<u>136,271,369</u>	<u>158,841,072</u>	<u>153,732,647</u>	<u>302,884,183</u>	<u>290,004,016</u>
Deferred Outflows of Resources:						
Bond refunding	-	-	1,086,027	1,156,616	1,086,027	1,156,616
Pension contributions after measurement date	2,751,707	3,717,355	1,786,462	1,344,757	4,538,169	5,062,112
Pension changes in experience	1,068,386	218,481	876,519	206,185	1,944,905	424,666
Changes in proportion of net pension asset	251,820	228,989	-	-	251,820	228,989
Pension changes in investment earnings	777,768	3,789,391	216,761	59,802	994,529	3,849,193
Pension changes in assumption	1,161,591	-	367,456	-	1,529,047	-
Accumulated change in fair value of interest rate swaps	389,872	686,952	4,398,664	5,152,665	4,788,536	5,839,617
Total Deferred Outflows	<u>6,401,144</u>	<u>8,641,168</u>	<u>8,731,889</u>	<u>7,920,025</u>	<u>15,133,033</u>	<u>16,561,193</u>
Liabilities						
Long-term liabilities	107,513,630	108,805,260	90,913,928	82,614,560	198,427,558	191,419,820
Other liabilities	5,797,098	4,493,653	17,106,548	15,330,664	22,903,646	19,824,317
Total Liabilities	<u>113,310,728</u>	<u>113,298,913</u>	<u>108,020,476</u>	<u>97,945,224</u>	<u>221,331,204</u>	<u>211,244,137</u>
Deferred Inflows of Resources:						
Pension changes in experience	1,787,694	1,865,857	18,346	50,435	1,806,040	1,916,292
Pension changes in assumption	-	407,117	-	-	-	407,117
Pension changes in proportion	5,590	840	-	-	5,590	840
Pension change in investment earnings	623,812	-	318,084	-	941,896	-
Deferred revenue –property tax	9,974,857	9,987,811	-	-	9,974,857	9,987,811
Bond deferral	-	-	66,667	83,333	66,667	83,333
Total Deferred Inflows	<u>12,391,953</u>	<u>12,261,625</u>	<u>403,097</u>	<u>133,768</u>	<u>12,795,050</u>	<u>12,395,393</u>
Net Position						
Net investment in capital assets	26,539,320	20,456,653	51,253,207	52,038,148	77,792,527	72,494,801
Restricted for:						
General Fund	637,585	834,056	-	-	637,585	834,056
Special revenue	2,278,821	2,323,296	-	-	2,278,821	2,323,296
Capital projects	466,452	3,604,957	-	-	466,452	3,604,957
Debt service	1,181,483	759,849	-	-	1,181,483	759,849
Property acquisitions	-	-	1,300,187	1,281,411	1,300,187	1,281,411
Unrestricted (deficit)	(6,362,087)	(8,626,812)	6,595,994	10,254,121	233,907	1,627,309
Total Net Position	<u>\$ 24,741,574</u>	<u>\$ 19,351,999</u>	<u>\$ 59,149,388</u>	<u>\$ 63,573,680</u>	<u>\$ 83,890,962</u>	<u>\$ 82,925,679</u>

Analysis of Change in Net Position

The following statement and associated graph indicate an increase in net position as of June 30, 2018 of \$965,283, or 1.2% over FY2017. Normal operations increased net position by \$8.0 million, which was impacted by GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses accounting and financial reporting by government employers, previously covered by GASB Statement 45 and was implemented in FY2018. Total net liability affecting the current net position is \$5.6 million which reduced normal operations along with a prior period adjustment for \$1.4 million in depreciation related to the write off of depreciation on old membranes in the Water and Sewer fund. Grants (both operating and capital) added an additional \$4.8 million over the prior year and are mostly due to TDOT related items. Sales taxes fell approximately \$910 thousand from FY2017. Of this, \$850 thousand is due to a one-time SITUS correction made by the State of Tennessee where the City had received monies due to the County for sales tax on certain airport properties for the past year, with the remainder representing a flattening in the sales tax curve. Property taxes have also dropped a slight \$22 thousand, mostly due to a change in personal property assessments as well as a change in how public utilities are now assessed. On the expense side, the main driver was an increase in General Government spending (\$5.4 million) which is made up of OPEB and pension adjustments along with an increase in health fund claims.

Revenues	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total 2018	Total 2017
	2018	2017	2018	2017		
Program Revenues:						
Charges for services	\$ 9,500,511	\$ 9,679,313	\$ 87,166,569	\$ 84,244,995	\$ 96,667,080	\$ 93,924,308
Operating grants and contributions	12,582,245	10,163,304	147,596	127,253	12,729,841	10,290,557
Capital grants and contributions	2,946,797	569,067	540,608	178,450	3,487,405	747,517
General Revenues:						
Sales taxes	13,811,770	14,722,171	-	-	13,811,770	14,722,171
State income taxes	100,413	127,426	-	-	100,413	127,426
Property taxes	14,275,685	14,297,638	-	-	14,275,685	14,297,638
Business taxes/licenses	895,245	961,373	-	-	895,245	961,373
Miscellaneous taxes	765,375	447,576	-	-	765,375	447,576
Investment earnings	186,461	26,390	57,122	31,189	243,583	57,579
In-lieu of taxes	1,058,111	1,207,703	-	-	1,058,111	1,207,703
Total Revenues	<u>56,122,613</u>	<u>52,201,961</u>	<u>87,911,895</u>	<u>84,581,887</u>	<u>144,034,508</u>	<u>136,783,848</u>
Expenses						
General government	8,990,425	3,605,345	-	-	8,990,425	3,605,345
Police and Fire	10,132,385	10,071,775	-	-	10,132,385	10,071,775
Public works and streets	6,462,318	5,733,789	-	-	6,462,318	5,733,789
Recreation and Culture	863,740	1,123,868	-	-	863,740	1,123,868
Economic development	1,292,190	1,123,627	-	-	1,292,190	1,123,627
Education	24,678,680	23,600,116	-	-	24,678,680	23,600,116
Interest on long-term debt	2,095,576	1,989,192	-	-	2,095,576	1,989,192
Water and Sewer	-	-	12,078,385	12,029,149	12,078,385	12,029,149
Electric Utility	-	-	64,529,615	62,496,910	64,529,615	62,496,910
Landfill	-	-	3,863,804	3,952,854	3,863,804	3,952,854
Stormwater Utility	-	-	1,078,091	1,126,244	1,078,091	1,126,244
Total expenses	<u>54,515,314</u>	<u>47,247,712</u>	<u>81,549,895</u>	<u>79,605,157</u>	<u>136,065,209</u>	<u>126,852,869</u>
Increase (decrease) in net position before transfers and other sources	1,607,299	4,954,249	6,362,000	4,976,730	7,969,299	9,930,979
Transfers-in-lieu of tax	<u>1,844,322</u>	<u>1,899,929</u>	<u>(1,844,322)</u>	<u>(1,899,929)</u>	-	-
Change in net position	3,451,621	6,854,178	4,517,678	3,076,801	7,969,299	9,930,979
Net position at beginning of year	19,351,999	12,497,821	63,573,680	59,952,708	82,925,679	72,450,529
Prior period adjustments:						
Capital Assets	-	-	(1,369,987)	544,171	(1,369,987)	544,171
Reclassification of City retirement pension liability	4,800,040	-	(4,800,040)	-	-	-
OPEB liability	<u>(2,862,086)</u>	<u>-</u>	<u>(2,771,943)</u>	<u>-</u>	<u>(5,634,029)</u>	<u>-</u>
Net position at end of year	<u>\$ 24,741,574</u>	<u>\$ 19,351,999</u>	<u>\$ 59,149,388</u>	<u>\$ 63,573,680</u>	<u>\$ 83,890,962</u>	<u>\$ 82,925,679</u>

City of Alcoa, Tennessee for the Fiscal Year Ended June 30, 2018



Governmental activities:

- Governmental activities increased the City governmental net position by \$3,451,621 before prior period adjustments.
- Governmental activities revenue increased by \$3.9 million over the prior year primarily due to an increase in charges for services, capital grants and contributions. This is mainly due to Tennessee Department of Transportation (TDOT) grants relative to ongoing projects and an increase in State Basic Education revenue.
- Expenditures increased by \$7,267,602, or 15.4%, due primarily to increases in the General Fund of \$5,385,080 and Education of \$1,078,564. The bulk of these increases relate to current capital outlay expenditures exceeding that of depreciation, health claims and OPEB/pension adjustments.

Business-type activities:

- Business-type activities increased the City's net position by \$4,517,678 before prior period adjustments. This is mainly due to the prior year's increase in water rates for which we are now seeing the benefit.
- The Electric Utility is the largest business-type activity of the City, with a total expense of \$64,529,615. Purchased Power expense for the utility increased by \$1,063,418 or 2.1% over the prior year. The residential customer charge for Electric service increased \$1 per month beginning October 1, 2017 for tree trimming with an additional \$1 added in October 2018.
- The Water and Sewer Utility ended the fiscal year with total expenses of \$12,078,385 and a change in net position of approximately \$2 million before prior period adjustments. This is mainly due to the across the board 13% rate increase that was implemented for FY18 for the purpose of keeping the fund fiscally healthy.
- The Landfill Utility Fund ended the fiscal year with a change in net position of \$602,516. This is an increase of \$124,490 over the prior year and is mainly due to an increase in the consumer price index (CPI) on tipping fees per ton of refuse. Additionally, FY17 included a one-time loss of \$135,857 on the disposal of an ineffective hedging debt instrument that does not affect FY18.
- The Stormwater Utility ended the fiscal year with a change in net position of \$228,728. This is an increase of \$174,112 over the prior year and is mainly due to implementation of a scheduled increase in fees for residential units based on size that took place in the prior year. That 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, 2018, the City's governmental funds reported combined ending fund balances of \$23.2 million, a decrease of \$1.0 million from 2017. The bulk of this decrease occurred in the West Plant Construction fund as a result of spending for related capital projects. Approximately \$7.7 million or (33%) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

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 with total fund balance at \$8.3 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 \$19.3 million.

(Continued)

Governmental funds (Continued)

The increase in fund balance is due to higher than expected collections in the area of charges for services, along with an overall increase in grant revenue as already discussed.

The Education Fund is the operating fund for the Alcoa City Schools. As of June 30, 2018, the fund balance is \$913,959 which is a decrease over the prior year amount of \$1,221,973. The fund balance represents 4.3% of the schools total budget of \$21,138,500. The primary reason for the decrease is that although the growth in State Basic Education Funds (BEP) continued somewhat (7%), there was a significant uptick in both legal expenditures and repairs of HVAC equipment.

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, 2018 is \$1,181,483 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, 2018 was \$37,087,754, a decrease of \$2,934,668. Expenses during the current year were approximately \$2 million more than the prior year which is mostly a result of purchased power from TVA.

Net position for the Water and Sewer Utility as of June 30, 2018 was \$18,398,595, a decrease of \$1,191,523 from 2017. This is mostly due to prior period adjustments for depreciation expense.

As of June 30, 2018, the Stormwater Utility net position totaled \$902,420. The Utility's revenues exceeded expenses and generated a net gain of \$228,728. Gains are still being obtained due to a new fee that began in January 2016 on the revenue side with a reduction in expenses primarily related to a reduction in personnel costs stemming from a re-allocation of senior personnel to other operations in other funds.

Net position of the Landfill Utility as of June 30, 2018 was \$2,760,619, a decrease of \$248,084 primarily due to a prior period adjustment to reallocate pension costs across funds in a way that better aligns with retiree costs.

Budget Highlights – General Fund

There is a \$50,000 difference between original and final budget in the General Fund which can be mostly attributed to careful spending by all departments. This amount was due to a consulting contract to bring ADA up to standard.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2018 and 2017 amount to \$220,441,487 and \$212,271,214 (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
	2018	2017	2018	2017	2018	2017
Land	\$ 2,197,302	\$ 2,197,302	\$ 3,674,105	\$ 2,460,577	\$ 5,871,407	\$ 4,657,879
Buildings	63,581,440	63,783,998	93,865,747	91,757,958	157,447,187	155,541,956
Infrastructure	28,549,781	28,424,813	-	-	28,549,781	28,424,813
Improvements	30,340,762	30,215,929	62,400,712	62,346,535	92,741,474	92,562,464
Machinery and equipment	10,119,024	9,619,915	35,605,738	34,754,910	45,724,762	44,374,825
Capital lease property	9,894,150	9,894,150	-	-	9,894,150	9,894,150
Construction in progress	13,379,154	2,807,604	2,691,889	2,593,901	16,071,043	5,401,505
Total Capital Assets	158,061,613	146,943,711	198,238,191	193,913,881	356,299,804	340,857,592
Less: Accumulated Depreciation	(54,696,990)	(51,259,914)	(81,161,327)	(77,326,464)	(135,858,317)	(128,586,378)
Capital Assets, net of Depreciation	<u>\$ 103,364,623</u>	<u>\$ 95,683,797</u>	<u>\$ 117,076,864</u>	<u>\$ 116,587,417</u>	<u>\$ 220,441,487</u>	<u>\$ 212,271,214</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)
- Signal improvements at Hall and Bessemer
- Voltage and substation improvements and line extensions in the electric department
- New membranes at the water plant
- Land/building purchases for future expansion at the Landfill
- Continued infrastructure construction in process at the Springbrook Farm development, including Tesla Blvd.
- Construction in process (design, etc) for future work at the intermediate school

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 \$171.6 million. Of this amount, \$152.2 million are revenue bonds, general obligation bonds, and capital outlay notes backed by the full faith and credit of the City. \$10.4 million is estimated liability for Landfill closure and post closure costs. The remainder includes capital leases of \$7.6 million and compensated absences of \$1.4 million (See Note 6 – Long-Term Liabilities).

	Outstanding Long-Term Obligations					
	Governmental Activities		Business-Type Activities		Total	Total
	2018	2017	2018	2017	2018	2017
General Obligation/ Revenue Bonds	\$ 86,310,000	\$ 82,520,000	\$65,835,452	\$65,659,575	\$152,145,452	\$148,179,575
Capital leases	7,621,966	7,961,166	-	-	7,621,966	7,961,166
Compensated absences	722,814	845,102	685,609	688,795	1,408,423	1,533,897
Estimated liability for closure/ post-closure care costs	-	-	10,433,430	9,783,900	10,433,430	9,783,910
Total long-term obligations	<u>\$ 94,654,780</u>	<u>\$ 91,326,268</u>	<u>\$76,954,491</u>	<u>\$76,132,270</u>	<u>\$171,609,271</u>	<u>\$167,458,538</u>

(Continued)

Long-Term Debt (Continued)

The City of Alcoa's total long-term debt increased by a net of \$4,150,733 during the current fiscal year. The key factor to this increase was due to the City issuing new debt of \$9.975 million during the year for additional roadwork at the West Plant site, new fire truck, and replacement membranes at the water plant. 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 of the City of Alcoa's governmental activities stem from various taxes on consumption and wealth along with charges for goods or services for business type activities. Consumption taxes include the hotel/motel tax, various alcohol related taxes, general business tax and most importantly, the general sales tax. Taxes on wealth primarily include the ad valorem property tax along with various related in-lieu-of taxes. Sales tax revenues have increased by over 67% 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 collected of 81%. Although new commercial construction continues at a steady pace, much of the construction activity over the past several years has focused on both single family residential and apartment development.

Growth trends for sales and property taxes are generally very good indicators in forecasting sales revenues for the City's proprietary funds. More residential and commercial should equal more water, sewer and electric sales. However, both electric and water sales growth projections have to be tempered by 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. This has impacted water and sewer sales in particular since most of the cost of production, distribution and wastewater treatment is related to a major investment in capital assets along with required staffing levels of licensed personnel. In other words, these fixed costs must be covered regardless of the volume sold. The City of Alcoa monitors its water and sewer rates and fees very closely to ensure that revenues are sufficient to adequately provide for system operations yet remain competitive with neighboring utilities.

The factors influencing the overall health of the community 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 censuses from 6,400 in 1990 to 8,449 in 2010. The U.S. Census Bureau estimates Alcoa's 2017 population to be 10,228 which represents an annual growth rate of 3% 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 existing 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 requiring significant expansion of general governmental services; however, classroom capacity has been reached in one of the City's school buildings. Currently, planning is underway to construct a major renovation and addition to the Alcoa Intermediate School that will include classrooms, administrative space and a new cafeteria.

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 location makes it convenient for customers from all over the metropolitan area to patronize Alcoa's businesses.

(Continued)

Economic Factors and Next Year's Budget Highlights (Continue)

Therefore, Alcoa's economic success depends a great deal upon the economic wellbeing of the region as a whole. For most households, economic wellbeing is a direct result of a well-paying job. Providing high quality jobs has been a long standing 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.) just announced a split along with a \$100 million investment that will bring 70 jobs to the City of Alcoa by 4th quarter 2020.

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 3.1% compared to 3.6% 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 which opened earlier this year. In the same general vicinity, a separate 169 unit apartment complex has just begun leasing and a third 192 unit mixed use development has received Planning Commission approval.

However, the positive growth in appraised values resulting from new construction has somewhat been offset by the on-going demolition of the former ALCOA South Plant. 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. 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 redevelopment 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

(Continued)

Economic Factors and Next Year's Budget Highlights (Continue)

6,000 foot boulevard including utilities began in April, 2017 and was completed in spring 2018. Additionally in 2018, a revised master plan was completed and the development was named Springbrook Farm based on its location adjacent to the historic Springbrook neighborhood. The new 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, with an additional approximate \$5 million allocated for roadway renovations in FY18. 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.

All of these factors were considered in preparing the City of Alcoa's budget for the 2019 fiscal year. The City has invested a great deal of capital in preparing for future economic development which will provide a return on investment from growth in sales and property taxes. However, this new growth and resulting revenue will not be immediate and it will take before the City recognizes a return on this investment. In the interim, the City will continue to provide the same quality services to its citizens while at the same time operating under the constraints of the revenue and other funding sources available. As with previous fiscal years, the City has budgeted use of fund balance in the General fund to balance the budget. Typically, overestimating expenditures and underestimating revenues has led to a net addition to fund balance instead of a reduction. Even in fiscal year 2018 which experienced a \$850,000 correction in the state's distribution of local sales tax, there was only a slight reduction in fund balance. In fact, fiscal year 2018 was virtually a breakeven year leaving a total unassigned fund balance in the General Fund of \$7,669,588 which represents a decrease of only \$72,066 from the previous year as opposed the budgeted reduction of \$593,615. Of this amount, the City of Alcoa has appropriated \$1,047,140 of this amount for spending in the 2019 fiscal year budget for one-time needed expenditures.

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, 2018

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2018 and 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u> <u>2018</u>	<u>Total</u> <u>2017</u>
ASSETS:				
Cash and Cash equivalents	\$ 24,755,647	\$ 25,681,176	\$ 50,436,823	\$ 49,094,784
Receivables:				
Taxes, net	12,706,482	-	12,706,482	12,837,594
Accounts, net	1,957,230	8,648,885	10,606,115	7,772,132
Accrued interest	-	36,776	36,776	9,856
Due from other governments	1,147,399	-	1,147,399	872,433
Inventories	-	2,235,049	2,235,049	1,779,395
Prepaid items/clearing accounts/other assets	-	4,027,038	4,027,038	3,766,092
Energy service loans receivable	-	1,135,284	1,135,284	1,593,743
Net Pension Asset – school employees	111,730	-	111,730	6,773
Capital assets (net of accumulated depreciation and amortization):				
Land	2,197,302	3,674,105	5,871,407	5,582,394
Buildings	48,581,064	-	48,581,064	49,846,816
Improvements	19,745,919	-	19,745,919	20,226,584
Infrastructure	7,172,096	-	7,172,096	8,297,776
Equipment, vehicles and software	2,394,938	-	2,394,938	2,413,565
Capital lease property	9,894,150	-	9,894,150	9,894,150
Electric plant in service	-	48,809,342	48,809,342	49,319,577
Water/sewer plant in service	-	57,783,104	57,783,104	56,901,983
Stormwater utility plant in service	-	362,689	362,689	208,371
Landfill plant in service	-	3,755,735	3,755,735	4,178,493
Construction-in-progress	<u>13,379,154</u>	<u>2,691,889</u>	<u>16,071,043</u>	<u>5,401,505</u>
Total Assets	<u>144,043,111</u>	<u>158,841,072</u>	<u>302,884,183</u>	<u>290,004,016</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Bond refunding	-	1,086,027	1,086,027	1,156,616
Pension contributions after measurement date	2,751,707	1,786,462	4,538,169	5,062,112
Pension changes in experience	1,068,386	876,519	1,944,905	424,666
Pension changes in proportion of net pension asset	251,820	-	251,820	228,989
Pension change in investment earnings	777,768	216,761	994,529	3,849,193
Pension changes in assumption	1,161,591	367,456	1,529,047	-
Accumulated change in fair value of interest rate swaps	<u>389,872</u>	<u>4,398,664</u>	<u>4,788,536</u>	<u>5,839,617</u>
Total Deferred Outflows of Resources	<u>6,401,144</u>	<u>8,731,889</u>	<u>15,133,033</u>	<u>16,561,193</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION (Continued)
June 30, 2018 and 2017

	Governmental Activities	Business-type Activities	Total 2018	Total 2017
LIABILITIES:				
Accounts payable	3,379,254	12,253,552	15,632,806	13,319,023
Accrued payroll	531,149	336,672	867,821	747,662
Other liabilities	1,886,695	894,376	2,781,071	1,991,796
Customer deposits	-	2,341,168	2,341,168	2,042,066
Advances from TVA for energy service loans	-	1,280,780	1,280,780	1,723,770
Long-term liabilities:				
Due within one year	3,726,646	3,861,014	7,587,660	6,982,686
Due in more than one year	90,928,134	62,660,047	153,588,181	150,691,952
Interest rate swap liability	389,872	4,398,664	4,788,536	5,839,617
Landfill closure/post closure costs	-	10,433,430	10,433,430	9,783,900
Net pension liability	7,256,210	6,820,720	14,076,930	16,917,110
Other post-employment benefit liability	<u>5,212,768</u>	<u>2,740,053</u>	<u>7,952,821</u>	<u>1,204,555</u>
Total Liabilities	<u>113,310,728</u>	<u>108,020,476</u>	<u>221,331,204</u>	<u>211,244,137</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred revenue – property tax	9,974,857	-	9,974,857	9,987,811
Pension changes in experience	1,787,694	18,346	1,806,040	1,916,292
Pension changes in assumption	-	-	-	407,117
Pension changes in proportion of net pension liability	5,590	-	5,590	840
Pension change in investment earnings	623,812	318,084	941,896	-
Bond deferral	<u>-</u>	<u>66,667</u>	<u>66,667</u>	<u>83,333</u>
Total Deferred Inflows of Resources	<u>12,391,953</u>	<u>403,097</u>	<u>12,795,050</u>	<u>12,395,393</u>
NET POSITION:				
Net investment in capital assets	26,539,320	51,253,207	77,792,527	72,494,801
Restricted for:				
General Fund	637,585	-	637,585	834,056
Special Revenue:				
State Street Aid	824,409	-	824,409	768,542
Drug Enforcement	126,964	-	126,964	11,401
Education	1,322,780	-	1,322,780	1,540,632
Vehicle Enforcement	4,668	-	4,668	2,721
Debt Service	1,181,483	-	1,181,483	759,849
Capital Projects	466,452	-	466,452	3,604,957
Property Acquisitions	-	1,300,187	1,300,187	1,281,411
Unrestricted Position (Deficit)	<u>(6,362,087)</u>	<u>6,595,994</u>	<u>233,907</u>	<u>1,627,309</u>
Total Net Position	<u>\$ 24,741,574</u>	<u>\$ 59,149,388</u>	<u>\$ 83,890,962</u>	<u>\$ 82,925,679</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2018			2017
					Governmental Activities	Business-type Activities	Total	Total
Governmental Activities:								
General Government	\$ 8,990,425	\$ 6,884,388	\$ 1,916,535	\$ 2,946,797	\$ 2,757,295	\$ -	\$ 2,757,295	\$ 4,029,798
Public Safety	10,132,385	656,737	-	-	(9,475,648)	-	(9,475,648)	(9,416,028)
Public Works	6,462,318	825,325	71,312	-	(5,565,681)	-	(5,565,681)	(4,759,730)
Culture and Recreation	863,740	-	-	-	(863,740)	-	(863,740)	(1,123,868)
Economic Development	1,292,190	-	-	-	(1,292,190)	-	(1,292,190)	(1,100,231)
Education	24,678,680	1,134,061	10,594,398	-	(12,950,221)	-	(12,950,221)	(12,476,777)
Debt Service:								
Interest on long-term debt	2,095,576	-	-	-	(2,095,576)	-	(2,095,576)	(1,989,192)
Total Governmental Activities	<u>54,515,314</u>	<u>9,500,511</u>	<u>12,582,245</u>	<u>2,946,797</u>	<u>(29,485,761)</u>	<u>-</u>	<u>(29,485,761)</u>	<u>(26,836,028)</u>
Business-Type Activities:								
Landfill	3,863,804	4,431,096	26,303	-	-	593,595	593,595	463,629
Electric	64,529,615	67,502,185	-	-	-	2,972,570	2,972,570	4,007,058
Water and Sewer Utility	12,078,385	13,928,825	121,293	540,608	-	2,512,341	2,512,341	420,390
Stormwater Utility	1,078,091	1,304,463	-	-	-	226,372	226,372	54,464
Total Business-type Activities	<u>81,549,895</u>	<u>87,166,569</u>	<u>147,596</u>	<u>540,608</u>	<u>-</u>	<u>6,304,878</u>	<u>6,304,878</u>	<u>4,945,541</u>
Total Government	<u>\$ 136,065,209</u>	<u>\$ 96,667,080</u>	<u>\$ 12,729,841</u>	<u>\$ 3,487,405</u>	<u>(29,485,761)</u>	<u>6,304,878</u>	<u>(23,180,883)</u>	<u>(21,890,487)</u>
General Revenues:								
Sales tax and other state taxes					13,811,770	-	13,811,770	14,722,171
State income taxes and excise taxes					100,413	-	100,413	127,426
Property taxes					14,275,685	-	14,275,685	14,297,638
Business taxes					895,245	-	895,245	961,373
Miscellaneous taxes					765,375	-	765,375	447,576
In-lieu-of taxes					1,058,111	-	1,058,111	1,207,703
Investment earnings					186,461	57,122	243,583	57,579
Transfers – In-lieu-of-tax payments					1,844,322	(1,844,322)	-	-
Total General Revenues and Transfers					<u>32,937,382</u>	<u>(1,787,200)</u>	<u>31,150,182</u>	<u>31,821,466</u>
Change in Net Position					<u>3,451,621</u>	<u>4,517,678</u>	<u>7,969,299</u>	<u>9,930,979</u>
Net Position – Beginning					19,351,999	63,573,680	82,925,679	72,450,529
Restatement – See Note 20					1,937,954	(8,941,970)	(7,004,016)	544,171
Adjusted Net Position – Beginning					<u>21,289,953</u>	<u>54,631,710</u>	<u>75,921,663</u>	<u>72,994,700</u>
Net Position – Ending					<u>\$ 24,741,574</u>	<u>\$ 59,149,388</u>	<u>\$ 83,890,962</u>	<u>\$ 82,925,679</u>

See accompanying independent auditors' report and notes

CITY OF ALCOA, TENNESSEE
FUND FINANCIAL STATEMENTS
June 30, 2018

CITY OF ALCOA, TENNESSEE
BALANCE SHEET
Governmental Funds
June 30, 2018
With Comparative Totals at June 30, 2017

<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>2018</u>	<u>2017</u>
Assets:									
Cash and cash equivalents	\$ 1,700	\$ 589,696	\$ -	\$ -	\$ -	\$ -	\$ 62,027	\$ 653,423	\$ 504,965
Pooled Cash.....	7,317,034	156,744	1,289,550	395,049	97,661	218,252	1,755,985	11,230,275	14,770,407
Pooled Investments	-	-	-	460,000	-	9,018,883	1,200,000	10,678,883	8,956,755
Receivables:									
Sales Taxes.....	1,917,976	-	-	-	-	-	-	1,917,976	2,068,859
Property Taxes	10,835,574	-	-	-	-	-	-	10,835,574	10,814,806
Less: Allowance for uncollectible taxes.	(47,068)	-	-	-	-	-	-	(47,068)	(46,071)
Accounts.....	242,837	9,602	-	32,625	-	1,077,478	32,871	1,395,413	242,244
Prepaid expenditures	-	-	-	-	-	-	-	-	6,417
Due from other governments.....	-	888,464	-	130,305	-	-	-	1,018,769	802,859
Due from grantors	-	-	-	-	-	-	128,630	128,630	115,145
Due from other funds	-	-	-	560,288	-	-	1,529	561,817	71,103
Total Assets.....	<u>20,268,053</u>	<u>1,644,506</u>	<u>1,289,550</u>	<u>1,578,267</u>	<u>97,661</u>	<u>10,314,613</u>	<u>3,181,042</u>	<u>38,373,692</u>	<u>38,307,489</u>
Deferred Outflows of Resources.....									
	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$20,268,053</u>	<u>\$ 1,644,506</u>	<u>\$ 1,289,550</u>	<u>\$ 1,578,267</u>	<u>\$ 97,661</u>	<u>\$ 10,314,613</u>	<u>\$ 3,181,042</u>	<u>\$ 38,373,692</u>	<u>\$ 38,307,489</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 702,816	\$ 160,785	\$ 108,067	\$ 380,852	\$ -	\$ 1,276,993	\$ 200,886	\$ 2,830,399	\$ 2,124,729
Due to other funds.....	-	1,529	-	-	-	560,288	-	561,817	71,103
Accrued payroll.....	531,149	-	-	-	-	-	-	531,149	387,327
Due to State of Tennessee.....	-	568,233	-	-	-	-	-	568,233	428,595
Unearned revenue	752,058	-	-	-	-	-	4,000	756,058	935,705
Unearned grant revenue	-	-	-	-	-	-	587	587	44,405
Total Liabilities	<u>1,986,023</u>	<u>730,547</u>	<u>108,067</u>	<u>380,852</u>	<u>-</u>	<u>1,837,281</u>	<u>205,473</u>	<u>5,248,243</u>	<u>3,991,864</u>
Deferred Inflows of Resources:									
Deferred Revenue – Property tax	<u>9,974,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,974,857</u>	<u>9,987,811</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
BALANCE SHEET (Continued)
Governmental Funds
June 30, 2018
With Comparative Totals at June 30, 2017

	General Fund	Education Fund	Debt Service Fund	General Obligation Public Works Construction	Legacy Fund	West Plant Construction Fund	Non-Major Other Governmental Funds	<u>Total Governmental Funds</u>	
								<u>2018</u>	<u>2017</u>
Fund Balances:									
Restricted	124,927	-	-	1,197,415	-	8,477,332	1,104,995	10,904,669	13,337,190
Assigned.....	512,658	913,959	1,181,483	-	97,661	-	1,870,574	4,576,335	3,248,990
Unassigned.....	<u>7,669,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,669,588</u>	<u>7,741,634</u>
 Total Fund Balances	 <u>8,307,173</u>	 <u>913,959</u>	 <u>1,181,483</u>	 <u>1,197,415</u>	 <u>97,661</u>	 <u>8,477,332</u>	 <u>2,975,569</u>	 <u>23,150,592</u>	 <u>24,327,814</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 20,268,053</u>	 <u>\$ 1,644,506</u>	 <u>\$ 1,289,550</u>	 <u>\$ 1,578,267</u>	 <u>\$ 97,661</u>	 <u>\$ 10,314,613</u>	 <u>\$ 3,181,042</u>	 <u>\$ 38,373,692</u>	 <u>\$ 38,307,489</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
June 30, 2018
With Comparative Totals at June 30, 2017

	<u>2018</u>	<u>2017</u>
Fund Balances – Total Governmental Funds	\$ 23,150,592	\$ 24,327,814
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	<u>2018</u> \$ 103,364,623	<u>2017</u> \$ 95,683,797
	103,364,623	95,683,797
(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.		
	1,644,211	1,771,521
(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	<u>2018</u> \$ 86,310,000	<u>2017</u> 82,520,000
Compensated absences	722,814	845,102
Capital Leases	<u>7,621,966</u>	<u>7,961,166</u>
	<u>\$ 94,654,780</u>	<u>\$ 91,326,268</u>
	(94,654,780)	(91,326,268)
(4) The General pension plan liabilities are not due and payable in the current period and are not reported in the government funds.		
	(7,144,480)	(15,580,712)
(5) The General OPEB liabilities are not due and payable in the current period and are not reported in the government funds		
	(5,212,768)	(1,204,555)
(6) 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	\$ 6,011,272	
Less: Deferred inflows related to pensions	<u>(2,417,096)</u>	
	<u>\$ 3,594,176</u>	
	3,594,176	5,680,402
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 24,741,574</u>	<u>\$ 19,351,999</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<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>2018</u>	<u>2017</u>
Revenues:									
Taxes:									
Property taxes.....	\$ 6,194,520	\$ 8,081,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$14,275,685	\$14,297,638
Local option sales taxes	9,747,838	2,857,475	-	-	-	-	-	12,605,313	13,338,585
Other taxes	2,269,567	35,014	-	-	-	-	283,329	2,587,910	2,744,078
Licenses, permits and fees.....	137,838	303,336	-	-	-	-	-	441,174	499,309
Intergovernmental:									
Unrestricted:									
State taxes	1,215,814	91,056	-	-	-	-	-	1,306,870	1,383,586
Restricted:									
Federal Grants	2,260	79,359	-	-	-	-	947,540	1,029,159	987,455
State Grants	216,022	29,612	-	71,312	-	2,765,607	-	3,082,553	73,672
U.S.D.A. revenues.....	-	-	-	-	-	-	574,105	574,105	839,843
Other state revenues	142,982	8,917,140	-	-	-	-	181,190	9,241,312	8,809,479
Other local revenues.....	1,501,040	46,642	-	-	-	-	-	1,547,682	925,765
Charges for services	687,487	-	-	-	-	-	656,894	1,344,381	1,275,152
Fines, forfeitures and costs.....	485,975	-	-	-	-	-	117,469	603,444	590,061
Property Rental.....	193,056	-	-	-	-	-	-	193,056	145,138
Investment Income	32,105	966	142,210	3,169	-	3,889	3,398	185,737	26,390
Miscellaneous revenue	203,331	197,472	-	-	28,710	-	-	429,513	405,023
Total Revenues	<u>23,029,835</u>	<u>20,639,237</u>	<u>142,210</u>	<u>74,481</u>	<u>28,710</u>	<u>2,769,496</u>	<u>2,763,925</u>	<u>49,447,894</u>	<u>46,341,174</u>
Expenditures:									
Current:									
General government.....	2,734,496	-	-	-	-	-	-	2,734,496	2,864,149
Public Safety	9,640,735	-	-	-	-	-	-	9,640,735	9,596,090
Public Works	4,752,762	-	-	149,770	-	24,856	430,180	5,357,568	4,670,404
Education	-	20,719,219	-	-	66,338	-	2,071,040	22,856,597	21,790,764
Recreation and Culture.....	626,907	-	-	-	-	-	190	627,097	873,137
Community Development	1,292,190	-	-	-	-	-	-	1,292,190	1,123,627
Other – Building	51,442	-	-	-	-	-	-	51,442	-
Capital Outlay/Capital Assets	229,142	343,032	-	469,211	-	9,885,324	654,739	11,581,448	2,742,568
Debt Service:									
Principal Retirement	-	-	3,125,000	-	-	-	-	3,125,000	2,770,000
Interest and Fiscal Charges ...	-	-	2,095,576	-	-	-	-	2,095,576	1,989,192
Total Expenditures	<u>19,327,674</u>	<u>21,062,251</u>	<u>5,220,576</u>	<u>618,981</u>	<u>66,338</u>	<u>9,910,180</u>	<u>3,156,149</u>	<u>59,362,149</u>	<u>48,419,931</u>
Excess (Deficiency) of Revenues									
Over (Under) Expenditures	<u>3,702,161</u>	<u>(423,014)</u>	<u>(5,078,366)</u>	<u>(544,500)</u>	<u>(37,628)</u>	<u>(7,140,684)</u>	<u>(392,224)</u>	<u>(9,914,255)</u>	<u>(2,078,757)</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<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 Funds</u>	<u>Total Governmental Funds</u>	
								<u>2018</u>	<u>2017</u>
Other Financing Sources (Uses):									
Transfers to other funds	(5,870,000)	(55,000)	-		-	(460,000)	-	(6,385,000)	(7,735,888)
Transfer from other funds	55,000	170,000	5,500,000	460,000	-	-	200,000	6,385,000	7,735,888
Transfer from business-type activities in-lieu of tax.....	1,844,322	-	-	-	-	-	-	1,844,322	1,899,929
Transfer from Internal Service Funds.....	-	-	-	-	-	-	-	-	55,089
Issuance of debt.....	-	-	-	-	-	5,285,000	1,630,000	6,915,000	9,995,000
Bond premium	-	-	-	-	-	51,035	15,740	66,775	-
Underwriter's discount.....	-	-	-	-	-	(40,055)	-	(40,055)	-
Cost of Issuance	-	-	-	-	-	(49,009)	-	(49,009)	-
Total Other Financing Sources (Uses)	<u>3,970,678</u>	<u>115,000</u>	<u>5,500,000</u>	<u>460,000</u>	<u>-</u>	<u>4,786,971</u>	<u>1,845,740</u>	<u>8,737,033</u>	<u>11,950,018</u>
Net Change in Fund Balance.....	(268,517)	(308,014)	421,634	(84,500)	(37,628)	(2,353,713)	1,453,516	(1,177,222)	9,871,261
Fund Balance, July 1 st , Beginning of Year	<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>
Fund Balance, June 30th	<u>\$ 8,307,183</u>	<u>\$ 913,959</u>	<u>\$ 1,181,483</u>	<u>\$ 1,197,415</u>	<u>\$ 97,661</u>	<u>\$ 8,477,332</u>	<u>\$ 2,975,569</u>	<u>\$ 23,150,592</u>	<u>\$ 24,327,814</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Net Change in Fund Balances – Total Governmental Funds:	\$ (1,177,222)	\$ 9,871,261
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>2018</u>	<u>2017</u>
Capital Outlay	\$11,581,448	\$ 2,742,568
Depreciation	<u>(3,900,622)</u>	<u>(4,023,655)</u>
	<u>\$ 7,680,826</u>	<u>\$ (1,281,087)</u>
	7,680,826	(1,281,087)
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>2018</u>	<u>2017</u>
New Leases	\$ -	\$ -
Payments	<u>(339,200)</u>	<u>(1,593,576)</u>
	<u>\$ (339,200)</u>	<u>\$ (1,593,576)</u>
	339,200	1,593,576
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>2018</u>	<u>2017</u>
Bonds issued	\$ 6,915,000	\$ 9,995,000
Retired	<u>(3,125,000)</u>	<u>(3,080,000)</u>
	<u>\$ 3,790,000</u>	<u>\$ 6,915,000</u>
	(3,790,000)	(6,915,000)
4) The net revenues (expenditures) of internal service funds activities are reported with governmental activities.		
	(127,310)	92,085
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	(1,146,127)	-
b. Unfunded Pension obligation	1,549,966	3,426,512
c. Change in compensated absences	<u>122,288</u>	<u>66,831</u>
Changes in Net Position of Governmental Activities	<u>\$ 3,451,621</u>	<u>\$ 6,854,178</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, 2018
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017**

	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2017 Actual</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Taxes	\$ 19,715,215	\$ 19,407,215	\$ 18,211,925	\$ (1,195,290)	\$ 19,346,401
Licenses and permits	62,650	62,650	137,838	75,188	173,783
Fines and forfeits	619,000	619,000	486,244	(132,756)	569,889
Intergovernmental.....	2,154,120	2,154,120	2,342,637	188,517	2,193,587
Interest earned	5,000	5,000	32,105	27,105	8,470
Public works, labor and material	511,000	511,000	461,371	(49,629)	468,202
Miscellaneous	20,000	20,000	20,950	950	18,649
Property rental	146,910	146,910	193,056	46,146	145,138
Department services	155,350	155,350	192,785	37,435	156,609
Fees development	16,500	16,500	33,331	16,831	23,396
Insurance refunds.....	6,500	6,500	111,110	104,610	36,286
Sale of property/equipment	25,000	583,000	646,440	63,440	23,283
Special events	-	-	175	175	150
Private grants.....	22,500	22,500	6,800	(15,700)	12,625
Disaster recovery	-	-	3,493	3,493	-
TML Grants.....	-	-	6,375	6,375	9,777
Fire prevention training	-	-	2,625	2,625	1,125
City Development proceeds.....	-	-	205,320	205,320	-
Contributions and donations – business ..	<u>6,600</u>	<u>6,600</u>	<u>65,153</u>	<u>58,553</u>	<u>6,887</u>
 Total Revenues	 <u>23,466,345</u>	 <u>23,716,345</u>	 <u>23,159,733</u>	 <u>(556,612)</u>	 <u>23,194,257</u>
EXPENDITURES:					
General government	2,979,075	2,979,075	2,450,228	528,847	2,864,149
Public works	4,970,860	4,970,860	4,847,816	123,044	4,350,502
Public safety – Police	6,038,230	6,038,230	5,754,073	284,157	5,749,400
Public safety – Fire.....	4,119,200	4,119,200	3,895,783	223,417	3,843,483
Contributions and grants to other agencies	<u>2,073,595</u>	<u>2,072,095</u>	<u>2,173,690</u>	<u>(101,595)</u>	<u>1,734,384</u>
 Total Expenditures.....	 <u>20,180,960</u>	 <u>20,179,460</u>	 <u>19,121,590</u>	 <u>1,057,870</u>	 <u>18,541,918</u>
Excess of Revenues Over					
Expenditures	<u>3,285,385</u>	<u>3,536,885</u>	<u>4,038,143</u>	<u>501,258</u>	<u>4,652,339</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2017 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	1,936,000	1,936,000	1,844,322	(91,678)	1,899,929
Fringe benefits – Retirement.....	-	(200,000)	-	200,000	-
Debt Service Fund.....	(5,500,000)	(5,500,000)	(5,500,000)	-	(4,500,000)
Education Fund	(170,000)	(170,000)	(170,000)	-	55,000
Capital Projects	(200,000)	(200,000)	(200,000)	-	-
Education – ADA Consulting	-	(50,000)	(50,003)	(3)	-
Demo Utility Building	-	(1,500)	(1,438)	62	-
Total Other Financing Sources (Uses)	<u>(3,934,000)</u>	<u>(4,185,500)</u>	<u>(4,077,119)</u>	<u>108,381</u>	<u>(2,545,071)</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses.....	(648,615)	(648,615)	(38,976)	609,639	2,107,268
FUND BALANCE AT BEGINNING OF YEAR	<u>8,575,690</u>	<u>8,575,690</u>	<u>8,575,690</u>	<u>-</u>	<u>6,468,422</u>
FUND BALANCE AT END OF YEAR	<u>\$ 7,927,075</u>	<u>\$ 7,927,075</u>	<u>\$ 8,536,714</u>	<u>\$ 609,639</u>	<u>\$ 8,575,690</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2017 Actual</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Taxes	\$ 8,104,000	\$ 8,188,000	\$ 8,116,179	\$ (71,821)	\$ 8,032,541
Miscellaneous.....	3,261,900	3,428,900	3,496,947	68,047	3,377,574
Revenue from other agencies	<u>8,644,100</u>	<u>8,977,100</u>	<u>9,026,111</u>	<u>49,011</u>	<u>8,330,182</u>
Total Revenues.....	<u>20,010,000</u>	<u>20,594,000</u>	<u>20,639,237</u>	<u>45,237</u>	<u>19,740,297</u>
Expenditures:					
Instruction/Elementary/Secondary	10,750,511	10,821,211	10,819,950	1,261	10,290,031
Special education.....	1,548,839	1,473,593	1,469,779	3,814	1,456,919
Vocational education.....	448,871	597,671	598,492	(821)	453,375
Health services	257,317	279,517	279,457	60	224,557
Other student support	588,264	601,264	545,025	56,239	536,082
Instruction – Regular.....	582,283	540,229	539,587	642	524,491
Technology.....	599,710	592,910	590,234	2,676	604,906
Board of Education.....	343,374	597,374	596,965	409	368,877
Office of the Director	168,005	160,005	159,486	519	151,866
Office of Principals	1,517,906	1,531,806	1,531,226	580	1,387,478
Fiscal services	165,248	173,748	172,931	817	163,550
Human services	182,084	188,584	185,401	3,183	191,682
Operation of plant.....	1,672,596	1,684,096	1,683,561	535	1,654,372
Maintenance of plant.....	791,751	1,062,751	1,061,825	926	1,032,625
Transportation	326,684	304,684	302,529	2,155	255,981
Food services.....	650	650	1,036	(386)	789
Family Resource Center	75,233	73,233	72,787	446	67,738
Lottery Pre-K.....	221,674	245,174	244,309	865	239,958
Capital outlay	<u>20,000</u>	<u>210,000</u>	<u>207,671</u>	<u>2,329</u>	<u>42,495</u>
Total Expenditures	<u>20,261,000</u>	<u>21,138,500</u>	<u>21,062,251</u>	<u>76,249</u>	<u>19,647,772</u>
Excess (Deficiency) of Revenues Over Expenditures.....	<u>(251,000)</u>	<u>(544,500)</u>	<u>(423,014)</u>	<u>121,486</u>	<u>92,525</u>
Other Financing Sources (Uses):					
Transfer to City OPEB Fund.....	-	-	(55,000)	(55,000)	(55,000)
Transfer from General Fund.....	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses).....	<u>170,000</u>	<u>170,000</u>	<u>115,000</u>	<u>(55,000)</u>	<u>(55,000)</u>
Net Changes in Fund Balance	(81,000)	(374,500)	(308,014)	66,486	37,525
Fund Balance at Beginning of Year	<u>1,221,973</u>	<u>1,221,973</u>	<u>1,221,973</u>	<u>-</u>	<u>1,184,448</u>
Fund Balance at End of Year	<u>\$ 1,140,973</u>	<u>\$ 847,473</u>	<u>\$ 913,959</u>	<u>\$ 66,486</u>	<u>\$ 1,221,973</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2018
 With Comparative Totals at June 30, 2017**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2018</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>2017 Total</u>	<u>2018</u>	<u>2017</u>
ASSETS								
Current Assets:								
Cash in bank/Certificate of deposit	\$ 709,730	\$ 6,112,912	\$ 6,803,208	\$ 1,619,638	\$ 15,245,488	\$ 12,763,983	\$ 2,193,066	\$ 2,273,310
Accounts receivable – Net.....	108,869	1,325,503	6,805,086	409,427	8,648,885	7,413,214	-	-
Accrued interest.....	-	9,186	-	27,590	36,776	9,856	-	-
Inventory	-	1,240,530	994,519	-	2,235,049	1,779,395	-	-
Prepaid TVA Power Invoice Program.....	-	-	<u>4,027,038</u>	-	<u>4,027,038</u>	<u>3,759,675</u>	-	-
Total Current Assets.....	<u>818,599</u>	<u>8,688,131</u>	<u>18,629,851</u>	<u>2,056,655</u>	<u>30,193,236</u>	<u>25,726,123</u>	<u>2,193,066</u>	<u>2,273,310</u>
NonCurrent Assets:								
Capital Assets:								
Nondepreciable:								
Land and easements.....	-	1,194,236	1,260,996	1,218,873	3,674,105	3,385,093	-	-
Construction in progress.....	29,988	368,998	2,292,903	-	2,691,889	2,593,901	-	-
Plant and equipment – depreciable.....	884,596	88,765,539	88,038,185	14,183,877	191,872,197	187,934,887	-	-
Accumulated depreciation.....	<u>(521,907)</u>	<u>(30,982,435)</u>	<u>(39,228,843)</u>	<u>(10,428,142)</u>	<u>(81,161,327)</u>	<u>(77,326,464)</u>	-	-
Net Capital Assets.....	<u>392,677</u>	<u>59,346,338</u>	<u>52,363,241</u>	<u>4,974,608</u>	<u>117,076,864</u>	<u>116,587,417</u>	-	-
Other NonCurrent Assets:								
Receivables from customers for conservation loans/back utilities.....	-	-	1,135,284	-	1,135,284	1,593,743	-	-
Cash in bank – Restricted.....	-	-	-	5,435,688	5,435,688	4,825,364	-	-
Investments – Certificates of deposits - restricted for construction.....	-	-	-	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	-	-
Total Other NonCurrent Assets.....	-	-	<u>1,135,284</u>	<u>10,435,688</u>	<u>11,570,972</u>	<u>11,419,107</u>	-	-
Total NonCurrent Assets	<u>392,677</u>	<u>59,346,338</u>	<u>53,498,525</u>	<u>15,410,296</u>	<u>128,647,836</u>	<u>128,006,524</u>	-	-
TOTAL ASSETS	<u>1,211,276</u>	<u>68,034,469</u>	<u>72,128,376</u>	<u>17,466,951</u>	<u>158,841,072</u>	<u>153,732,647</u>	<u>2,193,066</u>	<u>2,273,310</u>
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred state regulatory charges	-	255,401	343,026	-	598,427	647,816	-	-
Pension deferrals	164,888	1,018,706	1,672,386	391,218	3,247,198	1,582,656	-	-
Deferred amount on refunding	-	487,600	-	-	487,600	508,800	-	-
Accumulated change in fair value of hedging derivatives.....	-	<u>1,864,167</u>	-	<u>2,534,497</u>	<u>4,398,664</u>	<u>5,152,665</u>	-	-
Total Deferred Outflows of Resources....	<u>164,888</u>	<u>3,625,874</u>	<u>2,015,412</u>	<u>2,925,715</u>	<u>8,731,889</u>	<u>7,891,937</u>	-	-

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (Continued)
 June 30, 2018
 With Comparative Totals at June 30, 2017**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	2018					<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>2017 Total</u>	<u>2018</u>	<u>2017</u>
LIABILITIES								
Current Liabilities:								
Accounts payable.....	21,722	714,714	11,441,670	75,446	12,253,552	10,692,704	-	27,742
Medical claims payable.....	-	-	-	-	-	-	548,855	474,047
Other accrued payables.....	19,370	114,619	572,825	38,191	745,005	648,057	-	-
Bonds payable – current.....	-	1,260,000	895,000	855,000	3,010,000	2,630,000	-	-
Customer deposits.....	-	-	2,341,168	-	2,341,168	2,042,066	-	-
Compensated absences.....	40,542	174,094	319,542	54,946	589,124	564,424	-	-
Revolving loan payable – current	-	171,768	-	-	171,768	166,032	-	-
Bond premium	-	191,644	-	-	191,644	-	-	-
Capital outlay note.....	-	-	-	90,122	90,122	80,669	-	-
Total Current Liabilities.....	<u>81,634</u>	<u>2,626,839</u>	<u>15,570,205</u>	<u>1,113,705</u>	<u>19,392,383</u>	<u>16,823,952</u>	<u>548,855</u>	<u>501,789</u>
Long-Term Liabilities:								
Compensated absences.....	-	43,524	39,224	13,737	96,485	124,371	-	-
Bonds payable.....	-	43,120,000	14,215,000	2,290,000	59,625,000	59,575,000	-	-
Estimated liability for Landfill closure and postclosure care costs.....	-	-	-	10,433,430	10,433,430	9,783,900	-	-
Revolving loan payable.....	-	2,900,401	-	-	2,900,401	3,072,169	-	-
Advances – TVA Conservation Loans.....	-	-	1,280,780	-	1,280,780	1,723,770	-	-
Unearned Credits	-	-	294,399	-	294,399	224,266	-	-
Derivatives – Interest Rate Swap	-	1,864,167	-	2,534,497	4,398,664	5,152,665	-	-
Net pension liability	164,349	1,914,564	4,082,229	659,578	6,820,720	1,329,625	-	-
Other post-employment benefit liability	211,630	657,167	1,431,288	439,968	2,740,053	-	-	-
Capital outlay note.....	-	-	-	38,161	38,161	135,705	-	-
Total Long-Term Liabilities.....	<u>375,979</u>	<u>50,499,823</u>	<u>21,342,920</u>	<u>16,409,371</u>	<u>88,628,093</u>	<u>81,121,471</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>457,613</u>	<u>53,126,662</u>	<u>36,913,125</u>	<u>17,523,076</u>	<u>108,020,476</u>	<u>97,945,423</u>	<u>548,855</u>	<u>501,789</u>
DEFERRED INFLOWS OF RESOURCES								
Pension deferrals.....	16,131	135,086	142,909	42,304	336,430	22,148	-	-
Bond deferral	-	-	-	66,667	66,667	83,333	-	-
Total Deferred Inflows of Resources ...	<u>16,131</u>	<u>135,086</u>	<u>142,909</u>	<u>108,971</u>	<u>403,097</u>	<u>105,481</u>	<u>-</u>	<u>-</u>
NET POSITION:								
Unrestricted.....	509,743	6,230,399	30,116	(174,264)	6,595,994	10,254,121	1,644,211	1,771,521
Restricted for property acquisitions	-	-	-	1,300,187	1,300,187	1,281,411	-	-
Net investment in capital assets	<u>392,677</u>	<u>12,168,196</u>	<u>37,057,638</u>	<u>1,634,696</u>	<u>51,253,207</u>	<u>52,038,148</u>	<u>-</u>	<u>-</u>
TOTAL NET POSITION.....	<u>\$ 902,420</u>	<u>\$ 18,398,595</u>	<u>\$ 37,087,754</u>	<u>\$ 2,760,619</u>	<u>\$ 59,149,388</u>	<u>\$ 63,573,680</u>	<u>\$ 1,644,211</u>	<u>\$ 1,771,521</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, 2018
 With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2018</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>2017 Total</u>	<u>2018</u>	<u>2017</u>
Operating Revenues:								
Charges for services.....	\$ 1,304,463	\$ 13,906,601	\$ 66,009,416	\$ 4,365,264	\$ 85,585,744	\$ 82,697,110	\$ 6,673,995	\$ 5,860,785
Forfeited discounts.....	-	-	449,333	-	449,333	437,166	-	-
Miscellaneous revenues.....	-	22,224	1,041,178	-	1,063,402	1,107,149	-	-
Total Operating Revenues.....	<u>1,304,463</u>	<u>13,928,825</u>	<u>67,499,927</u>	<u>4,365,264</u>	<u>87,098,479</u>	<u>84,241,425</u>	<u>6,673,995</u>	<u>5,860,785</u>
Operating Expenses:								
Medical claims paid.....	-	-	-	-	-	-	5,119,241	4,128,873
Insurance premiums/administration.....	-	-	-	-	-	-	1,682,788	1,584,740
Administrative.....	345,642	874,384	3,312,788	393,922	4,926,736	4,751,526	-	-
Accounting and collections.....	-	947,906	-	-	947,906	910,502	-	-
Supervision.....	-	382,320	-	-	382,320	366,522	-	-
Water plant operation.....	-	1,544,152	-	-	1,544,152	1,500,703	-	-
Distribution and transmission.....	-	943,308	1,362,118	-	2,305,426	2,512,260	-	-
Meter reading and repair.....	-	287,713	-	-	287,713	302,570	-	-
Water maintenance.....	-	273,786	-	-	273,786	274,269	-	-
Sewage collection/disposal/pumping.....	-	2,690,292	-	-	2,690,292	2,869,392	-	-
Customer accounts.....	-	-	1,418,197	-	1,418,197	1,452,413	-	-
Purchased power.....	-	-	52,272,561	-	52,272,561	51,209,143	-	-
Landfill operation.....	-	-	-	2,462,377	2,462,377	2,530,839	-	-
Environmental compliance.....	-	104,274	-	176,502	280,776	229,328	-	-
Depreciation.....	75,763	2,514,820	3,010,594	739,558	6,340,735	6,351,148	-	-
Operations and maintenance.....	551,467	-	2,826,383	-	3,377,850	2,590,806	-	-
Street cleaning.....	105,219	-	-	-	105,219	102,956	-	-
Special projects.....	-	-	-	-	-	22,573	-	-
Total Operating Expenses.....	<u>1,078,091</u>	<u>10,562,955</u>	<u>64,202,641</u>	<u>3,772,359</u>	<u>79,616,046</u>	<u>77,976,950</u>	<u>6,802,029</u>	<u>5,713,613</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2018</u>					<u>Internal Service Funds</u>		
	<u>Stormwater</u> <u>Utility</u>	<u>Water/</u> <u>Sewer</u> <u>Utility</u>	<u>Electric</u> <u>Utility</u>	<u>Landfill</u>	<u>Total</u>	<u>2017</u> <u>Total</u>	<u>2018</u>	<u>2017</u>
Operating Income	226,372	3,365,870	3,297,286	592,905	7,482,433	6,264,475	(128,034)	147,174
Other Income (Expense):								
Grant	-	121,293	-	26,303	147,596	127,253	-	-
Other income (expense)	-	(41,242)	2,258	65,832	26,848	(98,430)	-	-
Amortization expense	-	(44,202)	(26,387)	-	(70,589)	(76,835)	-	-
Interest expense	-	(1,429,986)	(300,587)	(91,445)	(1,822,018)	(1,449,372)	724	-
Interest income	2,356	22,059	23,786	8,921	57,122	31,189	-	-
Total Other Income (Expense)	<u>2,356</u>	<u>(1,372,078)</u>	<u>(300,930)</u>	<u>9,611</u>	<u>(1,661,041)</u>	<u>(1,466,195)</u>	<u>724</u>	<u>-</u>
Net Income Before Contributions and Transfers	228,728	1,993,792	2,996,356	602,516	5,821,392	4,798,280	(127,310)	147,174
Transfers In (Out)	-	-	-	-	-	-	-	(55,089)
Capital Contributions	-	540,608	-	-	540,608	178,450	-	-
Payments in Lieu of Taxes	-	(400,000)	(1,444,322)	-	(1,844,322)	(1,899,929)	-	-
Change in Net Position	<u>228,728</u>	<u>2,134,400</u>	<u>1,552,034</u>	<u>602,516</u>	<u>4,517,678</u>	<u>3,076,801</u>	<u>(127,310)</u>	<u>92,085</u>
Net Position – Beginning, as previously reported	952,437	19,590,118	40,022,422	3,008,703	63,573,680	59,952,708	1,771,521	1,679,436
Prior period adjustment (Note 20)	<u>(278,745)</u>	<u>(3,325,923)</u>	<u>(4,486,702)</u>	<u>(850,600)</u>	<u>(8,941,970)</u>	<u>544,171</u>	<u>-</u>	<u>-</u>
Net Position – Beginning, as restated	<u>673,692</u>	<u>16,264,195</u>	<u>35,535,720</u>	<u>2,158,103</u>	<u>54,631,710</u>	<u>60,496,879</u>	<u>1,771,521</u>	<u>1,679,436</u>
Net Position – Ending	<u>\$ 902,420</u>	<u>\$ 18,398,595</u>	<u>\$ 37,087,754</u>	<u>\$ 2,760,619</u>	<u>\$ 59,149,388</u>	<u>\$ 63,573,680</u>	<u>\$ 1,644,211</u>	<u>\$ 1,771,521</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2018</u>					<u>Internal Service Funds</u>		
	<u>Stormwater</u> <u>Utility</u>	<u>Water/</u> <u>Sewer</u> <u>Utility</u>	<u>Electric</u> <u>Utility</u>	<u>Landfill</u>	<u>Total</u>	<u>2017</u> <u>Total</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers/employees' insurance.....	\$ 1,304,024	\$13,336,827	\$65,888,718	\$ 4,583,302	\$85,112,871	\$84,631,112	\$ 6,673,995	\$ 5,810,596
Cash payments to suppliers for goods and services/ medical claims	(593,763)	(5,106,499)	(55,617,121)	(2,097,195)	(63,414,578)	(64,932,255)	(6,754,963)	(5,627,111)
Cash payments to employees for services.....	(373,553)	(2,643,138)	(4,105,580)	(1,046,185)	(8,168,456)	(6,928,830)	-	-
Net Cash Flows From Operating Activities	<u>336,708</u>	<u>5,587,190</u>	<u>6,166,017</u>	<u>1,439,922</u>	<u>13,529,837</u>	<u>12,770,027</u>	<u>(80,968)</u>	<u>183,485</u>
CASH FLOWS FROM NON-CAPITAL								
FINANCING ACTIVITIES:								
Transfers out – in lieu of taxes.....	-	(400,000)	(1,444,322)	-	(1,844,322)	(1,899,929)	-	-
Closure/postclosure payments	-	-	-	649,530	649,530	565,102	-	-
Receipts from other funds.....	-	-	-	-	-	-	65,000	-
Pension deferrals.....	(49,393)	(22,723)	(380,669)	(23,495)	(476,280)	(340,656)	-	-
Bond deferral	-	-	-	(16,666)	(16,666)	(16,667)	-	-
OPEB Deferrals	-	-	(16,657)	-	(16,657)	-	-	-
Payments to other funds.....	-	-	-	-	-	-	(65,000)	(55,089)
Net Cash Flows From Non-Capital Financing Activities	<u>(49,393)</u>	<u>(422,723)</u>	<u>(1,841,648)</u>	<u>609,369</u>	<u>1,704,395</u>	<u>(1,692,150)</u>	<u>-</u>	<u>(55,089)</u>
CASH FLOWS FROM CAPITAL AND RELATED								
FINANCING ACTIVITIES:								
Advances from TVA.....	-	-	105,361	-	105,361	237,110	-	-
Utility plant removal costs	-	4,328	47,181	-	51,509	34,776	-	-
Principal paid on bonds/notes/capital leases/revolving loan	-	(1,136,032)	(840,000)	(908,091)	(2,884,123)	(2,746,116)	-	-
Interest paid on bonds/notes/capital leases/revolving loan ...	-	(1,429,986)	(300,587)	(91,445)	(1,822,018)	(1,449,372)	-	-
Customer deposits received	-	-	757,080	-	757,080	539,720	-	-
Customer deposits refunded.....	-	-	(457,978)	-	(457,978)	(378,517)	-	-
Repayments of advances.....	-	-	(548,351)	-	(548,351)	(610,566)	-	-
Deferred credits	-	-	70,133	-	70,133	51,724	-	-
Merchandizing, jobbing, and contract work revenue	-	-	-	-	-	(155,041)	-	-
Collection on conservation loans	-	-	901,274	-	901,274	929,239	-	-
Payments for acquisition and construction of capital assets ..	(260,068)	(4,909,686)	(2,522,008)	(555,587)	(8,247,349)	(5,413,161)	-	-
Additional long-term bond/capital outlay notes/ revolving loans	-	3,060,000	-	-	3,060,000	266,990	-	-
Acquisition of conservation loans.....	-	-	(442,815)	-	(442,815)	(544,286)	-	-
Grant proceeds.....	-	-	-	26,303	26,303	126,015	-	-
Service fees.....	-	-	-	-	-	-	-	-
Other revenue (expense).....	-	75,723	2,258	65,832	143,813	(40,516)	-	-
Contributions in aid of construction.....	-	540,608	-	-	540,608	182,020	-	-
Amortization.....	-	(44,202)	-	-	(44,202)	(15,194)	-	-
Net Cash Flows From Capital and Related Financing Activities.....	<u>(260,068)</u>	<u>(3,839,247)</u>	<u>(3,228,452)</u>	<u>(1,462,988)</u>	<u>(8,790,755)</u>	<u>(8,985,175)</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, 2018
 With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2018</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>2017 Total</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of investment securities	-	-	-	(2,633,963)	(2,633,963)	(3,597,221)	-	-
Proceeds from sale and maturities of investment Securities	-	-	-	2,023,639	2,023,639	4,023,118	-	-
Interest and dividends on investments	<u>2,356</u>	<u>22,059</u>	<u>23,786</u>	<u>8,921</u>	<u>57,122</u>	<u>31,189</u>	<u>724</u>	<u>-</u>
Net Cash Flows From Investing Activities ..	<u>2,356</u>	<u>22,059</u>	<u>23,786</u>	<u>(601,403)</u>	<u>(553,202)</u>	<u>457,086</u>	<u>724</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,603	1,347,279	1,119,703	(15,100)	2,481,485	2,549,788	(80,244)	128,396
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>680,127</u>	<u>3,756,350</u>	<u>5,683,505</u>	<u>1,634,738</u>	<u>11,754,720</u>	<u>9,204,912</u>	<u>2,273,310</u>	<u>2,144,914</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 709,730</u>	<u>\$ 5,103,629</u>	<u>\$ 6,803,208</u>	<u>\$ 1,619,638</u>	<u>\$ 14,236,205</u>	<u>\$11,754,700</u>	<u>\$ 2,193,066</u>	<u>\$ 2,273,310</u>
Reconciliation of Operating Income to Net Cash Flows Provided by (Used) in Operating Activities:								
Operating Income (loss)	<u>226,372</u>	<u>3,365,870</u>	<u>3,297,286</u>	<u>592,905</u>	<u>7,482,433</u>	<u>\$ 6,264,475</u>	<u>\$ (128,034)</u>	<u>\$ 147,174</u>
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	75,763	2,514,820	3,010,594	739,558	6,340,735	6,351,149	-	-
Bond Refunding	-	-	-	-	-	21,200	-	-
Changes in assets and liabilities:								
Accounts receivable	(439)	(176,314)	(1,142,822)	235,772	(1,083,803)	399,214	-	-
Prepaid expenses	-	-	(267,363)	-	(267,363)	(293,407)	-	-
Inventory	-	(389,152)	(66,502)	-	(455,654)	(358,282)	-	-
Other receivables	-	(8,550)	(134,522)	(17,734)	(160,806)	(10,000)	-	-
Accounts payable	10,559	208,308	1,373,601	(31,620)	1,560,848	(196,096)	47,066	36,311
Other liabilities	23,110	61,437	159,930	(49,101)	195,376	96,944	-	-
Accrued payroll	(1,091)	14,728	(73,271)	(1,127)	(60,761)	111,633	-	-
Due from other funds	-	(17,982)	-	-	(17,982)	652,162	-	-
Compensated absences	2,434	14,025	9,086	(28,731)	(3,186)	(268,965)	-	-
Total Adjustments	<u>110,336</u>	<u>2,221,320</u>	<u>2,868,731</u>	<u>847,017</u>	<u>6,047,404</u>	<u>6,505,552</u>	<u>47,066</u>	<u>36,311</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 336,708</u>	<u>\$ 5,587,190</u>	<u>\$ 6,166,017</u>	<u>\$ 1,439,922</u>	<u>\$ 13,529,837</u>	<u>\$12,770,027</u>	<u>\$ (80,968)</u>	<u>\$ 183,485</u>

(Continued)

**CITY OF ALCOA, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (Continued)
 For the Fiscal Year Ended June 30, 2018
 With Comparative Totals for the Fiscal Year Ended June 30, 2017**

(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	\$ 709,730	\$ -	\$ 709,730
Water/Sewer Utility	5,103,629	-	5,103,629
Electric Utility	6,759,380	43,828	6,803,208
Landfill	<u>1,619,138</u>	<u>-</u>	<u>1,619,138</u>
Totals.....	<u>\$ 14,191,877</u>	<u>\$ 43,828</u>	<u>\$ 14,235,705</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS:		
Investments in Tennessee Retirement Group Trust (Note 8A).....	\$ <u>26,004,114</u>	\$ <u>25,338,933</u>
Deferred Outflows of Resources		
LIABILITIES:		
Deferred Inflows of Resources	_____ -	_____ -
NET POSITION:		
Net Position Restricted for Pensions	_____ 26,004,114	_____ 25,338,933
Total Net Position	\$ <u>26,004,114</u>	\$ <u>25,338,933</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>2018</u>	<u>2017</u>
Additions:		
Employer contributions	\$ 1,554,021	\$ 2,132,867
Interest and dividend income	<u>2,095,876</u>	<u>2,659,255</u>
Total Additions	<u>3,649,897</u>	<u>4,792,122</u>
Deductions:		
Benefit payments	2,925,221	2,970,636
Administrative expenses	<u>59,495</u>	<u>66,592</u>
Total Deductions	<u>2,984,716</u>	<u>3,037,228</u>
Change in Net Position	665,181	1,754,894
Net Position – Beginning of Year	<u>25,338,933</u>	<u>23,584,039</u>
Net Position – End of Year	<u>\$ 26,004,114</u>	<u>\$ 25,338,933</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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	\$ 7,317,034	\$ 1,700	\$ 7,318,734
Special Revenue Funds:			
State Street Aid Fund	859,581	-	859,581
Education Fund	156,744	589,696	746,440
Cafeteria Fund	-	59,755	59,755
Extended Day Program Fund	331,292	2,272	333,564
Drug Control Fund	126,964	-	126,964
Commercial Vehicle Fines Fund.....	4,668	-	4,668
Total Special Revenue Funds	<u>1,479,249</u>	<u>651,723</u>	<u>2,130,972</u>
Debt Service Fund	<u>1,289,550</u>	-	<u>1,289,550</u>
Capital Projects Funds:			
Capital Projects Fund	83,677	-	83,677
Alcoa High School Construction Fund	195	-	195
West Plant Construction Fund	218,252	-	218,252
Equipment Replacement Fund	265,988	-	265,988
General Obligation Public Works	395,049	-	395,049
Landscaping Fund	82,581	-	82,581
Home Grant Fund.....	1,039	-	1,039
Legacy Fund.....	97,661	-	97,661
Total Capital Projects Funds	<u>1,144,442</u>	-	<u>1,144,442</u>
Internal Service Funds:			
Employees' Insurance Fund	-	987,736	987,736
Flexible Spending Fund	3,009	-	3,009
Service Center	321	-	321
City OPEB Fund	587,000	-	587,000
School OPEB Fund	615,000	-	615,000
Total Internal Service Funds	<u>1,205,330</u>	<u>987,736</u>	<u>2,193,066</u>
Total Governmental Funds.....	<u>12,435,605</u>	<u>1,641,159</u>	<u>14,076,764</u>
Proprietary Funds:			
Water and Sewer Utility Fund.....	5,103,629	1,009,283	6,112,912
Electric Utility Fund.....	-	6,803,208	6,803,208
Landfill Fund.....	-	1,619,638	1,619,638
Stormwater Utility Fund	709,730	-	709,730
Total Proprietary Funds.....	<u>5,813,359</u>	<u>9,432,129</u>	<u>15,245,488</u>
TOTAL GOVERNMENT	<u>\$ 18,248,964</u>	<u>\$ 11,073,288</u>	<u>\$ 29,322,252</u>

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018 are as follows:

Electric Utility Fund	\$ 2,956,032
Water and Sewer Utility Fund	<u>1,013,229</u>
Total	<u>\$ 3,969,261</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, 2018**

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, 2018 are as follows:

<u>From:</u>	<u>To:</u>					<u>Totals</u>
	<u>Debt Service</u>	<u>General Fund</u>	<u>Equipment Replacement Fund</u>	<u>GO Public Works</u>	<u>Education</u>	
Governmental Activities:						
General Fund	\$ 5,500,000	\$ -	\$ 200,000	\$ -	\$ 170,000	\$5,870,000
Education Fund	-	55,000	-	-	-	55,000
West Plant Construction Fund	-	-	-	460,000	-	460,000
Subtotal	<u>5,500,000</u>	<u>55,000</u>	<u>200,000</u>	<u>460,000</u>	<u>170,000</u>	<u>6,385,000</u>
Business-type Activities:						
Electric Utility	-	1,444,322	-	-	-	1,444,322
Water/Sewer Utility	-	400,000	-	-	-	400,000
Subtotal	-	<u>1,844,322</u>	-	-	-	<u>1,844,322</u>
Total	<u>\$ 5,500,000</u>	<u>\$1,899,322</u>	<u>\$ 200,000</u>	<u>\$ 460,000</u>	<u>\$ 170,000</u>	<u>\$8,229,322</u>

Interfund receivables/payables (due to/from) at June 30, 2018:

<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
INTERFUND RECEIVABLES:		INTERFUND PAYABLES:	
Alcoa City Schools Cafeteria	\$ 1,529	Education	\$ 1,529
GO Public Works Construction	<u>560,288</u>	West Plant Construction	<u>560,288</u>
	<u>\$ 561,817</u>		<u>\$ 561,817</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, 2018

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, 2018 is \$10,433,430.

(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, 2018

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 and capital assets received in a service concession are reported at acquisition value.

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</u> <u>(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, 2018

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

(R) LONG-TERM OBLIGATIONS

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, 2018 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:

In 2017, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*.

During the year ended June 30, 2018, The City adopted GASB Statement No. 77 *Tax Abatement Disclosures*. For the year ended June 30, 2018, the City of Alcoa has no agreements that abate property taxes.

(U) FUND BALANCE:

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

(U) FUND BALANCE (Continued):

Unassigned fund balances are any amounts other than those described above and are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it might be necessary to report a negative unassigned fund balance in that fund.

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.

(V) PENSIONS:

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.

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.

(W) 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, 2018 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, 2018

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

	Total Governmental <u>Funds</u>	Long-term Assets, <u>Liabilities</u> <u>(1)</u>	Internal Service <u>Funds</u> <u>(2)</u>	Reclassifications and <u>Eliminations</u>	Statement of <u>Net Position</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 653,423	\$ -	\$ -	\$ -	\$ 653,423
Pooled cash	11,230,275	-	2,193,066	-	13,423,341
Investments	10,678,883	-	-	-	10,678,883
Receivables:					
Sales tax receivable	1,917,976	-	-	-	1,917,976
Property Taxes, net.....	10,788,506	-	-	-	10,788,506
Accounts, net.....	1,395,413	-	-	561,817	1,957,230
Prepaid expenses	-	-	-	-	-
Net pension asset.....	-	111,730	-	-	111,730
Due from other governments.....	1,147,399	-	-	-	1,147,399
Due from others.....	561,817	-	-	(561,817)	-
Capital Assets, Net	-	93,470,473	-	-	93,470,473
Capital lease property.....	-	9,894,150	-	-	9,894,150
Total Assets	<u>38,373,692</u>	<u>103,476,353</u>	<u>2,193,066</u>	<u>-</u>	<u>144,043,111</u>
Deferred Outflows of Resources:					
Deferred Outflows – Pensions.....	-	5,504,275	-	-	5,504,275
Deferred Outflows – Change in fair value of swap derivatives.....	<u>-</u>	<u>389,872</u>	<u>-</u>	<u>-</u>	<u>389,872</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>5,894,147</u>	<u>-</u>	<u>-</u>	<u>5,894,147</u>
Liabilities					
Accounts payable	3,398,632	-	548,855	-	3,947,487
Accrued liabilities	531,149	-	-	587	531,736
Unearned grant funds	587	-	-	(587)	-
Unearned revenue.....	756,058	-	-	-	756,058
Long-term debt.....	-	94,654,780	-	-	94,654,780
Internal balances.....	561,817	-	-	-	561,817
Unfunded pension obligation	-	7,256,210	-	-	7,256,210
Unfunded OPEB obligation.....	-	5,212,768	-	-	5,212,768
Derivative – interest rate swap	-	389,872	-	-	389,872
Total Liabilities	<u>5,248,243</u>	<u>107,513,630</u>	<u>548,855</u>	<u>-</u>	<u>113,310,728</u>
Deferred Inflow of Resources:					
Property taxes.....	9,974,857	-	-	-	9,974,857
Deferred Inflows – Pension.....	<u>-</u>	<u>1,910,099</u>	<u>-</u>	<u>-</u>	<u>1,910,099</u>
Total Deferred Inflow of Resources	<u>9,974,857</u>	<u>1,910,099</u>	<u>-</u>	<u>-</u>	<u>11,884,956</u>
Net Position.....	<u>\$ 23,150,592</u>	<u>\$ (53,229)</u>	<u>\$ 1,644,211</u>	<u>\$ -</u>	<u>\$ 24,741,574</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	\$ 158,061,613
Accumulated depreciation	<u>(54,696,990)</u>
	<u>\$ 103,364,623</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	\$ 154,302	\$ 568,512	\$ 722,814
Bonds, Capital improvement notes, loans	3,215,000	83,095,000	86,310,000
Capital lease obligation	357,344	7,264,622	7,621,966
Unfunded Pension Liability	-	7,144,480	7,144,480
Post-employment benefit obligation	<u>-</u>	<u>5,212,768</u>	<u>5,212,768</u>
Total Change to Net Position	<u>\$ 3,726,646</u>	<u>\$ 103,285,382</u>	<u>\$ 107,012,028</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	\$ 5,504,275
Deferred Inflows of Resources	<u>(1,910,099)</u>
Net Change to Net Position	<u>\$ 3,594,176</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	\$ 2,193,066
Accounts payable	<u>(548,855)</u>
Net Position	<u>\$ 1,644,211</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, 2018

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:

	Total Governmental Funds	Capital- Related Items (3)	Long-term Debt Transactions (4)	Internal Service Funds (5)	Reclass- ifications	Statement of Activities
<u>Revenues (Continued)</u>						
Taxes - Property	\$ 14,275,685	\$ -	\$ -	\$ -	\$ -	\$ 14,275,685
Sales taxes	12,605,313	-	-	-	-	12,605,313
Other taxes	2,587,910	-	-	-	(1,822,535)	765,375
Licenses, permits and fees	441,174	-	-	-	-	441,174
Business taxes	-	-	-	-	895,245	895,245
Intergovernmental:						
State sales taxes	1,306,870	-	-	-	-	1,306,870
Federal and state grants	4,111,712	-	-	-	-	4,111,712
USDA revenues	574,105	-	-	-	-	574,105
Other state revenues	9,241,312	-	-	-	(95,807)	9,145,505
Other local revenues	1,547,682	-	-	-	-	1,547,682
Charges for services	1,344,381	-	-	6,673,995	-	8,018,376
Fines, forfeitures, and costs	603,444	-	-	-	-	603,444
Investment income	185,737	-	-	724	-	186,461
Miscellaneous revenue	429,513	-	-	-	(35,014)	394,499
Property rentals	193,056	-	-	-	-	193,056
In-lieu of taxes	-	-	-	-	1,058,111	1,058,111
Total Revenues	<u>49,447,894</u>	<u>-</u>	<u>-</u>	<u>6,674,719</u>	<u>-</u>	<u>56,122,613</u>
<u>Expenditures/Expenses</u>						
Current:						
General government	2,734,496	245,496	(526,127)	6,802,029	22,289	9,278,183
Public safety – Police/Fire	9,640,735	491,650	-	-	-	10,132,385
Public works – Streets	5,357,568	1,104,750	-	-	-	6,462,318
Recreation and Culture	627,097	236,643	-	-	-	863,740
Community development	1,292,190	-	-	-	-	1,292,190
Education	22,856,597	1,822,083	-	-	-	24,678,680
Other Building	51,442	-	-	-	-	51,442
Debt service -						
principal retirement	3,125,000	-	(3,125,000)	-	-	-
Debt service - interest and						
fiscal fees	2,095,576	-	-	-	-	2,095,576
Capital Outlay/lease payments ..	<u>11,581,448</u>	<u>(11,581,448)</u>	<u>(339,200)</u>	<u>-</u>	<u>-</u>	<u>(339,200)</u>
Total Expenditures	<u>59,362,149</u>	<u>(7,680,826)</u>	<u>(3,990,327)</u>	<u>6,802,029</u>	<u>22,289</u>	<u>54,515,314</u>
<u>Other Financing Sources (Uses)</u>						
<u>Changes in Net Position</u>						
Transfers (Out)	(6,385,000)	-	6,385,000	-	-	-
Transfers In	8,229,322	-	(6,385,000)	-	-	1,844,322
Issuance of debt	6,915,000	-	(6,915,000)	-	-	-
Issuance of debt costs	<u>(22,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,289</u>	<u>-</u>
Total Other Financing						
Sources (Uses)/Changes	<u>8,737,033</u>	<u>-</u>	<u>(6,915,000)</u>	<u>-</u>	<u>22,289</u>	<u>1,844,322</u>
Net Change for the Year	<u>\$ (1,177,222)</u>	<u>\$ 7,680,826</u>	<u>\$ (2,924,673)</u>	<u>\$ (127,310)</u>	<u>\$ -</u>	<u>\$ 3,451,621</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	\$ 11,581,448
Depreciation	<u>(3,900,622)</u>
Net Change	<u>\$ 7,680,826</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	\$ 122,288
OPEB Obligation	(1,146,127)
Unfunded pension obligation	<u>1,549,966</u>
	<u>\$ 526,127</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>\$ 3,125,000</u>
Principal payments made on capital lease	<u>\$ 339,200</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>\$ 6,915,000</u>
--------------------------	----------------------------

(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.

\$ (127,310)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018). Fair value is based on quoted market prices.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018:

SUMMARY OF CASH AND INVESTMENTS BY FUNDS:

Fiduciary Funds – Pension Trust	<u>\$ 26,004,114</u>
---------------------------------------	-----------------------------

Statement of Net Position:

Capital Projects Funds – Investments and Local Government Investment Pool	\$ 10,678,883
Enterprise Funds – Restricted Assets.....	10,435,688
Enterprise Funds - Non-restricted Assets	<u>15,245,488</u>
 Total Governmental and Enterprise Funds	 <u>36,360,059</u>

SUMMARY OF CHECKING ACCOUNTS BY FUNDS:

General Fund (includes cash on hand of \$1,700).....	7,318,734
Special Revenue Funds.....	2,130,972
Debt Service Fund	1,289,550
Capital Projects Funds	1,144,442
Internal Service Funds	<u>2,193,066</u>
 Total Checking Accounts By Funds	 <u>14,076,764</u>

**Total Checking/ Certificates of Deposit/Investments/Restricted Cash –
Statement of Net Position**

\$ 50,436,823

Total cash and investments presented on the statement of net position are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Cash Equivalents:			
Investments	\$ 10,678,883	\$ -	\$ 10,678,883
Cash and Certificates of Deposit.....	1,641,159	9,432,129	11,073,288
Restricted Cash/Certificates of Deposit	-	10,435,688	10,435,688
Pooled Cash.....	<u>12,435,605</u>	<u>5,813,359</u>	<u>18,248,964</u>
Total Cash and Investments	<u>\$ 24,755,647</u>	<u>\$ 25,681,176</u>	<u>\$ 50,436,823</u>

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

Cash and certificates of deposit.....	\$ 11,073,288
Pooled Cash.....	18,248,964
Restricted Assets: Cash and certificates of deposit	10,435,688
Investments	<u>10,678,883</u>
Total Cash and Investments.....	<u>\$ 50,436,823</u>

As of June 30, 2018 the City had the following investments and maturities:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 – 5 Years</u>	<u>6 – 10 Years</u>	<u>More Than 10 Years</u>
Investments	<u>\$ 10,678,883</u>	<u>\$ 6,446,972</u>	<u>\$ 4,231,911</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

NOTE 4 – PROPERTY TAX (Continued):

Property taxes levied are recorded as receivables, net of estimated uncollectibles. The taxes collected during the fiscal year 2017-18 and expected to be collected in the subsequent sixty (60) days are recognized as revenues in the fiscal year ended June 30, 2018.

Property taxes for 2018 are recorded (estimated at \$9,974,857) as receivables, since the enforceable legal claim to the asset (2018 taxes) is effective as of January 1, 2018 (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, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer In (Out)</u>	<u>Balance June 30, 2018</u>
Non-depreciable assets:					
Land	\$ 2,197,302	\$ -	\$ -	\$ -	\$ 2,197,302
Depreciable assets:					
Parks & Greenway	4,563,895	124,968	-	-	4,688,863
Accumulated depreciation	(1,405,061)	(115,212)	-	-	(1,520,273)
	<u>3,158,834</u>	<u>9,756</u>	<u>-</u>	<u>-</u>	<u>3,168,590</u>
Buildings	63,783,998	-	(202,558)	-	63,581,440
Accumulated depreciation	(13,937,182)	(1,265,752)	202,558	-	(15,000,376)
	<u>49,846,816</u>	<u>(1,265,752)</u>	<u>-</u>	<u>-</u>	<u>48,581,064</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, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer In (Out)</u>	<u>Balance June 30, 2018</u>
Swimming Pools	1,047,666	-	-	-	1,047,666
Accumulated depreciation	(751,820)	(52,384)	-	-	(804,204)
	<u>295,846</u>	<u>(52,384)</u>	<u>-</u>	<u>-</u>	<u>243,462</u>
Improvements other than buildings	53,029,180	124,832	-	-	53,154,012
Accumulated depreciation	(27,959,502)	(1,688,549)	-	-	(29,648,051)
	<u>25,069,678</u>	<u>(1,563,717)</u>	<u>-</u>	<u>-</u>	<u>23,505,961</u>
Equipment	9,619,917	760,098	(260,989)	-	10,119,026
Accumulated depreciation	(7,206,350)	(778,725)	260,989	-	(7,724,086)
	<u>2,413,567</u>	<u>(18,627)</u>	<u>-</u>	<u>-</u>	<u>2,394,940</u>
Construction in progress	<u>2,807,604</u>	<u>10,571,550</u>	<u>-</u>	<u>-</u>	<u>13,379,154</u>
Capital Lease Property:					
Civic Center	9,142,400	-	-	-	9,142,400
Communications Center	751,750	-	-	-	751,750
	<u>9,894,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,894,150</u>
Capital Assets, net of Accumulated depreciation	<u>\$ 95,683,797</u>	<u>\$ 7,680,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,364,623</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 7-1-17	\$ 1,260,996	\$ 56,830,939	\$16,463,462	\$ 12,998,070	\$ 2,318,435	\$ 89,871,902
	Additions	-	2,276,283	50,360	195,365	-	2,522,008
	Retirements	-	(614,784)	-	(161,510)	(25,532)	(801,826)
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-18	<u>1,260,996</u>	<u>58,492,438</u>	<u>16,513,822</u>	<u>13,031,925</u>	<u>2,292,903</u>	<u>91,592,084</u>
WATER	Balance 7-1-17	1,020,097	19,219,760	25,402,629	17,296,883	58,858	62,998,227
	Additions	-	-	303,272	3,708,105	171,750	4,183,127
	Retirements	-	-	-	(3,121,213)	-	(3,121,213)
	Balance 6-30-18	<u>1,020,097</u>	<u>19,219,760</u>	<u>25,705,901</u>	<u>17,883,775</u>	<u>230,608</u>	<u>64,060,141</u>
SEWER	Balance 7-1-17	174,138	4,728,135	19,555,929	917,488	166,383	25,542,073
	Additions	-	129,491	625,061	-	138,390	892,942
	Retirements	-	-	-	-	(166,383)	(166,383)
	Balance 6-30-18	<u>174,138</u>	<u>4,857,626</u>	<u>20,180,990</u>	<u>917,488</u>	<u>138,390</u>	<u>26,268,632</u>
LANDFILL	Balance 7-1-17	929,861	10,979,123	-	2,887,954	50,225	14,847,163
	Additions	289,012	316,800	-	-	-	605,812
	Retirements	-	-	-	-	(50,225)	(50,225)
	Balance 6-30-18	<u>1,218,873</u>	<u>11,295,923</u>	<u>-</u>	<u>2,887,954</u>	<u>-</u>	<u>15,402,750</u>
STORMWATER	Balance 7-1-17	-	-	-	654,516	-	654,516
	Additions	-	-	-	230,080	29,988	260,068
	Retirements	-	-	-	-	-	-
	Balance 6-30-18	<u>-</u>	<u>-</u>	<u>-</u>	<u>884,596</u>	<u>29,988</u>	<u>914,584</u>
	TOTALS	<u>\$ 3,674,104</u>	<u>\$ 93,865,747</u>	<u>\$ 62,400,713</u>	<u>\$ 35,605,738</u>	<u>\$ 2,691,889</u>	<u>\$ 198,238,191</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 7-1-17	\$ -	\$ 24,009,213	\$ 7,935,224	\$ 5,028,457	\$ -	\$ 36,972,894
	Additions	-	2,034,714	513,327	462,553	-	3,010,594
	Retirements	-	(614,785)	-	(161,511)	-	(776,296)
	Removal Costs	-	-	-	21,651	-	21,651
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-18	<u>-</u>	<u>25,429,142</u>	<u>8,448,551</u>	<u>5,351,150</u>	<u>-</u>	<u>39,228,843</u>
WATER	Balance 7-1-17	-	4,470,321	7,394,555	10,954,809	-	22,819,685
	Additions	-	422,734	553,125	838,695	-	1,814,554
	Retirements	-	-	-	(3,121,213)	-	(3,121,213)
	Balance 6-30-18	<u>-</u>	<u>4,893,055</u>	<u>7,947,680</u>	<u>8,672,291</u>	<u>-</u>	<u>21,513,026</u>
SEWER	Balance 7-1-17	-	1,916,164	6,246,201	606,778	-	8,769,143
	Additions	-	130,963	519,990	49,313	-	700,266
	Retirements	-	-	-	-	-	-
	Balance 6-30-18	<u>-</u>	<u>2,047,127</u>	<u>6,766,191</u>	<u>656,091</u>	<u>-</u>	<u>9,469,409</u>
LANDFILL	Balance 7-1-17	-	7,619,847	-	2,068,737	-	9,688,584
	Additions	-	528,452	-	211,106	-	739,558
	Retirements	-	-	-	-	-	-
	Balance 6-30-18	<u>-</u>	<u>8,148,299</u>	<u>-</u>	<u>2,279,843</u>	<u>-</u>	<u>10,428,142</u>
STORMWATER	Balance 7-1-17	-	-	-	446,145	-	446,145
	Additions	-	-	-	75,762	-	75,762
	Retirements	-	-	-	-	-	-
	Balance 6-30-18	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,907</u>	<u>-</u>	<u>521,907</u>
	TOTALS	<u>-</u>	<u>40,517,623</u>	<u>23,162,422</u>	<u>17,481,282</u>	<u>-</u>	<u>81,161,327</u>
NET CAPITAL ASSETS		<u>\$ 3,674,104</u>	<u>\$ 53,348,124</u>	<u>\$ 39,238,291</u>	<u>\$ 18,124,456</u>	<u>\$ 2,691,889</u>	<u>\$ 117,076,864</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued):

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

Governmental activities:	
General Government	\$ 245,496
Safety	491,650
Recreation	236,643
Public works/streets	1,104,750
Education	1,822,083
Total depreciation expense – governmental activities.....	<u>\$ 3,900,622</u>
Business – type activities:	
Water and sewer.....	\$ 2,514,820
Electric	3,010,594
Landfill.....	739,558
Stormwater	75,763
Total depreciation expense – business-type activities	<u>\$ 6,340,735</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 capital 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, 2017</u>	<u>Additions</u>	<u>Retired</u> <u>Deletions</u>	<u>Total</u> <u>Balance</u> <u>June 30, 2018</u>	<u>Non-Current</u> <u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Balance</u>
Governmental Activities:						
General Obligation Bonds/ Revenue Bonds.....	\$ 82,520,000	\$ 6,915,000	\$ (3,125,000)	\$ 86,310,000	\$ 83,095,000	\$ 3,215,000
Compensated Absences.....	845,102	154,302	(276,590)	722,814	568,512	154,302
Capital Leases Payable.....	7,961,166	-	(339,200)	7,621,966	7,264,622	357,344
Totals-Governmental Activities.....	<u>\$ 91,326,268</u>	<u>\$ 7,069,302</u>	<u>\$ (3,740,790)</u>	<u>\$ 94,654,780</u>	<u>\$ 90,928,134</u>	<u>\$ 3,726,646</u>
Business-type Activities:						
General Obligation Bonds/ Revenue Bonds.....	\$ 65,443,201	\$ 3,060,000	\$ (2,796,032)	\$ 65,707,169	\$ 62,525,401	\$ 3,181,768
Compensated absences.....	688,795	335,929	(339,115)	685,609	96,485	589,124
Capital Outlay Notes	216,374	-	(88,091)	128,283	38,161	90,122
Estimated liability for closure/ Post-closure care cost	9,783,900	649,530	-	10,433,430	10,433,430	-
Totals-Business Type Activities.....	<u>\$ 76,132,270</u>	<u>\$ 4,045,459</u>	<u>\$ (3,223,238)</u>	<u>\$ 76,954,491</u>	<u>\$ 73,093,477</u>	<u>\$ 3,861,014</u>
Totals-Governmental and Business-Type Activities	<u>\$ 167,458,538</u>	<u>\$ 11,114,761</u>	<u>\$ (6,964,028)</u>	<u>\$ 171,609,271</u>	<u>\$ 164,021,611</u>	<u>\$ 7,587,660</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – LONG-TERM LIABILITIES (Continued):

The following is a summary of bond and capital outlay note transactions of the City for the fiscal year ended June 30, 2018.

	General Obligation Bonds	Revenue Bonds	Capital Outlay Notes	Total
Debt payable at July 1, 2017	\$ 144,725,000	\$ 3,238,201	\$ 216,374	\$ 148,179,575
Debt refunded and retired.....	(5,755,000)	(166,032)	(88,091)	(6,009,123)
Issued during fiscal year.....	<u>9,975,000</u>	<u>-</u>	<u>-</u>	<u>9,975,000</u>
Debt Payable – June 30, 2018	<u>\$ 148,945,000</u>	<u>\$ 3,072,169</u>	<u>\$ 128,283</u>	<u>\$ 152,145,452</u>

Bonds payable at June 30, 2018, are comprised of the following individual issues:

General Obligation Bonds:	Total	Long-term Amount Outstanding	Current Amount Outstanding
\$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 2036, variable interest.....	\$ 64,910,000	\$ 61,620,000	\$ 3,290,000
\$9,925,000 – 2009 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.....	9,225,000	9,175,000	50,000
\$10,000,000 – 2013A General Obligation Bonds due in annual installments of \$25,000 to \$700,000 through June 2043.....	9,900,000	9,875,000	25,000
\$2,000,000 – 2013B General Obligation Bonds due in annual installments of \$400,000 through June 2019.....	400,000	-	400,000
\$10,000,000 – 2014 General Obligation Bonds due in annual installments of \$75,000 to \$750,000 through June 2043.....	9,700,000	9,625,000	75,000
\$9,000,000 – General Obligation Bonds Series 2014 (taxable), due in annual installments of \$660,000 to \$830,000 through June 2026, variable interest.....	6,460,000	5,625,000	835,000
\$9,995,000 – 2015 General Obligation Bonds – due in annual installments of \$245,000 to \$545,000 through June 2045, variable interest	9,750,000	9,500,000	250,000
\$4,395,000 – 2016B Landfill General Obligation Bonds – due in annual installments of \$675,000 to \$775,000 through June 2022, interest at 2%.....	3,020,000	2,290,000	730,000

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6 – LONG-TERM LIABILITIES (Continued):

Bonds payable at June 30, 2018, are comprised of the following individual issues:

General Obligation Bonds (Continued):	<u>Total</u>	<u>Long-term Amount Outstanding</u>	<u>Current Amount Outstanding</u>
\$9,625,000 – 2016A General Obligation Bonds – due in annual installments of \$65,000 to \$975,000 through June 2036, variable interest.....	9,420,000	9,105,000	315,000
\$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	-
\$9,975,000 – 2018 General Obligation Bonds – due in annual installments of \$255,000 to \$380,000 through May 2048, variable interest.....	9,975,000	9,720,000	255,000
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>3,072,169</u>	<u>2,900,401</u>	<u>171,768</u>
Total Bonds Outstanding	<u>\$ 152,017,169</u>	<u>\$ 145,620,401</u>	<u>\$ 6,396,768</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>128,283</u>	<u>38,161</u>	<u>90,122</u>
Total Bonds and Capital Outlay Notes Outstanding	<u>\$ 152,145,452</u>	<u>\$ 145,658,562</u>	<u>\$ 6,486,890</u>

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

Proprietary Fund Types.....	\$ 65,835,452
Governmental Activities	86,310,000
Total Bonds and Notes Outstanding.....	<u>\$ 152,145,452</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – LONG-TERM LIABILITIES (Continued):

The annual requirements to amortize all Bonds and Capital Outlay Notes outstanding as of June 30, 2018, including interest payments, are \$227,888,849 as follows:

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	\$ 6,486,890	\$ 5,822,205	\$ 12,309,095
2020	6,715,869	5,585,803	12,301,672
2021	6,943,840	5,330,303	12,274,143
2022	7,200,188	5,061,516	12,261,704
2023	<u>6,161,752</u>	<u>5,054,704</u>	<u>11,216,456</u>
Subtotal	<u>33,508,539</u>	<u>26,854,531</u>	<u>60,363,070</u>
2024	6,398,556	4,817,484	11,216,040
2025	6,595,576	4,572,068	11,167,644
2026	6,842,848	4,313,695	11,156,543
2027	6,510,372	4,050,807	10,561,179
2028	<u>6,718,160</u>	<u>3,794,511</u>	<u>10,512,671</u>
Subtotal	<u>33,065,512</u>	<u>21,548,565</u>	<u>54,614,077</u>
2029	6,731,212	3,526,203	10,257,415
2030	7,074,540	3,242,125	10,316,665
2031	6,373,156	2,940,455	9,313,611
2032	5,537,072	2,682,891	8,219,963
2033	<u>5,545,421</u>	<u>2,470,642</u>	<u>8,016,063</u>
Subtotal	<u>31,261,401</u>	<u>14,862,316</u>	<u>46,123,717</u>
2034	5,760,000	2,252,437	8,012,437
2035	5,955,000	2,017,720	7,972,720
2036	6,250,000	1,774,220	8,024,220
2037	5,165,000	1,515,870	6,680,870
2038	<u>4,630,000</u>	<u>1,303,507</u>	<u>5,933,507</u>
Subtotal	<u>27,760,000</u>	<u>8,863,754</u>	<u>36,623,754</u>
2039	4,835,000	1,106,662	5,941,662
2040	5,100,000	897,593	5,997,593
2041	5,290,000	676,412	5,966,412
2042	5,560,000	455,238	6,015,238
2043	<u>2,925,000</u>	<u>223,501</u>	<u>3,148,501</u>
Subtotal	<u>23,710,000</u>	<u>3,359,406</u>	<u>27,069,406</u>
2044	855,000	104,750	959,750
2045	885,000	72,200	957,200
2046	355,000	38,500	393,500
2047	365,000	26,074	391,074
4048	<u>380,000</u>	<u>13,300</u>	<u>393,300</u>
Subtotal	<u>2,840,000</u>	<u>254,824</u>	<u>3,094,824</u>
Totals	<u>\$ 152,145,452</u>	<u>\$ 75,743,396</u>	<u>\$ 227,888,848</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, 2018

NOTE 7 – DERIVATIVES:

Interest Rate Derivatives

The City of Alcoa, Tennessee has three interest rate swaps as of June 30, 2018. 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 6-30-2018:

<u>Hedging Derivatives</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change In Value</u>	<u>Government Activities</u>	<u>Business-Type Activities</u>
\$13.4M 63% CMS Swap	\$ (3,605,205)	\$ (4,173,301)	\$ 568,096	\$ -	\$ 568,096
\$ 4.5M 63% CMS Swap	(793,459)	(979,364)	185,905	-	185,905
\$10.0M 63.1% CMS Swap	<u>(389,872)</u>	<u>(686,952)</u>	<u>297,080</u>	<u>297,080</u>	<u>-</u>
	<u>\$ (4,788,536)</u>	<u>\$ (5,839,617)</u>	<u>\$ 1,051,081</u>	<u>\$ 297,080</u>	<u>\$ 754,001</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, 2018

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, 2018. 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, 2018

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)	\$ (3,605,205)	\$ _____	\$ 2,763,411	95%	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, 2018

NOTE 7 – DERIVATIVES (Continued):

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	0.9499	0.00%	(1.1276)	37	Pass
\$10.0M 63.1% CMS Swap	0.8615	0.00%	(0.8305)	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, 2018, 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>(1.821)%</u>
Net interest rate swap payments		2.047%
Variable-rate bond coupon payments		<u>2.043%</u>
Effective Synthetic interest rate on bonds		<u>4.090%</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Fair Value: As of June 30, 2018, the swap had a negative fair value of (\$3,605,205). 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, 2018, 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, 2018, Depfa’s credit rating had been downgraded and was rated “A2/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, 2018, 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	Total
	Principal	Interest	Swap Payment	
2019	\$ -	\$ 273,725	\$ 274,263	\$ 547,988
2020	-	273,725	274,263	547,988
2021	-	273,725	274,263	547,988
2022	-	273,725	274,263	547,988
2023	-	273,725	274,263	547,988
2024– 2028	-	1,368,625	1,371,314	2,739,939
2029 – 2033	3,000,000	1,307,343	1,309,912	5,617,255
2034 – 2038	7,400,000	763,979	765,480	8,929,458
2039 – 2040	3,000,000	91,923	92,103	3,184,026
	<u>\$ 13,400,000</u>	<u>\$ 4,900,495</u>	<u>\$ 4,910,124</u>	<u>\$ 23,210,618</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, 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>(1.821)%</u>
Net interest rate swap payments		2.062%
Variable-rate bond coupon payments		<u>2.043%</u>
Effective Synthetic interest rate on bonds		<u><u>4.105%</u></u>

Fair Value: As of June 30, 2018, the swap had a negative fair value of (\$793,459). 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, 2018, 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, 2018, Depfa’s credit rating had been downgraded and was rated “A2/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, 2018

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, 2018, 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.

<u>Fiscal Year</u> <u>Ending June 30,</u>	Business-Type Activities			
	Variable Rate Bonds		<u>Net Interest Rate</u> <u>Swap Payment</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2019	\$ -	\$ 91,923	\$ 92,778	\$ 184,701
2020	-	91,923	92,778	184,701
2021	-	91,923	92,778	184,701
2022	100,000	91,923	92,778	284,701
2023	600,000	89,880	90,716	780,596
2024 – 2028	-	388,118	391,730	779,848
2029 – 2030	<u>3,800,000</u>	<u>117,967</u>	<u>119,065</u>	<u>4,037,033</u>
	<u>\$ 4,500,000</u>	<u>\$ 963,657</u>	<u>\$ 972,623</u>	<u>\$ 6,436,281</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, 2018

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, 2018, 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>(1.824)%</u>
Net interest rate swap payments		2.376%
Variable-rate bond coupon payments		<u>2.043%</u>
Effective Synthetic interest rate on bonds		<u><u>4.419%</u></u>

Fair Value: As of June 30, 2018, the swap had a negative fair value of (\$389,872). 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, 2018, 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 “Baa1” by Standard and Poor’s as of June 30, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/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, 2018

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Swap payments and associated debt: As of June 30, 2018, 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		
2019	\$ 1,625,000	\$ 142,991	\$ 166,344	\$ 1,934,335
2020	1,705,000	109,796	127,729	1,942,525
2021	1,790,000	74,968	87,212	1,952,180
2022	1,880,000	38,403	44,675	1,963,079
	\$ 7,000,000	\$ 366,158	\$ 425,960	\$ 7,792,119

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, 2018

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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, 2018**

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, 2018, 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	16
Active employees entitled to but not yet receiving benefits	<u>38</u>
	<u>224</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, 2018

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, 2018

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, 2018

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

The funds of the retirement system are with 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 \$26,004,114 as of June 30, 2018. 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 – 06/30/2016	<u>\$ 36,208,865</u>	<u>\$ 23,828,243</u>	<u>\$ 12,380,622</u>
Changes for the Year:			
Service cost	171,443	-	171,443
Interest expense	2,607,943	-	2,607,943
Experience losses (gains)	-	-	-
Changes of assumptions	-	-	-
Contributions – Employer	-	2,132,867	(2,132,867)
Net investment income	-	2,634,609	(2,634,609)
Benefits paid	(3,215,457)	(3,215,457)	-
Plan administrative expenses	-	(41,329)	41,329
Net Changes	<u>(436,071)</u>	<u>1,510,690</u>	<u>(1,946,761)</u>
Balances – 06/30/2017	<u>\$ 35,772,794</u>	<u>\$ 25,338,933</u>	<u>\$ 10,433,861</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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>13,794,409</u>	\$ <u>10,433,861</u>	\$ <u>7,533,061</u>

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

For the fiscal year ended June 30, 2018, the recognized pension expense will be \$723,793. This determination is based on a measurement date of June 30, 2017. At June 30, 2018, 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	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	981,559	914,114
Contributions subsequent to the measurement date of June 30, 2017	<u>1,554,021</u>	<u>-</u>
Total	<u>\$ 2,535,580</u>	<u>\$ 914,114</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 \$1,554,021 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:

2019	\$ 16,049
2020	218,455
2021	10,867
2022	(177,926)
2023	-
Thereafter	-

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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		7.25% 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, 2018**

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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	117
Active employees	<u>223</u>
	<u>408</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, the employer contributions for the City was \$1,890,067 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, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8— RETIREMENT COMMITMENTS (Continued):

(B) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

Net Pension Liability (Asset) (Continued)

Change of assumptions:

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

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

Discount rate:

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2016	<u>\$ 36,699,101</u>	<u>\$ 33,705,947</u>	<u>\$ 2,993,154</u>
Changes for the year:			
Service cost	931,368	-	931,368
Interest	2,784,741	-	2,784,741
Differences between expected and actual experience	1,792,558	-	1,792,558
Changes in assumption	913,725	-	913,725
Contributions – employer	-	1,927,489	(1,927,489)
Contributions - employees	-	-	-
Net investment income	-	3,870,902	(3,870,902)
Benefit payments, including refunds of employee contributions	(1,001,168)	(1,001,168)	-
Administrative expense	<u>-</u>	<u>(18,845)</u>	<u>18,845</u>
Net Changes	<u>5,421,224</u>	<u>4,778,378</u>	<u>642,846</u>
Balance at June 30, 2017	<u>\$ 42,120,325</u>	<u>\$ 38,484,325</u>	<u>\$ 3,636,000</u>

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

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
The City's net pension liability (asset)	\$ 9,938,191	\$ 3,636,000	\$(1,567,759)

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

Pension expense:

For the year ended June 30, 2018, The City recognized pension expense of \$1,410,061.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018, 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	\$ 1,809,570	\$ 40,048
Net difference between projected and actual earnings on pension plan investments	-	23,839
Changes in assumptions	799,509	-
Contributions subsequent to the measurement date of June 30, 2016	<u>1,890,067</u>	<u>-</u>
Total	<u>\$ 4,499,146</u>	<u>\$ 63,887</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017,” 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:	
2019	237,083
2020	691,666
2021	423,284
2022	109,577
2023	371,362
Thereafter	712,220

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

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$144,677 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018**

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, 2018 to the Teacher Legacy Pension Plan were \$907,733 which is 9.08 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, 2018, Alcoa City Schools reported a liability (asset) of (\$85,446) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) 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, 2017 Alcoa City Schools' proportion was 0.261150 percent. The proportion measured as of June 30, 2016 was 0.246955 percent.

Pension expense

For the year ended June 30, 2018, Alcoa City Schools recognized pension expense of \$78,429.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, 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	\$ 51,512	\$ 1,764,015
Changes in assumptions	723,660	-
Net difference between projected and actual earnings on pension plan investments	12,970	-
Changes in proportion of Net Pension Liability (Asset)	251,820	-
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>907,733</u>	<u>-</u>
TOTAL	<u>\$ 1,947,695</u>	<u>\$ 1,764,015</u>

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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 \$907,733, 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, 2018. 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	
2019	\$ (533,954)
2020	340,153
2021	(142,759)
2022	(387,493)
2023	-

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

(Continued)

**6CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Change of assumptions:

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

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

Discount rate:

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Alcoa City Schools’ proportionate share of the net pension liability (asset)	\$ 7,666,754	\$ (85,446)	\$(6,493,146)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, Alcoa City Schools’ reported a payable of \$74,777 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

(D) ALCOA CITY SCHOOLS – TEACHER 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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Benefits Provided (Continued)

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.

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, 2018 to the Teacher Retirement Plan were \$32,277 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, 2018, Alcoa City Schools reported an asset of \$26,284 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, 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, 2017 Alcoa City Schools’ proportion was 0.099622 percent. The proportion measured as of June 30, 2016 was 0.056086 percent.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018, Alcoa City Schools’ recognized pension expense of \$11,469.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, 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	\$ 921	\$ 1,977
Net difference between projected and actual earnings on pension plan investments	-	1,414
Change in assumptions	2,309	-
Change in proportion of net pension Liability (Asset)	-	5,590
LEAs contributions subsequent to the measurement date of June 30, 2016	32,277	-
Total	\$ 35,507	\$ 8,981

Alcoa City Schools’ employer contributions of \$32,277 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, 2019. 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:	
2019	(579)
2020	(579)
2021	(660)
2022	(1,024)
2023	(357)
Thereafter	(2,552)

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, 2018

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Changes of assumptions

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Change of Assumption (Continued)

The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

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

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Alcoa City Schools’ Proportionate share of the net pension liability (asset)	\$ 5,244	\$ (26,284)	\$ (49,410)

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Pension plan fiduciary net position

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

Payable to the Pension Plan

At June 30, 2018, Alcoa City Schools’ reported a payable of \$2,476 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

(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.

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.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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	-
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>62</u>
Total	<u><u>65</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, 2018, the employer contributions for the City’s Hybrid W/O Cc were \$154,071 based on a rate of 6.01% 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.

Net Pension Liability (Asset)

The City’s Hybrid W/O Cc net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Change of assumptions

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Net Pension Liability (Asset)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

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

Discount rate:

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(E) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM – HYBRID W/O Cc (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, 2016	\$ 53,361	\$ 54,295	\$ (934)
Changes for the year:			
Service cost	64,876	-	64,876
Interest	8,868	-	8,868
Differences between expected and actual experience	51,643	-	51,643
Change in assumptions	3,866	-	3,866
Contributions – employer	-	113,677	(113,677)
Contributions - employees	-	-	-
Net investment income	-	12,384	(12,384)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(4,811)	4,811
Net Changes	<u>129,253</u>	<u>121,250</u>	<u>8,003</u>
Balance at June 30, 2017	<u>\$ 182,614</u>	<u>\$ 175,545</u>	<u>\$ 7,069</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’s Hybrid W/O Cc calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount <u>Rate (7.25%)</u>	1% Increase <u>(8.25%)</u>
The City’s Hybrid W/O Cc net pension liability (asset)	\$ 59,692	\$ 7,069	\$ (32,435)

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

Pension expense:

For the year ended June 30, 2018, The City’s Hybrid W/O Cc recognized pension expense of \$77,653.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, 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 of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 82,902	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,529
Change in assumptions	3,569	-
Contributions subsequent to the measurement date of June 30, 2016	<u>154,071</u>	<u>-</u>
Total	<u>\$ 240,542</u>	<u>\$ 2,529</u>

The amount show above for “Contributions subsequent to the measurement date of June 30, 2017”, 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:	
2019	7,253
2020	7,253
2021	7,237
2022	6,963
2023	7,809
Thereafter	47,427

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

Payable to the Pension Plan

At June 30, 2018, the City’s Hybrid W/O Cc, reported a payable of \$13,149 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

(F) NET PENSION ASSET:

At June 30, 2018, the City reported a Net Pension Asset of \$111,730, which is made up of the Teacher’s Retirement Plan of TCRS and the Teacher’s Legacy Plan of TCRS.

	<u>Teacher’s Retirement Plan</u>	<u>Teacher’s Legacy Plan</u>	<u>Total</u>
Net pension asset	\$ 26,284	\$ 85,446	\$ 111,730

(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 \$19,255,353 and \$17,623,376 as of June 30, 2018 and 2017, respectively.

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

Asset balance at July 1, 2017	\$ 17,623,376
Deferrals of compensation	1,326,692
Investment appreciation/depreciation	1,445,391
Withdrawals	<u>(1,170,106)</u>
Asset balance at June 30, 2018	<u>\$ 19,225,353</u>

(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 40 City retirees and 17 Education retirees meet the eligibility requirements.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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 with 25 years of service or age 62 with 15 years of service, or be on disability retirement and must have health benefit coverage in the self-insured plan provided by the City. Employees must be hired prior to January 1, 2015 to participate in this plan. The retiree can remain on the City plan from age 55 through age 65 by paying half of the coverage premium to the City.

Employees covered by the benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>208</u>
	<u>248</u>

Total OPEB Liability

The City's total OPEB liability of \$5,569,214 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Salary increases	4.00 percent
Discount rate	3.23 percent
Healthcare cost trend rates	8.00 percent graded uniformly to 5% over 10 years

The discount rate was based on the S&P Municipal Bond Index as of June 30, 2018.

Mortality was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2016 to table RP-2014 adjusted to 2006 and projected using scale MP-2017.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Actuarial Assumptions and Other Inputs (Continued).

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for period July 1, 2017 – June 30, 2018.

Balance at June 30, 2017	<u>\$ 5,634,027</u>
Changes for the year:	
Service cost	115,519
Interest	174,257
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(354,589)</u>
Net changes	<u>(64,813)</u>
 Balance at June 30, 2018	 <u><u>\$ 5,569,214</u></u>

Sensitivity of the total OPEB liability to changes in discount rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.23 percent) or 1 percentage-point higher (4.23 percent) than the current discount rate:

	1% Decrease <u>2.23%</u>	Current Discount Rate <u>3.23%</u>	1% Increase <u>4.23%</u>
Total OPEB Liability	<u>\$ 5,987,059</u>	<u>\$ 5,569,214</u>	<u>\$ 5,183,991</u>

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

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (7% decreasing to 4%) or 1 percentage-point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (7% decreasing to 4%)	Healthcare Cost Trend Rate 8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Total OPEB Liability	<u>\$ 5,076,580</u>	<u>\$ 5,569,214</u>	<u>\$ 6,142,397</u>

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$289,776.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Plan Description

Employees of Alcoa City Schools who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide post-employment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only post-employment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301, and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by the Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>187</u>
	<u>204</u>

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Total OPEB Liability

The School’s total OPEB liability of \$2,383,607 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Discount rate	3.23 percent
Healthcare cost trend rates	8.00 percent graded uniformly to 5% over 10 years

The discount rate was based on the S&P Municipal Bond Index as of June 30, 2018.

Mortality was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2016 to table RP-2014 adjusted to 2006 and projected using scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for period July 1, 2017 – June 30, 2018.

Changes in Total OPEB Liability

Balance at June 30, 2017	<u>\$ 2,295,723</u>
Changes for the year:	
Service cost	122,972
Interest	74,582
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(109,670)</u>
Net changes	<u>87,884</u>
 Balance at June 30, 2018	 <u><u>\$ 2,383,607</u></u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Sensitivity of the total OPEB liability to changes in discount rate

The following presents the total OPEB liability of the School, as well as what the School’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.23 percent) or 1 percentage-point higher (4.23 percent) than the current discount rate:

	1% Decrease <u>2.23%</u>	Current Discount Rate <u>3.23%</u>	1% Increase <u>4.23%</u>
Total OPEB Liability	<u>\$ 2,553,296</u>	<u>\$ 2,383,607</u>	<u>\$ 2,223,172</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School, as well as what the School’s total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage-point lower (7% decreasing to 4%), or 1 percentage-point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (7% decreasing to 4%)	Healthcare Cost Trend Rate (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Total OPEB Liability	<u>\$ 2,171,140</u>	<u>\$ 2,383,607</u>	<u>\$ 2,631,399</u>

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

For the year ended June 30, 2018, the Schools recognized OPEB expense of \$197,554.

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).

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

Year Ended <u>June 30,</u>	Beginning of Fiscal Year <u>Liability</u>	Current Year <u>Claims</u>	Liability Balance at Fiscal <u>Year End</u>
2016	\$ 466,736	\$ 3,147,126	\$ 465,200
2017	465,200	3,921,030	474,047
2018	474,047	4,909,620	548,855

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, 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, 2018, the City of Alcoa contributed \$539,984 to the Industrial Development Board of Blount County.

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 11 – JOINT VENTURES:

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

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2018 is presented below:

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

Revenues	\$ 3,927,663
Expenditures	<u>8,558,439</u>
Excess (deficit) of Expenditures Over Revenues	(4,630,776)
 Net Position – July 1, 2017, restated	 <u>41,827,941</u>
 Net Position – June 30, 2018	 <u>\$ 37,197,165</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 69,862,000</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 32,664,835</u>
Net Position	<u>\$ 37,197,165</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.

(B) 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, 2018

NOTE 11 – JOINT VENTURES (Continued):

(B) BLOUNT COUNTY PUBLIC LIBRARY (Continued):

For the fiscal year ended June 30, 2017, the City of Alcoa contributed \$212,986 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>

**(C) 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 \$176,621 to the Emergency Communications District of Blount County during the fiscal year ended June 30, 2018. Summary financial information as required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2018, is presented below:

Operating Revenues.....	\$ 1,496,841
Operating Expenses	<u>2,154,079</u>
Operating Income (loss)	(657,238)
Non-Operating Revenues.....	<u>1,172,529</u>
Change in Net Position	515,291
Net Position – July 1, 2017, restated	<u>3,925,085</u>
Net Position – June 30, 2018	<u>\$ 4,440,376</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,719,971</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,279,595</u>
Total Net Position.....	<u>\$ 4,440,376</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – JOINT VENTURES (Continued):

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

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, 2018, amounted to \$68,619. Summary financial information required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2018, is presented below:

Revenues	\$ 1,050,448
Expenditures	<u>25,075</u>
Excess of Revenues Over Expenditures Before Franchise	
Fee Distributions	1,025,373
Franchise Fee Distributions to County and Cities	<u>1,024,141</u>
Excess (Deficiency) of Revenues Over Expenditures	1,232
Net Position – July 1, 2017	<u>17,680</u>
Net Position – June 30, 2018.....	<u>\$ 18,912</u>
Total Assets	<u>\$ 265,172</u>
Total Liabilities	<u>\$ 246,260</u>
Total Net Position.....	<u>\$ 18,912</u>

No joint venture debt was reported on the financial statements of the Cable Television Authority as of June 30, 2018. Publically 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, 2018**

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 \$607,613 to the operations of the Commission during the fiscal year ended June 30, 2018, and expended an additional \$144,260 for recreation and parks improvements. For the year ended June 30, 2017, the City contributed \$529,685 for Commission operations and \$81,073 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, 2018, is presented below.

Revenues	\$ 2,963,708
Expenditures.....	<u>2,858,030</u>
Excess of Revenues Over Expenditures.....	105,678
Fund Balance – July 1, 2017, restated	<u>1,539,443</u>
Fund Balance – June 30, 2018	\$ <u>1,645,121</u>
Total Assets and Deferred Outflows of Resources	\$ <u>1,900,086</u>
Total Liabilities and Deferred Inflows of Resources	\$ <u>254,965</u>
Total Fund Balance	\$ <u>1,645,121</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, 2018**

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>
2018	<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, 2018**

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, 2018.

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 \$2,009,387 in operating costs for the year ended June 30, 2018 (June 30, 2017 amount paid \$2,308,606).

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 \$100,099 and \$109,064 for the years ended June 30, 2018 and June 30, 2017, 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, 2018, 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, 2018

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 2018

In 2018, the City of Alcoa issued \$9,975,000 General Obligation Bonds. The Governmental Funds portion is \$6,915,000 and Water and Sewer’s portion is \$3,060,000. The bonds are due in annual installments of \$205,000 to \$545,000, variable interest rate.

(B) 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.

NOTE 15 – FUND BALANCES:

(A) FUND BALANCES:

At June 30, 2018, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - Nonspendable
RESTRICTED TO:									
General Fund	124,927	-	-	-	-	-	-	124,927	Restricted
Streets and Roads	-	-	-	-	-	-	824,409	824,409	Restricted
Vehicle enforcement	-	-	-	-	-	-	4,668	4,668	Restricted
Drug enforcement	-	-	-	-	-	-	126,964	126,964	Restricted
Public Works									
Construction	-	-	-	1,197,415	-	-	-	1,197,415	Restricted
Capital projects	-	-	-	-	-	8,477,332	66,178	8,543,510	Restricted
Landscaping	-	-	-	-	-	-	82,581	82,581	Restricted
ASSIGNED TO:									
Education Improvement	-	913,959	-	-	-	-	-	913,959	Restricted
Education	-	-	-	-	97,661	-	195	97,856	Assigned
General fund	512,658	-	-	-	-	-	-	512,658	Assigned
Education – Cafeteria	-	-	-	-	-	-	75,009	75,009	Assigned
Education -									
Extended Day	-	-	-	-	-	-	333,812	333,812	Assigned
Debt Service	-	-	1,181,483	-	-	-	-	1,181,483	Assigned
Home Grant Program	-	-	-	-	-	-	1,039	1,039	Assigned
Equipment replacement	-	-	-	-	-	-	1,460,714	1,460,714	Assigned
UNASSIGNED	<u>7,669,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,669,588</u>	Unassigned
Totals	<u>\$ 8,307,173</u>	<u>\$ 913,959</u>	<u>\$1,181,483</u>	<u>\$ 1,197,415</u>	<u>\$ 97,661</u>	<u>\$8,477,332</u>	<u>\$ 2,975,569</u>	<u>\$ 23,150,592</u>	

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – FUND BALANCES:

(B) CHANGES IN PROPRIETARY FUNDS' NET POSITION:

	Governmental Activities Internal Service Funds	Enterprise Funds				Total
		Stormwater Utility	Water and Sewer Utility	Electric Utility	Landfill	
Net Position – Beginning (restated)	\$ 1,771,521	\$ 673,692	\$ 16,264,195	\$ 35,535,720	\$ 2,158,103	\$ 56,403,231
Change in Net Position	<u>(127,310)</u>	<u>228,728</u>	<u>2,134,400</u>	<u>1,552,034</u>	<u>602,516</u>	<u>4,390,368</u>
Net Position – Ending	<u>\$ 1,644,211</u>	<u>\$ 902,420</u>	<u>\$ 18,398,595</u>	<u>\$ 37,087,754</u>	<u>\$ 2,760,619</u>	<u>\$ 60,793,599</u>

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, 2018 are as follows:

Assets Recorded Under Capital Leases	Total Lease Amount	Total Interest/ Interest Rate	Balance of lease Obligation at June 30, 2018
GOVERNMENTAL ACTIVITIES:			
General Fund:			
Civic Center Capital Lease	\$ 7,365,000 (1)	\$ 3,314,250/4.5%	\$ 10,679,250
Communication Equipment	<u>256,966 (2)</u>	\$ 59,102/2.3%	<u>316,068</u>
Total Capital Leases – Governmental Funds	<u>\$ 7,621,966</u>		<u>\$ 10,995,318</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, 2018:

Fiscal Year Ending June 30,	Governmental Activities
2019	\$ 101,283
2020	105,305
2021	<u>109,480</u>
Minimum lease payments for all capital leases except Civic Arts Center (1).....	316,068
Less: Amount representing interest at City's incremental borrowing rate of interest	<u>(17,700)</u>
Present Value of Minimum Lease Payments...	<u>\$ 298,368</u>

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 16 – COMMITMENTS:

(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.

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, 2018:

<u>Present Value of Minimum Lease Payments</u>	<u>Interest</u>	<u>Total Minimum Lease Payments</u>
<u>\$ 7,365,000</u>	<u>\$ 3,314,250</u>	<u>\$ 10,679,250</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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – COMMITMENTS (Continued):

(B) CAPITAL LEASE – OBLIGATION (Continued):

(1) Civic Arts Center (Continued)

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%.

(2) 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>\$ 256,966</u>	<u>\$ 59,102</u>	<u>\$ 316,068</u>

These total minimum lease payments are payable as follows:

Year Ending June 30,	Civic Center	Communication Equipment
2019	\$ 609,050	\$ 101,283
2020	607,425	105,305
2021	606,000	109,480
2022	602,500	-
2023	<u>599,250</u>	<u>-</u>
Subtotal	<u>3,024,225</u>	<u>316,068</u>
2024 – 2028	2,996,250	-
2029– 2033	2,875,625	-
2034 – 2037	<u>1,783,150</u>	<u>-</u>
Subtotal	<u>7,655,025</u>	<u>-</u>
Total	<u>\$ 10,679,250</u>	<u>\$ 316,068</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – COMMITMENTS (Continued):

(C) COMMITTED CONSTRUCTION:

As of June 30, 2018, the City of Alcoa, Tennessee, had the following commitments with respect to unfinished construction in progress:

<u>Project Name</u>	<u>Total Contract Amount</u>	<u>Costs through June 30, 2018</u>	<u>Estimate to Complete</u>
West Plant Re-Development			
Tesla Blvd	\$ 11,440,685	\$ 10,496,263	\$ 944,422
Tesla Blvd – Electric Utilities	634,000	213,639	420,361
Hall & Associates Signal	<u>686,590</u>	<u>560,448</u>	<u>126,142</u>
Total West Plant Re-Development	12,761,275	11,270,350	1,490,925
Associates Ext. (Marconi)	11,101,241	644,659	10,456,582
Fire Department Construction Project	598,000	507,210	90,790
Pistol Creek Phase IV	3,054,175	206,950	2,847,225
Duck Pond Centennial Park	200,000	161,656	38,344
Duck Pond Phase 1	1,755,323	23,238	1,732,085
TDEC Restroom Grant	35,180	17,100	18,080
Public Safety HVAC	460,000	355,204	104,796
New Fire Truck	1,190,622	71,162	1,119,460
AIS	<u>500,000</u>	<u>121,625</u>	<u>378,375</u>
Total Governmental Funds	<u>31,655,816</u>	<u>13,379,154</u>	<u>18,276,662</u>
Water and Sewer			
Regal Dr. Booster Pump Station	65,000	61,660	3,340
Alcoa Parkway Phase 1 – Water Only	1,060,873	101,324	959,549
Alcoa Parkway Phase III – Water & Sewer	4,689,621	67,624	4,621,997
Maury St. Rehab ((Alcoa Rd to Murdock)	84,320	19,518	64,802
McBath Pump Life Station	63,843	59,843	4,000
Dalton St. Rehab (Darwin to Gilbert)	<u>109,953</u>	<u>59,029</u>	<u>50,924</u>
Total Water and Sewer	6,073,610	368,998	5,704,612
Electric Utility			
Voltage and substation improvements, and line extensions	2,722,068	2,292,903	429,165
Stormwater			
Stonybrook Road	36,530	19,018	17,512
Maury Street at Lake Street	<u>51,240</u>	<u>10,970</u>	<u>40,270</u>
Total Stormwater	<u>87,770</u>	<u>29,988</u>	<u>57,782</u>
Total Enterprise Funds	<u>8,883,448</u>	<u>2,691,889</u>	<u>6,191,559</u>
TOTALS	<u>\$ 40,539,264</u>	<u>\$ 16,071,043</u>	<u>\$ 24,468,221</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – COMMITMENTS (Continued):

(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%).

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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:

	2018	2017
	Governmental Activities	Governmental Activities
	Net Investment	Net Investment
	<u>In Capital Assets</u>	<u>In Capital Assets</u>
Total Capital Assets.....	\$ 103,364,623	\$ 95,683,797
Long-Term Debt and Current Debt.....	(94,654,780)	(91,326,268)
Items in Long-Term Debt:		
Add – Compensated absences	722,814	845,102
Civic Center debt.....	6,190,000	6,190,000
Unspent long-term debt.....	<u>10,916,663</u>	<u>9,064,022</u>
June 30, 2018.....	<u>\$ 26,539,320</u>	<u>\$ 20,456,653</u>

NOTE 20 – PRIOR PERIOD ADJUSTMENT

Beginning net position for Governmental and Business-Type Activities as of June 30, 2018, was restated due to the recording of OPEB liability. Beginning net position for Water and Sewer was also restated for depreciation expense on membranes that should have been fully depreciated in prior years. There was also a reclassification of City Retirement Pension liability from Governmental Activities to Business-Type Activities.

	<u>Governmental</u>	<u>Stormwater</u>	<u>Water/Sewer</u>	<u>Electric</u>	<u>Landfill</u>
	<u>Activities</u>	<u>Utility</u>	<u>Utility</u>	<u>Utility</u>	<u>Landfill</u>
Net position, July 1, 2017	\$ 19,351,999	\$ 952,437	\$ 19,590,118	\$ 40,022,422	\$ 3,008,703
Recognition of OPEB Liability	(2,862,086)	(214,093)	(664,816)	(1,447,945)	(445,089)
Reclassification of City Retirement Pension Liability	4,800,040	(64,652)	(1,291,120)	(3,038,757)	(405,511)
Capital Assets	<u>-</u>	<u>-</u>	<u>(1,369,987)</u>	<u>-</u>	<u>-</u>
Restated Net Position, July 1, 2017	<u>\$ 21,289,953</u>	<u>\$ 673,692</u>	<u>\$ 16,264,195</u>	<u>\$ 35,535,720</u>	<u>\$ 2,158,103</u>

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 21 – INVESTIGATIVE AUDIT BY THE TENNESSEE COMPTROLLER OF THE TREASURY

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. Current year collections represent restitution payments made through the court system. The former employee has paid back \$5,030 as of June 30, 2018.

NOTE 22 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is February 27, 2019, which is the date on which the financial statements were issued.

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

**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>	<u>2017</u>
Total pension liability				
Service cost	\$ 894,770	\$ 904,768	\$ 948,025	\$ 931,368
Interest	2,204,346	2,379,080	2,593,218	2,784,741
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(23,187)	361,622	(36,221)	1,792,558
Change of assumptions	-	-	-	913,725
Benefit payments, including refunds of employee contributions	<u>(713,405)</u>	<u>(798,854)</u>	<u>(868,269)</u>	<u>(1,001,168)</u>
Net change in total pension liability	2,362,524	2,846,616	2,636,753	5,421,224
Total pension liability-beginning	<u>28,853,208</u>	<u>31,215,732</u>	<u>34,062,348</u>	<u>36,699,101</u>
Total pension liability-ending (a)	<u>\$ 31,215,732</u>	<u>\$ 34,062,348</u>	<u>\$ 36,699,101</u>	<u>\$ 42,120,325</u>
 Plan fiduciary net position				
Contributions – employer	\$ 1,770,618	\$ 1,902,848	\$ 1,949,830	\$ 1,927,489
Contributions – employee	-	-	-	-
Net investment income	4,154,442	931,379	855,389	3,870,902
Benefit payments, including refunds of employee contributions	(713,405)	(798,854)	(868,269)	(1,001,168)
Administrative expense	<u>(10,211)</u>	<u>(12,952)</u>	<u>(18,410)</u>	<u>(18,845)</u>
Net change in plan fiduciary net position	5,201,444	2,022,421	1,918,540	4,778,378
Plan fiduciary net position - beginning	<u>24,563,542</u>	<u>29,764,986</u>	<u>31,787,407</u>	<u>33,705,947</u>
Plan fiduciary net position - ending (b)	<u>\$ 29,764,986</u>	<u>\$ 31,787,407</u>	<u>\$ 33,705,947</u>	<u>\$ 38,484,325</u>
 Net Pension Liability (asset)-ending (a) – (b)	<u>\$ 1,450,746</u>	<u>\$ 2,274,941</u>	<u>\$ 2,993,154</u>	<u>\$ 3,636,000</u>
 Plan fiduciary net position as a percentage of total pension liability	95.35%	93.32%	91.84%	91.37%
 Covered-employee payroll	\$ 11,108,012	\$ 11,714,226	\$ 12,006,344	\$ 11,868,775
 Net Pension liability (asset) as a percentage of covered employee payroll	13.06%	19.42%	24.93%	30.64%

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, 2018**

**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>	<u>2018</u>
Actuarially determined contribution	\$ 1,770,618	\$ 1,902,848	\$ 1,949,830	\$ 1,927,489	\$ 1,890,067
Contributions in relation to the actuarially determined contribution	<u>1,770,618</u>	<u>1,902,848</u>	<u>1,949,830</u>	<u>1,927,489</u>	<u>1,890,067</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$11,108,012	\$ 11,714,226	\$12,006,344	\$11,868,775	\$11,638,344
Contributions as a percentage Covered-employee payroll	15.94%	16.24%	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, 2018**

**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>	<u>2017</u>
Alcoa City Schools' proportion of the net pension asset	0.221788%	0.232672%	0.246955%	0.261150%
Alcoa City Schools' proportionate share of the net pension liability (asset)	\$ (36,040)	\$ 95,310	\$ 1,543,334	\$ (85,446)
Alcoa City Schools' covered-employee payroll	8,705,181	8,710,070	8,914,611	9,234,536
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%	(0.93)%
Plan fiduciary net position as a Percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%

*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, 2018**

**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>	<u>2018</u>
Actuarially determined contribution (ADC)	\$ 773,020	\$ 787,391	\$ 805,879	\$ 834,530	\$ 907,733
Contributions in relation to the actuarially determined contribution	<u>773,020</u>	<u>787,391</u>	<u>805,879</u>	<u>834,530</u>	<u>907,733</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Alcoa City Schools' covered-employee payroll	\$ 8,705,181	\$ 871,070	\$8,914,611	\$9,234,536	\$9,997,059
Contributions as a percentage of Alcoa City Schools' covered-employee payroll	8.88%	9.04%	9.04%	9.04%	9.08%

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, 2018

**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>	<u>2018</u>
Alcoa City Schools' proportion of the net pension liability (asset)	0.026702%	0.056086%	0.099622%
Alcoa City Schools' proportionate share of the net pension liability (asset)	\$ (1,074)	\$ (5,839)	\$ (26,284)
Alcoa City Schools' covered payroll	\$ 55,480	\$ 246,776	\$ 650,860
Alcoa City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94)%	(2.37)%	(4.04)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%

*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, 2018**

**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>	<u>2018</u>
Contractually required contribution	\$ 55	\$ 6,177	\$ 26,154	\$ 32,277
Contributions in relation to the contractually required contribution	<u>2,219</u>	<u>9,871</u>	<u>26,154</u>	<u>32,277</u>
Contribution deficiency (excess)	<u>\$ (2,164)</u>	<u>\$ (3,694)</u>	<u>\$ -</u>	<u>\$ -</u>
Alcoa City Schools' covered-employee payroll	\$ 55,480	\$ 246,776	\$ 650,860	\$ 802,910
Contributions as a percentage of Alcoa City Schools' covered-employee payroll	4.00%	4.00%	4.02%	4.02%

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, 2018

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 109 - 114
For the Fiscal Year Ended June 30, 2018

Valuation date:

Actuarially determined contribution rates for 2018 were calculated based on the July 1, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed 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, 2018**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
HYBRID W/O Cc
Last Fiscal Year Ending June 30**

	<u>2016</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 6,951	\$ 64,876
Interest	803	8,868
Changes in benefit terms	-	-
Differences between actual & expected experience	41,847	51,643
Change of assumptions	-	3,866
Benefit payments, including refunds of employee contributions	-	-
Net change in total pension liability	<u>49,601</u>	<u>129,253</u>
Total pension liability - beginning	<u>3,760</u>	<u>53,361</u>
Total pension liability – ending (a)	<u>\$ 53,361</u>	<u>\$ 182,614</u>
Plan fiduciary net position		
Contributions – employer	\$ 53,225	\$ 113,677
Contributions – employee	-	-
Net investment income	750	12,384
Benefit payments, including refunds of employee contributions	-	-
Administrative expense	(2,639)	(4,811)
Other	-	-
Net change in plan fiduciary net position	<u>51,336</u>	<u>121,250</u>
Plan fiduciary net position – beginning	<u>2,959</u>	<u>54,295</u>
Plan fiduciary net position – ending (b)	<u>\$ 54,295</u>	<u>\$ 175,545</u>
Net Pension Liability (asset) – ending (a) – (b)	<u>\$ (934)</u>	<u>\$ 7,069</u>

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, 2018**

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS HYBRID W/O Cc
For the Fiscal Years Ended June 30**

	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 113,677	\$ 154,071
Contributions in relation to the actuarially determined contribution	<u>113,677</u>	<u>154,071</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 1,891,468	 \$ 2,563,577
Contributions as a percentage covered – employee payroll	 6.01%	 6.01%

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, 2018

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>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 232,880	\$ 190,824	\$ 205,136	\$ 171,443
Interest	2,612,606	2,688,755	2,695,269	2,607,943
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>	<u>(3,215,457)</u>
Net Change in Total Pension Liability	834,423	292,553	(1,036,449)	(436,071)
Total Pension Liability – Beginning	<u>36,109,338</u>	<u>36,952,761</u>	<u>37,245,314</u>	<u>36,208,865</u>
Total Pension Liability – Ending (a)	<u>\$ 36,952,761</u>	<u>\$ 37,245,314</u>	<u>\$ 36,208,865</u>	<u>\$ 35,772,794</u>
 Plan Fiduciary Net Position				
Contributions – employer	\$ 1,451,649	\$ 2,173,944	\$ 2,406,072	\$ 2,132,867
Net investment income	2,612,615	693,555	802,129	2,634,609
Benefit payments/refunds	(2,549,182)	(2,587,026)	(2,832,855)	(3,215,457)
Administrative expenses	(75,650)	(73,003)	(83,979)	(41,329)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	\$ 1,439,432	\$ 207,470	\$ 291,367	\$ 1,510,690
 Plan Fiduciary Net Position – Beginning	<u>21,889,974</u>	<u>23,329,406</u>	<u>23,536,876</u>	<u>23,828,243</u>
Plan Fiduciary Net Position – ending (b)	<u>\$ 23,329,406</u>	<u>\$ 23,536,876</u>	<u>\$ 23,828,243</u>	<u>\$ 25,338,933</u>
Plan Pension Liability – ending (a) – (b)	<u>\$ 13,623,355</u>	<u>\$ 13,708,438</u>	<u>\$ 12,380,622</u>	<u>\$ 10,433,861</u>
 Plan Fiduciary Net Position as a % of the Total Pension Liability	63%	63%	66%	71%
Covered-employee payroll	\$ 3,747,156	\$ 3,747,156	\$ 3,087,577	\$ 3,087,577
 Net Pension Liability as a % of covered employee payroll	364%	366%	401%	338%

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, 2018**

**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>	<u>2018</u>
Actuarially determined contribution	\$ 1,427,703	\$ 1,427,703	\$ 1,445,037	\$ 1,445,037	\$ 1,512,242
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>	<u>1,554,021</u>
Contribution deficiency (excess)	<u>\$ (23,946)</u>	<u>\$ (746,241)</u>	<u>\$ (961,035)</u>	<u>\$ (687,830)</u>	<u>\$ (41,779)</u>
Covered-employee payroll	\$ 3,747,156	\$ 3,747,156	\$ 3,087,577	\$ 3,087,577	\$ 2,844,881
Contributions as a percentage of Covered-employee payroll	39%	58%	78%	69%	55%

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 PAGE 118-119
For the Fiscal Year Ended June 30, 2018**

Valuation date:

Actuarially determined contribution rates for 2018 were calculated based on the July 1, 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	7.25 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, 2018**

**SCHEDULE OF CHANGES IN CITY OF ALCOA, TENNESSEE'S
NET OPEB LIABILITY AND RELATED RATIOS
Last Fiscal Year Ending June 30**

	<u>2018</u>
Total OPEB liability	
Service costs	\$ 115,519
Interest	174,257
Changes in benefit terms	-
Differences between actual & expected experience	-
Change in assumptions or other inputs	-
Benefit payments	<u>(354,589)</u>
Net change in total OPEB liability	(64,813)
Total OPEB liability - beginning	<u>5,634,027</u>
Total OPEB liability – ending	<u>\$ 5,569,214</u>
Plan Fiduciary Net Position as a percentage of the OPEB liability	0.00%
Covered Employee Payroll	\$ 11,522,746
Net OPEB Liability as a percentage of covered- employee payroll	48.33%

This is a ten-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 ten years of information is available.

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

**SCHEDULE OF CITY OF ALCOA, TENNESSEE'S
CONTRIBUTIONS TO OPEB PLAN
For the Fiscal Years Ended June 30**

	<u>2018</u>
Actuarially determined contribution	\$ 498,064
Contributions in relation to the actuarially determined contribution	<u>354,589</u>
Contribution deficiency (excess)	<u>\$ 143,475</u>
Covered-employee payroll	\$ 11,522,746
Contribution as a percentage of covered-employee payroll	3.10%

This is a ten-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 ten years of information is available.

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

**SCHEDULE OF CHANGES IN ALCOA CITY SCHOOL'S
NET OPEB LIABILITY AND RELATED RATIOS
Last Fiscal Year Ending June 30**

	<u>2018</u>
Total OPEB liability	
Service costs	\$ 122,972
Interest	74,582
Changes in benefit terms	-
Differences between actual & expected experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(109,670)</u>
Net change in total OPEB liability	87,884
Total OPEB liability - beginning	<u>2,295,723</u>
Total OPEB liability – ending	<u>\$ 2,383,607</u>
Plan Fiduciary Net Position as a percentage of the OPEB liability	 0.0%
Covered Employee Payroll	 \$ 10,566,293
Net OPEB Liability as a percentage of covered- employee payroll	 22.6%

This is a ten-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 ten years of information is available.

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

**SCHEDULE OF ALCOA CITY SCHOOL'S
CONTRIBUTIONS TO OPEB PLAN
For the Fiscal Years Ended June 30**

	<u>2018</u>
Actuarially determined contribution	\$ 280,065
Contributions in relation to the actuarially determined contribution	<u>109,670</u>
Contribution deficiency (excess)	<u>\$ 170,395</u>
Covered-employee payroll	\$ 10,566,293
Contribution as a percentage of covered-employee payroll	1.0%

This is a ten-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 ten years of information is available.

CITY OF ALCOA, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2018

CITY OF ALCOA, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

**CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET
Non-Major Governmental Funds
June 30, 2018
With Comparative Totals at June 30, 2017**

	<u>Special Revenue Funds</u>						2018 Total Special Revenue Funds	2017 Total Special 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	\$ 859,581	\$ -	\$ 59,755	\$ 333,564	\$ 126,964	\$ 4,668	\$ 1,384,532	\$ 1,212,762
Accounts receivable	-	-	18,852	14,019	-	-	32,871	37,136
Due from grantors, other governments, and State of Tennessee	49,764	78,866	-	-	-	-	128,630	115,145
Due from other funds	-	-	1,529	-	-	-	1,529	1,529
Total Assets	<u>\$ 909,345</u>	<u>\$ 78,866</u>	<u>\$ 80,136</u>	<u>\$ 347,583</u>	<u>\$ 126,964</u>	<u>\$ 4,668</u>	<u>\$ 1,547,562</u>	<u>\$ 1,366,572</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 84,936	\$ 78,279	\$ 5,127	\$ 9,771	\$ -	\$ -	\$ 178,113	\$ 146,270
Unearned grant funds	-	587	-	-	-	-	587	44,405
Unearned fee income	-	-	-	4,000	-	-	4,000	5,000
Due to other funds	-	-	-	-	-	-	-	69,574
Total Liabilities	<u>84,936</u>	<u>78,866</u>	<u>5,127</u>	<u>13,771</u>	<u>-</u>	<u>-</u>	<u>182,700</u>	<u>265,249</u>
Fund Balances								
Restricted	824,409	-	-	-	126,964	4,668	956,041	782,664
Assigned	-	-	75,009	333,812	-	-	408,821	318,659
Total Fund Balances	<u>824,409</u>	<u>-</u>	<u>75,009</u>	<u>333,812</u>	<u>126,964</u>	<u>4,668</u>	<u>1,364,862</u>	<u>1,101,323</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 909,345</u>	<u>\$ 78,866</u>	<u>\$ 80,136</u>	<u>\$ 347,583</u>	<u>\$ 126,964</u>	<u>\$ 4,668</u>	<u>\$ 1,547,562</u>	<u>\$ 1,366,572</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET (Continued)
Non-Major Governmental Funds
June 30, 2018
With Comparative Totals at June 30, 2017

	<u>Capital Project Funds</u>					2018 Total Capital Project Funds	Total Non-Major Governmental Funds	
	Capital Projects	Equipment Replacement Fund	Home Grant Program Fund	Landscaping Fund	Alcoa High School Construction Fund		2018	2017
ASSETS								
Cash and cash equivalents	\$ 83,677	\$ 265,988	\$ 1,039	\$ 82,581	\$ 195	\$ 433,480	\$ 1,818,012	\$ 1,635,992
Investments and Certificates of Deposit.....	-	1,200,000	-	-	-	1,200,000	1,200,000	-
Accounts receivable	-	-	-	-	-	-	32,871	37,136
Due from grantors, other governments, and State of Tennessee.....	-	-	-	-	-	-	128,630	115,145
Due from other funds	-	-	-	-	-	-	1,529	1,529
Total Assets.....	<u>\$ 83,677</u>	<u>\$ 1,465,988</u>	<u>\$ 1,039</u>	<u>\$ 82,581</u>	<u>\$ 195</u>	<u>\$ 1,633,480</u>	<u>\$ 3,181,042</u>	<u>\$ 1,789,802</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 17,499	\$ 5,274	\$ -	\$ -	\$ -	\$ 22,773	\$ 200,886	\$ 148,770
Unearned grant funds.....	-	-	-	-	-	-	587	44,405
Unearned fee income	-	-	-	-	-	-	4,000	5,000
Due to other funds.....	-	-	-	-	-	-	-	69,574
Total Liabilities.....	<u>17,499</u>	<u>5,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,773</u>	<u>205,473</u>	<u>267,749</u>
Fund Balances:								
Restricted	66,178	-	-	82,581	195	148,954	1,104,995	898,966
Assigned.....	-	1,460,714	1,039	-	-	1,461,753	1,870,574	623,087
Total Fund Balances	<u>66,178</u>	<u>1,460,714</u>	<u>1,039</u>	<u>82,581</u>	<u>195</u>	<u>1,610,707</u>	<u>2,975,569</u>	<u>1,522,053</u>
Total Liabilities and Fund Balances.....	<u>\$ 83,677</u>	<u>\$ 1,465,988</u>	<u>\$ 1,039</u>	<u>\$ 82,581</u>	<u>\$ 195</u>	<u>\$ 1,633,480</u>	<u>\$ 3,181,042</u>	<u>\$ 1,789,802</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>Special Revenue Funds</u>						<u>2018 Total Special Revenue Funds</u>	<u>2017 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.....	\$ 283,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,329	\$ 255,652
Federal and state grants	-	947,540	-	-	-	-	947,540	985,156
U.S.D.A. reimbursements.....	-	-	574,105	-	-	-	574,105	602,365
Charges for services	-	-	364,084	275,473	-	-	639,557	619,613
Fines, forfeitures and court cases ..	-	-	-	-	115,522	1,947	117,469	20,172
Investment income	<u>2,693</u>	-	-	-	<u>41</u>	-	<u>2,734</u>	<u>164</u>
Total Revenues.....	<u>286,022</u>	<u>947,540</u>	<u>938,189</u>	<u>275,473</u>	<u>115,563</u>	<u>1,947</u>	<u>2,564,734</u>	<u>2,483,122</u>
Expenditures:								
Current:								
Public Safety	-	-	-	-	-	-	-	3,207
Public Works.....	230,155	-	-	-	-	-	230,155	146,256
Education	-	947,540	931,963	191,537	-	-	2,071,040	2,077,432
Capital Outlay	-	-	-	-	-	-	-	22,897
Total Expenditures	<u>230,155</u>	<u>947,540</u>	<u>931,963</u>	<u>191,537</u>	<u>-</u>	<u>-</u>	<u>2,301,195</u>	<u>2,249,792</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	<u>55,867</u>	<u>-</u>	<u>6,226</u>	<u>83,936</u>	<u>115,563</u>	<u>1,947</u>	<u>263,539</u>	<u>233,330</u>
Other Financing Sources (Uses):								
Transfers Out.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance.....	55,867	-	6,226	83,936	115,563	1,947	263,539	233,330
Fund Balance, July 1 st	<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>
Fund Balance, June 30th.....	<u>\$ 824,409</u>	<u>\$ -</u>	<u>\$ 75,009</u>	<u>\$ 333,812</u>	<u>\$ 126,964</u>	<u>\$ 4,668</u>	<u>\$ 1,364,862</u>	<u>\$ 1,101,323</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Capital Project Funds</u>					<u>Total 2018 Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>	
	<u>Capital Projects</u>	<u>Equipment Replacement</u>	<u>Home Grant Program</u>	<u>Landscaping</u>	<u>Alcoa High School</u>		<u>2018</u>	<u>2017</u>
Revenues:								
Intergovernmental	\$ 181,190	\$ -	\$ -	\$ -	\$ -	\$ 181,190	\$ 181,190	\$ 263,056
State gasoline tax	-	-	-	-	-	-	283,329	255,652
Federal and state grants	-	-	-	-	-	-	947,540	985,156
U.S.D.A. reimbursements	-	-	-	-	-	-	574,105	839,843
Charges for services	-	-	-	17,337	-	17,337	656,894	626,945
Fines, forfeitures and court cases .	-	-	-	-	-	-	117,469	20,172
Investment income	-	419	-	245	-	664	3,398	2,190
Total Revenues.....	<u>181,190</u>	<u>419</u>	<u>-</u>	<u>17,582</u>	<u>-</u>	<u>199,191</u>	<u>2,763,925</u>	<u>2,993,014</u>
Expenditures:								
Current:								
Public Safety	-	-	-	-	-	-	-	3,207
Public Works.....	165,930	34,095	-	-	-	200,025	430,180	146,256
Culture and Recreation.....	-	-	-	190	-	190	190	262,380
Education	-	-	-	-	-	-	2,071,040	2,077,432
Capital Outlay	-	654,739	-	-	-	654,739	654,729	639,383
Total Expenditures	<u>165,930</u>	<u>688,834</u>	<u>-</u>	<u>190</u>	<u>-</u>	<u>854,954</u>	<u>3,156,149</u>	<u>3,128,658</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)....	<u>15,260</u>	<u>(688,415)</u>	<u>-</u>	<u>17,392</u>	<u>-</u>	<u>(655,763)</u>	<u>(392,224)</u>	<u>(135,644)</u>
Other Financing Sources (Uses):								
Transfers In:								
General Fund.....	-	200,000	-	-	-	200,000	200,000	-
Bond proceeds.....	-	1,630,000	-	-	-	1,630,000	1,630,000	-
Bond premium.....	-	15,740	-	-	-	15,740	15,740	-
Transfers Out	-	-	-	-	-	-	-	(410,263)
Total Other Financing Sources (Uses).....	<u>-</u>	<u>1,845,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,845,740</u>	<u>1,845,740</u>	<u>(410,263)</u>
Net Change in Fund Balances	15,260	1,157,325	-	17,392	-	1,189,977	1,453,516	(545,907)
Fund Balance, July 1 st	<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>
Fund Balance, June 30th	<u>\$ 66,178</u>	<u>\$ 1,460,714</u>	<u>\$ 1,039</u>	<u>\$ 82,581</u>	<u>\$ 195</u>	<u>\$ 1,610,707</u>	<u>\$ 2,975,569</u>	<u>\$ 1,522,053</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS
June 30, 2018

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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, 2018
With Comparative Totals at June 30, 2017**

	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>2018</u>	<u>2017</u>
ASSETS:							
Cash.....	<u>\$ 987,736</u>	<u>\$ 3,009</u>	<u>\$ 321</u>	<u>\$ 587,000</u>	<u>\$ 615,000</u>	<u>\$ 2,193,066</u>	<u>\$ 2,273,310</u>
LIABILITIES:							
Medical claims payable	\$ 548,855	\$ -	\$ -	\$ -	\$ -	\$ 548,855	\$ 474,047
Accounts payable.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,742</u>
Total Liabilities.....	<u>548,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,855</u>	<u>501,789</u>
NET POSITION:							
Unrestricted	<u>438,881</u>	<u>3,009</u>	<u>321</u>	<u>587,000</u>	<u>615,000</u>	<u>1,644,211</u>	<u>1,771,521</u>
Total Liabilities and Net Position.....	<u>\$ 987,736</u>	<u>\$ 3,009</u>	<u>\$ 321</u>	<u>\$ 587,000</u>	<u>\$ 615,000</u>	<u>\$ 2,193,066</u>	<u>\$ 2,273,310</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, 2018
With Comparative Totals for June 30, 2017**

	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>2018</u>	<u>2017</u>
OPERATING REVENUES:							
Insurance charges.....	\$ 4,813,028	\$ -	\$ -	\$ -	\$ -	\$ 4,813,028	\$ 4,557,664
Refunds – Co-insurance.....	930,685	-	-	-	-	930,685	391,899
Employee Contributions	305,870	211,564	-	-	-	517,434	482,186
Employer Contributions.....	-	-	-	-	68,500	68,500	68,500
Service Center charges.....	-	-	344,348	-	-	344,348	360,536
	<u>6,049,583</u>	<u>211,564</u>	<u>344,348</u>	<u>-</u>	<u>68,500</u>	<u>6,673,995</u>	<u>5,860,785</u>
Total Operating Revenues							
OPERATING EXPENSES:							
Salaries.....	-	-	61,301	-	-	61,301	54,235
Fringe benefits	-	-	49,317	-	-	49,317	43,902
Building improvements.....	-	-	3,606	-	-	3,606	19,179
Improvement teams/training	-	-	349	-	-	349	2,794
Maintenance contracts	-	-	16,989	-	-	16,989	8,827
Contract services.....	-	-	7,472	-	-	7,472	24,675
Utilities	-	-	135,811	-	-	135,811	150,913
Supplies	-	-	8,153	-	-	8,153	10,124
Repair and maintenance.....	-	-	42,195	-	-	42,195	45,382
Insurance claims paid.....	4,909,620	209,621	-	-	-	5,119,241	4,128,873
Insurance claims, premiums and administrative expenses	1,338,325	-	-	-	-	1,338,325	1,206,048
Insurance.....	-	-	19,270	-	-	19,270	18,659
	<u>6,247,945</u>	<u>209,621</u>	<u>344,463</u>	<u>-</u>	<u>-</u>	<u>6,802,029</u>	<u>5,713,611</u>
Total Operating Expenses.....							
OPERATING INCOME (LOSS).....	(198,362)	1,943	(115)	-	68,500	(128,034)	147,174

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, 2018
With Comparative Totals for June 30, 2017**

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	Schools OPEB Insurance Fund	<u>Total Internal Service Funds</u>	
						<u>2018</u>	<u>2017</u>
NON-OPERATING REVENUES (EXPENSES):							
Interest income.....	724	-	-	-	-	724	-
Transfers (out) in.....	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>(55,089)</u>
Total Non-Operating Revenues (Expenses)	<u>(64,276)</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>724</u>	<u>(55,089)</u>
CHANGE IN NET POSITION	(262,638)	1,943	(115)	65,000	68,500	(127,310)	92,085
NET POSITION – July 1 st	<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>
NET POSITION, June 30th	<u>\$ 438,881</u>	<u>\$ 3,009</u>	<u>\$ 321</u>	<u>\$ 587,000</u>	<u>\$ 615,000</u>	<u>\$ 1,644,211</u>	<u>\$ 1,771,521</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>Employee Insurance Fund</u>	<u>Flexible Spending Fund</u>	<u>Service Center Fund</u>	<u>City OPEB Insurance Fund</u>	<u>Schools OPEB Insurance Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:							
Insurance premiums/reimbursements collected.....	\$ 6,049,583	\$ -	\$ -	\$ -	\$ -	\$ 6,049,583	\$ 5,231,772
Collections from various City departments.....	-	211,564	344,348	-	68,500	624,412	665,324
Payments to employees and vendors.....	<u>(6,173,137)</u>	<u>(209,621)</u>	<u>(354,205)</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>(6,754,963)</u>	<u>(5,713,611)</u>
Net Cash Provided By Operating Activities.....	<u>(123,554)</u>	<u>1,943</u>	<u>(9,857)</u>	<u>(9,000)</u>	<u>59,500</u>	<u>(80,968)</u>	<u>183,485</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Receipts from other funds.....	-	-	-	65,000	-	65,000	65,000
Payments to other funds.....	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>(120,089)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities.....	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>(55,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest income.....	<u>724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>724</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(187,830)	1,943	(9,857)	56,000	59,500	(80,244)	128,396
CASH AND CASH EQUIVALENTS – July 1 st	<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>
CASH AND CASH EQUIVALENTS – June 30th..	<u>\$ 987,736</u>	<u>\$ 3,009</u>	<u>\$ 321</u>	<u>\$ 587,000</u>	<u>\$ 615,000</u>	<u>\$ 2,193,066</u>	<u>\$ 2,273,310</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	Schools OPEB Insurance Fund	<u>Total Internal Service Funds</u>	
						<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss)	\$ (198,362)	\$ 1,943	\$ (115)	\$ -	\$ 68,500	\$ (128,034)	\$ 147,174
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Changes in assets and liabilities:							
Accounts payable.....	<u>74,808</u>	<u>-</u>	<u>(9,742)</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>47,066</u>	<u>36,311</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (123,554)</u>	<u>\$ 1,943</u>	<u>\$ (9,857)</u>	<u>\$ (9,000)</u>	<u>\$ 59,500</u>	<u>\$ (80,968)</u>	<u>\$ 183,485</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, 2018
With Comparative Totals at June 30, 2017**

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2018</u>	<u>2017</u>
Cash on hand and equity in pooled cash.....	\$ 7,318,734	\$ 7,669,880
Property taxes receivable (net of allowance for estimated uncollectibles).....	10,788,506	10,768,735
Sales taxes receivable – State of Tennessee	1,917,976	2,068,859
Accounts receivable.....	221,416	56,137
Due from other funds.....	<u>21,421</u>	<u>14,186</u>
Total Assets:	<u>\$ 20,268,053</u>	<u>\$ 20,577,797</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities:		
Accounts payable.....	\$ 702,816	\$ 909,075
Unearned revenue	752,058	717,894
Accrued liabilities.....	<u>531,149</u>	<u>387,327</u>
Total Liabilities	<u>1,986,023</u>	<u>2,014,296</u>
Deferred Inflows of Resources:		
Deferred Revenue – Property tax	<u>9,974,857</u>	<u>9,987,811</u>
Fund Balance:		
Restricted.....	124,927	325,264
Assigned.....	512,658	508,792
Unassigned	<u>7,669,588</u>	<u>7,741,634</u>
Total Fund Balance.....	<u>8,307,173</u>	<u>8,575,690</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 20,268,053</u>	<u>\$ 20,577,797</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</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>Final Budget</u>	
		<u>(Budgetary</u>	<u>Positive</u>		
			<u>Basis)</u>	<u>(Negative)</u>	
TAXES:					
Current property taxes.....	\$ 5,780,000	\$ 5,780,000	\$ 5,847,130	\$ 67,130	\$10,592,878
Delinquent property taxes	325,000	325,000	347,390	22,390	295,548
Business tax	900,000	900,000	895,245	(4,755)	961,374
Local sales tax.....	11,200,000	10,892,000	9,747,838	(1,144,162)	6,003,828
Property tax – Partnership South	28,525	28,525	32,419	3,894	31,085
Gas franchise tax.....	120,000	120,000	148,669	28,669	118,701
Cable TV tax.....	100,750	100,750	87,574	(13,176)	93,251
Tax equivalent/in lieu	1,076,315	1,076,315	927,290	(149,025)	1,078,094
Hotel/Motel tax	152,000	152,000	155,972	3,972	147,408
Beer/liquor privilege tax	32,625	32,625	22,398	(10,227)	24,234
Total Taxes	<u>19,715,215</u>	<u>19,407,215</u>	<u>18,211,925</u>	<u>(1,195,290)</u>	<u>19,346,401</u>
LICENSES AND PERMITS:					
Animal registration	650	650	220	(430)	493
Building permits	52,000	52,000	111,212	59,212	155,763
Mechanical and gas permits.....	3,800	3,800	8,609	4,809	5,109
Plumbing permits.....	3,200	3,200	7,022	3,822	5,418
Sanitary sewer inspection	1,000	1,000	3,225	2,225	925
Special events permits.....	2,000	2,000	7,550	5,550	6,075
Total Licenses and Permits	<u>62,650</u>	<u>62,650</u>	<u>137,838</u>	<u>75,188</u>	<u>173,783</u>
INTERGOVERNMENTAL REVENUE:					
State of Tennessee:					
Beer tax	4,225	4,225	3,942	(283)	4,080
Sales tax	679,300	679,300	750,184	70,884	762,414
State Income tax.....	75,000	75,000	76,410	1,410	99,185
Streets and transportation.....	17,320	17,320	17,000	(320)	18,498
Mixed drink tax.....	170,000	170,000	50,045	(119,955)	96,437
Alcoholic liquor tax	300,000	300,000	294,230	(5,770)	282,965
TVA – in lieu	95,475	95,475	95,807	332	95,330
Excise tax	17,000	17,000	24,003	7,003	28,242
Fire – salary supplement	16,800	16,800	18,000	1,200	18,600
Police – salary supplement.....	24,000	24,000	22,800	(1,200)	24,000
Local:					
Local beer tax.....	646,000	646,000	610,434	(35,566)	633,204
Stormwater cost recovery	96,000	96,000	161,500	65,500	116,163
Grants:					
State/Federal grants.....	12,000	12,000	216,022	204,022	12,170
Drug Task Force	1,000	1,000	2,260	1,260	2,299
Total Intergovernmental Revenue.....	<u>2,154,120</u>	<u>2,154,120</u>	<u>2,342,637</u>	<u>188,517</u>	<u>2,193,587</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
FINES AND FORFEITS:					
Fines and costs	230,000	230,000	53,275	(176,725)	154,681
Penalties	160,000	160,000	143,903	(16,097)	154,417
Police Evidence Money/Drug Control	17,000	17,000	12,813	(4,187)	49,885
Litigation tax	200,000	200,000	257,813	57,813	197,411
Citation fees	<u>12,000</u>	<u>12,000</u>	<u>18,171</u>	<u>6,171</u>	<u>13,495</u>
Total Fines and Forfeits	<u>619,000</u>	<u>619,000</u>	<u>485,975</u>	<u>(133,025)</u>	<u>569,889</u>
INTEREST EARNED	<u>5,000</u>	<u>5,000</u>	<u>32,105</u>	<u>27,105</u>	<u>8,470</u>
MISCELLANEOUS REVENUE:					
Public works, labor, and material....	511,000	511,000	461,371	(49,629)	468,202
Miscellaneous	20,000	20,000	20,950	950	18,649
Fees/development	16,500	16,500	33,331	16,831	23,396
Department Services	155,350	155,350	192,785	37,435	156,609
Insurance refunds	6,500	6,500	111,110	104,610	36,286
Property rental.....	146,910	146,910	193,056	46,146	145,138
Sale of property/equipment	25,000	583,000	646,440	63,440	23,283
Special events.....	-	-	175	175	150
Private grants	22,500	22,500	6,800	(15,700)	12,625
Fire prevention training.....	-	-	2,625	2,625	1,125
Disaster relief	-	-	3,493	3,493	-
Contributions and donations - Business	6,600	6,600	65,153	58,553	6,887
City Development Proceeds/IDB Contractually Shared Revenue.....	-	-	75,691	75,691	-
TML Grants	<u>-</u>	<u>-</u>	<u>6,375</u>	<u>6,375</u>	<u>9,777</u>
Total Miscellaneous Revenue ...	<u>910,360</u>	<u>1,468,360</u>	<u>1,819,355</u>	<u>350,995</u>	<u>902,127</u>
TOTAL REVENUES	<u>\$ 23,466,345</u>	<u>\$ 23,716,345</u>	<u>\$ 23,029,835</u>	<u>\$ (686,510)</u>	<u>\$ 23,194,257</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</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	1,203
Other personal services.....	4,320	4,320	4,320	-	4,320
Election services.....	1,000	1,000	-	1,000	1,250
Mailing.....	50	50	3	47	17
Dues, memberships, and subscriptions.....	3,850	3,850	1,295	2,555	1,467
Travel, conferences, and training.....	13,500	13,500	4,265	9,235	326
Advertising and publicity.....	2,300	2,300	1,992	308	1,734
Reproduction and printing.....	400	400	-	400	-
Maintenance contract.....	750	750	782	(32)	689
Utilities.....	4,200	4,200	3,551	649	4,225
Office supplies.....	500	500	198	302	192
Uniforms and clothing.....	-	-	-	-	169
Other commodities.....	1,500	1,500	1,554	(54)	-
Insurance.....	35,595	35,595	28,760	6,835	33,896
Computer Equipment.....	-	-	580	(580)	159
Total Board of Commissioners.....	<u>80,575</u>	<u>80,575</u>	<u>59,903</u>	<u>20,672</u>	<u>61,047</u>
<u>Administration City Manager:</u>					
Wages and salaries.....	122,845	122,845	122,578	267	119,302
Wages – temporary.....	-	-	1,514	(1,514)	-
F. I. C. A.	10,245	10,245	8,833	1,412	9,022
Retirement.....	31,670	31,670	28,218	3,452	27,092
Hospitalization insurance.....	21,000	21,000	21,000	-	20,160
Life/AD&D.....	505	505	435	70	487
Dental insurance.....	1,705	1,705	837	868	837
Workmen’s compensation.....	495	495	386	109	348
Other personal services.....	11,130	11,130	10,091	1,039	9,620
Employee education and training.....	9,500	9,500	4,918	4,582	315
Mailing.....	200	200	121	79	281
Dues, memberships, and subscriptions.....	11,500	11,500	8,045	3,455	8,177
Advertising.....	600	600	975	(375)	-
Travel, conferences, and training.....	-	-	-	-	2,861
Public relations.....	4,000	4,000	3,812	188	4,258
Repairs and maintenance.....	100	100	-	100	346
Reproduction and printing.....	250	250	-	250	-
Maintenance contract.....	750	750	963	(213)	689
Utilities.....	4,000	4,000	4,653	(653)	4,370
Office supplies/other supplies.....	1,000	1,000	1,331	(331)	918
Auto parts/Gas.....	2,300	2,300	1,555	745	2,078
Insurance.....	1,000	1,000	1,112	(112)	885
Lease.....	3,440	3,440	2,953	487	2,865
Other contracted services.....	6,500	6,500	-	6,500	-
Uniform and clothing.....	-	-	35	(35)	-
Computer equipment.....	-	-	-	-	1,194
Total City Manager’s Office.....	<u>244,735</u>	<u>244,735</u>	<u>224,365</u>	<u>20,370</u>	<u>216,105</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Human Resources:</u>					
Wages and salaries	143,880	143,880	148,161	(4,281)	145,634
F. I. C. A.....	11,565	11,565	11,272	293	12,620
Retirement.....	43,135	43,135	38,679	4,456	65,157
Hospitalization insurance	35,400	35,400	35,550	(150)	33,264
Life/AD&D	680	680	589	91	661
Dental insurance.....	2,870	2,870	2,365	505	2,209
Workmen’s compensation.....	275	275	192	83	184
Retiree insurance.....	2,980	2,980	3,050	(70)	497
Other personal services	7,375	7,375	6,859	516	9,927
Drug/Alcohol testing	-	-	65	(65)	40
Employee education and training.....	7,000	7,000	6,247	753	1,581
Professional services	18,500	18,500	-	18,500	300
Mailing	1,200	1,200	552	648	840
Dues, memberships, and subscriptions.....	1,400	1,400	1,638	(238)	1,238
Regulatory fees and licenses	2,500	2,500	-	2,500	-
Travel, conferences, and training	-	-	-	-	1,369
Business/Public relations.....	500	500	1,001	(501)	70
Improvement teams/service awards	8,000	8,000	6,965	1,035	5,201
Repairs and maintenance – office equip... ..	750	750	24	726	680
Reproduction and printing.....	3,500	3,500	2,187	1,313	2,302
Maintenance contracts.....	500	500	3,642	(3,142)	2,279
Utilities.....	2,800	2,800	3,562	(762)	3,887
Other contractual services	4,500	4,500	4,517	(17)	2,608
Office supplies.....	5,500	5,500	3,327	2,173	5,129
Safety supplies.....	1,500	1,500	1,444	56	95
Insurance	1,000	1,000	1,083	(83)	759
Employee appreciation.....	11,500	11,500	20	11,480	-
Uniforms and clothing.....	-	-	21	(21)	-
Auto parts	-	-	316	(316)	-
Computer equipment	3,000	3,000	1,510	1,490	2,999
Total Personnel Office.....	321,810	321,810	284,838	36,972	301,530
<u>Purchasing and Warehouse:</u>					
Wages and salaries	36,530	36,530	36,433	97	35,526
F. I. C. A.....	2,850	2,850	2,781	69	2,794
Retirement.....	7,145	7,145	7,124	21	6,903
Hospitalization insurance	10,050	10,050	10,050	-	9,648
Life/AD&D	180	180	157	23	174
Dental insurance.....	815	815	462	353	462
Workmen’s compensation.....	70	70	48	22	44
Other personal services	720	720	716	4	650
Employee education/training/testing.....	1,000	1,000	1,639	(639)	36
Professional services	50	50	-	50	-
Mailing	150	150	12	138	44
Dues, memberships, and subscriptions.....	520	520	482	38	244
Advertising/Public Relations.....	250	250	530	(280)	100
Travel and training	-	-	-	-	8
Improvement teams	100	100	-	100	42

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Purchasing and Warehouse (Continued):</u>					
Drug/Alcohol testing	50	50	33	17	-
Regulatory fees/license.....	250	250	-	250	-
Repair and maintenance office	600	600	-	600	491
Reproduction and printing.....	1,000	1,000	462	538	505
Rental/Maintenance contracts	1,000	1,000	-	1,000	-
Utilities	3,300	3,300	2,239	1,061	3,037
Other contracted services	100	100	-	100	-
Office supplies.....	425	425	247	178	911
Other operating supplies/parts	700	700	422	278	415
Uniforms and clothing.....	150	150	-	150	-
Auto parts/gas.....	1,400	1,400	336	1,064	1,670
Insurance and bonds	850	850	942	(92)	797
Other improvements	23,180	23,180	13,434	9,746	-
Fuel island costs	<u>2,000</u>	<u>2,000</u>	<u>5,042</u>	<u>(3,042)</u>	<u>17,824</u>
Total Purchasing and Warehouse	<u>95,435</u>	<u>95,435</u>	<u>83,591</u>	<u>11,844</u>	<u>82,325</u>
<u>Building and Grounds:</u>					
Wages and salaries	38,965	38,965	37,238	1,727	37,448
F. I. C. A.....	3,035	3,035	2,826	209	2,906
Retirement	7,425	7,425	7,126	299	7,062
Hospitalization insurance	9,000	9,000	9,000	-	8,751
Life/AD&D	165	165	140	25	157
Dental insurance	730	730	538	192	547
Workmen's compensation.....	1,700	1,700	1,195	505	1,285
Other personal services.....	720	720	720	-	670
Utilities	-	-	1,339	(1,339)	1,060
Insurance	14,500	14,500	14,164	336	13,699
Repairs and maintenance.....	770	770	1,282	(512)	-
Maintenance – Associates Boulevard.....	11,000	11,000	4,221	6,779	3,805
Springbrook Corporation Center	-	-	5,407	(5,407)	10,063
Operating supplies	-	-	67	(67)	-
Tesla Blvd	-	-	2,800	(2,800)	-
Building improvements	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
Total Building and Grounds	<u>90,510</u>	<u>90,510</u>	<u>88,063</u>	<u>2,447</u>	<u>87,453</u>
<u>Fleet Services:</u>					
Wages and salaries	126,035	126,035	127,430	(1,395)	123,954
F.I.C.A.....	9,755	9,755	9,528	227	9,623
Retirement	23,980	23,980	21,704	2,276	21,984
Hospitalization insurance	37,350	37,350	37,043	307	35,856
Life/AD&D	635	635	544	91	596
Dental insurance	3,030	3,030	2,860	170	2,884
Workmen's compensation.....	5,000	5,000	4,430	570	3,476
Other personal services.....	1,545	1,545	1,544	1	1,348
Drug/Alcohol test	45	45	106	(61)	79

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
GENERAL GOVERNMENT (Continued):					
<u>Fleet Services (Continued):</u>					
Employee education and training	3,700	3,700	550	3,150	302
Professional services	50	50	-	50	-
Dues, memberships and subscriptions	615	615	599	16	3,289
Insurance	3,000	3,000	2,934	66	2,789
Advertising	-	-	-	-	150
Travel	-	-	-	-	535
Improvement teams	100	100	150	(50)	109
Maintenance contract	5,700	5,700	6,523	(823)	4,493
Utilities	700	700	726	(26)	732
Other contractual services	100	100	-	100	-
Office supplies	100	100	327	(227)	23
Other operating supplies	15,000	15,000	10,317	4,683	10,707
Small tools	3,800	3,800	4,931	(1,131)	3,516
Uniforms	1,500	1,500	1,801	(301)	1,419
Auto/electrical parts/materials	1,250	1,250	706	544	142
Gas, fuel, and lubricants	1,700	1,700	2,117	(417)	2,007
Safety supplies	500	500	143	357	355
Mailing	-	-	105	(105)	-
Repairs and maintenance	1,500	1,500	1,510	(10)	769
Machinery and equipment	11,500	11,500	9,513	1,987	-
Computer equipment	<u>1,000</u>	<u>1,000</u>	<u>985</u>	<u>15</u>	<u>-</u>
Total Fleet Services	<u>259,190</u>	<u>259,190</u>	<u>249,126</u>	<u>10,064</u>	<u>231,137</u>
<u>Judicial/Legal:</u>					
FICA	690	690	460	230	495
Retirement	1,465	1,465	1,463	2	1,461
Medical Insurance	15,000	15,000	15,000	-	14,400
Dental Insurance	1,220	1,220	1,158	62	1,158
Wages – City Judge	9,000	9,000	9,000	-	9,000
City Attorney	76,200	76,200	55,698	20,502	82,128
Insurance	-	-	1,000	(1,000)	-
Other Legal Services	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Judicial/Legal	<u>113,575</u>	<u>113,575</u>	<u>93,779</u>	<u>19,796</u>	<u>118,642</u>
<u>Finance:</u>					
Wages and salaries	168,995	168,995	169,495	(500)	161,504
F. I. C. A.	13,275	13,275	12,833	442	12,629
Retirement	47,335	47,335	40,385	6,950	44,969
Hospitalization insurance	38,850	38,850	38,850	-	30,768
Life/AD&D	775	775	673	102	730
Dental insurance	3,150	3,150	2,215	935	2,212
Workmen’s compensation	320	320	223	97	203
Bonds	600	600	578	22	578
Other personal services	5,295	5,295	5,075	220	4,799
Employee education and training	-	-	864	(864)	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>				<u>Total 2017</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	-
Training	12,500	12,500	7,286	5,214	-
Property tax assessment fees	26,000	26,000	19,865	6,135	21,083
Mailing	6,000	6,000	5,251	749	6,325
Dues, memberships, and subscriptions.....	2,000	2,000	2,188	(188)	1,134
Accounting and auditing.....	15,000	15,000	15,000	-	17,227
Advertising	750	750	469	281	560
Travel	-	-	-	-	6,506
Public relations	500	500	859	(359)	168
Repairs and maintenance	500	500	-	500	-
Reproduction and printing.....	300	300	-	300	-
Maintenance contracts	4,500	4,500	3,972	528	4,292
Utilities	3,000	3,000	2,748	252	3,193
Other contractual services	480	480	761	(281)	98
Office supplies.....	5,500	5,500	4,726	774	3,429
Uniforms.....	500	500	168	332	-
Auto/Gas.....	500	500	547	(47)	426
Insurance	1,000	1,000	1,205	(205)	865
Computer equipment	-	-	2,967	(2,967)	163
Total Finance.....	<u>358,125</u>	<u>358,125</u>	<u>339,203</u>	<u>18,922</u>	<u>323,861</u>
<u>Information Systems:</u>					
Wages and salaries	84,260	84,260	85,597	(1,337)	81,013
F. I. C. A.	6,545	6,545	6,512	33	6,382
Retirement	21,550	21,550	18,477	3,073	20,417
Hospitalization insurance	20,850	20,850	20,850	-	20,016
Life/AD&D	400	400	344	56	380
Dental insurance	1,695	1,695	1,610	85	1,610
Workmen's compensation	160	160	109	51	100
Other personal services.....	1,965	1,965	1,362	603	1,813
Employee education training.....	18,000	18,000	13,496	4,504	-
Professional services	-	-	-	-	20
Mailing	100	100	212	(112)	103
Dues, memberships, and subscriptions.....	100	100	379	(279)	417
Advertising/Public Relations.....	100	100	-	100	-
Travel, conference and training.....	-	-	-	-	5,824
Rental and maintenance contracts	26,250	26,250	26,562	(312)	24,600
Utilities	27,000	27,000	11,875	15,125	14,015
Office supplies.....	6,000	6,000	6,075	(75)	7,549
Other operating supplies.....	250	250	243	7	91
Auto parts/gasoline/repairs.....	1,000	1,000	231	769	621
Drug/Alcohol testing	-	-	67	(67)	-
Insurance	2,450	2,450	3,053	(603)	2,311
Repairs/Maintenance – Office.....	22,400	22,400	117	22,283	-
Uniforms.....	-	-	92	(92)	-
Computer equipment	<u>206,395</u>	<u>206,395</u>	<u>147,290</u>	<u>59,105</u>	<u>108,509</u>
Total Information Systems	<u>447,470</u>	<u>447,470</u>	<u>344,553</u>	<u>102,917</u>	<u>295,791</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>				<u>Total 2017</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>Planning and Development:</u>					
Wages and salaries	159,805	159,805	156,265	3,540	167,869
F. I. C. A.	12,350	12,350	11,760	590	16,652
Retirement.....	26,685	26,685	25,809	876	32,751
Hospitalization insurance	37,500	37,500	37,500	-	33,000
Life/AD&D	740	740	630	110	726
Dental insurance.....	3,045	3,045	2,896	149	2,654
Workmen’s compensation.....	300	300	208	92	234
Other personal services	4,125	4,125	4,125	-	3,632
Communication equipment	800	800	-	800	2,000
Drug/alcohol testing	100	100	22	78	-
Employee education	-	-	102	(102)	765
Professional and consulting services.....	6,000	6,000	364	5,636	3,474
Mailing	100	100	29	71	-
Dues and memberships	1,500	1,500	1,701	(201)	1,779
Advertising/Public relations.....	2,000	2,000	1,954	46	3,033
Travel	-	-	-	-	133
Repairs and maintenance office	150	150	-	150	150
Printing.....	500	500	32	468	360
Maintenance contracts.....	500	500	1,032	(532)	339
Planning commission meetings.....	1,700	1,700	1,166	534	1,008
Utilities.....	1,700	1,700	1,657	43	2,064
Other contractual services	1,000	1,000	63,506	(62,506)	-
Office supplies	700	700	618	82	862
Other operating supplies	100	100	31	69	-
Gasoline/auto parts.....	600	600	316	284	-
Insurance	1,200	1,200	1,211	(11)	1,091
Training.....	3,100	3,100	772	2,328	-
Computer equipment.....	1,400	1,400	1,088	312	1,758
Total Planning and Development.....	<u>267,700</u>	<u>267,700</u>	<u>314,794</u>	<u>(47,094)</u>	<u>276,334</u>
<u>Municipal Building:</u>					
Wages.....	21,740	21,740	13,775	7,965	22,478
F.I.C.A.	1,720	1,720	1,036	684	1,717
Retirement.....	5,730	5,730	2,650	3,080	5,324
Hospital insurance.....	9,450	9,450	5,700	3,750	9,072
Life insurance/AD&D.....	140	140	70	70	127
Dental insurance.....	770	770	322	448	259
Workers Comp	950	950	668	282	646
Other personal services	735	735	485	250	633
Rental/Maintenance contract.....	10,500	10,500	10,732	(232)	9,271
Utilities.....	95,000	95,000	77,831	17,169	77,942
Operating supplies.....	6,000	6,000	5,905	95	4,474
Drug/Alcohol testing.....	-	-	13	(13)	-
Professional services	-	-	13	(13)	-
Other contracted services	-	-	6,374	(6,374)	-
Uniforms	-	-	44	(44)	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

Function/Activity/Object	June 30, 2018		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2017
	Budgeted Amounts				
	Original	Final			
GENERAL GOVERNMENT (Continued):					
<u>Municipal Building (Continued):</u>					
Insurance	5,575	5,575	5,240	335	5,305
Repairs and maintenance.....	20,000	20,000	28,933	(8,933)	87,782
Other charges	-	-	-	-	189
Building improvements.....	12,000	12,000	16,221	(4,221)	201,157
Total Municipal Building.....	<u>190,310</u>	<u>190,310</u>	<u>176,012</u>	<u>14,298</u>	<u>426,376</u>
<u>Engineering and Codes Enforcement:</u>					
Wages and salaries	155,755	155,755	152,227	3,528	139,859
F. I. C. A.	12,720	12,720	11,928	792	11,260
Retirement.....	77,830	77,830	59,677	18,153	69,429
Hospitalization insurance.....	37,050	37,050	37,050	-	34,968
Life/AD&D.....	725	725	618	107	661
Dental insurance.....	3,005	3,005	2,861	144	2,813
Workmen's compensation.....	5,385	5,385	3,601	1,784	3,016
Other personal services	10,610	10,610	10,532	78	8,036
Drug/Alcohol testing.....	200	200	-	200	45
Employee education/training	2,500	2,500	1,088	1,412	561
Mailing.....	400	400	532	(132)	543
Dues and memberships	700	700	496	204	335
Advertising/Public relations.....	400	400	122	278	-
Travel	-	-	-	-	380
Repairs and maintenance – Office equipment.....	-	-	-	-	49
Professional services	1,250	1,250	-	1,250	-
Printing.....	200	200	-	200	-
Maintenance contracts.....	325	325	670	(345)	339
Utilities.....	2,750	2,750	2,914	(164)	2,978
House demolition	3,000	3,000	-	3,000	21
Other contractual services.....	3,000	3,000	1,803	1,197	-
Office supplies	600	600	645	(45)	1,039
Small tools	100	100	123	(23)	15
Uniforms	600	600	465	135	525
Auto parts.....	1,000	1,000	2,232	(1,232)	296
Gas	2,200	2,200	2,428	(228)	2,274
Insurance.....	1,450	1,450	1,715	(265)	1,373
Repairs and maintenance.....	150	150	-	150	-
Computer equipment.....	1,400	1,400	514	886	584
Total Engineering and Codes	<u>325,305</u>	<u>325,305</u>	<u>294,241</u>	<u>31,064</u>	<u>281,399</u>
<u>Economic and Industrial Development:</u>					
Wages and salaries	62,800	62,800	89,364	(26,564)	60,341
F. I. C. A.	5,545	5,545	7,041	(1,496)	4,903
Retirement	13,670	13,670	12,759	911	13,077
Hospitalization insurance	7,500	7,500	7,500	-	7,200
Life/AD&D	235	235	200	35	224

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

Function/Activity/Object	June 30, 2018		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2017
	Budgeted Amounts				
	Original	Final			
GENERAL GOVERNMENT (Continued):					
<u>Economic and Industrial</u>					
<u>Development (Continued):</u>					
Employee training	15,000	15,000	6,778	8,222	-
Dental insurance.....	610	610	579	31	579
Workmen’s compensation.....	375	375	296	79	232
Other personal services	9,700	9,700	8,637	1,063	9,365
Professional services	50,000	50,000	28,718	21,282	34,730
Mailing	200	200	93	107	124
Dues and memberships	6,500	6,500	5,292	1,208	6,113
Advertising/Marketing	3,000	3,000	3,829	(829)	2,865
Travel	-	-	-	-	15,479
Public relations.....	1,100	1,100	950	150	1,363
Repairs and maintenance.....	-	-	-	-	229
Printing.....	450	450	58	392	-
Utilities.....	2,600	2,600	3,307	(707)	2,987
Office supplies	1,300	1,300	897	403	809
Maintenance contract	750	750	782	(32)	689
Insurance	500	500	620	(120)	443
Computer equipment.....	2,500	2,500	4,328	(1,828)	397
Total Economic and Industrial Development	<u>184,335</u>	<u>184,335</u>	<u>182,028</u>	<u>2,307</u>	<u>162,149</u>
TOTAL GENERAL GOVERNMENT....	<u>2,979,075</u>	<u>2,979,075</u>	<u>2,734,496</u>	<u>244,579</u>	<u>2,864,149</u>
PUBLIC WORKS:					
<u>Supervision:</u>					
Wages and salaries – regular	199,495	199,495	242,878	(43,383)	227,455
F. I. C. A.	15,305	15,305	18,159	(2,854)	17,433
Retirement.....	34,275	34,275	41,251	(6,976)	41,829
Hospitalization insurance	40,050	40,050	42,950	(2,900)	32,796
Life/AD&D	845	845	810	35	704
Dental insurance.....	3,250	3,250	3,316	(66)	2,638
Workmen’s compensation.....	430	430	320	110	280
Other personal services	3,555	3,555	4,996	(1,441)	4,715
Drug/Alcohol testing.....	100	100	89	11	140
Employee education and training.....	11,090	11,090	5,185	5,905	150
Public Education	470	470	101	369	-
Professional and consulting.....	8,500	8,500	4,125	4,375	3,119
Mailing	600	600	507	93	708
Dues and memberships	10,135	10,135	12,069	(1,934)	7,896
Regulatory fees and licenses	815	815	653	162	450
Advertising.....	1,200	1,200	1,450	(250)	1,100
Travel	-	-	-	-	4,836

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS:					
<u>Supervision (Continued):</u>					
Public relations.....	100	100	44	56	60
Improvement teams.....	1,200	1,200	1,144	56	2,167
Repair and maintenance	200	200	-	200	63
GIS Systems.....	30,670	30,670	27,637	3,033	22,149
Reproduction and printing.....	600	600	74	526	-
Rental and maintenance contracts.....	5,935	5,935	6,434	(499)	654
Radio system – annual fee.....	3,000	3,000	2,983	17	2,983
Utilities.....	2,040	2,040	1,909	131	2,290
Other contractual services.....	1,925	1,925	4	1,921	-
Office supplies	2,000	2,000	1,500	500	1,636
Other supplies	435	435	323	112	163
Small tools	200	200	-	200	65
Uniforms	435	435	534	(99)	122
Auto parts.....	1,000	1,000	821	179	1,372
Gas	500	500	667	(167)	497
Safety supplies and materials	100	100	100	-	15
Insurance and bonds.....	1,250	1,250	1,138	112	1,152
Service center cost	96,000	96,000	97,871	(1,871)	99,690
Machinery and equipment.....	1,835	1,835	216	1,619	1,254
Communication and computer equipment.....	1,500	1,500	956	544	3,750
Repairs/Maintenance.....	250	250	218	32	-
Vehicles.....	1,000	1,000	40	960	-
Total Supervision	<u>482,290</u>	<u>482,290</u>	<u>523,472</u>	<u>(41,182)</u>	<u>486,331</u>
<u>Right of Way Maintenance:</u>					
Wages and salaries – regular.....	373,995	373,995	366,471	7,524	302,498
F. I. C. A.	28,905	28,905	27,155	1,750	23,570
Retirement.....	63,415	63,415	59,821	3,594	49,124
Hospitalization insurance	165,000	165,000	165,000	-	128,400
Life/AD&D.....	2,320	2,320	1,973	347	1,809
Dental insurance.....	13,380	13,380	11,237	2,143	9,413
Workmen’s compensation.....	25,685	25,685	19,605	6,080	16,016
Other personal services	4,405	4,405	4,794	(389)	3,793
Drug/alcohol testing	400	400	265	135	200
Employee education/training	1,300	1,300	76	1,224	74
Professional services	350	350	69	281	552
Improvement teams.....	-	-	-	-	93
Maintenance contracts.....	4,660	4,660	-	4,660	13,350
Utilities.....	2,850	2,850	1,618	1,232	-
Other contract services.....	6,000	6,000	7,850	(1,850)	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>				<u>Total 2017</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>Right of Way Maintenance (Continued):</u>					
Operating supplies.....	2,000	2,000	2,366	(366)	2,384
Small tools.....	4,850	4,850	4,453	397	3,177
Uniforms	3,165	3,165	3,019	146	2,217
Auto parts	22,000	22,000	34,872	(12,872)	30,301
Chemical supplies	4,000	4,000	2,500	1,500	2,799
Gasoline.....	15,000	15,000	17,349	(2,349)	15,067
Construction materials.....	200	200	12	188	-
Safety supplies.....	2,000	2,000	2,208	(208)	2,041
Insurance	4,500	4,500	3,108	1,392	4,284
Repairs and maintenance.....	6,000	6,000	2,180	3,820	663
Greenway maintenance	500	500	512	(12)	-
Other equipment.....	-	-	-	-	20,000
Total Right of Way Maintenance	<u>756,880</u>	<u>756,880</u>	<u>738,513</u>	<u>18,367</u>	<u>633,760</u>
<u>Streets Supervision:</u>					
Wages and salaries – regular	71,350	71,350	72,154	(804)	70,575
F.I.C.A.....	5,605	5,605	5,480	125	7,000
Retirement.....	18,960	18,960	16,519	2,441	31,248
Hospitalization insurance	16,200	16,200	16,200	-	15,753
Life/AD&D	320	320	274	46	307
Dental insurance	1,315	1,315	1,251	64	1,267
Workmen’s compensation.....	4,925	4,925	3,967	958	3,914
Retiree insurance	6,780	6,780	7,065	(285)	7,695
Other personal services	1,915	1,915	1,912	3	3,371
Drug/alcohol testing	200	200	187	13	240
Employee training/education.....	900	900	320	580	-
Professional and consulting.....	100	100	-	100	-
Regulatory fees and license.....	150	150	225	(75)	60
Travel	-	-	-	-	578
Improvement teams	200	200	217	(17)	309
Maintenance contracts.....	100	100	-	100	-
Radio system annual contract.....	400	400	398	2	398
Utilities	480	480	302	178	340
Office supplies.....	100	100	25	75	6
Other operating supplies.....	100	100	80	20	-
Uniforms	650	650	675	(25)	565
Automotive parts.....	200	200	-	200	410
Gasoline, fuel and lubricants	500	500	285	215	392
Dues/Memberships.....	-	-	10	(10)	-
Insurance	1,725	1,725	1,608	117	1,639
Total Streets Supervision.....	<u>133,175</u>	<u>133,175</u>	<u>129,154</u>	<u>4,021</u>	<u>146,067</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Streets – Repair and Construction:</u>					
Wages and salaries – regular	275,440	275,440	274,313	1,127	248,439
F.I.C.A.	23,290	23,290	22,335	955	19,410
Retirement	148,105	148,105	113,914	34,191	114,651
Hospitalization insurance	90,750	90,750	89,954	796	80,500
Life/AD&D	1,445	1,445	1,235	210	1,254
Dental insurance	7,360	7,360	5,759	1,601	5,308
Workmen’s compensation	20,045	20,045	15,551	4,494	13,487
Retiree insurance	3,390	3,390	3,570	(180)	2,010
Other personal services	7,745	7,745	8,355	(610)	6,386
Drug/Alcohol test	-	-	22	(22)	-
Employee education/training	1,200	1,200	-	1,200	417
Professional services	100	100	-	100	-
Dues	-	-	-	-	45
Regulatory fees and license	150	150	390	(240)	9
Travel	-	-	-	-	378
Improvement teams	-	-	28	(28)	218
Printing	50	50	-	50	-
Utilities	960	960	1,155	(195)	917
Landfill services	200	200	-	200	-
Other operating supplies	800	800	989	(189)	1,011
Small tools	2,000	2,000	1,825	175	1,740
Uniforms	1,900	1,900	1,641	259	2,013
Auto parts	20,000	20,000	16,887	3,113	20,910
Repairs – sidewalks	10,000	10,000	-	10,000	539
Gasoline, fuel and lubricants	9,000	9,000	9,473	(473)	7,826
Construction materials	15,000	15,000	94,890	(79,890)	77,443
Safety supplies	3,350	3,350	3,421	(71)	1,660
Insurance and bonds	3,350	3,350	3,235	115	3,181
Repairs and maintenance	23,500	23,500	23,543	(43)	19,197
Snow removal	21,000	21,000	19,612	1,388	15,000
Christmas light maintenance	8,500	8,500	7,625	875	1,243
Emergency response	3,350	3,350	3,986	(636)	-
Easements	100	100	107	(7)	34
Street resurfacing	272,000	272,000	273,869	(1,869)	140,000
Traffic calming	8,000	8,000	-	8,000	-
Emergency meals	500	500	126	374	-
Maintenance contract	2,790	2,790	-	2,790	-
Radio system	300	300	261	39	-
Signs/materials	22,000	22,000	22,632	(632)	-
Machinery and equipment	11,800	11,800	9,555	2,245	-
Computer equipment	4,400	4,400	3,942	458	1,450
Total Streets – Repair and Construction	<u>1,023,870</u>	<u>1,023,870</u>	<u>1,034,200</u>	<u>(10,330)</u>	<u>786,676</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Traffic Operations:</u>					
Wages and Salaries.....	81,175	81,175	81,060	115	79,934
F.I.C.A.....	6,705	6,705	6,356	349	6,576
Retirement.....	16,355	16,355	15,936	419	15,990
Hospitalization insurance.....	18,000	18,000	18,000	-	17,266
Life/AD&D insurance.....	340	340	294	46	326
Dental insurance.....	1,460	1,460	1,311	149	1,310
Workmen's compensation.....	3,750	3,750	2,640	1,110	2,867
Retiree insurance.....	3,190	3,190	-	3,190	-
Other personal services.....	6,520	6,520	4,447	2,073	6,329
Employee Education and Training.....	2,100	2,100	1,097	1,003	1,770
Dues.....	400	400	340	60	340
Advertising.....	100	100	-	100	-
Maintenance contract.....	50	50	-	50	-
Utilities.....	10,000	10,000	11,888	(1,888)	11,004
Operating supplies.....	150	150	46	104	47
Small tools.....	500	500	167	333	264
Uniforms.....	300	300	333	(33)	320
Auto parts.....	1,300	1,300	55	1,245	288
Gasoline.....	2,200	2,200	1,619	581	1,332
Safety supplies.....	200	200	42	158	24
Insurance.....	500	500	413	87	426
Repairs and maintenance.....	100	100	-	100	2,990
Traffic signal maintenance.....	18,000	18,000	14,255	3,745	3,782
Cost recovery.....	60,200	60,200	42,095	18,105	59,002
Regulatory fees and license.....	-	-	40	(40)	-
Machinery/equipment.....	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Total Traffic Operations.....	<u>239,595</u>	<u>239,595</u>	<u>202,434</u>	<u>37,161</u>	<u>212,187</u>
<u>Street Lighting:</u>					
Utilities.....	<u>610,000</u>	<u>610,000</u>	<u>603,107</u>	<u>6,893</u>	<u>599,673</u>
<u>Sanitation Supervision:</u>					
Wages and Salaries.....	78,565	78,565	76,646	1,919	75,490
F.I.C.A.....	6,465	6,465	6,072	393	6,195
Retirement.....	59,790	59,790	42,131	17,659	52,668
Hospitalization insurance.....	15,000	15,000	15,000	-	14,400
Life/Accidental death insurance.....	335	335	289	46	322
Dental insurance.....	1,220	1,220	1,158	62	1,158
Workmen's compensation.....	4,770	4,770	2,912	1,858	3,368
Other personal services.....	5,945	5,945	5,749	196	-
Drug/Alcohol test.....	300	300	328	(28)	241

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Sanitation Supervision (Continued):</u>					
Employee Education and Training	1,900	1,900	60	1,840	34
Professional and consulting	300	300	22	278	196
Mailing	200	200	-	200	-
Utility processing	3,300	3,300	4,307	(1,007)	3,646
Dues.....	100	100	101	(1)	25
Regulatory fees.....	150	150	76	74	-
Travel	-	-	-	-	285
Improvement teams	250	250	778	(528)	714
Repair and maintenance	-	-	55,192	(55,192)	45
Printing.....	4,000	4,000	3,722	278	3,657
Maintenance contract	100	100	117	(17)	100
Utilities	600	600	598	2	778
Office supplies.....	100	100	47	53	97
Operating supplies.....	100	100	24	76	32
Small tools.....	100	100	-	100	-
Uniforms	370	370	80	290	86
Auto parts	500	500	1,013	(513)	993
Gasoline.....	1,000	1,000	792	208	809
Safety supplies.....	100	100	10	90	12
Insurance	<u>525</u>	<u>525</u>	<u>561</u>	<u>(36)</u>	<u>489</u>
Total Sanitation Supervision	<u>186,085</u>	<u>186,085</u>	<u>217,785</u>	<u>(31,700)</u>	<u>165,840</u>
<u>Sanitation Residential Collection:</u>					
Wages and salaries	126,960	126,960	120,403	6,557	118,084
F.I.C.A.....	9,800	9,800	9,156	644	9,298
Retirement.....	18,245	18,245	17,235	1,010	20,225
Hospitalization insurance	60,000	60,000	60,000	-	49,200
Life/Accidental death insurance	830	830	692	138	660
Dental insurance.....	4,865	4,865	3,064	1,801	2,846
Workmen's compensation.....	7,320	7,320	5,242	2,078	6,006
Other personal services	1,355	1,355	3,290	(1,935)	1,088
Professional services	500	500	-	500	-
Radio system annual contract.....	150	150	131	19	131
Utilities.....	25	25	27	(2)	24
Landfill services	130,000	130,000	142,078	(12,078)	132,748
Recycling contracts	175,000	175,000	163,284	11,716	145,993
Other supplies.....	500	500	271	229	182
Small tools and minor equipment.....	100	100	54	46	18
Uniforms	2,720	2,720	2,226	494	3,762
Automotive parts.....	15,000	15,000	15,302	(302)	15,951
Gasoline, fuel, and lubricants.....	10,000	10,000	11,774	(1,774)	9,835
Maintenance contracts.....	770	770	-	770	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>				<u>Total 2017</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>	
PUBLIC WORKS (Continued):					
<u>Sanitation Residential Collection</u>					
(Continued):					
Safety supplies.....	2,500	2,500	3,198	(698)	3,143
Insurance	1,250	1,250	1,423	(173)	1,171
Machinery and equipment	27,450	27,450	27,917	(467)	-
Recycling center	100	100	-	100	-
Total Sanitation Collection.....	<u>595,440</u>	<u>595,440</u>	<u>586,767</u>	<u>8,673</u>	<u>520,365</u>
<u>Brush and Demolition Collection:</u>					
Wages and Salaries.....	74,150	74,150	49,460	24,690	64,841
F.I.C.A.....	5,675	5,675	3,655	2,020	5,009
Retirement.....	13,220	13,220	9,209	4,011	5,555
Hospitalization insurance	30,000	30,000	22,500	7,500	28,800
Life/Accidental death insurance	420	420	272	148	391
Dental insurance	2,435	2,435	1,411	1,024	1,532
Workmen's compensation.....	4,295	4,295	2,468	1,827	3,596
Retiree insurance	6,480	6,480	6,630	(150)	6,240
Other personal services	105	105	51	54	-
Professional services	200	200	-	200	-
Radio system contract	300	300	-	300	-
Utilities	30	30	-	30	5
Landfill services	82,000	82,000	108,523	(26,523)	90,657
Recycling contracts	40,000	40,000	61,334	(21,334)	57,780
Other operating supplies.....	500	500	293	207	410
Small tools.....	250	250	159	91	429
Uniforms	1,000	1,000	647	353	626
Automotive parts	15,000	15,000	11,165	3,835	12,392
Gasoline.....	12,000	12,000	12,376	(376)	12,012
Safety supplies.....	450	450	297	153	602
Insurance	1,350	1,350	1,323	27	1,264
Maintenance contracts.....	1,155	1,155	-	1,155	-
Total Brush and Demolition Collection.....	<u>291,015</u>	<u>291,015</u>	<u>291,773</u>	<u>(758)</u>	<u>292,141</u>
<u>Industrial Collection:</u>					
Wages and salaries	120,550	120,550	123,268	(2,718)	119,506
F.I.C.A.....	9,370	9,370	9,294	76	8,826
Retirement.....	25,690	25,690	23,653	2,037	12,380
Hospitalization insurance	45,000	45,000	45,000	-	42,000
Life/Accidental death insurance	675	675	582	93	620
Dental insurance	3,650	3,650	1,906	1,744	1,810
Workmen's compensation.....	7,220	7,220	4,551	2,669	5,134
Retiree insurance	3,120	3,120	3,210	(90)	3,030
Other personal services	2,055	2,055	2,051	4	-
Maintenance contracts.....	1,155	1,155	-	1,155	-
Radio system contract	450	450	392	58	392

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC WORKS (Continued):					
<u>Industrial Collection (Continued):</u>					
Professional services.....	50	50	-	50	-
Communication equipment.....	-	-	-	-	392
Utilities	50	50	-	50	10
Landfill services.....	240,000	240,000	244,226	(4,226)	252,985
Other operating supplies/small tools.....	700	700	438	262	412
Uniforms.....	1,500	1,500	1,126	374	1,050
Automotive parts	25,000	25,000	22,192	2,808	31,511
Gasoline, fuel, and lubricants	18,000	18,000	21,231	(3,231)	17,685
Safety supplies.....	400	400	300	100	606
Insurance.....	2,175	2,175	2,255	(80)	2,067
Repair and maintenance.....	400	400	33	367	5
Machinery and equipment	15,300	15,300	14,903	397	-
Computer equipment	-	-	-	-	7,433
Total Industrial Collection.....	<u>522,510</u>	<u>522,510</u>	<u>520,611</u>	<u>1,899</u>	<u>507,462</u>
<u>Special Projects:</u>					
Road repair	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>	<u>-</u>
TOTAL PUBLIC WORKS.....	<u>4,970,860</u>	<u>4,970,860</u>	<u>4,847,816</u>	<u>123,044</u>	<u>4,350,502</u>
PUBLIC SAFETY:					
<u>Police Administration:</u>					
Wages and salaries	152,360	152,360	153,345	(985)	188,003
F.I.C.A.	11,850	11,850	11,112	738	14,126
Retirement	30,365	30,365	29,913	452	34,815
Hospitalization insurance.....	30,000	30,000	30,000	-	33,600
Life/AD&D.....	660	660	565	95	760
Dental insurance	2,435	2,435	2,316	119	2,703
Workmen's compensation	4,265	4,265	2,707	1,558	3,672
Other personal services.....	3,100	3,100	4,264	(1,164)	2,450
Professional and consultation services.....	8,500	8,500	4,176	4,324	5,532
Mailing.....	100	100	100	-	32
Dues and memberships	1,965	1,965	861	1,104	965
Advertising	700	700	3,252	(2,552)	-
Travel, conferences and training.....	5,200	5,200	7,747	(2,547)	4,558
Public relations	2,500	2,500	5,968	(3,468)	3,803
Improvement teams	2,000	2,000	-	2,000	149
Reproduction and printing	2,500	2,500	912	1,588	-
Rental, maintenance contracts	-	-	2,777	(2,777)	2,385
Employee education/training.....	14,000	14,000	153	13,847	-
TIES Terminal services	-	-	560	(560)	1,830
Utilities	-	-	-	-	3,204
Office supplies.....	1,000	1,000	-	1,000	876

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

June 30, 2018

<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 2017</u>
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued):					
<u>Police Administration (Continued):</u>					
Other supplies	-	-	-	-	15
Small Tools	100	100	-	100	-
Uniforms	1,000	1,000	1,116	(116)	1,295
Auto parts	650	650	337	313	612
Gasoline, fuel and lubricants	2,000	2,000	2,900	(900)	2,007
Insurance and bonds	3,775	3,775	2,236	1,539	3,593
Machinery/equipment	-	-	-	-	2,152
Computer equipment	-	-	-	-	1,984
Total Police Administration	<u>281,025</u>	<u>281,025</u>	<u>267,317</u>	<u>13,708</u>	<u>315,121</u>
<u>Administrative Services:</u>					
Wages and salaries – regular	781,210	781,210	710,476	70,734	755,446
F.I.C.A.	64,065	64,065	56,272	7,793	59,232
Retirement	239,545	239,545	177,700	61,845	216,329
Hospitalization insurance	201,000	201,000	169,750	31,250	180,960
Life/AD&D	3,620	3,620	2,683	937	3,237
Dental insurance	16,300	16,300	13,126	3,174	13,588
Workmen’s compensation	28,385	28,385	19,322	9,063	19,916
Other personal services	29,615	29,615	24,457	5,158	24,243
Professional services	2,500	2,500	356	2,144	32
Credit card processing fees	1,000	1,000	10,347	(9,347)	7,386
Mailing	1,720	1,720	613	1,107	1,613
Dues and memberships	10,530	10,530	7,967	2,563	6,795
Travel, conferences and training	23,000	23,000	24,993	(1,993)	26,014
Printing	3,950	3,950	1,147	2,803	-
Repair and maintenance – Machinery and equipment	5,500	5,500	1,940	3,560	1,429
Computer software	12,800	12,800	3,083	9,717	1,878
Rental and maintenance contracts	30,000	30,000	22,824	7,176	16,202
Software license fee	152,175	152,175	194,657	(42,482)	145,066
Radio Systems annual fee	19,000	19,000	11,552	7,448	11,552
Other contractual services	-	-	12,721	(12,721)	10,085
Utilities	113,800	113,800	121,034	(7,234)	14,242
Office supplies	15,000	15,000	11,883	3,117	11,014
Evidence/essential supplies	-	-	72	(72)	3,264
Community policing	10,750	10,750	10,522	228	11,521
Small tools	2,000	2,000	2,025	(25)	2,096
Retiree insurance	1,860	1,860	-	1,860	-
Commissions	-	-	2,713	(2,713)	-
Other operating supplies	5,000	5,000	4,499	501	-
Ammunition	18,000	18,000	22,430	(4,430)	21,240
Uniforms	8,290	8,290	7,869	421	3,898
Auto parts	5,000	5,000	4,611	389	4,684

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued):					
<u>Administrative Services (Continued):</u>					
Gasoline	6,765	6,765	3,716	3,049	4,789
Range maintenance	5,175	5,175	5,432	(257)	6,383
Insurance	13,225	13,225	14,306	(1,081)	12,616
Repair and maintenance	31,500	31,500	23,908	7,592	38,476
Lease equipment	46,275	46,275	46,272	3	46,272
Equipment replacement	7,600	7,600	7,600	-	-
Machinery/equipment	14,505	14,505	21,490	(6,985)	1,704
Office/computer machinery and equipment.....	-	-	-	-	32,905
Building and improvements	-	-	1,788	(1,788)	3,280
Computer equipment.....	39,300	39,300	40,042	(742)	-
Accreditation expenses	10,300	10,300	5,386	4,914	-
Certificate of Accreditation expenses	-	-	-	-	7,351
Total Administrative Services.....	<u>1,980,260</u>	<u>1,980,260</u>	<u>1,823,584</u>	<u>156,676</u>	<u>1,726,738</u>
<u>Police Patrol and Traffic Division:</u>					
Wages and salaries – regular.....	1,391,300	1,391,300	1,439,114	(47,814)	1,368,818
F. I. C. A.	111,600	111,600	111,108	492	109,771
Retirement.....	355,075	355,075	306,257	48,818	334,508
Hospitalization insurance.....	375,000	375,000	386,250	(11,250)	357,600
Life/AD&D.....	6,325	6,325	5,578	747	5,904
Dental insurance	30,405	30,405	27,210	3,195	26,998
Workmen’s compensation	61,090	61,090	44,247	16,843	53,488
Retiree insurance.....	10,020	10,020	10,380	(360)	9,660
Other personal services	68,790	68,790	63,560	5,230	60,970
Drug/Alcohol testing.....	2,000	2,000	1,245	755	1,196
Employee education and training.....	31,000	31,000	28,001	2,999	3,035
Professional services.....	6,500	6,500	2,484	4,016	3,051
Contract services.....	15,420	15,420	18,000	(2,580)	15,420
Mailing	500	500	490	10	213
Dues and memberships	-	-	217	(217)	185
Advertising	-	-	-	-	2,081
Travel, conferences and training.....	-	-	-	-	23,209
Printing and photography.....	2,880	2,880	-	2,880	-
Repair and maintenance – machinery and equipment.....	-	-	253	(253)	83
Maintenance contracts	1,000	1,000	2,449	(1,449)	2,217
Utilities	-	-	900	(900)	90,847
Veterinarian	1,500	1,500	901	599	156
Office/other operating supplies	22,550	22,550	9,577	12,973	20,317
Small tools and minor equipment	500	500	236	264	884
Ammunition	-	-	-	-	125
Uniforms and clothing	58,725	58,725	33,236	25,489	38,738
K-9	2,000	2,000	791	1,209	1,422

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY (Continued):					
<u>Police Patrol and Traffic Division</u>					
<u>(Continued):</u>					
Automotive parts	45,000	45,000	46,529	(1,529)	35,057
Gasoline, fuel, and lubricants	80,000	80,000	74,284	5,716	64,448
Firing range	-	-	-	-	348
Insurance	40,000	40,000	34,299	5,701	40,317
Repairs and maintenance – machinery	-	-	-	-	1,134
Lease equipment	-	-	-	-	29,033
Equipment replacement	1,500	1,500	1,372	128	-
Other equipment	-	-	1,893	(1,893)	3,035
Vehicle	-	-	-	-	46,804
Computer equipment	18,000	18,000	10,873	7,127	17,870
Total Police Patrol and Traffic Control	<u>2,738,680</u>	<u>2,738,680</u>	<u>2,661,734</u>	<u>76,946</u>	<u>2,768,942</u>
<u>Police Investigation:</u>					
Wages and salaries – regular	456,845	456,845	464,861	(8,016)	443,548
F. I. C. A.	35,450	35,450	34,244	1,206	33,899
Retirement	105,445	105,445	87,583	17,862	82,941
Hospitalization insurance	105,000	105,000	105,000	-	100,800
Life/AD&D	1,855	1,855	1,600	255	1,732
Dental insurance	8,515	8,515	8,108	407	8,108
Workmen’s compensation	17,310	17,310	11,735	5,575	13,211
Retiree insurance	6,480	6,480	6,630	(150)	6,240
Other personal services	6,900	6,900	6,900	-	6,200
Employee education/training	-	-	2,000	(2,000)	2,000
Professional services	2,000	2,000	963	1,037	472
Mailing	500	500	175	325	227
Dues/subscriptions/memberships	-	-	150	(150)	-
Travel, conferences, and training	13,000	13,000	26,304	(13,304)	14,404
Printing	1,000	1,000	-	1,000	62
Evidence/essential supplies	6,875	6,875	6,539	336	1,187
Repairs and maintenance – machinery and equipment	2,000	2,000	-	2,000	155
Rental/maintenance contracts	1,200	1,200	1,271	(71)	1,572
Utilities	-	-	390	(390)	6,280
Undercover operations	3,000	3,000	-	3,000	-
Office supplies	1,500	1,500	1,837	(337)	4,498
Other operating supplies	1,000	1,000	215	785	139
Small tools	1,450	1,450	1,631	(181)	1,966
Uniforms	5,660	5,660	8,183	(2,523)	5,407
Auto parts	5,000	5,000	4,558	442	324
Gasoline, fuel and lubricants	11,000	11,000	7,043	3,957	7,719
Insurance	8,000	8,000	6,976	1,024	7,620
Repair and maintenance	-	-	-	-	588
Machinery/equipment	-	28,650	14,893	13,757	-
Computer equipment	28,650	-	457	(457)	201
Total Police Investigation	<u>835,635</u>	<u>835,635</u>	<u>810,246</u>	<u>25,389</u>	<u>751,500</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>				<u>Total 2017</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 SAFETY (Continued):					
<u>Police – Animal Control:</u>					
Wages and salaries – regular.....	108,025	108,025	110,105	(2,080)	104,497
F. I. C. A.	9,955	9,955	7,972	1,983	8,021
Retirement.....	24,225	24,225	20,878	3,347	20,138
Hospitalization insurance.....	30,000	30,000	30,000	-	28,800
Life/AD&D.....	530	530	455	75	489
Dental insurance	2,435	2,435	1,532	903	1,532
Workmen’s compensation	4,050	4,050	2,835	1,215	3,657
Retiree insurance.....	885	885	-	885	-
Other personal services.....	2,205	2,205	2,201	4	2,250
Professional services.....	145	145	101	44	-
Dues and memberships	450	450	-	450	110
Travel and training.....	750	750	-	750	-
Utilities	1,100	1,100	300	800	1,090
Animal shelter fees	3,000	3,000	5,440	(2,440)	6,760
Office supplies	500	500	75	425	300
Small tools and equipment.....	2,000	2,000	1,068	932	1,221
Uniforms	1,200	1,200	938	262	682
Auto parts.....	1,500	1,500	986	514	1,135
Gasoline, fuel and lubricants.....	5,125	5,125	2,360	2,765	3,091
Other commodities.....	500	500	61	439	119
Printing	400	400	-	400	-
Veterinarian	500	500	-	500	-
Evidence	-	-	296	(296)	-
Machinery and Equipment.....	-	-	1,147	(1,147)	-
Insurance.....	<u>1,550</u>	<u>1,550</u>	<u>1,466</u>	<u>84</u>	<u>1,686</u>
Total Police – Animal Control	<u>201,030</u>	<u>201,030</u>	<u>190,216</u>	<u>10,814</u>	<u>185,578</u>
<u>Police Grants:</u>					
National night out	<u>1,600</u>	<u>1,600</u>	<u>976</u>	<u>624</u>	<u>1,521</u>
TOTAL PUBLIC SAFETY – POLICE.....	<u>6,038,230</u>	<u>6,038,230</u>	<u>5,754,073</u>	<u>284,157</u>	<u>5,749,400</u>
PUBLIC SAFETY – FIRE:					
<u>Fire Supervision:</u>					
Wages and salaries.....	312,195	312,195	312,064	131	299,776
F. I. C. A.	25,600	25,600	24,427	1,173	24,194
Retirement.....	204,500	204,500	150,698	53,802	195,253
Hospitalization insurance.....	60,000	60,000	60,000	-	57,600
Life AD&D.....	1,325	1,325	1,147	178	1,267
Dental insurance	4,865	4,865	4,633	232	4,633
Workmen’s compensation	8,005	8,005	5,607	2,398	5,040
Retiree insurance.....	12,720	12,720	13,050	(330)	12,300
Other personal services.....	23,725	23,725	22,567	1,158	21,597

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE:					
<u>Fire Supervision (Continued):</u>					
Employee education.....	-	-	-	-	1,547
Professional and consultation.....	2,500	2,500	-	2,500	965
Mailing.....	500	500	88	412	167
Dues and memberships.....	1,200	1,200	1,047	153	723
Travel, conferences and training.....	10,000	10,000	7,494	2,506	4,539
Public relations.....	3,500	3,500	1,706	1,794	1,472
Repairs and maintenance.....	200	200	-	200	-
Reproduction and printing.....	1,000	1,000	-	1,000	-
Rental and maintenance contracts.....	7,500	7,500	2,918	4,582	4,185
Utilities.....	12,500	12,500	10,153	2,347	10,583
Office supplies.....	1,700	1,700	905	795	1,229
Small tools.....	1,000	1,000	251	749	982
Uniforms.....	5,500	5,500	2,285	3,215	1,743
Auto parts.....	1,800	1,800	2,390	(590)	1,898
Gasoline, fuel and lubricants.....	5,500	5,500	3,255	2,245	3,501
Other commodities.....	-	-	-	-	42
Insurance.....	3,500	3,500	3,153	347	2,954
Computer equipment.....	-	-	75	(75)	75
Other contract services.....	6,000	6,000	-	6,000	-
Communication equipment.....	-	-	2,318	(2,318)	-
Accreditation expense	<u>18,500</u>	<u>18,500</u>	<u>16,253</u>	<u>2,247</u>	<u>7,605</u>
Total Fire Supervision.....	<u>735,335</u>	<u>735,335</u>	<u>648,484</u>	<u>86,851</u>	<u>665,870</u>
<u>Fire Prevention/Inspection:</u>					
Wages and salaries.....	68,495	68,495	57,069	11,426	55,800
F. I. C. A.	5,305	5,305	4,101	1,204	4,155
Retirement.....	12,850	12,850	11,036	1,814	11,142
Hospitalization insurance.....	15,000	15,000	15,415	(415)	15,016
Life/AD&D.....	265	265	235	30	258
Dental insurance.....	1,220	1,220	1,183	37	1,208
Workmen's compensation.....	2,665	2,665	1,793	872	2,035
Retiree insurance.....	6,695	6,695	6,939	(244)	6,453
Other personal services.....	900	900	900	-	800
Employee education and training.....	9,500	9,500	6,765	2,735	4,195
Professional services.....	2,500	2,500	542	1,958	209
Mailing.....	50	50	99	(49)	17
Dues and memberships.....	500	500	325	175	960
Advertising.....	6,500	6,500	5,476	1,024	1,485
Travel.....	-	-	-	-	4,044
Rental and maintenance.....	200	200	-	200	-
Utilities.....	1,800	1,800	1,671	129	1,456
Office supplies.....	500	500	289	211	118
Public fire education.....	3,000	3,000	2,795	205	2,688

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE (Continued):					
<u>Fire Prevention/Inspection (Continued):</u>					
Small tools and minor equipment	3,000	3,000	2,964	36	671
Uniforms	600	600	486	114	370
Auto parts.....	1,000	1,000	930	70	697
Smoke detectors.....	500	500	197	303	57
Gasoline, fuel and lubricants.....	2,000	2,000	1,576	424	1,281
Computer equipment.....	-	-	21	(21)	-
Insurance.....	<u>1,000</u>	<u>1,000</u>	<u>752</u>	<u>248</u>	<u>740</u>
Total Fire Prevention/Inspection.....	<u>146,045</u>	<u>146,045</u>	<u>123,559</u>	<u>22,486</u>	<u>115,855</u>
<u>Fire Fighting:</u>					
Wages and salaries – regular.....	1,646,815	1,646,815	1,637,385	9,430	1,581,530
F. I. C. A.	132,250	132,250	126,364	5,886	125,336
Retirement.....	430,815	430,815	367,942	62,873	407,646
Hospitalization insurance.....	435,000	435,000	429,586	5,414	410,984
Life/AD&D.....	7,380	7,380	6,274	1,106	6,959
Dental insurance	35,270	35,270	26,446	8,824	27,763
Workmen’s compensation	49,805	49,805	38,067	11,738	36,052
Retiree insurance.....	7,440	7,440	3,495	3,945	8,820
Other personal services	83,760	83,760	83,726	34	79,139
Drug/Alcohol testing.....	500	500	335	165	738
Professional and consultation.....	3,400	3,400	1,059	2,341	1,938
Medical physicals.....	2,500	2,500	3,261	(761)	543
Mailing.....	300	300	59	241	230
Dues	400	400	1,060	(660)	100
Travel/Training	34,000	34,000	28,947	5,053	5,905
Repairs and maintenance	15,350	15,350	17,826	(2,476)	15,564
Printing	1,500	1,500	205	1,295	-
Computer software programs.....	11,000	11,000	21,032	(10,032)	12,317
Maintenance contracts	15,000	15,000	5,149	9,851	7,234
Fire equipment testing.....	10,000	10,000	8,196	1,804	5,252
Radio system annual contract	12,500	12,500	10,653	1,847	10,653
Utilities	64,000	64,000	70,087	(6,087)	65,293
Fire hydrant rental.....	23,310	23,310	38,148	(14,838)	23,310
Station supplies	11,000	11,000	10,872	128	13,073
EMS supplies	4,000	4,000	1,526	2,474	3,870
Small tools	11,000	11,000	7,008	3,992	11,227
Employee education/training	4,600	4,600	5,405	(805)	-
Office supply.....	2,000	2,000	937	1,063	-
Fire training facility	3,750	3,750	2,660	1,090	-
Uniforms	34,000	34,000	32,279	1,721	36,953
Automotive parts.....	30,000	30,000	25,517	4,483	41,222
Gasoline, fuel and lubricants.....	12,000	12,000	12,272	(272)	10,740

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE (Continued):					
<u>Fire Fighting (Continued):</u>					
Other commodities.....	10,000	10,000	4,458	5,542	16,244
Insurance.....	12,600	12,600	12,578	22	11,878
American Heart CPR contract.....	5,000	5,000	3,661	1,339	20,929
Equipment – lease purchase.....	46,275	46,275	46,272	3	46,272
Other equipment	10,000	10,000	9,120	880	9,172
Station furnishings	5,000	5,000	7,602	(2,602)	2,729
Building improvements.....	9,800	9,800	9,740	60	-
Computer equipment.....	4,500	4,500	6,531	(2,031)	4,143
Total Fire Fighting	<u>3,237,820</u>	<u>3,237,820</u>	<u>3,123,740</u>	<u>114,080</u>	<u>3,061,758</u>
TOTAL PUBLIC SAFETY – FIRE	<u>4,119,200</u>	<u>4,119,200</u>	<u>3,895,783</u>	<u>223,417</u>	<u>3,843,483</u>
 CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES:					
<u>Parks and Recreation:</u>					
Repairs and maintenance	15,520	15,520	6,362	9,158	4,036
Support services and projects.....	607,635	607,635	607,613	22	529,685
Special events	10,000	10,000	8,486	1,514	-
Freedom Fest.....	68,800	68,800	62,232	6,568	53,001
Little League Park.....	10,000	10,000	10,000	-	8,600
Senior Citizen Center.....	12,000	12,000	12,682	(682)	10,326
Greenway Project.....	9,000	7,500	-	7,500	5,000
Springbrook Pool	49,500	49,500	44,500	5,000	109
Total Parks and Recreation	<u>782,455</u>	<u>780,955</u>	<u>751,875</u>	<u>29,080</u>	<u>610,757</u>
 <u>Joint Emergency Services:</u>					
Director – Homeland Security	7,000	7,000	11,238	(4,238)	-
911 Communications Center.....	165,385	165,385	165,384	1	171,567
Total Joint Emergency Services.....	<u>172,385</u>	<u>172,385</u>	<u>176,622</u>	<u>(4,237)</u>	<u>171,567</u>
In Lieu of Taxes.....	345,600	345,600	324,972	20,628	337,484
Civil defense – Special events	5,000	5,000	4,267	733	-
Centennial Committee	-	-	-	-	2,500
Retirement Supplements	77,365	77,365	124,969	(47,604)	11,551
Other personal services	-	-	-	-	13,850
Blount County Library.....	218,410	218,410	212,986	5,424	199,147
ETHRA	24,000	24,000	-	24,000	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Function/Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES (Continued):					
East Tennessee Development District	1,355	1,355	1,352	3	1,352
Blount County Chamber of Commerce	5,000	5,000	5,000	-	3,250
Blount County Community Action Agency	12,500	12,500	12,500	-	12,000
Blount County Industrial Development Board ..					
Board operations.....	237,055	237,055	237,055	-	219,875
Development agreements	88,300	88,300	88,300	-	37,500
Park operation.....	30,000	30,000	30,000	-	45,300
Total Blount County Industrial Development Board.....	<u>355,355</u>	<u>355,355</u>	<u>355,355</u>	-	<u>302,675</u>
Blount County Family Services.....	20,600	20,600	20,600	-	20,000
Vocational Rehabilitation	53,570	53,570	53,566	4	48,251
TOTAL CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES.....	<u>2,073,595</u>	<u>2,072,095</u>	<u>2,044,064</u>	<u>(28,031)</u>	<u>1,734,384</u>
OTHER					
ADA Consulting	-	50,000	50,004	(4)	-
Demo Utility Building	-	1,500	1,438	62	-
TOTAL OTHER.....	-	<u>51,500</u>	<u>51,442</u>	<u>58</u>	-
TOTAL EXPENDITURES.....	<u>\$20,180,960</u>	<u>\$ 20,230,960</u>	<u>\$ 19,327,674</u>	<u>\$ 903,286</u>	<u>\$ 18,541,918</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Source of Revenue</u>	<u>June 30, 2018</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance – With Final Budget Positive (Negative)</u>	<u>Totals 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
TAXES:					
Current city taxes.....	\$ 4,020,000	\$ 4,020,000	\$ 3,954,556	\$ (65,444)	\$ 3,938,962
Current county taxes.....	3,900,000	3,984,000	3,984,929	929	3,929,964
Previous year's county taxes	148,000	148,000	141,680	(6,320)	129,336
In-lieu of taxes.....	<u>36,000</u>	<u>36,000</u>	<u>35,014</u>	<u>(986)</u>	<u>34,279</u>
Total Taxes.....	<u>8,104,000</u>	<u>8,188,000</u>	<u>8,116,179</u>	<u>(71,821)</u>	<u>8,032,541</u>
MISCELLANEOUS REVENUE:					
Mixed drink tax	5,000	5,000	65,444	60,444	81,038
Regular tuition.....	273,000	273,000	236,844	(36,156)	243,496
Business tax, marriage licenses, fees.....	91,900	91,900	92,104	204	92,757
Local sales tax – County.....	2,880,000	2,838,000	2,857,475	19,475	2,745,707
Interest earned	-	-	966	966	431
Insurance recovery	-	193,000	197,472	4,472	164,900
Other local revenue	<u>12,000</u>	<u>28,000</u>	<u>46,642</u>	<u>18,642</u>	<u>49,245</u>
Total Miscellaneous Revenue.....	<u>3,261,900</u>	<u>3,428,900</u>	<u>3,496,947</u>	<u>68,047</u>	<u>3,377,574</u>
REVENUE FROM OTHER AGENCIES:					
State of Tennessee:					
Tennessee Foundation Program.....	8,174,000	8,431,000	8,431,000	-	7,868,010
State driver education	4,900	4,900	-	(4,900)	-
Career Ladder Program	70,000	29,000	31,194	2,194	34,573
State Matching.....	5,800	5,800	-	(5,800)	8,248
Lottery Pre-K.....	162,400	162,400	170,446	8,046	170,445
Other State Funds	57,000	157,000	190,642	33,642	185,030
Coord. School Health	80,000	80,000	93,858	13,858	-
Education Handicapped ACT.....	-	-	-	-	63,876
Other Federal Funds	62,000	79,000	79,359	359	-
Family Resource Center	<u>28,000</u>	<u>28,000</u>	<u>29,612</u>	<u>1,612</u>	<u>-</u>
Total Revenue from Other Agencies..	<u>8,644,100</u>	<u>8,977,100</u>	<u>9,026,111</u>	<u>49,011</u>	<u>8,330,182</u>
TOTAL REVENUES	<u>\$ 20,010,000</u>	<u>\$ 20,594,000</u>	<u>\$ 20,639,237</u>	<u>\$ 45,237</u>	<u>\$ 19,740,297</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Totals 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
INSTRUCTION ELEMENTARY/ SECONDARY:					
Regular teacher salaries.....	6,958,970	6,973,970	7,109,863	(135,893)	6,812,634
Substitute /homebound teacher salaries.....	108,500	163,500	169,075	(5,575)	153,054
Secretaries		-	-	-	533
F.I.C.A/Medicare.....	571,676	571,676	554,804	16,872	527,275
Retirement	687,423	687,423	699,763	(12,340)	723,161
Employee insurance	1,373,064	1,373,764	1,331,150	42,614	1,204,583
Unemployment insurance.....	3,000	3,000	6,976	(3,976)	2,168
Other contractual services	33,000	33,000	21,731	11,269	21,494
Other fringe benefits.....	4,000	4,000	409	3,591	250
Instructional supplies/materials	140,000	140,000	115,003	24,997	175,419
Textbooks.....	140,000	140,000	130,147	9,853	151,321
Educational assistants.....	301,528	301,528	284,551	16,977	300,794
Other supplies/charges.	26,000	26,000	65,627	(39,627)	11,555
Career ladder program.....	45,000	45,000	47,197	(2,197)	22,002
Other salaries and wages	58,350	58,350	19,888	38,462	3,500
Education.....	-	-	55,000	(55,000)	344
Instruction equipment.....	<u>300,000</u>	<u>300,000</u>	<u>263,766</u>	<u>36,234</u>	<u>179,944</u>
Total Instruction					
Elementary/Secondary.....	<u>10,750,511</u>	<u>10,821,211</u>	<u>10,819,950</u>	<u>1,261</u>	<u>10,290,031</u>
SPECIAL EDUCATION PROGRAM:					
Supervisor/director	-	9,754	-	-	-
Teachers	680,266	675,266	672,447	2,819	629,614
Career ladder	-	-	2,000	(2,000)	2,000
Speech pathologist.....	60,932	60,932	67,916	(6,984)	99,328
F.I.C.A/Medicare.....	78,662	78,662	75,448	3,214	75,126
Retirement	95,496	95,496	96,767	(1,271)	95,571
Employee insurance	164,512	164,512	164,249	263	154,654
In-service/Staff development.....	3,000	3,000	3,989	(989)	2,849
Special Education equipment	5,000	5,000	4,729	271	4,496
Educational assistants.....	165,933	165,933	163,956	1,977	144,405
Psychological personnel	75,014	75,014	75,014	-	75,014
Other supplies & materials	5,000	5,000	4,937	63	4,951
Contracts with Others.....	140,000	70,000	71,105	(1,105)	134,422
Instructional supplies and materials	3,000	3,000	2,874	126	2,523
Clerical personnel.....	<u>72,024</u>	<u>62,024</u>	<u>54,594</u>	<u>7,430</u>	<u>31,966</u>
Total Special Education Program	<u>1,548,839</u>	<u>1,473,593</u>	<u>1,469,779</u>	<u>3,814</u>	<u>1,456,919</u>

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

Activity/Object	June 30, 2018		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Totals 2017
	Budgeted Amounts				
	Original	Final			
VOCATIONAL EDUCATION:					
Teachers	306,298	309,298	315,898	(6,600)	305,966
Inservice/staff development.....	-	10,300	6,502	3,798	
Substitute teachers.....	2,500	2,500	-	2,500	-
F.I.C.A./Medicare.....	23,699	23,699	23,184	515	22,465
Retirement	27,903	27,903	28,684	(781)	27,674
Instructional supplies.....	12,750	12,750	12,402	348	12,277
Textbooks	3,000	3,000	3,000	-	2,974
Employee insurance	51,221	51,221	55,546	(4,325)	61,748
Other charges.....	2,500	2,500	2,356	144	1,997
Career ladder	1,000	1,000	-	1,000	167
Travel	-	5,850	4,262	1,588	-
Software	-	8,650	8,648	2	-
Vocational equipment.....	18,000	139,000	138,010	990	18,107
Total Vocational Education.....	<u>448,871</u>	<u>597,671</u>	<u>598,492</u>	<u>(821)</u>	<u>453,375</u>
HEALTH SERVICES:					
Wages.....	55,944	55,944	55,944	-	54,810
F.I.C.A./Medicare.....	11,352	11,352	11,100	252	9,895
Retirement	20,092	20,092	20,890	(798)	18,891
Employee insurance	15,488	22,488	22,588	(100)	14,079
Contractual services	30,000	26,500	29,792	(3,292)	10,410
Medical supplies.....	5,000	6,700	6,578	122	7,423
Other supplies and materials	6,000	6,000	3,874	2,126	2,763
Medical personnel	92,441	95,441	95,285	156	76,151
Other charges.....	21,000	35,000	33,406	1,594	30,135
Total Health Services	<u>257,317</u>	<u>279,517</u>	<u>279,457</u>	<u>60</u>	<u>224,557</u>
OTHER STUDENT SUPPORT:					
Guidance personnel	342,298	342,298	344,248	(1,950)	328,397
School resource officer.....	55,000	55,000	-	55,000	-
F.I.C.A./Medicare.....	26,185	26,185	25,351	834	24,238
Retirement	31,081	31,081	31,211	(130)	29,665
Employee insurance	48,700	48,700	52,724	(4,024)	39,727
Evaluation and testing	34,000	34,000	30,583	3,417	29,049
Other contracted services	22,000	7,000	1,530	5,470	9,772
In service/staff development.....	28,000	38,000	38,260	(260)	54,649
Other supplies/charges	1,000	19,000	21,118	(2,118)	20,585
Total Other Student Support.....	<u>588,264</u>	<u>601,264</u>	<u>545,025</u>	<u>56,239</u>	<u>536,082</u>
INSTRUCTION-REGULAR PROGRAM:					
Supervisor/Director	196,193	186,439	185,439	1,000	195,278
Resource officer	-	-	-	-	1,250
Librarians	186,777	186,777	186,722	55	184,077
Clerical personnel.....	-	-	1,198	(1,198)	426
Career Ladder.....	4,000	4,000	1,000	3,000	-
TNECD Grant Professional.....	-	-	1,500	(1,500)	-
TNECD Grant Equipment.....	-	-	11,397	(11,397)	-

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Activity/Object</u>	<u>June 30, 2018</u>				<u>Totals 2017</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>	
INSTRUCTION-REGULAR PROGRAM					
(Continued):					
F.I.C.A./Medicare.....	27,906	27,906	27,199	707	28,124
Retirement.....	36,499	36,499	33,844	2,655	34,388
Employee insurance.....	60,408	60,408	54,289	6,119	47,372
Other fringe benefits.....	3,500	200	-	200	-
Consultants.....	4,000	-	-	-	-
Travel.....	20,000	10,000	9,582	418	7,338
Library books.....	28,000	28,000	27,417	583	26,238
Other salaries and wages.....	15,000	-	-	-	-
Total Instruction-Regular Program.....	<u>582,283</u>	<u>540,229</u>	<u>539,587</u>	<u>642</u>	<u>524,491</u>
TECHNOLOGY:					
Supervisor/Director.....	84,140	84,140	81,140	3,000	81,890
Data processing personnel.....	45,644	45,644	47,087	(1,443)	45,287
Career ladder.....	-	3,000	3,000	-	2,750
Clerical personnel.....	12,000	19,000	17,910	1,090	16,043
Other salaries and wages.....	143,633	143,633	145,173	(1,540)	135,954
FICA/Medicare.....	18,916	18,916	21,149	(2,233)	20,086
Internet connectivity.....	19,000	19,000	17,029	1,971	18,715
Retirement.....	29,184	29,184	26,913	2,271	30,216
Maintenance and repair – equipment.....	45,000	50,000	43,861	6,139	48,569
Travel.....	7,500	7,500	7,837	(337)	12,687
Software.....	50,000	35,000	1,549	33,451	3,300
Other contracted services.....	68,000	68,000	108,563	(40,563)	122,880
Other charges.....	28,000	21,200	15,475	5,725	27,920
Employee insurance.....	48,693	48,693	53,548	(4,855)	38,609
Total Technology.....	<u>599,710</u>	<u>592,910</u>	<u>590,234</u>	<u>2,676</u>	<u>604,906</u>
BOARD OF EDUCATION:					
Board member fees.....	6,850	6,850	5,700	1,150	5,775
F.I.C.A./Medicare.....	524	524	436	88	442
Professional services.....	28,000	18,000	20,500	(2,500)	14,587
Dues and memberships.....	11,000	11,000	13,103	(2,103)	12,473
Legal services.....	70,000	290,000	271,370	18,630	128,724
Travel.....	15,000	8,000	5,775	2,225	6,146
Liability insurance.....	31,000	31,000	26,944	4,056	28,542
Surety bonds.....	1,500	1,500	1,350	150	1,350
Commissions – Blount County Trustee.....	82,000	82,000	88,711	(6,711)	85,453
Workmen’s compensation insurance.....	85,000	85,000	95,345	(10,345)	80,856
Other charges/supplies.....	12,500	63,500	67,731	(4,231)	4,529
Total Board of Education.....	<u>343,374</u>	<u>597,374</u>	<u>596,965</u>	<u>409</u>	<u>368,877</u>

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Activity/Object</u>	<u>June 30, 2018</u>				<u>Totals 2017</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	108,217	-	108,967
F.I.C.A/Medicare.....	8,278	8,278	8,270	8	8,489
Retirement.....	9,826	9,826	10,244	(418)	10,266
Employee insurance.....	13,334	13,334	17,884	(4,550)	8,226
Communication.....	15,000	7,000	6,488	512	7,140
Travel.....	7,100	7,100	4,318	2,782	4,778
Office supplies.....	250	250	65	185	-
Other fringe benefits.....	6,000	6,000	3,000	3,000	3,000
Career ladder.....	-	-	1,000	(1,000)	1,000
Total Office of the Director.....	<u>168,005</u>	<u>160,005</u>	<u>159,486</u>	<u>519</u>	<u>151,866</u>
OFFICE OF PRINCIPALS:					
Principals.....	395,152	395,152	394,502	650	395,478
Assistant Principals.....	497,923	497,923	497,845	78	414,334
Career ladder.....	7,500	4,500	4,500	-	4,500
Secretaries.....	143,555	158,555	157,327	1,228	164,760
Clerical personnel.....	88,927	88,927	93,332	(4,405)	74,891
F.I.C.A/Medicare.....	86,679	83,579	79,086	4,493	74,841
Retirement.....	105,086	105,086	109,078	(3,992)	102,593
Employee insurance.....	150,084	164,084	162,078	2,006	114,160
Communications.....	31,000	26,000	26,614	(614)	26,752
Travel.....	12,000	8,000	6,864	1,136	15,169
Total Office of Principals.....	<u>1,517,906</u>	<u>1,531,806</u>	<u>1,531,226</u>	<u>580</u>	<u>1,387,478</u>
FISCAL SERVICES:					
Finance Director.....	48,698	48,698	48,698	-	48,698
Secretaries.....	49,698	49,698	43,245	6,453	43,357
F.I.C.A/Medicare.....	7,528	7,528	3,625	3,903	3,641
Retirement.....	8,071	8,071	8,299	(228)	8,313
Employee insurance.....	10,953	10,953	15,887	(4,934)	13,222
Travel.....	3,800	1,300	1,212	88	35
Office supplies.....	5,500	5,500	10,368	(4,868)	10,375
Other charges.....	28,000	40,500	40,366	134	34,306
Administration equipment.....	3,000	1,500	1,231	269	1,603
Total Fiscal Services.....	<u>165,248</u>	<u>173,748</u>	<u>172,931</u>	<u>817</u>	<u>163,550</u>
HUMAN SERVICES:					
Secretaries.....	136,379	136,379	134,162	2,217	137,878
F.I.C.A/Medicare.....	10,432	10,432	9,956	476	10,175
Retirement.....	22,148	27,148	25,706	1,442	26,293
Employee insurance.....	11,625	11,625	13,040	(1,415)	11,453
Travel.....	1,500	3,000	2,537	463	5,883
Total Human Services.....	<u>182,084</u>	<u>188,584</u>	<u>185,401</u>	<u>3,183</u>	<u>191,682</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Activity/Object</u>	<u>June 30, 2018</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Final</u>			
OPERATION OF PLANT:					
Custodial personnel	271,601	246,601	242,133	4,468	246,544
F.I.C.A/Medicare.....	20,777	20,777	17,506	3,271	17,778
Retirement	44,108	44,108	34,155	9,953	34,026
Employee insurance.....	80,610	70,610	69,577	1,033	53,440
Education.....	-	-	-	-	456
Contractual services.....	200,000	190,000	188,599	1,401	188,548
Electricity	650,000	710,500	713,554	(3,054)	703,558
Natural gas.....	70,000	70,000	102,504	(32,504)	76,926
Water and sewer	87,000	87,000	121,610	(34,610)	120,751
Other supplies.....	10,000	10,000	1,517	8,483	905
Other charges.....	20,000	20,000	12,292	7,708	10,489
Rentals	6,500	6,500	16,656	(10,156)	9,877
Custodial supplies.....	70,000	66,000	42,911	23,089	68,797
Building and contents insurance.....	127,000	127,000	113,220	13,780	115,613
Disposable fees.....	11,000	11,000	7,327	3,673	6,664
Equipment	4,000	4,000	-	4,000	-
Total Operation of Plant	<u>1,672,596</u>	<u>1,684,096</u>	<u>1,683,561</u>	<u>535</u>	<u>1,654,372</u>
MAINTENANCE OF PLANT:					
Maintenance personnel.....	273,926	273,926	269,072	4,854	269,226
FICA/Medicare.....	20,955	20,955	19,567	1,388	19,718
Retirement	44,486	84,486	83,902	584	47,464
Employee insurance.....	47,784	47,784	59,805	(12,021)	39,501
Contractual services.....	195,000	306,000	321,360	(15,360)	264,638
Machinery parts	4,000	4,000	-	4,000	-
Building maintenance/repairs	75,000	170,000	170,469	(469)	273,681
Equipment repairs/maintenance.....	60,000	85,000	86,131	(1,131)	50,630
Supplies/materials.....	22,500	22,500	8,425	14,075	13,421
Other charges.....	44,100	44,100	43,094	1,006	53,818
Maintenance equipment.....	4,000	4,000	-	4,000	528
Total Maintenance of Plant.....	<u>791,751</u>	<u>1,062,751</u>	<u>1,061,825</u>	<u>926</u>	<u>1,032,625</u>
TRANSPORTATION:					
Bus Drivers.....	16,292	16,292	16,292	-	17,068
F.I.C.A/Medicare.....	1,246	1,246	1,246	-	1,305
Retirement	2,646	2,646	2,646	-	2,772
Gasoline/Diesel.....	3,000	-	-	-	-
Tires and tubes.....	2,000	-	879	(879)	1,189
Vehicle parts.....	2,500	2,500	5,025	(2,525)	8,718
Other charges.....	5,000	5,000	3,702	1,298	15,000
Contracts with private agencies.....	290,000	273,000	272,696	304	209,000
Vehicle maintenance and repair.....	4,000	4,000	43	3,957	929
Total Transportation	<u>326,684</u>	<u>304,684</u>	<u>302,529</u>	<u>2,155</u>	<u>255,981</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>Activity/Object</u>	<u>June 30, 2018</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2017</u>
	<u>Original</u>	<u>Final</u>			
FOOD SERVICES:					
Inservice/staff development.....	500	500	-	500	789
Office supplies.....	<u>150</u>	<u>150</u>	<u>1,036</u>	<u>(886)</u>	<u>-</u>
Total Food Services	<u>650</u>	<u>650</u>	<u>1,036</u>	<u>(386)</u>	<u>789</u>
FAMILY RESOURCE CENTER:					
Supervisor/director	49,291	49,291	49,291	-	48,169
F.I.C.A./Medicare.....	3,771	3,771	3,393	378	3,350
Retirement	4,476	4,476	4,476	-	4,355
Travel.....	1,000	500	95	405	254
Other charges.....	2,975	1,475	1,578	(103)	1,471
Employee insurance.....	<u>13,720</u>	<u>13,720</u>	<u>13,954</u>	<u>(234)</u>	<u>10,139</u>
Total Family Resource.....	<u>75,233</u>	<u>73,233</u>	<u>72,787</u>	<u>446</u>	<u>67,738</u>
LOTTERY PRE-K FUNDS:					
Teacher salaries	112,266	122,266	121,716	550	111,585
Education assistant	41,259	41,259	42,032	(773)	43,488
F.I.C.A./Medicare.....	11,745	11,745	11,788	(43)	10,760
Retirement	16,894	16,894	16,531	363	30,464
Employee insurance.....	36,010	43,010	42,327	683	42,399
Equipment	-	8,000	7,860	140	-
Instructional supplies.....	<u>1,500</u>	<u>2,000</u>	<u>2,055</u>	<u>(55)</u>	<u>1,262</u>
Total Lottery Pre-K Funds.....	<u>221,674</u>	<u>245,174</u>	<u>244,309</u>	<u>865</u>	<u>239,958</u>
CAPITAL OUTLAY:					
Equipment and other.....	<u>20,000</u>	<u>210,000</u>	<u>207,671</u>	<u>2,329</u>	<u>42,495</u>
TOTAL EXPENDITURES.....	<u>\$20,261,000</u>	<u>\$21,138,500</u>	<u>\$21,062,251</u>	<u>\$ 76,249</u>	<u>\$19,647,772</u>

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 (MAJOR FUND)
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2018
 With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>June 30, 2018</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Totals 2017</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Donations	\$ 28,710	\$ 28,710	\$ 28,710	\$ -	\$ 95,596
EXPENDITURES:					
Capital projects	66,340	66,340	66,338	2	65,560
Net Change in Fund Balance	(37,630)	(37,630)	(37,628)	2	30,036
Fund Balance, July 1 st	135,289	135,289	135,289	-	105,253
Fund Balance, June 30th	<u>\$ 97,659</u>	<u>\$ 97,659</u>	<u>\$ 97,661</u>	<u>\$ 2</u>	<u>\$ 135,289</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ALCOA HIGH SCHOOL CONSTRUCTION FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</u>				<u>Totals 2017</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary</u>	<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Basis</u>		
REVENUES:					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ 667
EXPENDITURES:					
High School Project.....	-	-	-	-	270,886
Net Change in Fund Balance	-	-	-	-	(270,219)
Fund Balance, July 1 st	195	195	195	-	270,414
Fund Balance, June 30th	<u>\$ 195</u>	<u>\$ 195</u>	<u>\$ 195</u>	<u>\$ -</u>	<u>\$ 195</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
State Grant	\$ 3,077,782	\$ 71,312	\$(3,006,470)	\$ 61,502
Interest income	<u>-</u>	<u>3,169</u>	<u>3,169</u>	<u>15,299</u>
Total Revenue	<u>3,077,782</u>	<u>74,481</u>	<u>(3,003,301)</u>	<u>76,801</u>
Expenditures:				
Capital Outlay	<u>4,961,664</u>	<u>618,981</u>	<u>4,342,683</u>	<u>101,042</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	<u>(1,883,882)</u>	<u>(544,500)</u>	<u>1,339,382</u>	<u>(24,241)</u>
Other Financing Sources:				
Transfer from Special Project Fund	-	-	-	91,096
Transfer from 2001 Special Project Fund	-	-	-	319,167
Transfer from Service Center.....	-	-	-	55,089
Transfer from West Plant Construction Fund.....	<u>460,000</u>	<u>460,000</u>	<u>-</u>	<u>(2,770,625)</u>
Total Other Financing Sources.....	<u>460,000</u>	<u>460,000</u>	<u>-</u>	<u>(2,305,273)</u>
Net Change in Fund Balance	(1,423,882)	(84,500)	1,339,382	(2,329,514)
Fund Balance, July 1 st	<u>1,281,915</u>	<u>1,281,915</u>	<u>-</u>	<u>3,611,429</u>
Fund Balance, June 30th	<u>\$ (141,967)</u>	<u>\$ 1,197,415</u>	<u>\$ 1,339,382</u>	<u>\$ 1,281,915</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</u>				<u>Totals 2017</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:					
State grants	\$ 11,378,380	\$ 11,378,380	\$ 2,765,607	\$ (8,612,773)	\$ -
Other state revenue	-	-	-	-	159,629
Miscellaneous revenue	-	-	-	-	81,580
Interest income	-	-	3,889	3,889	-
Total Revenues	<u>11,378,380</u>	<u>11,378,380</u>	<u>2,769,496</u>	<u>(8,608,884)</u>	<u>241,209</u>
EXPENDITURES:					
Capital Outlay	<u>28,664,468</u>	<u>28,664,468</u>	<u>9,910,180</u>	<u>18,754,288</u>	<u>2,175,789</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(17,286,088)</u>	<u>(17,286,088)</u>	<u>(7,140,684)</u>	<u>10,145,404</u>	<u>(1,934,580)</u>
Other Financing Sources (Uses):					
Bond Proceeds	14,820,000	14,820,000	5,285,000	(9,535,000)	9,995,000
Bond Premium	81,580	81,580	51,035	(30,545)	-
Underwriter's discount	-	-	(40,055)	(40,055)	-
Cost of Issuance	(144,669)	(144,669)	(49,009)	95,660	-
Transfer to G.O. Public Works Construction Fund	-	-	(460,000)	(460,000)	2,770,625
Transfer from G.O. Public Works Construction Fund	<u>2,709,949</u>	<u>2,709,949</u>	-	<u>(2,709,949)</u>	-
Total Other Financing Sources (Uses)	<u>17,466,860</u>	<u>17,466,860</u>	<u>4,786,971</u>	<u>(12,679,889)</u>	<u>12,756,625</u>
Net Change in Fund Balance	180,772	180,772	(2,353,713)	(2,534,485)	10,831,045
Fund Balance, July 1 st	<u>10,831,045</u>	<u>10,831,045</u>	<u>10,831,045</u>	-	-
Fund Balance, June 30th	<u>\$ 11,011,817</u>	<u>\$ 11,011,817</u>	<u>\$ 8,477,332</u>	<u>\$ (2,534,485)</u>	<u>\$ 10,831,045</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 (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</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>2017</u>
				<u>(Negative)</u>	
Revenues					
Interest income.....	\$ -	\$ -	\$ 142,210	\$ 142,210	\$ -
Expenditures:					
Bond/capital outlay note redemptions.....	3,125,000	3,125,000	3,125,000	-	2,770,000
Interest charges	<u>2,095,576</u>	<u>2,095,576</u>	<u>2,095,576</u>	<u>-</u>	<u>1,989,192</u>
Total Expenditures	<u>5,220,576</u>	<u>5,220,576</u>	<u>5,220,576</u>	<u>-</u>	<u>4,759,192</u>
Excess (Deficiency) of Revenues Over					
Expenditures	<u>(5,220,576)</u>	<u>(5,220,576)</u>	<u>(5,078,366)</u>	<u>142,210</u>	<u>(4,759,192)</u>
Other Financing Sources (Uses):					
Operating transfers – In:					
General Fund.....	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>-</u>	<u>4,500,000</u>
Excess of Revenues and Other Sources					
Over Expenditures and Other Uses	279,424	279,424	421,634	142,210	(259,192)
Fund Balance at Beginning of Year	<u>759,849</u>	<u>759,849</u>	<u>759,849</u>	<u>-</u>	1,019,041
Fund Balance at End of Year	<u>\$ 1,039,273</u>	<u>\$ 1,039,273</u>	<u>\$ 1,181,483</u>	<u>\$ 142,210</u>	<u>\$ 759,849</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</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>Final Budget</u>	
			<u>(Budgetary</u>	<u>Positive</u>	<u>2017</u>
			<u>Basis)</u>	<u>(Negative)</u>	
Revenues:					
State gasoline tax	\$ 280,500	\$ 280,500	\$ 283,329	\$ 2,829	\$ 255,652
Investment income	<u>-</u>	<u>-</u>	<u>2,693</u>	<u>2,693</u>	<u>108</u>
Total Revenues.....	<u>280,500</u>	<u>280,500</u>	<u>286,022</u>	<u>5,522</u>	<u>255,760</u>
Expenditures:					
Streets:					
Resurfacing/striping	236,800	236,800	223,498	13,302	135,470
Traffic signal maintenance	22,500	22,500	145	22,355	-
Other equipment and vehicles.....	6,200	6,200	2,386	3,814	10,786
Snow removal	<u>15,000</u>	<u>15,000</u>	<u>4,126</u>	<u>10,874</u>	<u>-</u>
Total Expenditures	<u>280,500</u>	<u>280,500</u>	<u>230,155</u>	<u>50,345</u>	<u>146,256</u>
Excess (Deficiency) of Revenues Over Expenditures.....	-	-	55,867	55,867	109,504
Fund Balance at Beginning of Year.....	<u>768,542</u>	<u>768,542</u>	<u>768,542</u>	<u>-</u>	<u>659,038</u>
Fund Balance at End of Year	<u>\$ 768,542</u>	<u>\$ 768,542</u>	<u>\$ 824,409</u>	<u>\$ 55,867</u>	<u>\$ 768,542</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
Grant revenue.....	\$1,026,139	\$ 947,540	\$ (78,599)	\$ 985,156
Expenditures:				
Personnel and related costs	611,082	591,078	20,004	674,454
Seminars/travel/staff development.....	123,208	99,171	24,037	97,311
Contracted services	75,000	70,660	4,340	66,563
Instructional materials and supplies	137,301	115,897	21,404	58,827
Equipment.....	20,847	13,657	7,190	63,793
Vocational equipment	56,701	56,557	144	20,620
Other miscellaneous charges.....	<u>2,000</u>	<u>520</u>	<u>1,480</u>	<u>3,588</u>
Total Expenditures	<u>1,026,139</u>	<u>947,540</u>	<u>78,599</u>	<u>985,156</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 #18-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
State of Tennessee Funding.....	<u>\$ 78,173</u>	<u>\$ 70,977</u>	<u>\$ (7,196)</u>	<u>\$ 27,521</u>
Expenditures:				
Vocational Education Instruction:				
Instructional equipment.....	56,701	56,557	144	20,620
Vocational Education Support:				
Seminars/staff development/Travel....	<u>21,472</u>	<u>14,420</u>	<u>7,052</u>	<u>6,901</u>
Total Expenditures	<u>\$ 78,173</u>	<u>\$ 70,977</u>	<u>\$ 7,196</u>	<u>\$ 27,521</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
Revenues:				
Monies received through the State of Tennessee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,435</u>
Expenditures:				
Regular Education Instruction:				
Salaries and related costs.....	-	-	-	19,452
Inservice/Staff development.....	-	-	-	1,730
Materials and supplies.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,253</u>
 Total Expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 24,435</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
 FEDERAL PROJECTS – SPECIAL REVENUE FUND
 NCLB TITLE I PROJECT #18-01
 SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2018
 With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 364,661</u>	<u>\$ 315,693</u>	<u>\$ (48,968)</u>	<u>\$ 366,083</u>
Expenditures:				
Regular Instruction:				
Salaries and related costs	267,544	258,209	9,335	262,469
Instructional equipment.....	14,847	9,847	5,000	49,208
Instructional supplies and materials	<u>25,327</u>	<u>6,445</u>	<u>18,882</u>	<u>20,382</u>
Total Regular Instruction	<u>307,718</u>	<u>274,501</u>	<u>33,217</u>	<u>332,059</u>
Regular Instruction Support:				
In-service/staff development/travel.....	54,943	40,672	14,271	34,024
Other charges	<u>2,000</u>	<u>520</u>	<u>1,480</u>	<u>-</u>
Total Regular Instruction Support.....	<u>56,943</u>	<u>41,192</u>	<u>15,751</u>	<u>34,024</u>
Total Expenditures	<u>\$ 364,661</u>	<u>\$ 315,693</u>	<u>\$ 48,968</u>	<u>\$ 366,083</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,532</u>
Expenditures:				
Regular Instruction:				
Salaries and related costs	-	-	-	96,979
Instructional supplies and materials	-	-	-	4,553
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,532</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA DISCRETIONARY GRANT #18-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 36,041</u>	<u>\$ 33,628</u>	<u>\$ (2,413)</u>	<u>\$ 17,312</u>
Expenditures:				
Instructional supplies and materials	24,649	24,569	80	11,312
In-service/staff development/travel.....	<u>11,392</u>	<u>9,059</u>	<u>2,333</u>	<u>6,000</u>
Total Expenditures	<u>\$ 36,041</u>	<u>\$ 33,628</u>	<u>\$ 2,413</u>	<u>\$ 17,312</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
READ TO BE READY #18-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 65,000</u>	<u>\$ 64,940</u>	<u>\$ (60)</u>	<u>\$ 4,972</u>
Expenditures:				
Instructional supplies and materials	<u>\$ 65,000</u>	<u>\$ 64,940</u>	<u>\$ 60</u>	<u>\$ 4,972</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
TITLE II (PART A) TRAINING #18-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 68,108</u>	<u>\$ 67,884</u>	<u>\$ (224)</u>	<u>\$ 61,965</u>
Expenditures:				
Regular Education Support:				
In-service/staff development.....	32,901	32,680	221	38,593
Materials and supplies	24	21	3	153
Salaries and related costs	<u>35,183</u>	<u>35,183</u>	<u>-</u>	<u>23,219</u>
Total Expenditures.....	<u>\$ 68,108</u>	<u>\$ 67,884</u>	<u>\$ 224</u>	<u>\$ 61,965</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA PRESCHOOL PROJECT #18-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 13,608</u>	<u>\$ 11,777</u>	<u>\$ (1,831)</u>	<u>\$ 9,997</u>
Expenditures:				
Instructional supplies and materials	<u>\$ 13,608</u>	<u>\$ 11,777</u>	<u>\$ 1,831</u>	<u>\$ 9,997</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA (PART B) PROJECT #18-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 400,548</u>	<u>\$ 382,641</u>	<u>\$ (17,907)</u>	<u>\$ 371,339</u>
Expenditures:				
Special Education Instruction:				
Teachers and assistants	185,654	172,832	12,822	167,916
Related salary costs.....	122,701	124,854	(2,153)	104,419
Instructional supplies and materials.....	8,693	8,145	548	10,140
Contracts with private agencies/others .	75,000	70,660	4,340	65,228
Equipment.....	6,000	3,810	2,190	11,587
In service staff development	<u>2,500</u>	<u>2,340</u>	<u>160</u>	<u>12,049</u>
Total Expenditures	<u>\$ 400,548</u>	<u>\$ 382,641</u>	<u>\$ 17,907</u>	<u>\$ 371,339</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</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	\$ 210,600	\$ 210,600	\$ 226,104	\$ 15,504	\$ 212,898
Lunch and breakfast payments - adults	18,100	18,100	12,738	(5,362)	16,525
USDA reimbursements	640,000	640,000	574,105	(65,895)	602,365
Milk sales	1,300	1,300	754	(546)	1,214
Interest	-	-	-	-	56
A la carte and other income	<u>150,000</u>	<u>150,000</u>	<u>124,488</u>	<u>(25,512)</u>	<u>133,128</u>
Total Revenues.....	<u>1,020,000</u>	<u>1,020,000</u>	<u>938,189</u>	<u>(81,811)</u>	<u>966,186</u>
Expenditures:					
Food	464,000	464,000	487,887	(23,887)	431,038
Labor	460,000	460,000	428,399	31,601	426,520
Non-food supplies	-	-	-	-	24,528
Transportation	2,500	2,500	3,315	(815)	3,062
Ice cream and other expenses.....	<u>93,500</u>	<u>93,500</u>	<u>12,362</u>	<u>81,138</u>	<u>25,412</u>
Total Expenditures	<u>1,020,000</u>	<u>1,020,000</u>	<u>931,963</u>	<u>88,037</u>	<u>910,560</u>
Excess of Revenues Over Expenditures	-	-	6,226	6,226	55,626
Fund Balance at Beginning of Year	<u>68,783</u>	<u>68,783</u>	<u>68,783</u>	<u>-</u>	<u>13,157</u>
Fund Balance at End of Year	<u>\$ 68,783</u>	<u>\$ 68,783</u>	<u>\$ 75,009</u>	<u>\$ 6,226</u>	<u>\$ 68,783</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	June 30, 2018				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
	Original	Final			
Revenues:					
Fees	\$ 233,000	\$ 233,000	\$ 275,473	\$ 42,473	\$ 255,848
Expenditures:					
Salaries.....	153,319	153,319	132,593	20,726	128,249
Fringe benefits	31,524	31,524	22,891	8,633	21,444
Supplies and food.....	20,000	20,000	10,675	9,325	4,843
Other charges	<u>28,157</u>	<u>28,157</u>	<u>25,378</u>	<u>2,779</u>	<u>27,180</u>
Total Expenditures	<u>233,000</u>	<u>233,000</u>	<u>191,537</u>	<u>41,463</u>	<u>181,716</u>
Excess of Revenues Over Expenditures	-	-	83,936	83,936	74,132
Fund Balance at Beginning of Year	<u>249,876</u>	<u>249,876</u>	<u>249,876</u>	-	<u>175,744</u>
Fund Balance at End of Year.....	<u>\$ 249,876</u>	<u>\$ 249,876</u>	<u>\$ 333,812</u>	<u>\$ 83,936</u>	<u>\$ 249,876</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</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>2017</u>
				<u>(Negative)</u>	
Revenues:					
Fines and forfeits:					
DVD sales	\$ -	\$ -	\$ 540	\$ 540	\$ 1,470
Interest.....	-	-	41	41	-
Drug Control and seizure	<u>17,000</u>	<u>17,000</u>	<u>114,982</u>	<u>97,982</u>	<u>17,620</u>
Total Revenues.....	<u>17,000</u>	<u>17,000</u>	<u>115,563</u>	<u>98,563</u>	<u>19,090</u>
Expenditures:					
Capital outlay	-	-	-	-	22,897
K9.....	<u>17,000</u>	<u>17,000</u>	-	<u>17,000</u>	<u>3,207</u>
Total expenditures.....	<u>17,000</u>	<u>17,000</u>	-	<u>17,000</u>	<u>26,104</u>
Excess (Deficiency) of Revenues					
Over Expenditures.....	-	-	115,563	115,563	(7,014)
Fund Balance at Beginning of Year	<u>11,401</u>	<u>11,401</u>	<u>11,401</u>	-	<u>18,415</u>
Fund Balance at End of Year	<u>\$ 11,401</u>	<u>\$ 11,401</u>	<u>\$ 126,964</u>	<u>\$ 115,563</u>	<u>\$ 11,401</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>June 30, 2018</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2017</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Fines.....	\$ -	\$ -	\$ 1,947	\$ 1,947	\$ 1,082
Expenditures	-	-	-	-	-
Excess of Revenues Over Expenditures	-	-	1,947	1,947	1,082
Fund Balance at Beginning of Year...	<u>2,721</u>	<u>2,721</u>	<u>2,721</u>	<u>-</u>	<u>1,639</u>
Fund Balance at End of Year.....	<u>\$ 2,721</u>	<u>\$ 2,721</u>	<u>\$ 4,668</u>	<u>\$ 1,947</u>	<u>\$ 2,721</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.

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
EQUIPMENT REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
Revenues:				
Interest of investments	\$ -	\$ 419	\$ 419	\$ 1,342
Expenditures:				
Capital Outlay	1,813,135	688,834	1,124,301	198,094
Net Change in Fund Balance Before Other Financing Sources (Uses)	(1,813,135)	(688,415)	(1,124,720)	(196,752)
Other Financing Sources (Uses):				
Bond Proceeds	1,630,000	1,630,000	-	-
Bond Premium	-	15,740	15,740	-
General fund-transfer in	200,000	200,000	-	-
Total Other Financing Sources (Uses)	1,830,000	1,845,740	15,740	-
Net Change in Fund Balance	16,865	1,157,325	1,140,460	(196,752)
Fund Balance, July 1 st	303,389	303,389	-	500,141
Fund Balance, June 30th	\$ 320,254	\$ 1,460,714	\$ 1,140,460	\$ 303,389

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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
Revenues:				
State Grant (THDA)	\$ _____ -	\$ _____ -	\$ _____ -	\$ <u>237,478</u>
Expenditures:				
Home Improvements	_____ -	_____ -	_____ -	<u>237,182</u>
Net Change in Fund Balance.....	-	-	-	296
Fund Balance, July 1 st	<u>1,039</u>	<u>1,039</u>	_____ -	<u>743</u>
Fund Balance, June 30th	<u>\$ 1,039</u>	<u>\$ 1,039</u>	<u>\$ _____ -</u>	<u>\$ 1,039</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
Revenues:				
Charges for services.....	\$ 11,000	\$ 17,337	\$ 6,337	\$ 7,332
Interest earned.....	<u>-</u>	<u>245</u>	<u>245</u>	<u>17</u>
Total Revenues	<u>11,000</u>	<u>17,582</u>	<u>6,582</u>	<u>7,349</u>
Expenditures:				
Landscaping Projects	27,000	190	26,810	4,070
Sidewalk Projects.....	20,000	-	20,000	21,128
Greenway Projects	<u>23,000</u>	<u>-</u>	<u>23,000</u>	<u>-</u>
Total Expenditures.....	<u>70,000</u>	<u>190</u>	<u>69,810</u>	<u>25,198</u>
Net Change in Fund Balance	(59,000)	17,392	76,392	(17,849)
Fund Balance, July 1 st	<u>65,189</u>	<u>65,189</u>	<u>-</u>	<u>83,038</u>
Fund Balance, June 30th	<u>\$ 6,189</u>	<u>\$ 82,581</u>	<u>\$ 76,392</u>	<u>\$ 65,189</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2017
Revenues:				
Intergovernmental	\$ 181,085	\$ 181,190	\$ 105	\$ 171,960
Expenditures:				
Capital Outlay	181,085	151,745	29,340	147,391
Professional Fees and Consulting	-	14,185	(14,185)	-
Bank Charges	-	-	-	115
Total Expenditures	<u>181,085</u>	<u>165,930</u>	<u>15,155</u>	<u>147,506</u>
Net Change in Fund Balance	-	15,260	15,260	24,454
Fund Balance, July 1 st	<u>50,918</u>	<u>50,918</u>	-	<u>26,464</u>
Fund Balance, June 30th	<u>\$ 50,918</u>	<u>\$ 66,178</u>	<u>\$ 15,260</u>	<u>\$ 50,918</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, 2018
With Comparative Totals at June 30, 2017

	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
ASSETS:		
Current Assets:		
Equity in pooled cash.....	\$ 709,730	\$ 680,127
Accounts receivable.....	<u>108,869</u>	<u>108,430</u>
Total Current Assets	<u>818,599</u>	<u>788,557</u>
Non-depreciable Capital Assets:		
Construction-in-progress	<u>29,988</u>	<u>-</u>
Depreciable Capital Assets:		
Structures, improvements and equipment.....	884,596	654,516
Less: Allowance for depreciation	<u>(521,907)</u>	<u>(446,145)</u>
Total Net Capital Assets	<u>362,689</u>	<u>208,371</u>
TOTAL ASSETS	<u>1,211,276</u>	<u>996,928</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals.....	<u>164,888</u>	<u>108,737</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable.....	21,722	11,163
Accrued salaries.....	19,370	20,461
Compensated absences	<u>40,542</u>	<u>38,108</u>
Total Current Liabilities.....	<u>81,634</u>	<u>69,732</u>
Long-Term Liabilities:		
Net pension liability.....	164,349	74,124
Other post-employment benefit liability	<u>211,630</u>	<u>-</u>
Total Long-Term Liabilities	<u>375,979</u>	<u>74,124</u>
TOTAL LIABILITIES.....	<u>457,613</u>	<u>143,856</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	<u>16,131</u>	<u>9,372</u>
NET POSITION:		
Unrestricted	509,743	744,066
Net investment in capital assets	<u>392,677</u>	<u>208,371</u>
TOTAL NET POSITION.....	<u>\$ 902,420</u>	<u>\$ 952,437</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Operating Revenue:		
Residential sales	\$ 213,662	\$ 185,763
Commercial/Industrial sales	<u>1,090,801</u>	<u>994,674</u>
Total Operating Revenue.....	<u>1,304,463</u>	<u>1,180,437</u>
Operating Expenses:		
Administrative	345,642	316,118
Operations and maintenance.....	551,467	639,866
Street cleaning	<u>105,219</u>	<u>102,956</u>
Total Operating Expenses Before Depreciation	<u>1,002,328</u>	<u>1,058,940</u>
Operating Income (Loss) Before Depreciation and Interest Income	302,135	121,497
Depreciation	(75,763)	(67,304)
Other Income:		
Interest Income	2,356	152
TML Grants.....	<u>-</u>	<u>271</u>
Total Other Income	<u>2,356</u>	<u>423</u>
Operating Income (Loss).....	<u>228,728</u>	<u>54,616</u>
Net Position at Beginning of Year, as previously reported	952,437	897,821
Prior Period Adjustment (Note 20).....	<u>(278,745)</u>	<u>-</u>
Net Position, Beginning of Year, as restated.....	<u>673,692</u>	<u>897,821</u>
Net Position at End of Year	<u>\$ 902,420</u>	<u>\$ 952,437</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers.....	\$ 1,306,380	\$ 1,171,486
Cash payments to suppliers for goods and services.....	(593,763)	(556,978)
Cash payments to employees for services	<u>(373,553)</u>	<u>(480,844)</u>
Net Cash Flows from Operating Activities.....	<u>339,064</u>	<u>133,664</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for stormwater acquisitions	(260,068)	-
Pension deferrals.....	<u>(49,393)</u>	<u>(46,209)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(309,461)</u>	<u>(46,209)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS.....	29,603	87,455
Cash and Cash Equivalents at Beginning of Year	<u>680,127</u>	<u>592,672</u>
Cash and Cash Equivalents at End of Year	<u>\$ 709,730</u>	<u>\$ 680,127</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss).....	<u>\$ 228,728</u>	<u>\$ 54,616</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation.....	75,763	67,304
Change in assets and liabilities:		
Accounts receivable.....	(439)	(9,374)
Compensated absences	2,434	(4,867)
Accrued salaries.....	(1,091)	5,295
Accounts payable.....	10,559	(2,041)
Net pension liability.....	25,572	22,731
Net OPEB liability.....	<u>(2,462)</u>	<u>-</u>
Total Adjustments.....	<u>110,336</u>	<u>79,048</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ 339,064</u>	<u>\$ 133,664</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Administrative and General:		
Wages	\$ 170,223	\$ 162,038
Overtime	2	9
FICA	12,547	11,186
Retirement	18,692	9,835
Hospitalization insurance	43,626	43,572
Life/accidental death insurance	711	850
Dental insurance	3,345	3,477
Other personal services.....	-	4,482
Regulatory fees and license	4,598	3,988
Utilities	1,243	1,327
Maintenance contracts	5,692	136
Training expenses.....	2,214	1,768
Workmen’s compensation	1,518	1,789
Retiree insurance	115	22
Employee education and training	-	150
Professional services	7,244	11,111
Dues and memberships.....	8,502	6,141
Advertising/public education.....	2,133	1,179
Business/Public relations.....	-	31
Printing	14	-
Auto parts	1,182	586
Gasoline.....	998	438
Safety supplies.....	-	9
Insurance	1,985	2,308
Utility processing.....	12,921	10,938
Computer equipment	796	3,895
Improvement teams	276	429
GIS – System.....	27,637	22,149
Office supplies.....	14	179
Other operating supplies.....	339	66
Public education	1,820	2,119
Radio system annual contract.....	929	929
Small tools.....	22	16
Machinery and equipment	639	1,693
Uniforms.....	510	359
Cost-recovery – Service center.....	7,887	6,875
Repair and maintenance.....	-	39
Legal fees	5,040	-
Drug/alcohol test	7	-
Equipment/lease purchase	221	-
Total Administrative and General	<u>345,642</u>	<u>316,118</u>
Operations and Maintenance:		
Wages	165,034	251,826
Standby pay	8,836	9,689
Overtime	5,571	4,590
F.I.C.A.	17,231	20,328
Retirement	28,368	38,411
Hospitalization insurance	74,404	77,360
Life/Accidental death insurance	1,032	1,235
Dental insurance	5,332	5,840
Workmen’s compensation	12,822	13,215
Other personal services.....	6,823	6,362
Landfill	256	-

(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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Operations and Maintenance (Continued):		
Dues and membership.....	45	50
Improvement teams	4	179
Radio systems annual contracts	131	131
Other operating supplies	840	450
Utilities	1,357	1,381
Drug/Alcohol test.....	247	170
Retiree insurance	10,711	11,930
Employee education and training.....	-	417
Travel.....	-	168
Gasoline	8,808	8,371
Office supplies	-	15
Small tools	629	1,019
Uniforms.....	1,829	1,928
Auto parts	10,624	14,049
Safety supplies	859	1,550
Insurance.....	1,853	1,921
Repair and maintenance.....	15,330	12,453
Storm sewer rehabilitation	3,560	34,849
Cost recovered	161,500	116,163
Vehicles	7,431	-
Professional services.....	-	18
Machinery and equipment	-	3,798
Total Operations and Maintenance	<u>551,467</u>	<u>639,866</u>
Street Cleaning:		
Wages	46,631	50,699
Standby pay	1,422	2,421
Overtime pay	287	-
F.I.C.A.	3,541	3,536
Retirement	7,268	1,331
Retiree insurance	5,773	6,240
Hospitalization insurance.....	15,000	14,400
Life/Accidental death insurance	214	236
Dental insurance	1,158	1,158
Workmen’s compensation	1,211	1,749
Other personal services.....	-	8,253
Retirement supplement	9,365	-
Uniforms.....	323	199
Auto parts	6,973	6,462
Gasoline	5,328	5,654
Safety	26	23
Insurance.....	421	361
Repair and maintenance.....	47	-
Other operating supplies	123	216
Small tools	108	18
Total Street Cleaning	<u>105,219</u>	<u>102,956</u>
Total Operating and Maintenance	<u>\$ 1,002,328</u>	<u>\$ 1,058,940</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, 2018**

	<u>Capital Assets</u>			<u>Allowance for Depreciation</u>				
	<u>Balance 7/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>	<u>Balance 7/1/2017</u>	<u>Depreciation Taken</u>	<u>Additions Reclassifications/ Deductions</u>	<u>Balance 6/30/2018</u>
2002 Ford F250 Truck.....	\$ 20,564	\$ -	\$ -	\$ 20,564	\$ 20,564	\$ -	\$ -	\$ 20,564
2014 Ford Super Duty	34,929	-	-	34,929	24,968	6,986	-	31,954
Vacuum Truck.....	259,222	-	-	259,222	200,897	25,922	-	226,819
Geocollector XH6000.....	9,500	-	-	9,500	9,500	-	-	9,500
Bobcat Loader	49,361	-	-	49,361	25,742	4,936	-	30,678
2013 Freightliner	79,878	-	-	79,878	41,936	7,988	-	49,924
Schwarze Street Sweeper	168,940	-	-	168,940	91,510	21,117	-	112,627
Bobcat 72" Brushcat.....	1,774	-	-	1,774	680	355	-	1,035
2011 Ford F250 4x4	30,348	-	-	30,348	30,348	-	-	30,348
Snow-Dogg Plow w/hitch.....	-	8,319	-	8,319	-	693	-	693
2018 Peterbilt Dump Truck ...	-	137,592	-	137,592	-	6,880	-	6,880
898 Goddard Stormwater System	-	13,462	-	13,462	-	336	-	336
2034 Topside Road Stormwater Rehab	-	15,091	-	15,091	-	37	-	37
Maury Stormwater Rehab Faraday-Lake.....	-	34,341	-	34,341	-	86	-	86
Dalton Street Curb and Gutter Install.....	-	21,275	-	21,275	-	426	-	426
Total Stormwater Utility	<u>\$ 654,516</u>	<u>\$ 230,080</u>	<u>\$ -</u>	<u>\$ 884,596</u>	<u>\$ 446,145</u>	<u>\$ 75,762</u>	<u>\$ -</u>	<u>\$ 521,907</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, 2018
With Comparative Totals at June 30, 2017

	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
ASSETS:		
Current Assets:		
Equity in pooled cash.....	\$ 5,103,629	\$ 3,756,350
Inventory.....	1,240,530	851,378
Accounts receivable.....	1,237,478	1,061,164
Certificate of Deposit.....	1,009,283	1,009,283
Interest receivable.....	9,186	636
Due from Electric	<u>88,025</u>	<u>70,043</u>
Total Current Assets	<u>8,688,131</u>	<u>6,748,854</u>
Capital Assets:		
Non-depreciable Capital Assets:		
Land and easements.....	1,194,236	1,194,236
Construction in progress	<u>368,998</u>	<u>225,241</u>
	<u>1,563,234</u>	<u>1,419,477</u>
Depreciable Capital Assets:		
Structures, improvements, and equipment.....	88,765,539	87,120,823
Less: Allowance for depreciation	<u>(30,982,435)</u>	<u>(30,218,841)</u>
Net Depreciable Capital Assets	<u>57,783,104</u>	<u>56,901,982</u>
 Total Net Capital Assets	 <u>59,346,338</u>	 <u>58,321,459</u>
TOTAL ASSETS	<u>68,034,469</u>	<u>65,070,313</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred state regulatory charges	255,401	278,403
Pension deferrals.....	1,018,706	504,261
Deferred amount on refunding.....	487,600	508,800
Accumulated decrease in fair value of hedging derivatives.....	<u>1,864,167</u>	<u>2,183,715</u>
 Total Deferred Outflows of Resources	 <u>3,625,874</u>	 <u>3,475,179</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, 2018
With Comparative Totals at June 30, 2017

	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
LIABILITIES:		
Current Liabilities:		
Accrued salaries	114,619	99,891
Accounts payable.....	714,714	506,406
Bonds payable – Due within one (1) year.....	1,260,000	970,000
Compensated absences	174,094	162,874
Revolving loan – Due within one (1) year.....	171,768	166,032
Bond premium	<u>191,644</u>	<u>-</u>
Total Current Liabilities	<u>2,626,839</u>	<u>1,905,203</u>
Long-Term Liabilities:		
General obligation bonds payable.....	43,120,000	41,320,000
Compensated absences	43,524	40,719
Revolving loan payable	2,900,401	3,072,169
Net pension liability.....	1,914,564	423,594
Derivatives – Interest Rate Swap.....	1,864,167	2,183,715
Other post-employment benefit liability	<u>657,167</u>	<u>-</u>
Total Long-Term Liabilities	<u>50,499,823</u>	<u>47,040,197</u>
TOTAL LIABILITIES.....	<u>53,126,662</u>	<u>48,945,400</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	<u>135,086</u>	<u>9,974</u>
NET POSITION:		
Unrestricted	6,230,399	6,009,657
Net investment in capital assets	<u>12,168,196</u>	<u>13,580,461</u>
TOTAL NET POSITION.....	<u>\$ 18,398,595</u>	<u>\$ 19,590,118</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Operating Revenue:		
Retail water sales	\$ 5,460,274	\$ 4,880,476
Wholesale water sales	1,258,376	1,125,930
Wholesale water sales – ARCONIC	1,282,200	1,240,222
Sewer charges	5,381,362	4,558,722
Other Operating Revenue:		
Penalties	236,213	240,751
Sewer taps	75,208	38,913
Connections	164,820	114,575
Fire hydrant rental	38,148	23,310
Line extension	10,000	24,906
Miscellaneous	<u>22,224</u>	<u>22,046</u>
Total Operating Revenue	<u>13,928,825</u>	<u>12,269,851</u>
Operating Expenses:		
Administration	874,384	833,253
Accounting and collections	947,906	910,502
Supervision	382,320	366,522
Water treatment plant	1,544,152	1,500,703
Environmental compliance	104,274	114,254
Transmission and distribution	943,308	829,846
Meter reading and repairs	287,713	302,570
Water maintenance	273,786	274,269
Sewer collection/pumping	680,907	560,786
Special Projects	-	22,573
Sewer disposal	<u>2,009,385</u>	<u>2,308,606</u>
Total Operating Expenses	<u>8,048,135</u>	<u>8,023,884</u>
Other Operating Expense:		
Depreciation	<u>(2,514,820)</u>	<u>(2,591,379)</u>
Operating Income	<u>3,365,870</u>	<u>1,654,588</u>
Other Income:		
Sale of equipment	4,328	55,658
Interest income	22,059	7,655
Other income	7,478	-
Grants	121,293	1,238
Insurance proceeds	-	6,072
Total Other Income	<u>155,158</u>	<u>70,623</u>
Other Expense:		
Amortization of State Regulatory Charges	(44,202)	(50,448)
Interest expense – Bonds and capital leases	(1,429,986)	(1,323,560)
Debt service charges	(53,048)	(1,687)
Loss on disposal of ineffective hedging derivative instrument	-	(99,921)
Total Other Expense	<u>(1,527,236)</u>	<u>(1,475,616)</u>
Net Income Before Contributions and Transfers	1,993,792	249,595
Transfer in lieu of taxes	(400,000)	(400,000)
Capital Contributions	<u>540,608</u>	<u>178,450</u>
Change in Net Position	<u>2,134,400</u>	<u>28,045</u>
Net Position at Beginning of Year, as previously reported	19,590,118	19,017,902
Prior Period Adjustment (Note 20)	<u>(3,325,923)</u>	<u>544,171</u>
Net Position at Beginning of Year, as restated	<u>16,264,195</u>	<u>19,562,073</u>
Net Position at End of Year	<u>\$ 18,398,595</u>	<u>\$ 19,590,118</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers.....	\$ 13,336,827	\$ 12,985,852
Cash payments to suppliers for goods and services.....	(5,106,499)	(5,723,290)
Cash payments to employees for services	<u>(2,643,138)</u>	<u>(2,441,710)</u>
Net Cash Flows From Operating Activities.....	<u>5,587,190</u>	<u>4,820,852</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid and early extinguishment of bonds.....	(1,136,032)	(1,085,500)
Interest paid on notes/bonds/capital leases	(1,429,986)	(1,323,560)
Payments for acquisition and construction of capital assets	(4,909,686)	(1,492,226)
Issuance of debt	3,060,000	-
Non-operating revenue	75,723	(38,640)
Contributions in Aid of Construction	540,608	178,450
Disposal of assets	4,328	60,246
Amortization.....	<u>(44,202)</u>	<u>(15,194)</u>
Net Cash Flows From (Used by) Capital and Related Financing Activities	<u>(3,839,247)</u>	<u>(3,716,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	22,059	7,655
Purchase of investments	<u>-</u>	<u>(6,080)</u>
Net Cash Flows (Used by) From Investing Activities	<u>22,059</u>	<u>1,575</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer out – In lieu of tax	(400,000)	(400,000)
Pension deferrals	<u>(22,723)</u>	<u>(208,563)</u>
Net Cash Flows From (Used by) Non-Capital Financing Activities	<u>(422,723)</u>	<u>(608,563)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,347,279	497,440
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,756,350</u>	<u>3,258,910</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 5,103,629</u>	<u>\$ 3,756,350</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income.....	\$ 3,365,870	\$ 1,654,588
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation.....	2,514,820	2,591,379
Bond refunding	-	21,200
Changes in assets and liabilities:		
Accounts receivable	(176,314)	86,835
Compensated absences.....	14,025	(42,616)
Inventory.....	(389,152)	(22,360)
Accrued salaries.....	14,728	24,070
Accounts payable.....	208,308	(239,515)
Net pension liability.....	(137,855)	101,751
Bond premium	191,644	(6,006)
Due from other funds.....	(17,982)	652,162
Interest receivable.....	(8,550)	(636)
Other post-employment benefit liability	<u>7,648</u>	<u>-</u>
Total Adjustments.....	<u>2,221,320</u>	<u>3,166,264</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,587,190</u>	<u>\$ 4,820,852</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.

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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Administrative and General:		
Wages.....	\$ 381,171	\$ 372,873
F.I.C.A.....	28,317	26,367
Retirement.....	55,218	38,833
Retirement settlement.....	2,460	5,600
Hospitalization insurance.....	64,500	58,716
Life/Accidental death insurance.....	1,299	1,373
Dental insurance.....	4,588	4,331
Workmen's compensation.....	771	677
Retiree insurance.....	335	359
Professional service.....	37,755	33,306
Advertising/Public Relations.....	1,997	2,708
Training expenses.....	6,507	5,764
Drug/alcohol test.....	376	504
Gasoline.....	-	268
Safety.....	17	45
Dues.....	18,411	16,418
Printing.....	50	-
Maintenance contracts.....	9,539	4,262
Utilities.....	2,353	2,541
Mailing.....	63	-
Office supplies.....	467	191
Insurance.....	11,369	12,837
Other personal services.....	-	18,507
Repair and maintenance.....	-	156
GIS System.....	27,637	22,149
Operating supplies.....	283	374
Costs recovered.....	152,702	125,216
Computer Equipment.....	864	1,189
Improvement teams.....	1,198	1,417
Radio system annual contract.....	2,597	2,597
Uniforms.....	566	147
Small tools.....	144	35
Auto parts.....	1,064	-
Machinery/equipment.....	216	4,821
Public education.....	101	149
Regulatory fees and license.....	15,580	17,775
Legal Fees.....	42,000	48,600
Business/public relations.....	23	-
Equipment lease purchase.....	1,846	2,148
Total Administrative and General.....	<u>874,384</u>	<u>833,253</u>
Accounting and Collections:		
Wages.....	382,222	404,651
Overtime.....	122	251
F.I.C.A.....	28,723	29,308
Retirement.....	115,399	84,906
Hospitalization insurance.....	117,674	105,538
Life/Accidental death insurance.....	1,725	1,889
Dental insurance.....	7,725	7,644
Workmen's compensation.....	578	466
Retiree insurance.....	922	173
Retirement settlement.....	1,675	238
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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Accounting and Collections (Continued):		
Other personnel service	11,346	12,969
Regulatory fees and license	-	179
Dues	51	25
Professional services	2,119	1,105
Mailing	54,132	54,903
Credit card processing	66,853	57,060
Repair and maintenance	26	-
Printing	-	30
Maintenance contracts	40,369	36,982
Rent expense	57,000	57,000
Utilities	1,841	2,593
Employee education/training	104	-
Collection fees	4,033	7,424
Office supplies	3,248	5,324
Billing process	33,317	28,531
Insurance	2,239	2,082
Computer equipment	823	63
Accounting/auditing	9,000	9,168
Training expenses	963	-
Business/public relations	68	-
Uniforms	585	-
Building and improvement	3,024	-
Total Accounting and Collections	<u>947,906</u>	<u>910,502</u>
Supervision:		
Wages	183,065	159,810
Standby pay	9,957	8,793
Overtime	8,370	9,647
F.I.C.A.	15,852	14,563
Retirement	78,376	101,514
Retirement supplement	-	644
Retiree insurance	2,882	1,860
Other operating supplies	17	-
Hospitalization insurance	45,450	33,672
Life/Accidental death insurance	747	651
Dental insurance	3,379	2,708
Workmen’s compensation	10,261	7,075
Other personal service	13,143	13,435
Dues and memberships	160	294
Training expenses	3,136	2,373
Improvement teams	15	460
Utilities	4,254	4,195
Office supplies	128	90
Uniforms	505	638
Automotive parts	154	2,026
Gasoline	775	632
Insurance	1,343	1,098
Regulatory fees and license	351	150
Computer equipment	-	194
Total Supervision	<u>382,320</u>	<u>366,522</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Water Treatment:		
Wages	441,549	453,055
Overtime	1,120	1,108
F.I.C.A.	33,399	35,059
Retirement	99,319	72,009
Retirement settlement	-	-
Hospitalization insurance.....	130,000	128,400
Life/Accidental death insurance	1,922	2,141
Dental insurance	8,208	7,975
Workmen’s compensation	11,126	8,853
Retiree insurance	19,223	21,780
Other operating supplies	1,396	1,601
Lab supplies.....	6,934	10,048
Advertising	1,465	1,115
Drug/alcohol test.....	134	637
Employee education and training	-	457
Other personal services.....	12,031	23,958
Professional fees	57	334
Mailing	3,637	127
Dues.....	326	232
Regulatory fees	8,766	9,006
Training expenses	6,622	4,523
Improvement teams	305	406
Printing	821	162
Rental/Maintenance contracts.....	3,529	3,917
Utilities	496,120	508,019
Other contractual services.....	12,718	17,562
Office supplies.....	953	1,113
Small tools	113	98
Uniforms.....	2,520	2,396
Automotive parts	2,034	254
Electrical and plumbing.....	34	-
Chemicals	102,059	99,162
Gasoline.....	1,817	1,404
Safety supplies.....	222	246
Insurance.....	42,444	41,731
Repair and maintenance.....	45,278	37,900
Costs recovered.....	620	-
Machinery and equipment	44,552	3,236
Computer equipment	779	679
Total Water Treatment.....	<u>1,544,152</u>	<u>1,500,703</u>
Environmental Compliance:		
Wages	52,630	55,091
F.I.C.A.	3,928	3,911
Retirement	24,968	34,076
Hospitalization insurance.....	15,000	14,400
Life/Accidental death insurance	230	252
Dental insurance	1,158	1,158
Workmen’s compensation	1,377	1,215
Other personal services.....	1,640	531
Improvement teams	-	17

(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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Environmental Compliance (Continued):		
Regulatory fees and license	417	90
Dues.....	-	10
Training expenses.....	974	350
Office supplies.....	31	5
Small tools.....	84	183
Uniforms.....	366	122
Mailing	63	87
Other operating supplies.....	97	25
Utilities	300	300
Repair and maintenance.....	123	241
Automotive parts	21	1,317
Electrical & Plumbing	72	-
Gasoline.....	141	111
Insurance	603	582
Safety.....	51	33
Computer equipment	-	147
Total Environmental Compliance.....	<u>104,274</u>	<u>114,254</u>
Transmission and Distribution:		
Wages	287,701	285,033
Standby pay	16,908	19,787
Overtime.....	20,175	40,152
F.I.C.A.....	24,474	28,248
Retirement	74,611	53,119
Hospitalization insurance	109,936	114,831
Life/Accidental death insurance	1,458	1,752
Dental insurance	7,215	7,805
Workmen’s compensation	9,673	16,909
Retiree insurance	14,001	21,342
Regulatory fees and license	10,035	6,236
Employee education and training	-	417
Other personal services.....	6,839	5,667
Dues.....	170	224
Training expenses.....	917	285
Utilities	55,986	56,821
Office supplies.....	139	36
Other operating supplies.....	1,991	2,258
Small tools.....	4,613	5,545
Uniforms.....	4,935	3,345
Automotive parts	19,862	12,877
Gasoline.....	16,113	15,329
Safety.....	3,217	2,853
Retirement supplement.....	10,675	-
Construction materials.....	30,947	62,434
Radio systems annual contract	913	913
Insurance	11,727	12,193
Repair and maintenance.....	173,453	35,299

(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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Transmission and Distribution (Continued):		
Fire hydrant – install and maintenance	1,415	4,129
Water line relocation.....	409	-
Deadend lines.....	11,731	-
Costs recovered.....	9,282	10,943
Machinery and equipment.....	1,045	926
Vehicle equipment	517	1,498
Improvement teams.....	<u>225</u>	<u>639</u>
Total Transmission and Distribution.....	<u>943,308</u>	<u>829,846</u>
Meter Readings and Repairs:		
Wages	119,154	132,346
Standby pay	11,974	13,176
Overtime	21,326	27,074
F.I.C.A.	11,483	12,596
Retirement.....	24,819	10,243
Hospitalization insurance.....	47,999	48,479
Life/Accidental death insurance.....	601	688
Dental insurance	2,915	3,033
Workmen's compensation	4,685	3,581
Retiree insurance.....	5,271	5,855
Other personal services	5,121	3,347
Mailing.....	64	37
Drug/Alcohol test.....	-	48
Maintenance contracts	7,513	5,691
Utilities	3,227	2,274
Office supplies	524	740
Small tools	724	762
Uniforms	843	3,133
Automotive parts.....	1,540	1,279
Gasoline	4,498	4,307
Other commodities.....	198	198
Insurance.....	3,598	2,925
Repairs and maintenance	8,029	7,296
Meters and devices.....	-	11,392
Other operating supplies	-	4
Computer equipment.....	625	980
Training expenses	171	12
Improvement teams.....	290	89
Advertising	-	45
Radio systems annual contract.....	521	520
Vehicle equipment	<u>-</u>	<u>420</u>
Total Meter Readings and Repairs	<u>287,713</u>	<u>302,570</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Maintenance:		
Wages	120,275	127,059
Standby pay	11,879	12,957
Overtime	5,431	7,496
F.I.C.A.	10,488	10,715
Retirement	26,804	9,590
Hospitalization insurance.....	33,000	31,582
Life/Accidental death insurance	515	569
Dental insurance	1,999	1,991
Workmen's compensation	4,876	4,520
Dues	40	40
Utilities	758	968
Other personnel service	3,784	3,703
Employee education/training	-	182
Contractual services.....	16,792	15,597
Other Operating Supplies.....	-	53
Small tools	169	281
Uniforms	1,253	1,142
Automotive parts	560	3,426
Improvement teams	85	134
Gasoline	3,576	3,640
Insurance.....	2,132	1,811
Regulatory fees and license	292	290
Repairs and maintenance	28,214	35,026
Travel.....	-	-
Electric/plumbing	-	-
Safety	864	92
Machinery and equipment	-	1,405
Vehicle.....	-	-
Total Maintenance	<u>273,786</u>	<u>274,269</u>
Sewage Collection/Pumping:		
Wages	251,340	245,165
Standby pay	16,553	18,384
Overtime	16,281	29,256
F.I.C.A.	25,817	29,367
Retirement	85,415	84,272
Retirement insurance	8,286	8,923
Life/Accidental death insurance	1,455	1,655
Dental insurance	7,161	7,268
Other personal service	11,735	12,474
Dues	219	-
Emergency meals.....	67	-
Regulatory fees and license	325	25
Improvement teams	175	159
Construction materials	24,819	-

(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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Sewage Collection/Pumping (Continued):		
Utilities	20,494	20,322
Other operating supplies	1,191	-
Small tools	1,882	224
Uniforms.....	2,348	-
Auto parts	10,371	-
Gas.....	15,184	-
Safety supplies	3,321	-
Insurance.....	2,796	-
Repair and maintenance.....	1,822	-
Wastewater collection.....	3,192	-
Sewer rehabilitation	40,785	-
Workmen’s compensation	10,821	-
Retirement settlement	6,270	644
Hospitalization insurance.....	104,616	102,648
Costs recovered.....	<u>6,166</u>	<u>-</u>
Total Sewage Collection/Pumping	<u>680,907</u>	<u>560,786</u>
Disposal:		
Sewage treatment expense	1,316,360	1,355,795
City of Maryville	693,025	853,263
Treatment plant capital improvements.....	<u>-</u>	<u>99,548</u>
Total Disposal	<u>2,009,385</u>	<u>2,308,606</u>
Special Projects:		
Lift station replacement	-	558
Regal Drive Station replacement	-	-
Utility relocation project.....	<u>-</u>	<u>22,015</u>
Total Special Projects.....	<u>-</u>	<u>22,573</u>
Total Operating and Maintenance	<u>\$ 8,048,135</u>	<u>\$ 8,023,884</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, 2018

<u>SEWER</u>	<u>CAPITAL ASSETS</u>				<u>ALLOWANCE FOR DEPRECIATION</u>			
	<u>Balance 7/01/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/18</u>	<u>Balance 7/1/17</u>	<u>Depreciation Taken</u>	<u>Additions (Deductions)</u>	<u>Balance 6/30/18</u>
Land and easements.....	\$ 174,138	\$ -	\$ -	\$ 174,138	\$ -	\$ -	\$ -	\$ -
Buildings:								
Pumping station	327,992	-	-	327,992	-	-	-	-
Leasehold improvements	2,898,015	129,491	-	3,027,506	-	-	-	-
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>129,491</u>	<u>-</u>	<u>4,857,626</u>	<u>1,916,164</u>	<u>130,963</u>	<u>-</u>	<u>2,047,127</u>
Improvements Other Than Buildings:								
Sewer lines and mains.....	<u>19,555,929</u>	<u>625,061</u>	<u>-</u>	<u>20,180,990</u>	<u>6,246,201</u>	<u>519,990</u>	<u>-</u>	<u>6,766,191</u>
Machinery and Equipment:								
Pumping equipment	105,094	-	-	105,094	94,067	2,292	-	96,359
Tools and working equipment	287,732	-	-	287,732	267,219	7,641	-	274,860
Automobile and trucks.....	<u>524,662</u>	<u>-</u>	<u>-</u>	<u>524,662</u>	<u>245,492</u>	<u>39,380</u>	<u>-</u>	<u>284,872</u>
Total Machinery and Equipment	<u>917,488</u>	<u>-</u>	<u>-</u>	<u>917,488</u>	<u>606,778</u>	<u>49,313</u>	<u>-</u>	<u>656,091</u>
Total Sewer	<u>\$ 25,375,690</u>	<u>\$ 754,552</u>	<u>\$ -</u>	<u>\$ 26,130,242</u>	<u>\$ 8,769,143</u>	<u>\$ 700,266</u>	<u>\$ -</u>	<u>\$ 9,469,409</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, 2018

<u>WATER</u>	<u>CAPITAL ASSETS</u>				<u>ALLOWANCE FOR DEPRECIATION</u>			
	<u>Balance 7/01/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/18</u>	<u>Balance 7/1/17</u>	<u>Depreciation Taken</u>	<u>Additions (Deductions)</u>	<u>Balance 6/30/18</u>
Land	\$ 1,020,097	\$ -	\$ -	\$ 1,020,097	\$ -	\$ -	\$ -	\$ -
Buildings:								
Filter and treatment plant.....	<u>19,219,760</u>	<u>-</u>	<u>-</u>	<u>19,219,760</u>	<u>4,470,321</u>	<u>422,734</u>	<u>-</u>	<u>4,893,055</u>
Improvements Other Than Buildings:								
Water mains	12,864,885	268,830	-	13,133,715	3,795,221	292,486	-	4,087,707
Reservoirs	7,897,143	6,040	-	7,903,183	1,411,213	168,840	-	1,580,053
Lines to reservoirs.....	139,187	-	-	139,187	123,883	2,784	-	126,667
Water service connections	1,539,644	28,402	-	1,568,046	523,952	29,768	-	553,720
Raw water storage.....	<u>2,961,770</u>	<u>-</u>	<u>-</u>	<u>2,961,770</u>	<u>1,540,286</u>	<u>59,247</u>	<u>-</u>	<u>1,599,533</u>
Total Improvements Other Than Buildings	<u>25,402,629</u>	<u>303,272</u>	<u>-</u>	<u>25,705,901</u>	<u>7,394,555</u>	<u>553,125</u>	<u>-</u>	<u>7,947,680</u>
Machinery and Equipment:								
Water meters.....	1,424,420	462,869	-	1,887,289	578,472	100,421	-	678,893
Fire hydrants	347,504	-	-	347,504	144,566	6,952	-	151,518
Water purification equipment	6,175,279	3,197,340	(3,121,213)	6,251,406	5,026,421	272,300	(3,121,213)	2,177,508
Pumping equipment	7,287,030	-	-	7,287,030	3,479,545	364,381	-	3,843,926
Laboratory equipment.....	181,791	-	-	181,791	181,791	-	-	181,791
Tools and working equipment	812,282	19,965	-	832,247	610,753	20,413	-	631,166
Automobile and truck	656,155	27,931	-	684,086	572,791	35,168	-	607,959
Office furniture and fixtures	<u>412,422</u>	<u>-</u>	<u>-</u>	<u>412,422</u>	<u>360,470</u>	<u>39,060</u>	<u>-</u>	<u>399,530</u>
Total Machinery and Equipment	<u>17,296,883</u>	<u>3,708,105</u>	<u>(3,121,213)</u>	<u>17,883,775</u>	<u>10,954,809</u>	<u>838,695</u>	<u>(3,121,213)</u>	<u>8,672,291</u>
Total Water.....	<u>\$ 62,939,369</u>	<u>\$ 4,011,377</u>	<u>\$ (3,121,213)</u>	<u>\$ 63,829,533</u>	<u>\$ 22,819,685</u>	<u>\$ 1,814,554</u>	<u>\$ (3,121,213)</u>	<u>\$ 21,513,026</u>
TOTAL WATER AND SEWER	<u>\$ 88,315,059</u>	<u>\$ 4,765,929</u>	<u>\$ (3,121,213)</u>	<u>\$ 89,959,775</u>	<u>\$ 31,588,828</u>	<u>\$ 2,514,820</u>	<u>\$ (3,121,213)</u>	<u>\$ 30,982,435</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION
June 30, 2018
With Comparative Totals at June 30, 2017**

	Business-Type Activities	
	2018	2017
ASSETS:		
CAPITAL ASSETS:		
Non-depreciable Capital Assets:		
Land and easements	\$ 1,260,996	\$ 1,260,996
Construction in progress	2,292,903	2,318,435
	3,553,899	3,579,431
Depreciable Capital Assets:		
Structures, improvements and equipment	88,038,185	86,292,471
Less: Allowance for depreciation	(39,228,843)	(36,972,894)
	48,809,342	49,319,577
Net Capital Assets	52,363,241	52,899,008
CURRENT ASSETS:		
Cash.....	6,759,380	5,657,533
Cash investments.....	43,828	25,972
Accounts receivable - Less provision for doubtful accounts of \$322,751 at June 30, 2018 and \$253,548 at June 30, 2017.....	6,459,561	5,316,739
Accounts receivable - Pole rentals	345,525	211,003
Materials and supplies at average cost	994,519	928,017
Prepaid TVA Power Invoice Program.....	4,027,038	3,759,675
Total Current Assets	18,629,851	15,898,939
NON-CURRENT ASSETS:		
Receivables from customers for conservation loans	1,135,284	1,593,743
TOTAL ASSETS	72,128,376	70,391,690
DEFERRED OUTFLOWS OF RESOURCES:		
Pension deferrals	1,672,386	756,560
Bond - State Regulatory Charges	343,026	369,413
Total Deferred Outflows of Resources	2,015,412	1,125,973

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, 2018
With Comparative Totals at June 30, 2017**

	Business-Type Activities	
	2018	2017
LIABILITIES:		
LONG-TERM LIABILITIES:		
Compensated absences.....	\$ 39,224	\$ 64,169
Revenue bonds payable.....	14,215,000	15,110,000
Unearned credits	294,399	224,266
Conservation – TVA	1,280,780	1,723,770
Net pension liability	4,082,229	651,224
Other post-employment benefit liability	1,431,288	-
Total Long-Term Liabilities	21,342,920	17,773,429
CURRENT LIABILITIES:		
Accounts payable	11,441,670	9,985,193
Due to other funds.....	-	82,876
Customer deposits	2,341,168	2,042,066
Accrued payroll.....	166,712	239,983
Accrued rentals	401,942	240,784
Miscellaneous payables.....	4,171	5,399
Compensated absences.....	319,542	285,511
Revenue bonds payable.....	895,000	840,000
Total Current Liabilities	15,570,205	13,721,812
TOTAL LIABILITIES	36,913,125	31,495,241
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	142,909	-
NET POSITION:		
Net investment in capital assets	37,057,638	37,318,421
Unrestricted.....	30,116	2,704,001
TOTAL NET POSITION	\$ 37,087,754	\$ 40,022,422

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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUE:		
Sale of Electric Energy:		
Residential - Non-farm	\$ 41,679,234	\$ 40,230,309
Small lighting and power sales	5,602,771	5,505,286
Large lighting and power sales	17,587,089	18,103,828
Street and outdoor lighting	1,140,322	1,138,706
Consumer forfeited discounts	449,333	437,166
Rent from electric property	604,070	647,868
Miscellaneous service revenue.....	359,114	360,280
Other electric revenue	<u>77,994</u>	<u>76,955</u>
Total Operating Revenue.....	<u>67,499,927</u>	<u>66,500,398</u>
PURCHASED POWER	<u>52,272,561</u>	<u>51,209,143</u>
OPERATING EXPENSES:		
Distribution expense	1,362,118	1,682,414
Customer accounts expense	1,418,197	1,452,413
Customer services and informational	20,401	19,594
Sales expense	57,784	58,778
Administrative and general expense	<u>3,234,603</u>	<u>3,141,168</u>
Total Operating Expenses.....	<u>6,093,103</u>	<u>6,354,367</u>
MAINTENANCE EXPENSE:		
Transmission expense	120,266	73,536
Distribution expense	2,682,414	1,852,614
Administrative and general expense	<u>23,703</u>	<u>24,790</u>
Total Maintenance Expense.....	<u>2,826,383</u>	<u>1,950,940</u>
OTHER OPERATING EXPENSE:		
Depreciation expense	<u>3,010,594</u>	<u>2,941,316</u>
TOTAL PURCHASED POWER AND		
OPERATING EXPENSES	<u>64,202,641</u>	<u>62,455,766</u>
OPERATING INCOME	3,297,286	4,044,632
Interest income on investments	<u>23,786</u>	<u>8,985</u>
Net Operating Income	<u>3,321,072</u>	<u>4,053,617</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>2018</u>	<u>2017</u>
INTEREST EXPENSE:		
Interest on long-term debt	(300,587)	(14,757)
Amortization of long-term debt regulatory expense.....	<u>(26,387)</u>	<u>(26,387)</u>
Total Interest Expense.....	<u>(326,974)</u>	<u>(41,144)</u>
OTHER INCOME (EXPENSE):		
State of TN – unclaimed property returned.....	-	408
Gain (loss) on sale of fixed assets	<u>2,258</u>	<u>3,162</u>
Total Other Income	<u>2,258</u>	<u>3,570</u>
NET INCOME BEFORE TRANSFERS	2,996,356	4,016,043
Transfer in lieu of tax	<u>(1,444,322)</u>	<u>(1,499,929)</u>
NET INCOME.....	<u>1,552,034</u>	<u>2,516,114</u>
NET POSITION – BEGINNING OF YEAR, as previously reported	40,022,422	37,506,308
Prior Period Adjustment (Note 20).....	<u>(4,486,702)</u>	<u>-</u>
NET POSITION – BEGINNING OF YEAR, as restated.....	<u>35,535,720</u>	<u>37,506,308</u>
NET POSITION – END OF YEAR	<u>\$ 37,087,754</u>	<u>\$ 40,022,422</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 65,888,718	\$ 66,127,482
Cash payments to suppliers for goods and services.....	(55,617,121)	(56,626,274)
Cash payments to employees for services	<u>(4,105,580)</u>	<u>(3,017,383)</u>
Net Cash Flows From Operating Activities.....	<u>6,166,017</u>	<u>6,483,825</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Customer deposits received.....	757,080	539,720
Customer deposits refunded.....	(457,978)	(378,517)
Advances from TVA	105,361	237,110
Repayments of advances	(548,351)	(610,566)
Principal paid on bonds/notes.....	(840,000)	(815,000)
Interest paid on bonds/notes	(300,587)	(14,757)
Deferred credits	70,133	51,724
Merchandise, jobbing, and contract work revenue.....	-	(155,041)
Acquisition and construction of capital assets.....	(2,522,008)	(3,517,688)
Removal costs of fixed assets.....	47,181	34,776
Acquisition of conservation loans	(442,815)	(544,286)
Non-operating income	2,258	3,570
Collection on conservation loans	<u>901,274</u>	<u>929,239</u>
Net Cash Flows (Used by) From Capital and Related Financing Activities	<u>(3,228,452)</u>	<u>(4,239,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	-	1,002,746
Interest and dividends on investments.....	<u>23,786</u>	<u>8,985</u>
Net Cash Flows From (Used by) Investing Activities	<u>23,786</u>	<u>1,011,731</u>
CASH FLOWS FROM (USED BY) NON-CAPITAL FINANCING ACTIVITIES:		
Transfers – In lieu of Tax.....	(1,444,322)	(1,499,929)
Pension deferrals.....	(380,669)	-
OPEB deferrals	<u>(16,657)</u>	<u>-</u>
Net Cash Flows From (Used by) Non-Capital Financing Activities.....	<u>(1,841,648)</u>	<u>(1,499,929)</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	<u>2018</u>	<u>2017</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	1,119,703	1,755,911
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,683,505</u>	<u>3,927,594</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,803,208</u>	<u>\$ 5,683,505</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income.....	<u>\$ 3,297,286</u>	<u>\$ 4,044,632</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,010,594	2,941,317
Changes in assets and liabilities:		
Poles rental.....	(134,522)	-
Accounts receivable	(1,142,822)	255,921
Prepaid expenses	(267,363)	(293,407)
Inventory	(66,502)	(335,922)
Accrued interest receivables.....	-	492
Accounts payable	1,373,601	63,406
Accrued rentals	161,158	81,743
Accrued interest	-	(145,314)
Accrued payroll.....	(73,271)	75,459
Miscellaneous Payables	(1,228)	933
Compensated absences.....	<u>9,086</u>	<u>(205,435)</u>
Total Adjustments.....	<u>2,868,731</u>	<u>2,439,193</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,166,017</u>	<u>\$ 6,483,825</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

<u>OPERATING EXPENSE</u>	<u>2018</u>	<u>2017</u>
DISTRIBUTION:		
Supervision and engineering.....	\$ 75,650	\$ 117,405
Station expense	112,909	105,601
Overhead line expense	367,278	664,464
Underground expense	53,546	57,272
Meter expense	229,344	219,582
Miscellaneous	332,508	327,235
Rents	<u>190,883</u>	<u>190,855</u>
Total Distribution Expense	<u>1,362,118</u>	<u>1,682,414</u>
CUSTOMER ACCOUNTS EXPENSE:		
Meter reading expense	199,456	198,954
Customer record and collection expense.....	1,098,741	1,053,459
Uncollectible accounts	<u>120,000</u>	<u>200,000</u>
Total Customer Accounts Expense	<u>1,418,197</u>	<u>1,452,413</u>
CUSTOMER SERVICE AND INFORMATIONAL:		
Customer Assistance expense	20,106	19,300
Informational and instructional advertising expense	<u>295</u>	<u>294</u>
Total Customer Services and Informational	<u>20,401</u>	<u>19,594</u>
SALES EXPENSE:		
Demonstrating and selling expense.....	<u>57,784</u>	<u>58,778</u>
ADMINISTRATIVE AND GENERAL EXPENSE:		
Administrative and general salaries	457,766	448,259
Office supplies and expense.....	40,791	44,122
Outside service employed.....	67,330	75,728
Property insurance	112,736	115,669
Injuries and damages	191,821	156,916
Employee pensions and benefits.....	2,144,656	2,144,619
Duplicate charges – Credit.....	(1,861)	(1,854)
Rents - City cost recovery.....	134,148	87,960
Miscellaneous	<u>87,216</u>	<u>69,749</u>
Total Administrative and General Expense	<u>3,234,603</u>	<u>3,141,168</u>
Total Operating Expense.....	<u>6,093,103</u>	<u>6,354,367</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

<u>MAINTENANCE EXPENSE</u>	<u>2018</u>	<u>2017</u>
TRANSMISSION EXPENSE:		
Maintenance of station equipment	120,266	73,536
DISTRIBUTION EXPENSE:		
Supervision and engineering	63,720	115,220
Maintenance of station equipment	80,131	32,219
Maintenance of overhead and underground lines	2,374,015	1,559,214
Maintenance of line transformers	16,135	857
Street lighting and signal systems	20,096	26,089
Maintenance of meters/miscellaneous distribution plant	88,706	85,144
Maintenance of underground lines	35,884	29,471
Maintenance of miscellaneous distribution plant	3,727	4,400
Total Distribution Expense	<u>2,682,414</u>	<u>1,852,614</u>
ADMINISTRATIVE AND GENERAL EXPENSE:		
Maintenance of general plant	23,703	24,790
Total Maintenance Expense	<u>2,826,383</u>	<u>1,950,940</u>
 Total Operating and Maintenance Expense	 <u>\$ 8,919,486</u>	 <u>\$ 8,305,307</u>

See accompanying independent auditors' report and notes/

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ELECTRIC PLANT IN SERVICE
June 30, 2018

	<u>Balance</u> <u>7-01-17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassify</u>		<u>Balance</u> <u>6-30-18</u>
				<u>DR</u>	<u>CR</u>	
TRANSMISSION:						
Station equipment.....	\$ 17,387,977	\$ 50,360	\$ -	\$ -	\$ -	\$ 17,438,337
DISTRIBUTION:						
Land and land rights	6,853	-	-	-	-	6,853
Station equipment.....	1,969,449	-	77,656	-	-	1,891,793
Poles, towers and fixtures	12,907,697	667,964	158,890	-	-	13,416,771
Overhead conductors and devices	13,768,116	524,803	94,481	-	-	14,198,438
Underground conduit.....	691,828	29,977	219	-	-	721,586
Underground conductors and devices.....	3,065,945	183,545	8,730	-	-	3,240,760
Line transformers.....	11,682,483	424,613	93,826	-	-	12,013,270
Services	2,207,730	8,604	214	-	-	2,216,120
Meters	5,496,837	149,667	154,760	-	-	5,491,744
Street lighting and signal systems.....	3,428,710	91,008	12,417	-	-	3,507,301
Outdoor lighting on customer premises...	1,612,144	196,102	13,591	-	-	1,794,655
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.....	3,142,077	195,365	161,510	-	-	3,175,932
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	405,423	-	-	-	-	405,423
Miscellaneous equipment	<u>14,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,972</u>
Totals	87,553,467	2,522,008	776,294	-	-	89,299,181
CONSTRUCTION WORK IN PROGRESS	<u>2,318,435</u>	<u>-</u>	<u>25,532</u>	<u>-</u>	<u>-</u>	<u>2,292,903</u>
Total Electric Plant in Service ...	<u>\$ 89,871,902</u>	<u>\$ 2,522,008</u>	<u>\$ 801,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,592,084</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ACCUMULATED PROVISION FOR DEPRECIATION
June 30, 2018

	Balance 7-01-17	Depreciation Expense	Retirement	Removal Cost and Other	Reclassify		Balance 6/30/18	Depreciation Rate
					DR	CR		
TRANSMISSION:								
Station equipment.....	\$ 7,935,224	\$ 513,327	\$ -	\$ -	\$ -	\$ -	\$ 8,448,551	4.00%
DISTRIBUTION PLANT:								
Station equipment.....	1,274,979	69,648	77,657	-	-	-	1,266,970	
Poles, towers, and fixtures.....	5,427,221	550,879	158,890	-	-	-	5,819,210	4.25%
Overhead conductors and devices	3,133,810	450,118	94,481	-	-	-	3,489,447	3.25%
Underground conduit.....	420,571	20,890	219	-	-	-	441,242	3.00%
Underground conductors and devices.....	1,421,889	92,666	8,730	-	-	-	1,505,825	3.00%
Line transformers	5,461,347	286,813	93,826	-	-	-	5,654,334	2.50%
Services	1,371,633	71,775	214	-	-	-	1,443,194	3.25%
Meters.....	2,392,491	328,896	154,760	-	-	-	2,566,627	6.67%
Street lighting and signal systems	2,175,567	85,902	12,417	-	-	-	2,249,052	12.00%
Outdoor lighting on customer premises.....	<u>929,705</u>	<u>77,127</u>	<u>13,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>993,241</u>	8.00%
Total Distribution Plant	<u>24,009,213</u>	<u>2,034,714</u>	<u>614,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,429,142</u>	
GENERAL PLANT:								
Structures and improvements	1,749,636	156,928	-	-	-	-	1,906,564	2.00%
Office furniture and equipment	468,756	13,566	-	-	-	-	482,322	various
Transportation equipment.....	1,623,993	205,919	161,511	21,651	-	-	1,690,052	various
Stores equipment.....	30,097	3,122	-	-	-	-	33,219	8.00%
Tools, shop and garage equipment.....	87,370	1,101	-	-	-	-	88,471	8.00%
Laboratory equipment	30,456	-	-	-	-	-	30,456	5.00%
Communication equipment	718,674	69,049	-	-	-	-	787,723	10.00%
Power operated equipment	309,638	11,872	-	-	-	-	321,510	Various
Miscellaneous equipment.....	<u>9,837</u>	<u>996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,833</u>	8.00%
Total General Plant.....	<u>5,028,457</u>	<u>462,553</u>	<u>161,511</u>	<u>21,651</u>	<u>-</u>	<u>-</u>	<u>5,351,150</u>	
Totals	<u>\$ 36,972,894</u>	<u>\$ 3,010,594</u>	<u>\$ 776,296</u>	<u>\$ 21,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,228,843</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, 2018
With Comparative Totals at June 30, 2017

	Business-Type Activities	
	<u>2018</u>	<u>2017</u>
ASSETS:		
Current Assets:		
Cash	\$ 500	\$ 500
Cash in bank	1,619,138	1,634,218
Due from Debt Service Fund	-	202,284
Accounts receivable.....	409,427	442,915
Interest receivable.....	<u>27,590</u>	<u>9,856</u>
Total Current Assets.....	<u>2,056,655</u>	<u>2,289,773</u>
Capital Assets:		
Non-depreciable Capital Assets:		
Land.....	1,218,873	929,861
Construction in progress	<u>-</u>	<u>50,225</u>
Total non-depreciable capital assets	<u>1,218,873</u>	<u>980,086</u>
Depreciable Capital Assets:		
Structures, improvements, and equipment.....	14,183,877	13,867,077
Less: Allowance for depreciation	<u>(10,428,142)</u>	<u>(9,688,584)</u>
Net Capital Assets	<u>3,755,735</u>	<u>4,178,493</u>
Net Capital Assets	<u>4,974,608</u>	<u>5,158,579</u>
Non-Current Assets:		
Cash in banks – Restricted.....	5,435,688	4,825,364
Investments – Certificate of deposit – Restricted	<u>5,000,000</u>	<u>5,000,000</u>
Total Non-Current Assets.....	<u>10,435,688</u>	<u>9,825,364</u>
TOTAL ASSETS	<u>17,466,951</u>	<u>17,273,716</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension deferrals.....	391,218	213,098
Accumulated decrease in fair value of hedging derivatives.....	<u>2,534,497</u>	<u>2,968,950</u>
Total Deferred Outflows of Resources.....	<u>2,925,715</u>	<u>3,182,048</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, 2018
With Comparative Totals at June 30, 2017

	Business-Type Activities	
	<u>2018</u>	<u>2017</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable.....	74,825	105,713
Due to General Fund.....	621	1,353
Accrued salaries.....	35,971	37,098
Bonds payable – Due within one (1) year.....	855,000	820,000
Capital outlay note – Due within one (1) year.....	90,122	80,669
Compensated absences	54,946	77,931
Premium on bonds	2,220	4,441
Total Current Liabilities	1,113,705	1,127,205
Long-Term Liabilities:		
Bonds payable	2,290,000	3,145,000
Capital outlay note – Due in more than (1) year.....	38,161	135,705
Compensated absences	13,737	19,483
Estimated liability for landfill closure and post closure care costs	10,433,430	9,783,900
Derivatives – Interest rate swap.....	2,534,497	2,968,950
Net pension liability.....	659,578	180,683
Other post-employment benefit liability	439,968	-
Total Long-Term Liabilities	16,409,371	16,233,721
TOTAL LIABILITIES.....	17,523,076	17,360,926
DEFERRED INFLOWS OF RESOURCES:		
Pension deferrals.....	42,304	2,802
Bond deferral	66,667	83,333
Total Deferred Inflows of Resources	108,971	86,135
NET POSITION:		
Net investment in capital assets.....	1,634,696	930,895
Restricted for property acquisition	1,300,187	1,281,411
Unrestricted	(174,264)	796,397
TOTAL NET POSITION.....	\$ 2,760,619	\$ 3,008,703

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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Operating Revenue:		
Fees and permits.....	\$ 4,365,264	\$ 4,290,739
Operating Expenses:		
Administrative and General	393,922	382,615
Landfill operations	823,697	944,144
Scales and security operations	302,883	311,952
Facilities Maintenance	879,767	850,721
Vehicle and equipment maintenance.....	355,931	314,463
Solid Waste Authority.....	100,099	109,064
Environmental compliance.....	176,502	115,074
Closure/Postclosure.....	-	495
Total Operating Expenses	<u>3,032,801</u>	<u>3,028,528</u>
Operating Income Before Depreciation	1,332,463	1,262,211
Depreciation	<u>(739,558)</u>	<u>(751,149)</u>
Operating Income After Depreciation.....	<u>592,905</u>	<u>511,062</u>
Other Income (Expense):		
Other income.....	40	60
Interest income	8,921	14,397
Interest expense.....	(91,445)	(111,055)
Grant income.....	26,303	125,744
Derivative investment income.....	-	-
Other expense.....	(52,091)	(3,017)
Gain on sale of property and equipment	1,261	57,805
Loss on disposal of ineffective hedging derivative instrument	-	(135,857)
Bond issuance premium	18,887	18,887
Waste tire reimbursement	<u>97,735</u>	<u>-</u>
Total Other Income (Expense).....	<u>9,611</u>	<u>(33,036)</u>
Change In Net Position	<u>602,516</u>	<u>478,026</u>
Net Position – Beginning of Year, as previously reported.....	3,008,703	2,530,677
Prior Period Adjustment (Note 20)	<u>(850,600)</u>	<u>-</u>
Net Position – Beginning of Year, as restated.....	<u>2,158,103</u>	<u>2,530,677</u>
Net Position – End of Year	<u>\$ 2,760,619</u>	<u>\$ 3,008,703</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received	\$ 4,583,302	\$ 4,346,715
Cash payments to suppliers for goods and services	(2,097,195)	(2,025,713)
Cash payments to employees for services	<u>(1,046,185)</u>	<u>(988,893)</u>
Net Cash Flows From Operating Activities	<u>1,439,922</u>	<u>1,332,109</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Closure/Postclosure payments	649,530	565,102
Pension deferrals	(23,495)	(85,884)
Bond deferral	<u>(16,666)</u>	<u>(16,667)</u>
Net Cash Flows From Non-Capital Financing Activities	<u>609,369</u>	<u>462,551</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest paid on capital leases/bonds	(91,445)	(111,055)
Payments for landfill plant acquisitions	(555,587)	(403,247)
Principal paid on bonds/notes	(908,091)	(845,616)
Issuance of debt	-	266,990
Grant proceeds	26,303	125,744
Other revenues	117,923	76,752
Other expenses	<u>(52,091)</u>	<u>(138,874)</u>
Net Cash Flows From (Used by) Capital and Related Financing Activities	<u>(1,462,988)</u>	<u>(1,029,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	8,921	14,397
Purchase of investments	(2,633,963)	(3,591,141)
Proceeds from sale of investments	<u>2,023,639</u>	<u>3,020,372</u>
Net Cash Flows From (Used by) Investing Activities	<u>(601,403)</u>	<u>(556,372)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,100)	208,982
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,634,738</u>	<u>1,425,736</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,619,638</u>	<u>\$ 1,634,718</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017**

	Business-Type Activities	
	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income.....	\$ 592,905	\$ 511,062
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	739,558	751,149
Changes in assets and liabilities:		
Accounts receivable	235,772	65,832
Accounts payable	(31,620)	(17,946)
Accrued salaries	(1,127)	6,809
Accrued compensated absences.....	(28,731)	(16,047)
Net pension liability	(41,760)	43,326
Premium on bonds.....	(2,221)	(2,220)
Interest receivable.....	(17,734)	(9,856)
Other post-employment benefit liability.....	(5,120)	-
Total Adjustments	847,017	821,047
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,439,922</u>	<u>\$ 1,332,109</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Administrative and General:		
Wages.....	\$ 122,516	\$ 137,170
Overtime.....	12	49
F.I.C.A.....	9,308	11,255
Retirement.....	21,970	18,841
Hospitalization insurance.....	25,613	23,653
Life/Accidental death insurance.....	466	537
Dental insurance.....	1,868	1,897
Workmen's compensation.....	338	293
Retiree insurance.....	992	1,495
Other personal services.....	6,777	9,387
Drug/alcohol test.....	475	935
Employee education and training.....	2,386	1,455
Professional services.....	35	-
Postage.....	1,322	1,936
Dues.....	6,738	1,270
Regulatory fees and license.....	29,749	30,041
Accounting and auditing.....	5,000	5,857
Advertising.....	723	105
Credit card processing.....	16,425	11,920
Improvement teams.....	1,012	1,583
Printing.....	-	29
Maintenance contract.....	2,692	2,191
Utilities.....	93,766	81,825
Other contracted services.....	2,236	1,028
Office supply.....	1,166	1,044
Other operating supplies.....	2,276	2,948
Auto parts.....	23	-
Uniforms.....	8,428	7,303
Safety.....	1,220	2,007
Construction materials.....	84	305
Insurance.....	5,159	5,217
Repairs and maintenance.....	15	-
Cost recovery.....	15,754	13,387
Equipment lease.....	516	358
Communication equipment.....	234	1,209
Computer equipment.....	1,628	549
Radio system annual contract.....	549	549
Recycling contracts.....	1,018	749
Business/Public relations.....	31	17
Small tools.....	345	442
Debt service fees.....	-	1,072
Training expenses.....	3,057	707
Total Administrative and General.....	<u>393,922</u>	<u>382,615</u>

(Continued)

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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Landfill Operations:		
Wages	266,395	303,325
Overtime	5,589	11,789
F.I.C.A.	21,446	22,607
Retirement	75,196	92,138
Retirement settlement	484	24,244
Hospitalization insurance	91,250	86,400
Life/Accidental death insurance	1,287	1,449
Dental insurance	5,020	5,773
Workmen’s compensation	11,320	12,641
Retiree insurance	5,550	7,170
Waste tire recovery	121,892	123,770
Litter fencing	630	1,911
Gas	114,699	94,796
Construction materials	89,277	147,974
Alter daily cover liners	2,551	1,988
Insurance	1,196	888
Construction materials/supplies	20	737
Other personal services	9,895	4,544
Total Landfill Operations	<u>823,697</u>	<u>944,144</u>
Scales and Security Operations:		
Wages	157,082	161,115
Overtime	5,010	9,847
F.I.C.A.	12,126	12,302
Retirement	37,050	40,405
Hospitalization insurance	60,000	56,400
Life/Accidental death insurance	789	846
Dental insurance	4,633	4,536
Workmen’s compensation	231	1,198
Retiree insurance	2,700	3,420
Other personal services	3,716	4,716
Regulatory fees and license	150	150
Printing	2,176	824
Utilities	3,220	2,523
Other contracted services	3,050	2,350
Office supplies	1,025	2,782
Insurance	452	291
Repair and maintenance	406	728
Maintenance contracts	9,067	7,519
Total Scales and Security Operations	<u>302,883</u>	<u>311,952</u>
Facility Maintenance:		
Wages	200,646	200,975
Overtime	4,941	9,347
F.I.C.A.	15,767	15,386

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Facility Maintenance (Continued):		
Retirement	37,015	7,671
Hospitalization insurance	60,000	56,400
Life/Accidental death insurance	892	942
Dental insurance	4,633	4,144
Workmen’s compensation	7,800	7,637
Retiree insurance	2,311	3,030
Other personal services.....	7,356	10,083
Building materials	-	7
Air curtain maintenance	221	-
Repair and maintenance.....	638	-
Utilities	3,652	2,641
Small tools.....	461	1,112
Electric and plumbing.....	-	12
Slope stabilization	5,551	3,860
Insurance	1,383	974
Closure and postclosure expense.....	<u>526,500</u>	<u>526,500</u>
Total Facilities Maintenance	<u>879,767</u>	<u>850,721</u>
Vehicle and Equipment Maintenance:		
Wages	53,837	56,347
Overtime	782	-
F.I.C.A.	4,047	3,967
Retirement	9,512	2,725
Hospitalization insurance	15,000	14,400
Life/Accidental death insurance	232	255
Dental insurance	1,158	1,158
Workmen’s compensation	1,343	1,390
Other personal services.....	1,201	-
Heavy equipment maintenance.....	200,034	119,867
Maintenance contract.....	-	1,693
Utilities	3,710	2,784
Other contracted services	1,542	2,517
Fluids.....	9,479	15,866
Small tools.....	511	2,150
Auto parts	24,742	39,564
Heavy equipment parts	22,685	40,582
Construction materials.....	11	1,096
Insurance	6,105	5,629
Vehicles	-	18
Machinery and equipment	-	2,455
Total Vehicle and Equipment Maintenance	<u>355,931</u>	<u>314,463</u>
Solid Waste Authority:		
Wages	36,169	44,292
F.I.C.A.	2,821	4,821

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Solid Waste Authority (Continued):		
Retirement	6,601	2,395
Postage	122	-
Hospitalization insurance	7,500	8,400
Life/Accidental death insurance	138	186
Retiree insurance	1,605	1,430
Other personal services	1,424	5,143
Dental insurance	579	676
Workmen’s compensation	161	153
Public education	41,850	41,250
Utilities	150	88
Training expenses	841	95
Insurance	<u>138</u>	<u>135</u>
Total Solid Waste Authority	<u>100,099</u>	<u>109,064</u>
Environmental Compliance:		
Wages	47,145	45,286
Overtime	230	113
F.I.C.A.	3,578	3,346
Retirement	8,398	4,208
Hospitalization insurance	15,000	12,000
Life/Accidental death insurance	214	216
Dental insurance	1,158	965
Workmen’s compensation	1,899	75
Other personal services	1,759	405
Utilities	276	100
Training expenses	150	-
Professional services	83,980	39,403
Insurance	188	137
Dues and memberships	-	690
Regulatory fees and license	-	30
Legal fees	11,760	8,100
Machinery and equipment	<u>767</u>	<u>-</u>
Total Environmental Compliance	<u>176,502</u>	<u>115,074</u>
Closure/Postclosure:		
Utilities	<u>-</u>	<u>495</u>
Total Operating and Maintenance	<u>\$ 3,032,801</u>	<u>\$ 3,028,528</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, 2018

Fixed Assets				
	Balance 7-1-17	Additions	Deductions	Balance 6-30-18
Land	\$ 929,861	\$ 289,012	\$ -	\$ 1,218,873
Office Buildings and Improvements.....	<u>10,979,123</u>	<u>316,800</u>	<u>-</u>	<u>11,295,923</u>
Machinery and Equipment:				
Office equipment	25,311	-	-	25,311
Landfill – working equipment.....	1,954,189	-	-	1,954,189
Tools and small equipment.....	561,288	-	-	561,288
Trucks	<u>347,166</u>	<u>-</u>	<u>-</u>	<u>347,166</u>
Total Machinery and Equipment.....	<u>2,887,954</u>	<u>-</u>	<u>-</u>	<u>2,887,954</u>
Construction in progress	<u>50,225</u>	<u>-</u>	<u>(50,225)</u>	<u>-</u>
Totals	<u>\$ 14,847,163</u>	<u>\$ 605,812</u>	<u>\$ (50,225)</u>	<u>\$ 15,402,750</u>

ALLOWANCE FOR DEPRECIATION					
	Balance 7-1-17	Depreciation Expense	Other Additions (Deductions)	Balance 6-30-18	Depreciation Rates
Land	\$ -	\$ -	\$ -	\$ -	
Office Building and Improvements.....	<u>7,619,847</u>	<u>528,452</u>	<u>-</u>	<u>8,148,299</u>	3 - 7%
Machinery and Equipment:					
Office equipment.....	25,311	-	-	25,311	10 - 20%
Landfill working equipment.....	1,218,000	189,655	-	1,407,655	17%
Tools and small equipment.....	543,859	5,075	-	548,934	8 - 20%
Trucks	<u>281,567</u>	<u>16,376</u>	<u>-</u>	<u>297,943</u>	20%
Total Machinery and Equipment	<u>2,068,737</u>	<u>211,106</u>	<u>-</u>	<u>2,279,843</u>	
Totals	<u>\$ 9,688,584</u>	<u>\$ 739,558</u>	<u>\$ -</u>	<u>\$ 10,428,142</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, 2018
With Comparative Totals at June 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
Investments in Tennessee Retirement Group Trust.....	\$ <u>26,004,114</u>	\$ <u>25,338,933</u>
LIABILITIES	_____ -	_____ -
NET POSITION:		
Net position restricted for pensions	_____ <u>26,004,114</u>	_____ <u>25,338,933</u>
TOTAL NET POSITION	<u>\$ 26,004,114</u>	<u>\$ 25,338,933</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, 2018
With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Additions:		
Employer contributions.....	\$ 1,554,021	\$ 2,132,867
Interest/Dividend income.....	<u>2,095,876</u>	<u>2,659,255</u>
Total Additions	<u>3,649,897</u>	<u>4,792,122</u>
Deductions:		
Administrative expenses	59,495	66,592
Benefit payments	<u>2,925,221</u>	<u>2,970,636</u>
Total Deductions.....	<u>2,984,716</u>	<u>3,037,228</u>
Change in Net Position	665,181	1,754,894
Net Position – Beginning of Year.....	<u>25,338,933</u>	<u>23,584,039</u>
Net Position – End of Year.....	<u>\$ 26,004,114</u>	<u>\$ 25,338,933</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, 2018

<u>Program</u>	CAPITAL ASSETS				
	<u>Balance 7/1/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/18</u>
Construction in Progress	\$ 2,807,604	\$ 10,571,550	\$ -	\$ -	\$ 13,379,154
General Government – Bridges	5,367,656	-	-	-	5,367,656
General Government – Cemetery	4,400	-	-	-	4,400
Fire	4,206,670	9,120	-	-	4,215,790
General Government	4,841,213	-	(202,557)	-	4,638,656
General Government – Codes	49,372	-	-	-	49,372
General Government – Finance	190,928	-	-	-	190,928
Police	5,641,713	129,487	(21,959)	-	5,749,241
Recreation	7,926,451	124,967	-	-	8,051,418
Sanitation	1,790,175	412,468	(239,030)	-	1,963,613
Schools	66,098,344	221,407	-	-	66,319,751
Service Center	5,463,204	-	-	-	5,463,204
Streets	32,661,831	112,449	-	-	32,774,280
	<u>134,241,957</u>	<u>1,009,898</u>	<u>(463,546)</u>	<u>-</u>	<u>134,788,309</u>
Totals.....	<u>\$ 137,049,561</u>	<u>\$ 11,581,448</u>	<u>\$ (463,546)</u>	<u>\$ -</u>	<u>\$ 148,167,463</u>

<u>Program</u>	ACCUMULATED DEPRECIATION					
	<u>Balance 7/1/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/18</u>	<u>Net Book Value</u>
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,379,154
General Government – Bridges	3,278,947	106,860	-	-	3,385,807	1,981,849
General Government – Cemetery	-	-	-	-	-	4,400
Fire	2,213,819	190,101	-	-	2,403,920	1,811,870
General Government	1,952,473	105,534	(202,557)	-	1,855,450	2,783,206
General Government – Codes	27,992	9,874	-	-	37,866	11,506
General Government – Finance	133,101	23,228	-	-	156,329	34,599
Police	2,945,605	301,549	(21,959)	-	3,225,195	2,524,046
Recreation	3,179,404	236,643	-	-	3,416,047	4,635,371
Sanitation	1,399,589	151,711	(239,030)	-	1,312,270	651,343
Schools	16,933,626	1,822,083	-	-	18,755,709	47,564,042
Service center	1,294,649	142,328	-	-	1,436,977	4,026,227
Streets	17,900,709	810,711	-	-	18,711,420	14,062,860
	<u>51,259,914</u>	<u>3,900,622</u>	<u>(463,546)</u>	<u>-</u>	<u>54,696,990</u>	<u>80,091,319</u>
Totals.....	<u>\$ 51,259,914</u>	<u>\$ 3,900,622</u>	<u>\$ (463,546)</u>	<u>\$ -</u>	<u>\$ 54,696,990</u>	<u>\$ 93,470,473</u>

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, 2018

	<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	-	-	-	-	-	13,379,154	13,379,154
Service Center	-	5,057,120	-	114,919	291,165	-	5,463,204
Fire	146,731	1,631,122	-	90,000	2,347,936	-	4,215,789
General Government	1,192,349	2,542,950	-	690,052	292,239	-	4,717,590
General Government – Codes	-	-	-	-	49,372	-	49,372
General Government – Finance.....	-	-	-	-	190,929	-	190,929
Police.....	-	3,394,528	-	-	2,354,714	-	5,749,242
Recreation	567,105	1,132,793	1,047,667	535,903	79,087	-	3,362,555
Sanitation	-	-	-	-	1,963,613	-	1,963,613
Schools	286,717	49,771,704	-	14,500,121	1,761,209	-	66,319,751
Streets.....	-	<u>51,223</u>	<u>36,544,225</u>	-	<u>788,760</u>	-	<u>37,384,208</u>
Total Capital Assets	2,197,302	63,581,440	42,959,548	15,930,995	10,119,024	13,379,154	148,167,463
Accumulated Depreciation.....	-	<u>(15,000,376)</u>	<u>(23,615,398)</u>	<u>(8,357,130)</u>	<u>(7,724,086)</u>	-	<u>(54,696,990)</u>
Net Capital Assets	<u>\$ 2,197,302</u>	<u>\$ 48,581,064</u>	<u>\$ 19,344,150</u>	<u>\$ 7,573,865</u>	<u>\$ 2,394,938</u>	<u>\$13,379,154</u>	<u>\$ 93,470,473</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
MISCELLANEOUS SCHEDULES
June 30, 2018

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS – ALL FUNDS
For the Fiscal Year Ended June 30, 2018

TRANSFERS TO:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Equipment Replacement Fund</u>	<u>GO Public Works Fund</u>	<u>Education</u>	<u>Total</u>
TRANSFERS FROM:						
Education Fund (1)	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 55,000
General Fund (2).....	-	5,500,000	200,000	-	170,000	5,870,000
Water Utility (5)	400,000	-	-	-	-	400,000
Electric Utility (5).....	1,444,322	-	-	-	-	1,444,322
West Plant Construction Fund (3).....	-	-	-	460,000	-	460,000
Totals	<u>\$ 1,899,322</u>	<u>\$ 5,500,000</u>	<u>\$ 200,000</u>	<u>\$ 460,000</u>	<u>\$ 170,000</u>	<u>\$ 8,229,322</u>
		(2)	(3)	(3)	(4)	

- (1) To provide monies for resource officer.
- (3) To provide monies for debt retirement.
- (4) To provide monies for capital outlay
- (5) School appropriation transfer
- (6) 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, 2018

	Balance July 1, <u>2017</u>	Levy/ Pick-up/ (Releases)	Write- offs	<u>Collections</u>	Balance June 30, <u>2018</u>
Estimated Levy – Current Year 2018	\$ -	\$ 9,974,857	\$ -	\$ -	\$ 9,974,857
Prior Years:					
2017	9,987,811	-	-	(9,631,915)	355,896
2016	619,788	-	-	(539,980)	79,808
2015	63,050	-	-	(51,595)	11,455
2014	25,168	-	-	(17,235)	7,933
2013	16,757	-	-	(281)	16,476
2012	25,080	-	-	-	25,080
2011	24,232	-	-	-	24,232
2010	5,043	-	-	-	5,043
2009	16,459	-	-	-	16,459
2008	19,309	-	-	-	19,309
2007	<u>12,109</u>	<u>-</u>	<u>(12,109)</u>	<u>-</u>	<u>-</u>
Total Taxes Receivable	10,814,806	9,974,857	(12,109)	(10,241,006)	10,536,548
Less: Allowance for Estimated Uncollectible accounts	<u>(46,071)</u>	<u>-</u>	<u>(997)</u>	<u>-</u>	<u>(47,068)</u>
Net Taxes Receivable	<u>\$ 10,768,735</u>	<u>\$ 9,974,857</u>	<u>\$ (13,106)</u>	<u>\$(10,241,006)</u>	<u>\$ 10,489,480</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – ELECTRIC UTILITY
June 30, 2018

<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	6-30-18	6-30-19	\$ 41,172	<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	6-30-18	6-30-19	3,650	<u>CRIME</u> Theft and embezzlement – \$500,000 each loss Deductible – \$5,000
Distributors Self Insurance Fund	WC-014-2017	6-30-18	6-30-19	98,805	<u>WORKMEN’S COMPENSATION</u> Legal – Statutory requirements \$1,000,000 Employer’s Liability Limit
Affiliated FM Insurance Company	GM-702	6-30-18	6-30-19	55,254	<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	6-30-18	6-30-19	37,047	<u>COMMERCIAL UMBRELLA</u> Commercial catastrophe liability – \$5,000,000
Distributors Insurance Company	CL-G048-2017	6-30-18	6-30-19	57,354	<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	6-30-18	6-30-19	14,756	<u>EXCESS GENERAL LIABILITY</u> Each occurrence – \$750,000 Aggregate – \$2,250,000
Public Officials Liability Coverage	TML-0247-17	7-28-18	7-28-19	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	6-30-18	6-30-19	53,291	<u>BOILER & MACHINERY</u> Insurance Limits – \$3,000,000
Illinois Union Insurance	PPLG24878685009	6-30-18	6-30-19	2,635	<u>POLLUTION LIABILITY</u> Liability - \$750,000
Illinois Union Insurance	USTG27271935004	6-30-18	6-30-19	3,035	Storage tanks - \$1,000,000

SCHEDULE OF INSURANCE ON REAL PERSONAL PROPERTY:

	<u>Replacement Cost</u>	<u>90% Coverage</u>
Buildings.....	\$ 9,614,242	\$ 8,652,818
Personal property	<u>26,977,199</u>	<u>24,279,479</u>
Total.....	<u>\$ 36,591,441</u>	<u>\$ 32,932,297</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – GENERAL/ WATER AND SEWER UTILITY
June 30, 2018

<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 0247-18	7-28-17	7-28-18	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	\$ 91,425
				AUTOMOBILE LIABILITY & PHYSICAL DAMAGE Deductible: Comprehensive - \$2,500 Collision - \$2,500 Liability - \$1,000		\$ 63,371
				PUBLIC OFFICIALS' PERSONAL ERRORS AND OMISSIONS LIABILITY Deductible: \$5,000	\$1,000,000 per occurrence	\$ 82,856
TML Risk Management Pool	TWC-0251-18	7-28-17	7-28-18	WORKER'S COMPENSATION State requirements employer's Liability	\$300,000 – each accident \$700,000 – policy limit \$300,000 – each employee	\$ 347,131
				PROPERTY DAMAGE - Caterpillar compactor, scraper, bulldozer, tractor, and backhoes.	\$2,427,992 – limit per occurrence	\$ 2,485
TML Risk Management Pool	TMP-5296-19	1-20-18	1-20-19	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	\$86,337,868 limit per occurrence	\$ 88,379
TML Risk Management Pool	TMP-5296-18	1-20-18	1-20-19	ELECTRONIC DATA PROCESSING - Equipment coverage	\$1,000,000 limit per occurrence	\$ 1,024

SCHEDULE OF INSURANCE ON REAL AND PERSONAL PROPERTY:

	Blount County				
	<u>General</u>	<u>Landfill</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
Building and Contents	<u>\$22,928,946</u>	<u>\$ 559,323</u>	<u>\$ 52,331,086</u>	<u>\$ 10,518,513</u>	<u>\$ 86,337,868</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – SCHOOLS
June 30, 2018

<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, 2018

Fiscal Year Ending June 30,	Total Bond Principal/ Interest Requirements	Bond Total		General Obligation Bonds Series 2012	
		Bond	Interest	Bond	Interest
2019	\$ 12,309,095	\$ 6,486,890	\$ 5,822,205	\$ 50,000	\$ 270,106
2020	12,301,672	6,715,869	5,585,803	50,000	268,106
2021	12,274,143	6,943,840	5,330,303	50,000	266,106
2022	12,261,704	7,200,188	5,061,516	50,000	264,106
2023	<u>11,216,456</u>	<u>6,161,752</u>	<u>5,054,704</u>	<u>250,000</u>	<u>263,106</u>
Subtotal	<u>60,363,071</u>	<u>33,508,539</u>	<u>26,854,532</u>	<u>450,000</u>	<u>1,331,530</u>
2024	11,216,040	6,398,556	4,817,484	275,000	258,106
2025	11,167,644	6,595,576	4,572,068	275,000	252,606
2026	11,156,543	6,842,848	4,313,695	300,000	247,106
2027	10,561,179	6,510,372	4,050,807	325,000	241,106
2028	<u>10,512,671</u>	<u>6,718,160</u>	<u>3,794,511</u>	<u>325,000</u>	<u>234,281</u>
Subtotal	<u>54,614,078</u>	<u>33,065,512</u>	<u>21,548,566</u>	<u>1,500,000</u>	<u>1,233,205</u>
2029	10,257,415	6,731,212	3,526,203	350,000	226,969
2030	10,316,665	7,074,540	3,242,125	350,000	218,744
2031	9,313,611	6,373,156	2,940,455	375,000	210,344
2032	8,219,963	5,537,072	2,682,891	400,000	201,156
2033	<u>8,016,063</u>	<u>5,545,421</u>	<u>2,470,642</u>	<u>425,000</u>	<u>191,156</u>
Subtotal	<u>46,123,716</u>	<u>31,261,401</u>	<u>14,862,315</u>	<u>1,900,000</u>	<u>1,048,369</u>
2034	8,012,437	5,760,000	2,252,437	425,000	177,875
2035	7,972,720	5,955,000	2,017,720	450,000	164,594
2036	8,024,220	6,250,000	1,774,220	450,000	150,531
2037	6,680,870	5,165,000	1,515,870	500,000	136,469
2038	<u>5,933,507</u>	<u>4,630,000</u>	<u>1,303,507</u>	<u>525,000</u>	<u>120,844</u>
Subtotal	<u>36,623,754</u>	<u>27,760,000</u>	<u>8,863,754</u>	<u>2,350,000</u>	<u>750,313</u>
2039	5,941,662	4,835,000	1,106,662	575,000	104,438
2040	5,997,593	5,100,000	897,593	575,000	85,031
2041	5,966,412	5,290,000	676,412	600,000	65,625
2042	6,015,238	5,560,000	455,238	625,000	44,626
2043	<u>3,148,501</u>	<u>2,925,000</u>	<u>223,501</u>	<u>650,000</u>	<u>22,751</u>
Subtotal	<u>27,069,406</u>	<u>23,710,000</u>	<u>3,359,406</u>	<u>3,025,000</u>	<u>322,471</u>
2044	959,750	855,000	104,750	-	-
2045	957,200	885,000	72,200	-	-
2046	393,500	355,000	38,500	-	-
2047	391,074	365,000	26,074	-	-
2048	<u>393,300</u>	<u>380,000</u>	<u>13,300</u>	-	-
Subtotal	<u>3,094,824</u>	<u>2,840,000</u>	<u>254,824</u>	-	-
TOTALS	<u>\$227,888,849</u>	<u>\$152,145,452</u>	<u>\$ 75,743,397</u>	<u>\$ 9,225,000</u>	<u>\$ 4,685,888</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
June 30, 2018

Fiscal Year Ending June 30,	General Obligation Bonds Series E-5-B		The Industrial Board of Blount County, TN Series 2009	
	Bonds	Interest	Bonds	Interest
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	-	-
2023	<u>2,605,000</u>	<u>2,520,500</u>	<u>325,000</u>	<u>278,550</u>
Subtotal	<u>17,105,000</u>	<u>14,467,250</u>	<u>325,000</u>	<u>278,550</u>
2024	2,695,000	2,390,250	340,000	263,925
2025	2,775,000	2,255,500	360,000	248,625
2026	2,885,000	2,116,750	375,000	232,425
2027	3,245,000	1,972,500	390,000	215,550
2028	<u>3,360,000</u>	<u>1,810,250</u>	<u>410,000</u>	<u>198,000</u>
Subtotal	<u>14,960,000</u>	<u>10,545,250</u>	<u>1,875,000</u>	<u>1,158,525</u>
2029	3,835,000	1,642,250	425,000	179,550
2030	4,060,000	1,450,500	445,000	160,425
2031	2,920,000	1,247,500	470,000	140,400
2032	1,940,000	1,101,500	485,000	119,250
2033	<u>2,000,000</u>	<u>1,004,500</u>	<u>510,000</u>	<u>97,425</u>
Subtotal	<u>14,755,000</u>	<u>6,446,250</u>	<u>2,335,000</u>	<u>697,050</u>
2034	2,160,000	904,500	535,000	74,475
2035	2,255,000	796,500	555,000	50,400
2036	2,300,000	683,750	565,000	25,425
2037	1,905,000	568,750	-	-
2038	<u>1,910,000</u>	<u>473,500</u>	<u>-</u>	<u>-</u>
Subtotal	<u>10,530,000</u>	<u>3,427,000</u>	<u>1,655,000</u>	<u>150,300</u>
2039	2,020,000	378,000	-	-
2040	2,090,000	277,000	-	-
2041	1,710,000	172,500	-	-
2042	1,740,000	87,000	-	-
2043	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>7,560,000</u>	<u>914,500</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 64,910,000</u>	<u>\$ 35,800,250</u>	<u>\$ 6,190,000</u>	<u>\$ 2,284,425</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2018

Fiscal Year Ending June 30,	2012 State Revolving Fund Project		General Obligation Bonds Series 2013A	
	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
2019	\$ 171,768	\$ 104,172	\$ 25,000	\$ 424,250
2020	177,708	98,100	25,000	423,563
2021	183,840	91,817	25,000	422,875
2022	190,188	85,319	25,000	422,188
2023	<u>196,752</u>	<u>78,595</u>	<u>275,000</u>	<u>421,500</u>
Subtotal	<u>920,256</u>	<u>458,003</u>	<u>375,000</u>	<u>2,114,376</u>
2024	203,556	71,640	300,000	413,250
2025	210,576	64,444	300,000	404,250
2026	217,848	57,000	325,000	394,500
2027	225,372	49,299	325,000	383,938
2028	<u>233,160</u>	<u>41,332</u>	<u>350,000</u>	<u>372,563</u>
Subtotal	<u>1,090,512</u>	<u>283,715</u>	<u>1,600,000</u>	<u>1,968,501</u>
2029	241,212	33,089	400,000	359,438
2030	249,540	24,562	400,000	343,437
2031	258,156	15,741	425,000	327,437
2032	267,072	6,615	450,000	310,437
2033	<u>45,421</u>	<u>199</u>	<u>450,000</u>	<u>292,437</u>
Subtotal	<u>1,061,401</u>	<u>80,206</u>	<u>2,125,000</u>	<u>1,633,186</u>
2034	-	-	475,000	274,437
2035	-	-	500,000	254,250
2036	-	-	500,000	233,000
2037	-	-	575,000	210,500
2038	<u>-</u>	<u>-</u>	<u>575,000</u>	<u>184,625</u>
Subtotal	<u>-</u>	<u>-</u>	<u>2,625,000</u>	<u>1,156,812</u>
2039	-	-	575,000	158,750
2040	-	-	600,000	130,000
2041	-	-	625,000	100,000
2042	-	-	675,000	68,750
2043	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>35,000</u>
Subtotal	<u>-</u>	<u>-</u>	<u>3,175,000</u>	<u>492,500</u>
TOTALS	<u>\$ 3,072,169</u>	<u>\$ 821,924</u>	<u>\$ 9,900,000</u>	<u>\$ 7,365,375</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2018

Fiscal Year Ending June 30,	General Obligation Bonds Series 2013B		General Obligation Bonds Series 2014		General Obligation Bonds Series 2014 (Taxable)	
	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
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	-	-	100,000	345,750	715,000	131,915
2023	-	-	250,000	343,750	745,000	110,465
Subtotal	<u>400,000</u>	<u>12,000</u>	<u>575,000</u>	<u>1,735,750</u>	<u>4,045,000</u>	<u>767,119</u>
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	-	-	300,000	314,750	-	-
2028	-	-	300,000	305,000	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>1,400,000</u>	<u>1,650,250</u>	<u>2,415,000</u>	<u>177,856</u>
2029	-	-	300,000	295,250	-	-
2030	-	-	350,000	285,500	-	-
2031	-	-	350,000	273,250	-	-
2032	-	-	350,000	261,000	-	-
2033	-	-	400,000	248,750	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>1,750,000</u>	<u>1,363,750</u>	<u>-</u>	<u>-</u>
2034	-	-	425,000	234,750	-	-
2035	-	-	425,000	219,875	-	-
2036	-	-	475,000	205,000	-	-
2037	-	-	575,000	186,000	-	-
2038	-	-	575,000	163,000	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>2,475,000</u>	<u>1,008,625</u>	<u>-</u>	<u>-</u>
2039	-	-	600,000	140,000	-	-
2040	-	-	700,000	116,000	-	-
2041	-	-	700,000	88,000	-	-
2042	-	-	750,000	60,000	-	-
2043	-	-	750,000	30,000	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>3,500,000</u>	<u>434,000</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 400,000</u>	<u>\$ 12,000</u>	<u>\$ 9,700,000</u>	<u>\$ 6,153,625</u>	<u>\$ 6,460,000</u>	<u>\$ 944,975</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2018

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>
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	265,000	302,945	230,000	234,862	775,000	15,500
2023	<u>270,000</u>	<u>297,645</u>	<u>290,000</u>	<u>230,262</u>	-	-
Subtotal	<u>1,300,000</u>	<u>1,540,225</u>	<u>1,270,000</u>	<u>1,197,810</u>	<u>3,020,000</u>	<u>152,600</u>
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	295,000	272,495	335,000	206,563	-	-
2028	<u>305,000</u>	<u>265,415</u>	<u>335,000</u>	<u>199,863</u>	-	-
Subtotal	<u>1,445,000</u>	<u>1,396,645</u>	<u>1,565,000</u>	<u>1,062,012</u>	-	-
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	340,000	228,838	485,000	176,163	-	-
2033	<u>350,000</u>	<u>217,787</u>	<u>525,000</u>	<u>162,825</u>	-	-
Subtotal	<u>1,650,000</u>	<u>1,191,337</u>	<u>1,690,000</u>	<u>909,727</u>	-	-
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	400,000	166,063	260,000	98,288	-	-
2038	<u>420,000</u>	<u>151,063</u>	<u>355,000</u>	<u>89,838</u>	-	-
Subtotal	<u>1,945,000</u>	<u>898,039</u>	<u>2,285,000</u>	<u>587,240</u>	-	-
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	485,000	82,400	975,000	29,250	-	-
2043	<u>505,000</u>	<u>63,000</u>	-	-	-	-
Subtotal	<u>2,340,000</u>	<u>500,712</u>	<u>2,610,000</u>	<u>231,300</u>	-	-
2044	525,000	42,800	-	-	-	-
2045	<u>545,000</u>	<u>21,800</u>	-	-	-	-
Subtotal	<u>1,070,000</u>	<u>64,600</u>	-	-	-	-
TOTALS	<u>\$ 9,750,000</u>	<u>\$ 5,591,558</u>	<u>\$ 9,420,000</u>	<u>\$ 3,988,089</u>	<u>\$ 3,020,000</u>	<u>\$ 152,600</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2018

Fiscal Year Ending June 30,	Capital Outlay Notes Series 2016A		General Obligation Bonds Series 2017		General Obligation Bonds Series 2018	
	Bonds	Interest	Bond	Interest	Bond	Interest
2019	\$ 90,122	\$ 2,161	\$ -	\$ 244,881	\$ 255,000	\$ 347,133
2020	38,161	269	460,000	244,881	260,000	342,400
2021	-	-	470,000	235,681	270,000	329,400
2022	-	-	480,000	226,281	445,000	315,900
2023	-	-	<u>485,000</u>	<u>216,681</u>	<u>470,000</u>	<u>293,650</u>
Subtotal	<u>128,283</u>	<u>2,430</u>	<u>1,895,000</u>	<u>1,168,405</u>	<u>1,700,000</u>	<u>1,628,483</u>
2024	-	-	495,000	206,981	490,000	272,500
2025	-	-	505,000	197,081	510,000	252,900
2026	-	-	515,000	186,981	530,000	232,500
2027	-	-	525,000	176,681	545,000	217,925
2028	-	-	<u>540,000</u>	<u>164,869</u>	<u>560,000</u>	<u>202,938</u>
Subtotal	-	-	<u>2,580,000</u>	<u>932,593</u>	<u>2,635,000</u>	<u>1,178,763</u>
2029	-	-	550,000	152,719	205,000	186,138
2030	-	-	565,000	140,344	215,000	179,988
2031	-	-	580,000	126,219	220,000	173,538
2032	-	-	595,000	110,995	225,000	166,938
2033	-	-	<u>610,000</u>	<u>95,375</u>	<u>230,000</u>	<u>160,188</u>
Subtotal	-	-	<u>2,900,000</u>	<u>625,652</u>	<u>1,095,000</u>	<u>866,790</u>
2034	-	-	625,000	78,600	240,000	153,000
2035	-	-	645,000	59,850	245,000	145,500
2036	-	-	665,000	40,500	255,000	137,538
2037	-	-	685,000	20,550	265,000	129,250
2038	-	-	-	-	<u>270,000</u>	<u>120,637</u>
Subtotal	-	-	<u>2,620,000</u>	<u>199,500</u>	<u>1,275,000</u>	<u>685,925</u>
2039	-	-	-	-	280,000	111,862
2040	-	-	-	-	290,000	102,762
2041	-	-	-	-	300,000	93,337
2042	-	-	-	-	310,000	83,212
2043	-	-	-	-	<u>320,000</u>	<u>72,750</u>
Subtotal	-	-	-	-	<u>1,500,000</u>	<u>463,923</u>
2044	-	-	-	-	330,000	61,950
2045	-	-	-	-	340,000	50,400
2046	-	-	-	-	355,000	38,500
2047	-	-	-	-	365,000	26,074
2048	-	-	-	-	<u>380,000</u>	<u>13,300</u>
Subtotal	-	-	-	-	<u>1,770,000</u>	<u>190,224</u>
TOTALS	<u>\$ 128,283</u>	<u>\$ 2,430</u>	<u>\$ 9,995,000</u>	<u>\$ 2,926,151</u>	<u>\$ 9,975,000</u>	<u>\$ 5,014,108</u>

**CITY OF ALCOA, TENNESSEE
ELECTRIC UTILITY
SCHEDULE OF UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2018**

The basic utility rates in force as of June 30, 2018, are as follows:

Base Residential Rate – Schedule RS

Customer Charge: \$15.25 per month
Energy Charge: 9.754 cents per kWh per month

Base General Power Rate – Schedule GSA

Part 1

Customer Charge: \$22.54 per delivery point per month
Energy Charge: 10.889 cents per kWh per month

Part 2

Customer Charge: \$97.00 per delivery point per month
Demand Charge: First 50 kWh of billing demand per month, no demand charge
\$14.09/kw for 51 – 1,000 kWh
Energy Charge: 10.614 cents per kWh for first 15,000 kWh
6.397 cents per kWh for all additional kWh

Part 3

Customer Charge: \$236.00 per delivery point per month
Demand Charge: First 1,000 kW of billing demand per month at 13.51 cents per kWh
From 1,000 – 5,000 kW of billing demand per month at 14.40 cents per kW.
Energy Charge: 6.380 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, 2018**

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, 2018</u>	<u>June 30, 2017</u>
Residential.....	25,580	25,326
General Power – under 50 kW	3,195	3,106
General Power – 50 kW and over	355	351
Street and athletics	39	39
Outdoor lighting – code 78.....	93	93
	29,262	28,915

**CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY
SCHEDULE OF UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2018**

The basic utility rates in force as of June 30, 2018 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, 2018**

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, 2018**

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, 2018**

CUSTOMERS

The class and number of customers served by the Water and Sewer Utility are as follows:

	<u>Water</u>			<u>Sewer</u>		
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Residential – inside city	3,576	3,537	3,489	3,189	3,158	3,140
Residential – outside city	5,192	5,183	5,121	2,211	2,206	2,166
Commercial – inside city	910	910	923	712	708	722
Commercial – outside city	404	404	426	177	182	192
Industrial – inside city	1	1	2	1	1	2
Industrial – outside city	<u>3</u>	<u>3</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>1</u>
Totals.....	<u>10,086</u>	<u>10,038</u>	<u>9,964</u>	<u>6,291</u>	<u>6,256</u>	<u>6,223</u>

CITY OF ALCOA, TENNESSEE
JUNE 30, 2018

**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
American Water Works Association.
Copyright © 2014, All Rights Reserved.



?
+

Water Audit Report for:
Reporting Year:

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

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

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

WATER SUPPLIED

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

Volume from own sources:	+ ?	<input type="text" value="10"/>	<input type="text" value="2,267.500"/>	MG/Yr
Water imported:	+ ?	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Water exported:	+ ?	<input type="text" value="10"/>	<input type="text" value="394.400"/>	MG/Yr

Master Meter and Supply Error Adjustments

Point:	Value:	MG/Yr
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

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

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	<input type="text" value="9"/>	<input type="text" value="1,240.100"/>	MG/Yr
Billed unmetered:	+ ?	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled metered:	+ ?	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	+ ?	<input type="text" value="6"/>	<input type="text" value="8.500"/>	MG/Yr

AUTHORIZED CONSUMPTION: MG/Yr

Click here: ?
for help using option buttons below

Point: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Point: Value: MG/Yr

Point: Value: MG/Yr

Point: Value: MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) MG/Yr

Apparent Losses

Unauthorized consumption: + ? MG/Yr
Enter a positive value, otherwise a default percentage of 0.25% is applied and a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ?	<input type="text" value="6"/>	<input type="text" value="7.486"/>	MG/Yr
Systematic data handling errors:	+ ?	<input type="text" value="5"/>	<input type="text" value="3.100"/>	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:	+ ?	<input type="text" value="10"/>	<input type="text" value="237.6"/>	miles
Number of <u>active AND inactive</u> service connections:	+ ?	<input type="text" value="7"/>	<input type="text" value="11,156"/>	
Service connection density:	?		<input type="text" value="47"/>	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: ft
Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? psi

COST DATA

Total annual cost of operating water system:	+ ?	<input type="text" value="10"/>	<input type="text" value="\$10,582,846"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	<input type="text" value="9"/>	<input type="text" value="\$4.73"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	<input type="text" value="8"/>	<input type="text" value="\$724.23"/>	\$/Million gallons

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 86 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Customer metering inaccuracies
- 2: Unauthorized consumption
- 3: Systematic data handling errors

CITY OF ALCOA, TENNESSEE
JUNE 30, 2018



**AWWA Free Water Audit Software:
System Attributes and Performance Indicators**

WAS v6.0
American Water Works Association.
Copyright © 2014, All Rights Reserved.

Water Audit Report for:
Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 ***

System Attributes:

Apparent Losses:	<input type="text" value="15.269"/>	MG/Yr
+	Real Losses:	<input type="text" value="609.231"/>
=	Water Losses:	<input type="text" value="624.500"/>

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

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
Real Losses per service connection per day: gallons/connection/day
Real Losses per length of main per day*:
Real Losses per service connection per day per psi pressure: 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, 2018

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 UNCOLLECTED DELINQUENT
TAXES FILED IN BLOUNT COUNTY, TENNESSEE
CIRCUIT COURT
June 30, 2018**

<u>Property Tax Year</u>	<u>Uncollected Delinquent Taxes</u>	<u>Penalty</u>	<u>Total</u>
2016	\$ 70,552	\$ 26,718	\$ 97,270
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	<u>65,844</u>	<u>23,690</u>	<u>89,534</u>
Totals	<u>\$ 914,950</u>	<u>\$ 336,110</u>	<u>\$ 1,251,060</u>

**CITY OF ALCOA, TENNESSEE
SCHEDULE OF MISCELLANEOUS DATA -
EDUCATION FUND
June 30, 2018**

Education:

Number of Schools	4
Number of Administrative Personnel	13
Number of Instructional Personnel (includes 35 paraprofessionals)	179
Number of Other Personnel (includes 29 lunchroom and and 11 after school program)	82
Number of Students enrolled	1,994

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	-
*2017-2018	1,879	144	21,714,000	-

* Does not include a number for Pre-K, but around 40.

CITY OF ALCOA, TENNESSEE

SECTION FOUR

STATISTICAL SECTION

June 30, 2018

CITY OF ALCOA, TENNESSEE
STATISTICAL SECTION
June 30, 2018

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 9
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.	10 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>2018</u>	<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>
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 26,539,320	\$ 20,456,653	\$ 18,305,142	\$ 18,643,895	\$ 6,206,361	\$ 9,138,604	\$ 17,131,555	\$19,139,028	\$16,394,858	\$ 15,621,176
Restricted.....	4,564,341	7,522,158	9,100,582	12,237,981	18,960,022	12,890,404	5,656,633	5,182,983	4,557,091	7,554,419
Unrestricted (deficit).....	<u>(6,362,087)</u>	<u>(8,626,812)</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>
Total Governmental Activities Net Position.....	<u>\$ 24,741,574</u>	<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>
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	\$ 51,253,207	\$ 52,038,148	\$ 49,237,556	\$ 50,190,104	\$ 41,602,343	\$ 38,763,375	\$ 37,278,343	\$37,476,104	\$36,064,484	\$ 36,535,491
Restricted.....	1,300,187	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
Unrestricted	<u>6,595,994</u>	<u>10,254,121</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>
Total Business-Type Activities Net Position.....	<u>\$ 59,149,388</u>	<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>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 77,792,527	\$ 72,494,801	\$ 67,542,698	\$ 68,833,999	\$ 47,808,704	\$ 47,901,979	\$ 54,409,898	\$56,615,132	\$52,459,342	\$ 52,156,667
Restricted.....	5,864,528	8,803,569	10,365,235	13,715,104	20,367,980	14,228,994	6,926,250	6,383,521	5,688,964	8,611,338
Unrestricted (deficit).....	<u>233,907</u>	<u>1,627,309</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>
Total Primary Government Net Position	<u>\$ 83,890,962</u>	<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>

CITY OF ALCOA TENNESSEE
SCHEDULE 2
CHANGES IN NET POSITION
(Prepared Using the Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2018</u>	<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>
Expenses:										
Governmental Activities:										
General Government	\$ 8,990,425	\$ 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
Public Safety.....	10,132,385	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
Public Works	6,462,318	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
Culture and Recreation	863,740	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
Education.....	24,678,680	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
Economic Development	1,292,190	1,123,627	1,403,320	1,042,221	713,405	748,075	690,939	746,932	2,167,843	2,593,283
Interest on Long-term debt	<u>2,095,576</u>	<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>
Total Governmental Activities Expenses.....	<u>54,515,314</u>	<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>
Business-type Activities:										
Stormwater Utility	1,078,091	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.....	12,078,385	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
Electric	64,529,615	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
Landfill	<u>3,863,804</u>	<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>
Total Business- type Activities Expenses.....	<u>81,549,895</u>	<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>
Total Primary Government Expenses.....	<u>136,065,209</u>	<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>
Program Revenues:										
Governmental Activities:										
Charges for services:										
General Government.....	6,884,388	6,901,490	675,592	279,171	496,005	178,493	1,023,162	1,028,807	421,735	549,297
Police and Fire.....	656,737	636,235	663,174	504,445	15,087	18,146	29,985	-	-	-
Public Works	825,325	912,557	433,611	304,002	349,703	372,895	627,425	34,351	402,569	356,588
Economic Development.....	-	23,396	18,986	19,700	14,434	17,350	-	41,737	20,948	52,364
Education.....	1,134,061	1,205,635	603,372	451,405	849,379	552,034	782,537	754,043	736,025	583,548
Operating grants and contributions	12,582,245	10,163,304	10,218,711	10,536,788	9,071,291	8,823,444	3,577,873	3,526,523	2,285,592	1,591,445
Capital grants and contributions	<u>2,946,797</u>	<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>-</u>
Total Governmental Activities Program Revenues.....	<u>25,029,553</u>	<u>20,411,684</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>

(Continued)

CITY OF ALCOA TENNESSEE
SCHEDULE 2
CHANGES IN NET POSITION (Continued)
(Prepared Using the Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2018</u>	<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>
Business-type Activities:										
Charges for services:										
Stormwater Utility	1,304,463	1,180,437	1,061,473	1,035,588	1,026,324	1,015,899	1,032,697	997,509	907,020	806,057
Water and Sewer	13,928,825	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
Electric	67,502,185	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
Landfill	4,431,096	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
Operating grants and contributions ..	147,596	127,253	153,261	75,718	90,559	105,603	85,166	69,490	75,926	74,113
Capital grants and contributions	540,608	178,450	377,230	1,610,605	-	473,138	942,024	2,667,043	1,814,111	565,229
Total Business-type Activities										
Program Revenues	<u>87,854,773</u>	<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>
Total Primary Government										
Program Revenues	<u>112,884,326</u>	<u>104,961,389</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>
Net (Expense) / Revenue:										
Governmental Activities	(29,485,761)	(26,836,028)	(30,765,350)	(23,646,779)	(25,159,168)	(28,063,465)	(33,478,008)	(28,403,363)	(33,934,085)	(35,035,482)
Business-type Activities	<u>6,304,878</u>	<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>
Total primary government										
(expense) / revenue	<u>(23,180,883)</u>	<u>(21,890,487)</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>
General Revenues and Other Changes										
In Net Position										
Governmental Activities:										
Sales Taxes and other state taxes	13,811,770	14,722,171	14,142,755	14,520,112	14,256,596	15,445,336	15,002,875	15,808,462	18,667,876	13,950,671
State income taxes and excise taxes ..	100,413	127,426	135,244	95,095	87,636	104,705	145,229	69,431	101,659	-
Property taxes	14,275,685	14,297,638	13,744,696	13,734,216	12,723,141	12,129,571	12,211,321	13,797,967	11,768,876	10,680,581
Business taxes/licenses	895,245	961,373	942,515	897,280	902,658	284,263	1,361,561	817,279	684,788	-
Miscellaneous taxes	765,375	447,576	1,061,384	790,571	512,845	467,396	512,818	265,316	684,577	4,012,543
In lieu of taxes	1,058,111	1,207,703	297,331	371,954	155,929	255,535	-	-	140,979	-
Interest earned	186,461	26,390	117,349	56,826	17,032	3,476	17,931	19,370	11,828	173,239
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	1,844,322	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
Total governmental activities	<u>32,937,382</u>	<u>33,690,206</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>
Business-type Activities:										
Gain/loss on sale of fixed assets	-	-	-	-	(50,755)	45,783	-	-	-	(67,465)
Interest earned	57,122	31,189	17,168	7,322	22,752	23,313	53,219	37,511	182,101	166,465
Transfers-in-lieu of taxes	(1,844,322)	(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)
Total Business-type Activities	<u>(1,787,200)</u>	<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>
Total Primary Government	<u>31,150,182</u>	<u>31,821,466</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>
Change in Net Position:										
Governmental Activities	3,451,621	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)
Business-type Activities	4,517,678	3,076,801	(191,858)	1,360,058	612,024	1,556,022	4,218,059	3,999,989	1,409,806	(1,808,036)
Total Primary Government	<u>\$ 7,969,299</u>	<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>

CITY OF ALCOA, TENNESSEE
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS
(Prepared Using the Modified Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2018</u>	<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>
GENERAL FUND										
Assigned	\$ 512,658	\$ 508,792	\$ 947,010	\$ 941,852	\$ 631,139	\$ -	\$ -	\$ 1,135,718	\$ -	\$ -
Restricted	124,927	325,264	165,441	63,674	2,222	2,096	180,786	990	16,495	19,619
Unassigned.....	<u>7,669,588</u>	<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>
Total General Fund	<u>\$ 8,307,173</u>	<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>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ -	\$ -	\$ -
Restricted	10,779,742	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
Assigned, reported in:										
Debt Service Fund	1,181,483	759,849	1,019,041	2,945,179	1,787,413	804,120	94,697	95,232	95,766	95,766
Special Revenue Funds	408,821	318,659	188,901	159,708	165,066	641,993	1,265,943	2,685,827	2,576,815	2,395,866
Capital Projects Funds.....	1,461,753	304,428	820,051	366,624	685,982	3,307,028	1,081,149	1,004,074	715,595	4,036,277
Committed	<u>1,011,620</u>	<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>\$ 14,843,419</u>	<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>

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>2018</u>	<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>
REVENUES:										
Taxes	\$ 29,468,908	\$ 30,380,301	\$ 25,390,315	\$ 26,555,861	\$ 24,149,030	\$ 22,449,030	\$ 18,847,900	\$ 20,758,394	\$ 19,241,999	\$ 19,304,370
Licenses, permits and fees	441,174	499,309	141,755	222,483	527,213	448,607	387,426	362,880	418,004	107,733
Rent	193,056	145,138	153,336	143,388	143,547	143,389	136,533	154,944	154,744	162,663
Intergovernmental	16,781,681	13,019,800	13,102,650	18,300,151	15,992,077	14,337,120	19,660,547	19,471,744	15,452,554	14,641,516
American Recovery and Reinvestment Act (ARRA)....	-	-	-	-	-	-	-	2,796,361	1,432,448	-
Fines, forfeitures and costs.....	603,444	590,061	663,174	517,539	507,920	467,396	504,571	833,623	580,522	507,517
Interest earned	185,737	26,390	85,317	56,826	17,032	3,476	14,301	15,381	11,828	173,241
Other revenue	429,513	405,023	3,566,681	758,671	130,807	98,121	1,022,837	235,338	144,164	427,025
Charges for service.....	<u>1,344,381</u>	<u>1,275,152</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>
 Total Revenues.....	<u>49,447,894</u>	<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>
EXPENDITURES:										
General government	2,734,496	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
Public safety	9,640,735	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
Public Works	5,357,568	4,670,404	5,039,816	4,974,584	5,167,334	4,913,515	5,277,899	6,206,920	4,330,871	4,844,146
Recreation and Arts.....	627,097	873,137	785,765	851,898	747,727	1,060,417	1,096,972	583,044	1,140,865	582,776
Other Appropriations	-	-	-	-	-	-	-	-	-	-
Education.....	22,856,597	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
Other - Building	51,442	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement.....	3,125,000	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
Interest and fiscal fees.....	2,095,576	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
Capital Outlay	11,581,448	2,742,568	3,327,687	24,902,807	20,274,934	4,403,369	1,174,219	3,383,297	3,673,344	5,161,078
Community development/ Culture	<u>1,292,190</u>	<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>
 Total Expenditures	<u>59,362,149</u>	<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>
Deficiency of Revenue										
Over Expenditures Before Financing Sources (Uses).....	<u>(9,914,255)</u>	<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>

(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>2018</u>	<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>
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)	-
Issuance of debt/capital lease	6,915,000	9,995,000	-	9,995,000	20,850,000	10,000,000	402,528	1,422,511	1,024,635	34,000,000
In lieu of taxes	1,844,322	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
Debt issuance costs.....	(22,289)	-	-	176,654	-	-	-	-	-	-
Paid to debt escrow agent.....	-	-	-	-	-	-	-	(470,000)	-	(24,525,000)
 Total Other Financing Sources	<u>8,737,033</u>	<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>
Excess (Deficiency) of Revenues and Other Financing Sources										
Over Expenditures and Other Financing Uses	<u>\$ (1,177,222)</u>	<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>
Debt service as a percentage of non-capital expenditures										
	<u>12.3%</u>	<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>

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
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%
2018	2017	354,484,084	121,061,475	33,375,720	508,921,279	1.96	1,570,065,116	32%

CITY OF ALCOA, TENNESSEE
SCHEDULE 6
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>
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	99.8	826,995	8.28%
2017	1.96	9,974,857	9,631,915	96.6	609,091	10,241,006	100.0	561,691	5.63%

CITY OF ALCOA, TENNESSEE
SCHEDULE 7
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
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
2018	2017	0.49	0.58	0.89	1.96	2.47

**CITY OF ALCOA, TENNESSEE
SCHEDULE 8
PRINCIPAL TAXPAYERS
June 30, 2018**

FOR TAX YEAR 2017

FOR TAX YEAR 2007

	<u>ASSESSMENT</u>	<u>Rank</u>	Percentage of Total City Taxable Assessed Value		<u>ASSESSMENT</u>	<u>Rank</u>	Percentage of Total City Taxable Assessed Value
ALCOA	\$ 102,245,641	1	20.1%	ALCOA	\$ 102,200,860	1	22.9%
KRG ALCOA HAMILTON, LLC	12,187,672	2	2.4%	CMH SERVICES	13,315,332	2	3.0%
RIDGE AT HAMILTON CROSSING	10,912,290	3	2.1%	FAULKNER PROPERTIES	5,897,640	3	1.3%
FAULKNER PROPERTIES	9,272,120	4	1.8%	ETMG INVESTMENTS	4,549,760	4	1.0%
CMH MANAGEMENT	9,154,679	5	1.7%	MIDEB NOMINEES, INC. #672	4,549,760	5	1.0%
BLOUNT COUNTY SNF REAL ESTATE	7,751,640	6	1.5%	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%
CORNERSTONE OF RECOVERY	5,958,720	8	1.2%	EGGERS, FRANK M. II	2,755,955	8	.6%
WEST 2 EAST LAND, LP	5,167,960	9	1.0%	STOCK CREEK, LLC	2,588,000	9	.6%
MIDEB NOMINEES INC	4,555,200	10	.9%	DNSM PARTNERSHIP	2,447,320	10	.5%
ALCOA BUSINESS PARK, LLC	4,481,633	11	.9%	CERAMASPEED	2,151,122	11	.5%
CLAYTON EDUCATION CORP.	<u>4,377,720</u>	12	<u>.9%</u>	WEST 2 EAST LAND LP	<u>2,115,840</u>	12	<u>.5%</u>
	<u>\$ 182,129,155</u>		<u>35.7%</u>		<u>\$ 148,603,789</u>		<u>33.3%</u>
Total City Assessment	<u>\$ 508,921,279</u>			Total City Assessment	<u>\$ 445,953,513</u>		

CITY OF ALCOA, TENNESSEE
SCHEDULE 9
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		
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	65.90%	15,808
2018	86,310,000	-	7,621,966	47,452,169	3,145,000	128,283	15,110,000	-	159,767,418	(1)	(1)

Notes:

Details regarding the City's outstanding debt may be found in the Notes to the Financial Statements.

See Schedule 13 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 10
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Calendar Years

Fiscal Year	General Obligation/ Revenue Bonds	Capital Outlay Notes	Total	Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita
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
2018	86,310,000	-	86,310,000	508,921,279	16.96%	(1)

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.

(1) Data not available.

CITY OF ALCOA, TENNESSEE
 SCHEDULE 11
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As of June 30, 2018

<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	\$ 86,310,000		
Capital Leases	<u>7,621,966</u>		
Total Direct Debt	93,931,966	100%	93,931,966
Overlapping Debt:			
Blount County General Government	195,591,234	15%	<u>29,338,685</u>
Total Direct and Overlapping Debt			<u>\$ 123,270,651</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 12
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 13
PLEDGED – REVENUE COVERAGE
Last Ten Fiscal Years*

Fiscal Year Ending 30-Jun	Landfill Revenue Debt					
	Landfill Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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
2018	4,431,096	3,772,359	592,905	945,122	91,445	0.57

	Electric Revenue Debt					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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
2018	67,499,927	61,192,047	6,307,880	895,000	300,587	5.28

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE 13
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
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
2018	13,928,825	8,048,135	5,880,690	1,431,768	1,429,986	2.05

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
2018	1,304,463	1,002,328	302,135	-	-	0.00

Notes:

Operating expenses do not include interest, depreciation, transfers, or amortization expenses.

CITY OF ALCOA, TENNESSEE
SCHEDULE 14
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Tax Year Ended June 30,	(1) Population	(2) Personal Income	(2) Per Capita Income	(3) School Enrollment	(4) Unemployment Rate
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	\$ 296,900,000	\$ 23,166	1,969	2.70%
2018	10,228	(5)	(5)	(5)	3.1%

- Sources:
- (1) U.S. Census Bureau
 - (2) Bureau of Economic Analysis report; Tennessee
 - (3) City of Alcoa Schools
 - (4) East Tennessee Economic Development Agency
 - (5) 2018 amounts not available at time of report

**CITY OF ALCOA, TENNESSEE
SCHEDULE 15
PRINCIPAL EMPLOYERS
June 30, 2018**

<u>Employer</u>	<u>2018</u>			<u>(3) 2009</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)	4,439	1	7.31%	2,500	1	4.45%
Clayton Homes (1)	2,457	2	4.05%	1,373	3	2.45%
Blount Memorial Hospital, Inc. (1)	2,387	3	3.93%	1,886	2	3.36%
Blount County School System (1)	1,800	4	2.97%	1,572	4	2.80%
McGhee Tyson ANG Base (1)	1,717	5	2.83%	-	-	-
Newell Rubbermaid (1) Sanford Brands	1,500	6	2.47%	1,100	-	-
Arconic (1)	1,000	7	1.65%	808	5	-
Blount County Government (1)	733	8	1.21%	670	7	1.44%
Maryville City Schools (2)	673	9	1.11%	700	9	1.19%
Walmart Super Center (2)	592	10	0.98%	-	8	-
Accenture Hospitality Service (1)	541	11	0.89%	-	-	-
Ruby Tuesday (1)	485	12	0.80%	544	10	0.97%
TeamHealth Alcoa Billing Center (1)	451	13	0.74%	-	-	-
Massey Group (2)	400	14	0.66%	-	-	-
Reinhart Food Service (1) Formerly IJ Co.	344	15	0.57%	483	12	0.86%
City of Maryville (2)	312	16	0.51%	336	13	0.60%
K 12	300	17	0.49%	-	-	-
Rockford Manufacturing (1)	300	18	0.49%	-	-	-
City of Alcoa (2)	272	19	0.45%	-	-	-
Maryville College (1)	255	20	0.42%	-	-	-
Alcoa City Schools (2)	248	21	0.41%	-	-	-
Peninsula Hospital (1), division of Park West Medical Center	242	22	0.40%	-	-	-
Standard Aero, Inc. (1)	221	23	0.36%	-	-	-
Cornerstone of Recovery (1)	214	24	0.35%	-	-	-
	<u>21,883</u>		<u>36.05%</u>	<u>11,972</u>		<u>18.12%</u>

Total Blount County Employment 2018 (as of 05/18) (4) 60,708
Total Blount County Employment 2009 (as of 06/09) (4) 56,140

*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 6/30/09
(4) US Bureau of Labor Statistics

CITY OF ALCOA, TENNESSEE
SCHEDULE 16
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	<u>Actual FY2018</u>	<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>
General Government										
Administration / Office	43	42	42	42	42	43	42	51	51	51
Police	49	48	49	49	41	42	42	42	41	43
Fire	34	34	34	32	29	30	30	30	28	29
Public Works and Streets	14	13	13	17	17	15	15	18	18	20
Other-support service and maintenance	6	6	6	6	6	6	6	7	7	10
Education	218	242	249	235	231	231	231	228	227	227
Solid Waste	10	10	10	11	11	11	11	10	10	11
Other – inspectors	<u>3</u>	<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>
Total General Government	<u>377</u>	<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>
Utilities										
Water and Sewer	35	35	34	34	34	34	34	33	33	34
Stormwater	7	8	8	8	8	8	8	8	8	-
Electric	61	57	60	60	61	62	62	61	61	63
Landfill	<u>17</u>	<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>
Total Utilities	<u>120</u>	<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>
Total General Government and Utilities	<u>497</u>	<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>

CITY OF ALCOA, TENNESSEE
SCHEDULE 17
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	<u>2018</u>	<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>Function/Program</u>										
Police										
Physical arrests	921	1,248	1,145	1,245	1,492	1,506	697	1,449	1,321	992
Traffic violations	5,417	5,199	5,298	6,061	7,431	7,179	7,550	8,067	6,403	7,838
Fire										
Emergency responses	2,245	2,184	2,185	1,519	1,867	1,797	1,669	1,591	1,518	1,510
Fires extinguished	43	71	84	46	61	58	75	99	63	119
Inspections	318	301	289	501	303	283	850	131	729	383
Public works/Streets										
Street resurfacing (lanes)	5.0	3.5	3.4	2.3	4.5	1.3	1.5	3.3	0.81	0.50
Potholes repaired	325	77	253	83	52	126	83	38	203	116
Education										
Tuition students served	407	378	409	435	483	473	484	490	482	468
Parks and recreation										
Community pool admissions	32,600	32,360	36,045	30,368	34,677	35,500	40,510	44,506	47,474	53,627
Landfill										
Refuse collected (tons per day)	266.43	244.49	332.46	290.87	327.13	227.87	283.57	295.60	202.00	288.06
Recyclables collected (tons per day)	n/a	n/a	n/a	n/a	n/a	n/a	188.65	150.00	145.00	167.20
Water/Sewer										
New connections	64	71	83	232	219	147	117	81	79	29
Water mains breaks-leak repaired	80	79	108	160	216	154	208	194	116	171
Average daily consumption										
(thousands of gallons)	4,478	4,832	4,933	4,687	6,237	6,566	5,308	5,040	5,858	6,728
Peak daily consumption										
(thousands of gallons)	8,720	8,480	9,070	8,470	9,380	9,040	8,990	9,550	9,890	10,370
Average daily sewage treatment										
(thousands of gallons)	1,422	1,755	1,926	1,348	1,740	2,125	2,025	1,227	1,693	1,674
Electric Utility										
Average monthly kwh purchased	54,665,807	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

Sources: Various City departments.

CITY OF ALCOA, TENNESSEE
SCHEDULE 18
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	<u>2018</u>	<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>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	34	44	46	42	42	42	42	42	33	33
Police Adm./other vehicles	17	17	16	16	15	15	15	15	21	21
Fire stations	3	3	3	3	3	3	3	3	3	3
Landfill										
Collection trucks (customers)	70,040	70,712	69,548	53,056	57,873	56,809	71,500	71,500	80,784	83,283
Public works/Streets										
Highway (miles)	97.7	97.7	110.9	110.9	110.5	110.5	110.5	110.5	110	110
Streetlights										
Traffic signals	31	24	24	24	24	24	24	24	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	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	7	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)	257.2	257.0	255.0	251.8	213.1	213.1	213.1	213.1	213.1	214.0
Storage capacity (thousands of gallons)	14,950	14,950	14,950	14,950	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)	143.8	141.4	140.3	137.1	137.6	137.6	133.6	133.6	133.6	133.6
Storm sewers (miles)	49.3	49.7	49.6	138.36	47.3	47.3	47.3	47.3	47.3	49.8
Electric										
Number of Customers	29,262	28,915	28,728	28,549	27,905	27,808	27,640	27,443	27,431	27,364
Annual KWH sold	624,009,864	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
Sub Stations	13	13	13	13	12	12	12	12	12	12
Pole line (miles)	1,086	1,079	1,068	1,200	1,145	1,145	1,145	1,145	1,145	1,107
Sources: Various city departments.										

CITY OF ALCOA, TENNESSEE

SECTION FIVE

SINGLE AUDIT SECTION

June 30, 2018

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2018

<u>Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Other/Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2018</u>
FEDERAL ASSISTANCE AWARDS:								
<u>General Fund:</u>								
Tennessee Highway Safety Office (THSO)	U.S. Dept. of Transportation Through TN Dept. of Transportation	N/A	20.600	(4,484)	12,745	-	10,433	(2,172)
City Wide Debris Removal	Federal Emergency Management Agency	N/A	97.036	-	181,346	-	181,346	-
Total General Fund Funds				(4,484)	194,091	-	191,779	(2,172)
<u>Capital Projects Funds:</u>								
G.O. Public Works Construction Recreational Trails Program	Federal Highway Adm Through TN Department of Environment & Conservation	N/A	20.219	-	-	-	13,680	(13,680)
Pistol Creek	U.S. Dept. of Transportation Through TN Dept. of Transportation	N/A	20.205	-	38,688	-	57,633	(18,945)
Total Capital Projects Funds				-	38,688	-	71,313	(32,625)
<u>Proprietary Funds:</u>								
Electric								
City Wide Debris Removal	Federal Emergency Management Agency	N/A	97.036	-	-	-	485,296	(485,296)
Water and Sewer Fund								
City Wide Debris Removal	Federal Emergency Management Agency	N/A	97.036	-	33,243	-	33,243	-
Total Proprietary Funds				-	33,243	-	518,539	(485,296)

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Fiscal Year Ended June 30, 2018

<u>Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Other/ Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2018</u>
<u>Federal Projects Funds:</u>		<u>U.S. Dept. of Education through:</u>						
Carl Perkins Program Improvement Title I	TN Dept. of Education	2017-2018	84.048	-	70,977	-	70,977	-
Title II-A Training	TN Dept. of Education	17-01	84.010	-	307,381	-	315,693	(8,312)
Preschool	TN Dept. of Education	17-01	84.367	-	67,775	-	67,883	(108)
IDEA B	TN Dept. of Education	17-01	84.173	-	11,777	-	11,777	-
Erate	TN Dept. of Education	17-01	84.027	-	377,242	-	382,641	(5,399)
IDEA Discretionary	TN Dept. of Education	17-01	84.377	45,687	-	-	45,687	-
Read to be Ready	TN Dept. of Education	17-01	84.010	-	33,628	-	33,628	-
			95.575	-	-	-	64,460	(64,460)
Total Federal Projects Funds				45,687	868,780	-	992,746	(78,279)
TOTALS – FEDERAL FINANCIAL ASSISTANCE				41,203	1,134,802	-	1,774,377	(598,372)
<u>STATE AWARDS:</u>								
<u>General Fund:</u>								
City Wide Debris Removal	TN Emergency Management Agency	N/A	N/A	-	21,168	-	21,168	-
<u>Capital Projects Fund:</u>								
G.O. Public Works Construction West Plant	TN Dept. of Transportation	117346.00	NA	(134,785)	2,765,607	-	3,708,300	(1,077,478)
<u>Education Fund:</u>								
Early Childhood (Lottery – Pre K)	TN Dept. of Education	N/A	N/A	-	170,446	-	170,446	-
Coordinated School Health	TN Dept. of Education	N/A	N/A	-	93,858	-	93,858	-
Career Ladder Extended Contract	TN Dept. of Education	N/A	N/A	(1,167)	32,361	-	31,194	-
Total Education Fund				(1,167)	296,665	-	295,498	-
TOTALS – STATE FINANCIAL ASSISTANCE				(135,952)	3,083,440	-	4,024,966	(1,077,478)
TOTALS – FEDERAL AND STATE FINANCIAL ASSISTANCE				\$ (94,749)	\$4,218,242	\$ -	\$ 5,799,343	\$ (1,675,850)

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF PERFORMANCE BASED ASSISTANCE, LOANS AND ENTITLEMENTS
For the Fiscal Year Ended June 30, 2018

<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, 2018</u>
Nutrition Cluster:							
National School Lunch Program	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.555	\$ -	\$ 398,425	\$ 398,425	\$ -
National School Breakfast Program	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.553	-	142,854	142,854	-
Summer Feeding	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.569	_____ -	_____ 32,826	_____ 32,826	_____ -
				<u>\$ _____ -</u>	<u>\$ 574,105</u>	<u>\$ 574,105</u>	<u>\$ _____ -</u>

Summary of Due from Grantors and Unapplied Grant Funds for the fiscal year ended June 30, 2018:

	<u>Due from Grantors</u>	<u>Unapplied Grant Funds</u>	<u>Total</u>
General Fund	\$ (2,172)	\$ -	\$ (2,172)
Federal Projects Funds	(78,866)	587	(78,279)
G.O. Public Works Construction	(1,110,103)	-	(1,110,103)
Electric	(485,296)	-	(485,296)
Totals	<u>\$ (1,676,437)</u>	<u>\$ 587</u>	<u>\$ (1,675,850)</u>

Notes to Schedule of Expenditures of Federal and State Awards for the Year Ended June 30, 2018:

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, 2018. 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, 2018**

CFDA No.	Program Name	Grantor Agency	Balance July 1, 2017	Receipts	Expenditures	Balance June 30, 2018
10.555	U.S. Department Of Agriculture Donated Commodities	Federal Pass Through Tennessee Department Of Agriculture	\$ _____ -	\$ 72,829	\$ 72,829	\$ _____ -

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, 2018



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February 27, 2019

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, 2018, 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 February 27, 2019.

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

February 27, 2019



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February 27, 2019

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, 2018. 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, 2018.

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
February 27, 2019

CITY OF ALCOA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

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
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, 2018

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. PRIOR YEAR FINDINGS IMPLEMENTED

None.